SIRONA DENTAL SYSTEMS, INC.
Form S-3/A
May 05, 2009
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As filed with the Securities and Exchange Commission on May 4, 2009

No. 333-153092

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

FORM S-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

SIRONA DENTAL SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**11-3374812**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

30-30 47th Avenue, Suite 500

Long Island City, New York 11101

(718) 482-2011

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Jonathan Friedman, Esq.

General Counsel

30-30 47th Avenue, Suite 500

Long Island City, New York 11101

(718) 482-2011

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Carol Anne Huff

Kirkland & Ellis LLP

300 North LaSalle

Chicago, Illinois 60654

(312) 862-2000

Approximate date of commencement of proposed sale to the public: From time to time on or after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

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

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value $.01 per share	36,972,480	$28.92	$1,069,244,122	$42,021.29

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low prices of the common stock on the NASDAQ Global Select Market on August 18, 2008.
(2) Previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 4, 2009

PROSPECTUS

36,972,480 Shares

SIRONA DENTAL SYSTEMS, INC.

Common Stock

The selling stockholders named herein may offer and sell from time to time up to 36,972,480 shares of our common stock covered by this prospectus. The selling stockholders will receive all of the proceeds from any sales of their shares. We will not receive any of the proceeds, but we will incur expenses in connection with the offering.

Our registration of the shares of common stock covered by this prospectus does not mean that the selling stockholders will offer or sell any of the shares. The selling stockholders may sell the shares of common stock covered by this prospectus in a number of different ways and at varying prices. We provide more information about how the selling stockholders may sell the shares in the section entitled Plan of Distribution beginning on page 5.

Our common stock is traded on the NASDAQ Global Select Market under the symbol SIRO. On May 1, 2009, the last reported sale price of our common stock on the NASDAQ Global Select Market was $16.16 per share.

Investing in our common stock involves risks. See Risk Factors on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in or incorporated by reference into this prospectus and any applicable prospectus supplements. We have not authorized anyone to provide you with different or additional information. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of common stock. This prospectus is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful.

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OUR COMPANY

We are a leading manufacturer of high-tech dental equipment. We focus on developing innovative systems and solutions for dentists globally. We provide a broad range of advanced products in each of four primary areas: Dental CAD/CAM Systems, Imaging Systems, Treatment Centers and Instruments. Our revenue for fiscal 2008 was $757.1 million. We sell our products globally, with the U.S. market contributing 29.2% of revenue, or $220.9 million, the German market contributing $153.8 million, or 20.3%, and the rest of the world contributing 50.5% of revenue, or $382.4 million, in fiscal 2008.

The following is a brief description of each of our segments:

Dental CAD/CAM Systems address the worldwide market for dental restorations, which includes several types of restorations, such as inlays, onlays, veneers, crowns, bridges, copings and bridge-frameworks made from ceramic, metal or composite blocks. We pioneered the application of high-tech CAD/CAM techniques to the traditional lab-based restoration process with the commercialization of the CEramic REConstruction, or CEREC, method. Our CEREC system is an in-office application which enables the dentist to produce high quality restorations from ceramic material and insert them into the patient s mouth during a single appointment. CEREC represents an advantageous substitute for the traditional out-of-mouth pre-shaped restoration method, which requires a dentist to send a model of the damaged tooth to a dental laboratory, and therefore multiple patient visits. In fiscal year 2003, Sirona launched its CEREC 3 product, which has been periodically updated, including enhanced software applications. In fiscal 2007, we launched our next generation milling unit the MC XL, as well as new Biogeneric software. The MC XL produces a high quality, precisely fitted restoration in half the time that the classic CEREC milling unit requires. The MC XL s fine tolerances are especially appreciated by doctors who demand the most precise restoration possible. In addition to CEREC, we also offer products for dental laboratories, such as inLab and inEos, which are designed to improve efficiency and reduce costs for the dental lab. inLab scans the model received from the dentist and mills the ceramic restoration, such as crown copings, bridge frameworks from ceramic or composite blocks, to the specifications of the captured image. In fiscal 2007 we launched our next generation inLab unit, the inLab MC XL. The new unit features a modern, elegant design with solid, heavy-duty construction. Milling performance and precision has been optimized and milling time as been considerably reduced. The inEos scanner, which was launched in 2005, is a high speed scanner which produces 3D digital images from a single tooth up to a jaw, directly from the plaster model. The inEos product has scanning times of less than 10 seconds, a significant factor which enhances productivity. In 2008, we expanded our CEREC offering through the introduction of CEREC Connect. CEREC Connect is a web based service that allows the digital impression acquired through the CEREC acquisition unit to be transferred electronically to InLab laboratories. The laboratories can use this data to create final restorations. Many restorations produced by a laboratory can be produced through the CEREC Connect system eliminating the need to take a physical impression in these cases.

Imaging Systems, which include a broad range of equipment for diagnostic imaging in the dental practice, using both film-based and digital technologies. We have developed a comprehensive range of imaging systems for panoramic and intra-oral applications. This allows the dentist to accommodate the patient in an efficient manner. Intra-oral x-ray equipment uses image-capture devices (film or sensor), which are inserted into the mouth behind the diagnostic area, and typically take images of one or two teeth. Panoramic x-ray equipment produces images of the entire jaw structure by means of an x-ray tube and an image capture device, which rotates around the head. In July 2004, we introduced our next generation of digital panoramic x-ray systems, the Orthophos XG line. The flagship model, the Orthophos XG Plus, provides specialists, orthodontists, oral surgeons and implantologists with over 30 programs and a wide variety of diagnostic possibilities. Other models of the family include the Orthophos XG 5 which is designed for general dental practitioners, and the basic model Orthophos XG 3. As a result of the transaction completed on June 20, 2006 (the Exchange) whereby we combined our business with Schick Technologies, Inc. (Schick), we expanded our imaging system product line to include Schick s CDR (computed digital radiography) system, the leading intra-oral digital imaging system in the United States. Schick s product line includes an imaging sensor based on CMOS technology and the Schick

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Pan, a digital panoramic unit. In fiscal 2007, we introduced our GALILEOS 3D-imaging unit. Today, three- dimensional imaging is offering the field of dentistry previously undreamed-of diagnostic and therapeutic options in the fields of surgery, prosthetics, orthodontics, and restorative dentistry. GALILEOS was created to bring these options to life and integrate them efficiently into routine dental practices. In July 2008 we launched GALILEOS Compact, which is specifically tailored to meet the needs of the general practitioner and also has the ability to display traditional 2-D panoramic digital images.

Treatment Centers, which comprise a broad range of products from basic dentist chairs to sophisticated chair-based units with integrated diagnostic, hygiene and ergonomic functionalities, as well as specialist centers used in preventative treatment and for training purposes. We offer specifically configured products to meet the preferences of dentists within each region in which we operate. Our treatment center configurations and system integration are designed to enhance productivity by creating a seamless workflow within the dental practice. Our centers therefore allow the dentist to both improve productivity and increase patient satisfaction, significant factors in adding value to his or her practice. In October 2004, we acquired one of the leading Chinese manufacturers of basic treatment centers, located in Foshan (South China). These basic products are manufactured both for the domestic Chinese market and for export markets. In July 2008, we launched our new TENEO Treatment Center, which combines industry-leading technology with a timeless design that provides both patient and dentist with the ultimate in convenience and comfort.

Instruments, which includes a wide range of instruments, including handheld and power-operated handpieces for cavity preparation, endodontics, periodontology and prophylaxis. The instruments are supplemented by multi-function tips, supply and suction hoses, as well as care and hygiene systems for instrument preparation. Our instruments are often sold as packages in combination with treatment centers. During the last two years, we introduced several new products, including: SIROLaser, a versatile, compact, convenient diode laser that can be used in endodontics, periodontology and oral surgery; PerioScan, an all-in-one ultrasonic scaling unit, enabling both diagnosis and treatment of dental calculus with a single device; and SIROEndo, a root canal preparation unit that can be attached to any treatment center. We intend to continue to strengthen the position of our Instruments segment as a diversified supplier of high-quality, reliable, user-friendly and cost-efficient dental instruments.

We distribute our products globally to dental practices, clinics and laboratories through an international network of more than 300 distributors. Because distributors typically cover both dental equipment and consumables, they have regular contact with the dentist and are therefore optimally positioned to identify new equipment sale opportunities. Our primary distributors in the United States are Patterson Companies and Henry Schein, two of the world s largest dental distributors. Outside of the United States, Henry Schein is our largest distributor, and, along with Pluradent, primarily distributes for us in Europe. We distribute elsewhere through a well developed network of independent regional distributors. We work closely with our distributors by training their technicians and sales representatives with respect to our products. With over 5,500 sales and service professionals trained each year, we are able to ensure high standards of quality in after-sale service and the best marketing of our products. The success of our products is evidenced by their importance to our distribution partners, and such products are in many cases among their best selling offerings.

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Our geographic and product diversity is demonstrated by the following charts, which set forth our fiscal 2008 revenue by geographic region and product category:

Our manufacturing and assembly operations are conducted primarily at our facility in Bensheim (Germany) and at smaller manufacturing sites located in Long Island City, New York; China; Italy and Denmark. Manufacturing consists primarily of assembly, systems integration and testing. We generally outsource manufacturing of parts and components used in the assembly of our products but own the design and tools used by our key component suppliers. We do, however, manufacture most of the precision parts used for our instruments and we also operate an Electronic Center, for the supply of electronic boards and components.

We are a Delaware corporation. Our principal executive offices are located at 30-30 47th Avenue, Suite 500, Long Island City, New York 11101. The telephone number for our principal executive offices is (718) 482-2011. Our Internet address is sirona.com. This Internet address is provided for informational purposes only. The information at this Internet address is not a part of this prospectus.

RISK FACTORS

Our business is subject to significant risks. You should carefully consider the risks and uncertainties described in this prospectus and the documents incorporated by reference herein. The risks and uncertainties described in this prospectus and the documents incorporated by reference herein are not the only ones facing us. Additional risks and uncertainties that we do not presently know about or that we currently believe are not material may also adversely affect our business. If any of the risks and uncertainties described in this prospectus or the documents incorporated by reference herein actually occur, our business, financial condition and results of operations could be adversely affected in a material way. This could cause the trading price of our common stock to decline, perhaps significantly, and you may lose part or all of your investment.

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FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risk and uncertainties. All statements, other than statements of historical facts, included in this prospectus regarding the Company, its financial position, products, business strategy and plans and objectives of management of the Company for future operations, are forward-looking statements. When used in this prospectus, words such as anticipate, believe, estimate, expect, intend, objectives, plans and similar expressions, or the negatives thereof or variations thereon or comparable terminology as they relate to the Company, its products or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company s management, as well as assumptions made by and information currently available to the Company s management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of various factors, including, but not limited to, those contained under the heading Risk Factors in this prospectus. All forward looking statements speak only as of the date of this prospectus and are expressly qualified in their entirely by the cautionary statements included herein. We undertake no obligation to update or revise forward-looking statements which maybe made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events other than required by law.

SELLING STOCKHOLDERS

Beneficial Ownership: The following table sets forth, as of May 1, 2009, certain information regarding the ownership of our common stock by the selling stockholders, the number of shares being registered hereby and information with respect to shares to be beneficially owned by the selling stockholders assuming all the shares registered hereunder are sold. The percentages in the following table reflect the shares beneficially owned by the selling stockholders as a percentage of the total number of shares of our common stock outstanding as of May 1, 2009.

	Shares Beneficially Owned Prior to This Offering		Shares Being Sold in This Offering	Shares Beneficially Owned After This Offering[2]	
Name	Number[1]	Percent		Number	Percent
Sirona Holdings Luxco S.C.A.[3][4]	36,972,480	67.4%	36,472,480	500,000	0.91%
Jeffrey T. Slovin[5]	1,269,884	2.3%	500,000	769,884	1.4%

(1) Beneficial ownership is determined in accordance with rules of the SEC and includes voting power and/or investment power with respect to securities. Shares of common stock subject to options currently exercisable or exercisable within 60 days of May 1, 2009 are deemed outstanding for computing the percentage beneficially owned by the person holding such options but are not deemed outstanding for computing the percentage beneficially owned by any other person.

(2) Assumes that the selling stockholders dispose of all of the shares of common stock covered by this prospectus and do not acquire beneficial ownership of any additional shares. The registration of these shares does not necessarily mean that the selling stockholders will sell all or any portion of the shares covered by this prospectus.

(3) The offices of Sirona Holdings Luxco S.C.A. (Luxco) are located at 8-10, rue Mathias Hardt L-717 Luxembourg. On June 30, 2005, Luxco obtained control over the Sirona business. The transaction was effected by using new legal entities, Sirona Holding GmbH and its wholly owned subsidiary Sirona Dental Services GmbH, to acquire 100% of the interest in Sirona Dental Systems Beteiligungs- und Verwaltungs GmbH, the former parent of the Sirona business, through a leveraged buy-out transaction (the MDP Transaction). Sirona Holdings S.A. (Luxco Manager) is the sole manager of Luxco and may therefore be deemed the beneficial owner of the shares, and its offices are located at 412F route d Esch L-1030 Luxembourg. MDCP IV Global Investments LP is the controlling shareholder of Luxco Manager and may therefore be deemed the beneficial owner of the shares, and its offices are located at c/o Walkers SPV

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Limited, Walker House, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands. MDP IV Global GP, LP is the sole general partner of MDCP IV Global Investments LP and may therefore be deemed the beneficial owner of the shares, and its offices are located at c/o Walkers SPV Limited, Walker House, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands. MDP Global Investors Limited is the sole general partner of MDP IV Global GP, LP and may therefore be deemed the beneficial owner of the shares, and its offices are located at c/o Walkers SPV Limited, Walker House, P.O. Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands. A majority of the following members of MDP Global Investors Limited have the authority to vote or dispose of the shares held by MDCP IV Global Investments LP: John A. Canning, Jr., Paul J. Finnegan, Samuel M. Mencoff, Paul R. Wood, Benjamin D. Chereskin, Justin S. Huscher, James N. Perry, Jr., Thomas R. Reusche, Timothy P. Sullivan, Nicholas W. Alexos, Robin P. Selati, Gary J. Little GST Exempt Marital Trust, David F. Mosher and Thomas Souleles. Each of the members of MDP Global Investors Limited and each of MDCP IV Global Investments LP, MDP IV Global GP, LP and MDP Global Investors Limited disclaims beneficial ownership of such shares except to the extent of their respective pecuniary interest therein. The address for each of the members of MDP Global Investors Limited is c/o Madison Dearborn Partners, LLC, Three First National Plaza, Suite 4600, Chicago, Illinois 60602.

(4) Although Jost Fischer, our Chief Executive Officer, Simone Blank, our Chief Financial Officer, Theo Haar, our Executive Vice President, and Harry M. Jensen Kraemer, Jr. and David K. Beecken, two of our directors, do not have voting or dispositive power over the securities held by Luxco, each owns securities of Luxco with varying rights to participate in distributions by Luxco. Although these securities do not directly translate to an indirect percentage ownership interest of the Company, Luxco estimates that Mr. Fischer, Ms. Blank, Mr. Haar, Mr. Kraemer, Mr. Beecken and Beecken Petty O Keefe and Company, of which Mr. Beecken is a partner, would be entitled to approximately 6.8%, 4.6%, 1.1%, 0.4%, 0.3% and 6.7%, respectively, of distributions of Luxco based upon the estimated value of the investment as of September 30, 2008.

(5) Includes 405,785 shares issuable upon the exercise of options granted to Mr. Slovin.

Material Relationships:

Service Agreements. Sirona, MDP IV Offshore GP, LP and Harry M. Jansen Kraemer Jr., one of our directors, were parties to a service agreement in connection with the MDP Transaction. This agreement provides for a one-time payment of 10,000,000 ($12,000,000) from Sirona to the other two parties for advice, support for negotiating the purchase agreement, preparation of financial models and projections and due diligence services for Sirona related to the MDP Transaction. The payment was made in the three month period ended September 30, 2005.

Sirona and Luxco are parties to an advisory services agreement that terminates on October 1, 2009, but is automatically renewed for successive one year terms unless either party provides notice of termination 60 days prior to the end of the term. Under the agreement, which became effective October 1, 2005, Sirona pays an annual fee to Luxco of 325,000 (approximately $400,000), and Luxco provides to Sirona certain advisory services regarding the structure, terms and condition of debt offerings by Sirona, financing sources and options, business development and other services. For a description of Luxco s ownership, see footnote 4 to Selling Stockholders Beneficial Ownership.

Registration Rights Agreement. We are parties to a Registration Agreement with Luxco granting Luxco registration rights with respect to the shares it received in the Exchange. Any group of holders of at least a majority of the securities with registration rights may require us to register all or part of their shares three times on a Form S-1 or an unlimited number of times on a Form S-3, provided that, in the case of a registration on Form S-3, the aggregate offering value of the securities to be registered must equal at least $20 million. In addition, the holders of securities with registration rights may require us to include their shares in future

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registration statements that we file, subject to reduction at the option of the underwriters of such an offering. Upon any of these registrations, these shares will be freely tradable in the public market without restriction. We will be obligated under the Registration Agreement to pay the registration expenses incurred in connection with any registration, qualification or compliance relating to the exercise of a holder s registration rights, other than underwriting discounts and commissions. Additionally, we will agree to indemnify and hold harmless holders (and their affiliates) of registrable securities covered by a registration statement against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the holders (or their affiliates) may be required to make because of any of those liabilities. We will also agree not to modify the terms and conditions of the existing registration rights agreement or grant registration rights that could adversely affect a holder s registration rights under the Registration Agreement without the prior written consent of holders of at least a majority of the securities with registration rights. Jeffrey T. Slovin, who is our Executive Vice President, Chief Operating Officer of U.S. Operations and a director, has been granted similar registration rights.

Directors and Officers. Timothy P. Sullivan and Nicholas W. Alexos, members of MDP Global Investors Limited, are members of our board of directors. Jeffrey T. Slovin is our Executive Vice President, Chief Operating Officer and a member of our Board of Directors. For a description of Luxco s ownership, see footnote 4 to Selling Stockholders Beneficial Ownership.

USE OF PROCEEDS

All of the shares of common stock offered by the selling stockholders pursuant to this prospectus will be sold by the selling stockholders for their respective accounts. We will not receive any of the proceeds from these sales.

PLAN OF DISTRIBUTION

We are registering 36,972,480 shares of our common stock for possible sale by the selling stockholders. Unless the context otherwise requires, as used in this prospectus, selling stockholders includes the selling stockholders named in the table above and donees, pledgees, transferees or other successors-in-interest selling shares received from the selling stockholders as a gift, pledge, partnership distribution or other transfer after the date of this prospectus.

The selling stockholders may offer and sell all or a portion of the shares covered by this prospectus from time to time, in one or more or any combination of the following transactions:

- on the NASDAQ Global Select Market, in the over-the-counter market or on any other national securities exchange on which our shares are listed or traded;
- in privately negotiated transactions;
- in underwritten transactions;
- in a block trade in which a broker-dealer will attempt to sell the offered shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- through purchases by a broker-dealer as principal and resale by the broker-dealer for its account pursuant to this prospectus;
- in ordinary brokerage transactions and transactions in which the broker solicits purchasers; and
- through the writing of options (including put or call options), whether the options are listed on an options exchange or otherwise.

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The selling stockholders may sell the shares at prices then prevailing or related to the then current market price or at negotiated prices. The offering price of the shares from time to time will be determined by the selling stockholders and, at the time of the determination, may be higher or lower than the market price of our common stock on the NASDAQ Global Select Market or any other exchange or market.

The shares may be sold directly or through broker-dealers acting as principal or agent, or pursuant to a distribution by one or more underwriters on a firm commitment or best-efforts basis. The selling stockholders may also enter into hedging transactions with broker-dealers. In connection with such transactions, broker-dealers of other financial institutions may engage in short sales of our common stock in the course of hedging the positions they assume with the selling stockholders. The selling stockholders may also enter into options or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction). In connection with an underwritten offering, underwriters or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or from purchasers of the offered shares for whom they may act as agents. In addition, underwriters may sell the shares to or through dealers, and those dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. The selling stockholders and any underwriters, dealers or agents participating in a distribution of the shares may be deemed to be underwriters within the meaning of the Securities Act, and any profit on the sale of the shares by the selling stockholders and any commissions received by broker-dealers may be deemed to be underwriting commissions under the Securities Act.

The selling stockholders may agree to indemnify an underwriter, broker-dealer or agent against certain liabilities related to the selling of the common stock, including liabilities arising under the Securities Act. Under the stockholders agreement, we have agreed to indemnify the selling stockholders against certain liabilities related to the sale of the common stock, including liabilities arising under the Securities Act. Under the stockholders agreement, we have also agreed to pay the costs, expenses and fees of registering the shares of common stock; however, the selling stockholders will pay any underwriting discounts or commissions relating to the sale of the shares of common stock in any underwritten offering.

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of its shares. Upon our notification by a selling stockholder that any material arrangement has been entered into with an underwriter or broker-dealer for the sale of shares through a block trade, special offering, exchange distribution, secondary distribution or a purchase by an underwriter or broker-dealer, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act, disclosing certain material information, including:

- the name of the selling stockholder;
- the number of shares being offered;
- the terms of the offering;
- the names of the participating underwriters, broker-dealers or agents;
- any discounts, commissions or other compensation paid to underwriters or broker-dealers and any discounts, commissions or concessions allowed or reallowed or paid by any underwriters to dealers;
- the public offering price; and
- other material terms of the offering.

In addition, upon being notified by a selling stockholder that a donee, pledgee, transferee, other successor-in-interest intends to sell more than 500 shares, we will, to the extent required, promptly file a supplement to this prospectus to name specifically such person as a selling stockholder.

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The selling stockholders are subject to the applicable provisions of the Securities Exchange Act of 1934, as amended, or Exchange Act, and the rules and regulations under the Exchange Act, including Regulation M. This regulation may limit the timing of purchases and sales of any of the shares of common stock offered in this prospectus by the selling stockholders. The anti-manipulation rules under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of the shares to engage in market-making activities for the particular securities being distributed for a period of up to five business days before the distribution. The restrictions may affect the marketability of the shares and the ability of any person or entity to engage in market-making activities for the shares.

To the extent required, this prospectus may be amended and/or supplemented from time to time to describe a specific plan of distribution. Instead of selling the shares of common stock under this prospectus, the selling stockholders may sell the shares of common stock in compliance with the provisions of Rule 144 under the Securities Act, if available, or pursuant to other available exemptions from the registration requirements of the Securities Act.

LEGAL MATTERS

The validity of the shares of common stock offered pursuant to this prospectus will be passed upon by Kirkland & Ellis LLP, Chicago, Illinois. Some of the partners of Kirkland & Ellis LLP are members of a partnership that is an investor in Luxco. Kirkland & Ellis LLP has from time to time represented, and may continue to represent, Luxco and some of its affiliates in connection with various legal matters.

EXPERTS

The consolidated balance sheets of Sirona Dental Systems, Inc. and subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of income, shareholders equity and comprehensive income, and cash flows for the years ended September 30, 2008, 2007 and 2006 and management s assessment of the effectiveness of internal control over financial reporting as of September 30, 2008 appearing in our Form 10-K for the year ended September 30, 2008 are incorporated by reference herein in reliance upon the reports of KPMG AG Wirtschaftsprüfungsgesellschaft, independent registered public accounting firm, also incorporated by reference herein, and upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

The following documents, which have been filed with the SEC by us, are incorporated by reference in this prospectus (other than portions of these documents that are either (1) described in paragraph (e) of Item 201 of Registration S-K or paragraphs (d)(1)-(3) and (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K):

(1) Sirona s Annual Report on Form 10-K for the year ended September 30, 2008;

(2) Sirona s Quarterly Report on Form 10-Q for the quarters ended December 31, 2008 and March 31, 2009;

(3) Sirona s Current Report on Form 8-K filed on March 3, 2009 and December 15, 2008;

(4) Sirona s proxy statement for the 2008 annual meeting of stockholders filed on January 28, 2009; and

(5) the description of Sirona s Common Stock, par value $.01 per share, as contained in a registration statement on Form 8-A filed on June 10, 1997 including any amendment or report filed for the purpose of updating such description.

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We also incorporate by reference the information contained in all other documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than portions of these documents that are either (1) described in paragraph (e) of Item 201 of Registration S-K or paragraphs (d)(1)-(3) and (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K, unless otherwise indicated therein) after the date of this prospectus and prior to the termination of this offering. The information contained in any such document will be considered part of this prospectus from the date the document is filed with the SEC.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Our stockholders may read and copy any reports, proxy statements or other information filed by us at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding Sirona. The address of the SEC website is www.sec.gov.

We undertake to provide without charge to any person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon oral or written request of such person, a copy of any or all of the documents that have been incorporated by reference in this prospectus, other than exhibits to such other documents (unless such exhibits are specifically incorporated by reference therein). Requests for such copies should be directed to:

Sirona Dental Systems, Inc.

30-30 47th Avenue

Suite 500

Long Island City

NY 11101

Attn: Corporate Secretary

Telephone: (718) 482-2011

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following is a statement of estimated expenses, to be paid solely by Sirona Dental Systems, Inc. (the Company), of the issuance and distribution of the securities being registered hereby:

Securities and Exchange Commission registration fee	$ 42,021
Printing expenses	20,000
Accounting fees and expenses	20,000
Legal fees and expenses	50,000
Miscellaneous expenses	5,000
Total(1)	$ 137,021

(1) Does not include any fees or expenses in connection with any subsequent underwritten offering and any prospectus supplements prepared in connection therewith.

Item 15. Indemnification of Directors and Officers.

Delaware General Corporation Law

Section 145 of the Delaware General Corporation Law (the DGCL) provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that the person s conduct was unlawful. Section 145 of the DGCL further provides that a corporation similarly may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner that the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or such other court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Section 145 of the DGCL also provides that a corporation has the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person s status as such, whether or not the corporation would have the power to indemnify such person against such liability under this section.

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Certificate of Incorporation

Article TENTH of the company s Certificate of Incorporation, as amended, provides that, to the fullest extent permitted by the DGCL, as the same exists or may be amended, a director of the company is not liable to the company or its stockholders for monetary damages for a breach of fiduciary duty as a director.

By-laws

Article V of the By-laws of the company (effective as of December 4, 2007) (the By-laws) provides, among other things, that each person who is or was made a party or is threatened to be made a party to or is or was involved in, any action, suit or proceeding, whether civil, criminal, administrative or investigative (a proceeding), by reason of the fact that he, or a person of whom he is the legal representative, is or was a director, officer, employee or, pursuant to a resolution or resolutions adopted by the affirmative vote of a majority of the board of directors of the company, agent of the company or a subsidiary of the company or is or was serving at the request of the combined company as a director, officer, partner, member, employee, agent or trustee of another corporation (other than a subsidiary of the company) or of a partnership, joint venture, trust or other enterprise, including an employee benefit plan, whether the basis of such proceeding is alleged action in an official capacity as an officer or director or in any other capacity while so serving, shall be indemnified and held harmless by the company from and against, to the fullest extent by the DGCL, as the same exists or may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the company to provide broader indemnification rights than the DGCL permitted the company to provide prior to such amendment) against all expenses, liabilities and losses (including attorneys fees, judgments, fines, excise taxes, penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such proceeding) and such indemnification inures to the benefit of the person s heirs, distributes, executors, administrators and other legal representatives of such person; provided, however, that, subject to certain exceptions, the company shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors of the company. The right to indemnification conferred in Article V is a contract right and, subject to certain exceptions, includes the right to be paid by the company the expenses incurred in defending any such proceeding in advance of its final disposition.

Article V of the By-laws also provides that the company may purchase and maintain insurance on behalf of any person who is or was a officer, director, partner, member, employee, agent or trustee against any expense, liability or loss asserted against such person as such an officer, director, partner, member, employee, agent or trustee or arising out of such person s status as such an officer, director, partner, member, employee, agent or trustee, whether or not the company would have the power to indemnify such person against such expense, liability or loss under Article V of the By-laws or applicable law.

Insurance

Our directors and officers are covered under directors and officers liability insurance policies maintained by us.

Item 16. Exhibits.

Reference is made to the attached Exhibit Index.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

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(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser,

(i) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however,* that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

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(5) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(6) 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 Securities Act of 1933 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 Securities Act of 1933 and will be governed by the final adjudication of such issue.

(7) 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.

(8) 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.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Long Island City, State of New York on the 4th of May, 2009.

SIRONA DENTAL SYSTEMS, INC.

By: /s/ JOST FISCHER
Jost Fischer

President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the registration statement and Power of Attorney have been signed by the following persons in the capacities indicated on May 4, 2009:

Signatures	Capacity
/s/ JOST FISCHER **Jost Fischer**	Chairman of the Board, President and Chief Executive Officer
* **Simone Blank**	Executive Vice President, Chief Financial Officer and Director
* **Jeffrey T. Slovin**	Executive Vice President, Chief Operating Officer of U.S. Operations and Director
* **Nicholas W. Alexos**	Director
* **David Beecken**	Director
* **William K. Hood**	Director
* **Arthur D. Kowaloff**	Director

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*	Director
Harry M. Jansen Kraemer, Jr.	
*	Director
Timothy D. Sheehan	
*	Director
Timothy P. Sullivan	

* The undersigned, by signing his name hereto, does sign and execute this Amendment No. 1 to Registration Statement pursuant to the Power of Attorney executed by the above-named officers and directors of Sirona Dental Systems, Inc. and previously filed with the Securities and Exchange Commission.

By: /s/ JOST FISCHER
Jost Fischer, Attorney-in-Fact

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Exhibit Index

Exhibit No.	Description
1.1	Form of Underwriting Agreement.*
4.1	Amended and Restated Certificate of Incorporation of Schick Technologies, Inc. and Amendment thereto (incorporated by reference to Exhibit 4.1 to the Company s Registration Statement on Form S-8, File No. 333-83488, filed on February 27, 2002).
4.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company s Form 8-K, filed on June 20, 2006).
4.3	By-laws of the Company, effective as of December 4, 2007 (incorporated by reference to Exhibit 3.2 to the Company s Form 8-K, filed December 10, 2007).
4.4	Form of Common Stock Certificate of Sirona Dental Systems, Inc.**
5.1	Opinion of Kirkland & Ellis LLP.
23.1	Consent of KPMG AG Wirtschaftsprüfungsgesellschaft.
23.2	Consent of Kirkland & Ellis LLP (included in Exhibit 5.1).
24.1	Powers of Attorney (included in Part II to the Registration Statement).**

* To be filed, if necessary, subsequent to the effectiveness of this registration statement by an amendment to the registration statement or incorporated by reference to a Current Report on Form 8-K filed in connection with an underwritten offering of the shares offered hereunder.

** Previously filed.

to obtain required financing after the closing of the merger; the market price of Adamis or the combined company s common stock may decline before the closing of the merger or as a result of the merger and, because of the floor on the Adamis price for determining the reverse stock split ratio, the La Jolla stockholders may receive fewer post-reverse split shares than they otherwise would receive in the event of a low Adamis price; La Jolla and Adamis stockholders may not realize a benefit from the merger commensurate with the ownership dilution they will experience in connection with the merger; during the pendency of the merger, La Jolla and Adamis may not be able to enter into a business combination with another party at a favorable price because of restrictions in the merger agreement, which could adversely affect their respective businesses; and certain provisions of the merger agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the merger agreement.

These risks are discussed in greater detail under the section entitled Risk Factors. La Jolla and Adamis encourage you to read and consider all of these risks carefully.

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LA JOLLA S SELECTED HISTORICAL CONDENSED FINANCIAL DATA

The following selected financial data for the five years ended December 31, 2008 are derived from the audited consolidated financial statements of La Jolla. The financial data for the nine-month periods ended September 30, 2009 and 2008 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, that La Jolla considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2009.

You should read the following financial information together with the information under the sections entitled, La Jolla s Management s Discussion and Analysis of Financial Condition and Results of Operations and La Jolla s Business and La Jolla s financial statements and the related notes to these financial statements appearing elsewhere in this joint proxy statement/prospectus.

	Nine Months Ended September 30		Years Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Unaudited)						
	(In thousands, except per share data)						
Statement of Operations Data:							
Revenue	$ 8,125	$	$	$	$	$	$
Expenses:							
Research and development	9,567	38,170	51,025	46,635	32,834	22,598	33,169
General and administrative	5,602	6,766	9,702	9,058	9,287	5,405	7,568
Asset impairments			2,810		104		
Total operating expenses	15,169	44,936	63,537	55,693	42,225	28,003	40,737
Loss from operations	(7,044)	(44,936)	(63,537)	(55,693)	(42,225)	(28,003)	(40,737)
Other income (expense), net	51	(770)	683	2,617	2,780	640	193
Net loss	$ (6,993)	$ (45,706)	$ (62,854)	$ (53,076)	$ (39,445)	$ (27,363)	$ (40,544)
Basic and diluted net loss per share	$ (0.11)	$ (0.96)	$ (1.26)	$ (1.40)	$ (1.21)	$ (1.77)	$ (3.40)
Shares used to compute basic and diluted net loss per share(1)	62,555	47,764	49,689	37,818	32,588	15,446	11,941

(1) On December 21, 2005, La Jolla effected a one-for-five reverse stock split, which has been applied retroactively to all periods presented.

	As of September 30, 2009 (Unaudited)	2008	2007	2006	2005	2004
			(In thousands)			
Selected Balance Sheet Data:						
Cash and cash equivalents	$ 5,830	$ 9,447	$ 4,373	$ 3,829	$ 6,411	$ 2,861
Working capital	5,551	2,996	29,881	37,673	70,124	17,539
Total assets	6,576	20,839	44,405	49,525	80,928	33,026
Noncurrent obligations, net of current portion		213	388	196	142	716
Accumulated deficit	(422,680)	(415,687)	(352,833)	(299,757)	(260,312)	(232,949)
Total stockholders equity	5,551	3,390	33,521	43,089	77,130	26,001

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MARKET PRICE DATA AND DIVIDEND INFORMATION

La Jolla s common stock currently trades on the Nasdaq Capital Market under the symbol LJPC . The following table sets forth the range of high and low sales prices for the common stock as reported on the Nasdaq Capital Market for the periods indicated below.

	High	Low
2007		
First Quarter	$ 8.57	$ 2.80
Second Quarter	$ 8.68	$ 4.35
Third Quarter	$ 5.59	$ 3.15
Fourth Quarter	$ 4.50	$ 3.15
2008		
First Quarter	$ 4.25	$ 1.45
Second Quarter	$ 2.35	$ 1.59
Third Quarter	$ 2.50	$ 1.01
Fourth Quarter	$ 1.20	$ 0.43
2009		
First Quarter	$ 3.20	$ 0.04
Second Quarter	$ 0.64	$ 0.13
Third Quarter	$ 0.36	$ 0.14
Fourth Quarter	$ 0.32	$ 0.06

On December 4, 2009, the last full trading day immediately preceding the public announcement of the signing of the merger agreement and on February 8, 2010, the last sales price reported on the Nasdaq Capital Market for La Jolla common stock was $0.06 per share and $0.13 per share, respectively. As of the La Jolla Record Date, there were 65,722,648 shares of La Jolla common stock outstanding and 293 holders of record of La Jolla common stock.

Adamis common stock currently trades on the OTC Bulletin Board, sometimes referred to as the OTCBB, under the symbol ADMP. The following table sets forth the range of high and low sales prices for the common stock as reported on the OTCBB for the periods indicated below. The quotations below reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

	High	Low
2007		
First Quarter	$ 0.10	$ 0.03
Second Quarter	$ 0.11	$ 0.09
Third Quarter	$ 0.09	$ 0.06
Fourth Quarter	$ 0.08	$ 0.04
2008		
First Quarter	$ 0.10	$ 0.02
Second Quarter	$ 0.10	$ 0.04
Third Quarter	$ 0.09	$ 0.04

Fourth Quarter	$ 0.06	$ 0.02
2009		
First Quarter	$ 0.07	$ 0.02
Second Quarter	$ 1.15	$ 0.04
Third Quarter	$ 0.40	$ 0.15
Fourth Quarter	$ 0.32	$ 0.19

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On December 4, 2009, the last full trading day immediately preceding the public announcement of the signing of the merger agreement and on February 8, 2010, the last sales price reported on the OTC Bulletin Board for Adamis common stock was $0.25 per share and $0.41 per share, respectively. As of the Adamis Record Date, there were 44,529,119 shares of Adamis common stock outstanding and entitled to vote and approximately 132 holders of record of Adamis common stock. The number of shares outstanding on the Adamis Record Date does not include 3,518,899 shares of common stock of Old Adamis (i.e., Adamis prior to its merger with Cellegy) that have, to date, not been exchanged for shares of Adamis (i.e., Adamis after its merger with Cellegy) and thus are not entitled to vote on the matters described herein.

Neither La Jolla nor Adamis has ever declared or paid any cash dividends on their common stock nor do they intend to do so in the foreseeable future. Accordingly, the stockholders of the combined company will not receive a return on their investment unless the value of the combined company s shares increases, which may or may not occur. Any future determination to pay cash dividends will be at the discretion of the board of directors of the combined company and will depend upon the combined company s financial condition, operating results, capital requirements, any applicable contractual restrictions and such other factors as the board of directors of the combined company deems relevant.

For detailed information regarding the beneficial ownership of certain stockholders upon consummation of the merger, see Beneficial Ownership Information on page 120.

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RISK FACTORS

La Jolla and Adamis stockholders should carefully consider the following factors, in addition to the other information contained in this joint proxy statement/prospectus, before deciding how to vote their shares of capital stock. The risk factors relating to Adamis will also apply to the combined company going forward because the business of the combined company will be Adamis business.

Risks Related to the Merger

The number of shares that La Jolla stockholders will hold upon the closing of the merger will depend in part upon the amount of La Jolla s net cash at closing and the market price of the Adamis common stock.

The number of shares of La Jolla common stock that La Jolla stockholders hold immediately before closing of the merger depends on the Reverse Stock Split Ratio to be determined in accordance with the merger agreement. Under the terms of the merger agreement, the shares of La Jolla common stock issued and outstanding immediately before the closing of the merger will be subject to a reverse stock split, with each share thereafter representing a fractional share equal to the Reverse Stock Split Ratio. Under the merger agreement, the Reverse Stock Split Ratio is a function of the amount of La Jolla net cash at closing, plus $750,000, and the Adamis stock price. Adamis and La Jolla expect that La Jolla s adjusted net cash, taking into account amounts receivable and liabilities, will be between approximately $2.5 million and $3.0 million as of the time that the parties expect the merger to be completed. The actual amount of adjusted net cash could be higher or lower than this range. The amount of La Jolla s net cash at the closing date of the merger will depend primarily on when the La Jolla and Adamis stockholder meetings are held and how long it takes to satisfy the other closing conditions in the merger agreement, the extent of La Jolla s working capital needs until the closing and the extent of unexpected expenses or cash needs that may arise before the closing.

The Adamis stock price that is used for calculating the Reverse Stock Split Ratio is determined with reference to the volume weighted average closing price of the Adamis common stock (as reported on the OTC Bulletin Board or other market or quotation system on which the Adamis common stock is quoted or traded) commencing on the first business day after the date of the merger agreement (which was December 7, 2009), and ending two trading days before the closing date of the merger (the ***Adamis Average Share Price***), discounted by an amount set forth in the following table:

Adamis Weighted Average Share Price	**% Discount**
Less than $0.25	10% (not to go below $0.20 per share)
$0.25 to $2.00	25% (not to go below $0.20 per share)
Greater than $2.00	$1.50 (fixed price)

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The following table sets forth the approximate percentage ownership of the outstanding shares of common stock of the combined company that Adamis stockholders and current La Jolla stockholders would be expected to hold immediately following the closing of the merger, based on an assumed 48,048,018 outstanding Adamis shares and 65,722,648 outstanding La Jolla shares at the closing date of the merger, and reflecting the assumed high and low amounts of La Jolla Net Cash ($3.0 million (high) and $2.5 million (low), respectively) and different Adamis Weighted Average Share Prices and related Adamis Discounted Share Prices. This table excludes 2,021,024 shares of La Jolla common stock (pre-reverse split) issuable upon the vesting of restricted stock units awarded to La Jolla s three existing employees, which restricted stock units will vest upon the consummation of the merger.

La Jolla Net Cash Plus $750,000	Adamis Weighted Average Share Price	Adamis Discounted Share Price	La Jolla Stockholders Reverse Stock Split Ratio	Total La Jolla Stockholders Approximate Ownership in the Combined Company after Closing Share Amount	%	Adamis Stockholders Exchange Ratio	Total Adamis Stockholders Approximate Ownership in the Combined Company after Closing Share Amount	%
$3,750,000	$ 2.00	$ 1.50	1: 26.3	2,500,000	5	1 : 1	48,048,018	95
(high)	$ 1.00	$ 0.75	1: 13.1	5,000,000	9	1 : 1	48,048,018	91
	$ 0.50	$ 0.38	1: 6.6	10,000,000	17	1 : 1	48,048,018	83
	$ 0.25	$ 0.20	1: 3.5	18,750,000	28	1 : 1	48,048,018	72
$3,250,000	$ 2.00	$ 1.50	1: 30.3	2,166,667	4	1 : 1	48,048,018	96
(low)	$ 1.00	$ 0.75	1: 15.2	4,333,333	8	1 : 1	48,048,018	92
	$ 0.50	$ 0.38	1: 7.6	8,666,667	15	1 : 1	48,048,018	85
	$ 0.25	$ 0.20	1: 4	16,250,000	25	1 : 1	48,048,018	75

The Adamis Discounted Share Price has a floor of $0.20, which may result in La Jolla stockholders receiving less value than anticipated in the merger.

In calculating the Reverse Stock Split Ratio, the Adamis Discounted Share Price may not go below $0.20, even if the actual Adamis share price is below this level. As a result, if the weighted average Adamis stock price drops below $0.20 per share, the value of Adamis in the merger will be lower than the value that is ascribed to Adamis in the merger agreement than if there were no floor price.

The Adamis exchange ratio is fixed in the merger agreement, which means that additional issuances by Adamis prior to closing will dilute the La Jolla stockholders at closing.

The merger agreement provides for a fixed 1:1 exchange ratio for the Adamis common stock to La Jolla common stock, without regard to the reverse split ratio for the La Jolla stockholders. As a result, if Adamis issues any additional shares of Adamis common stock prior to closing, there will be a larger number of outstanding shares of Adamis common stock before the closing and the La Jolla stockholders would own a correspondingly lower percentage of the outstanding shares of the combined company. The illustrations of the relative ownership of the combined entity by La Jolla and Adamis after the merger assume that there are no additional issuances of Adamis

common stock by Adamis prior to closing. However, if there are additional issuances, the actual proportionate ownership in the combined entity by the La Jolla stockholders could be significantly lower than as set forth herein.

Some of La Jolla s and Adamis officers and directors may have conflicts of interests in recommending that you vote in favor of the proposals that may influence them to support or approve the proposals without regard to your interests.

Certain officers and directors of La Jolla and Adamis participate in arrangements that provide them with interests in the merger that are different from other stockholders of La Jolla and Adamis, including the continued service as an officer or director of the combined company. These interests may influence the officers and directors of La Jolla and Adamis to support or approve the merger.

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The current directors of Adamis are expected to continue to serve on the board of directors of the combined company following the consummation of the merger. Following the merger, they will be eligible to receive compensation pursuant to the combined company s director compensation policies. Similarly, following the consummation of the merger, the executive officers of Adamis will continue to serve in their respective positions with the combined company. Adamis directors, executive officers and their affiliates hold approximately % of the shares of Adamis common stock that are outstanding on the date of this joint proxy statement/prospectus.

Deirdre Y. Gillespie, M.D., the President and Chief Executive Officer of La Jolla, will, pursuant to the Gillespie Retention Agreement, retain the retention bonus in the amount of $202,800 and receive a severance payment in the amount of $405,600 so long as she does not resign her employment with La Jolla prior to the earlier of (a) the closing of the merger with Adamis and (b) March 31, 2010.

Gail A. Sloan, the Vice President of Finance and Secretary of La Jolla, will, pursuant to the Sloan Retention Agreement, retain the retention bonus in the amount of $66,183.53 and receive a severance payment in the amount of $132,367.06 so long as she does not resign her employment with La Jolla prior to the earlier of (a) the closing of the merger with Adamis and (b) March 31, 2010.

Moreover, on December 3, 2009, the La Jolla Compensation Committee approved grants of restricted stock units to each of Dr. Gillespie and Ms. Sloan with a grant-date fair value of no more than $223,080 and $76,442 for Dr. Gillespie and Ms. Sloan, respectively. The restricted stock units of each of Dr. Gillespie and Ms. Sloan will only vest upon the closing of the merger. Based on the foregoing, Dr. Gillespie received 1,411,898 restricted stock units and Ms. Sloan received 483,810 restricted stock units.

Failure to complete the merger may result in La Jolla or Adamis paying a termination fee to the other party and could harm La Jolla s and Adamis future business and operations.

If the merger is not completed, La Jolla and Adamis may be required to pay a termination fee of $150,000 in certain circumstances. This amount represents a significant sum to each company, based on their limited available capital resources and the need to pay this termination fee may adversely affect the paying company s stock price. Additionally, each company will bear significant transaction-related expenses in connection with pursuing the merger.

In addition, if the merger agreement is terminated and La Jolla s and Adamis boards of directors determine to seek another business combination, there can be no assurance that they will be able to find a partner willing to provide equivalent or more attractive consideration than the consideration to be provided by each party in the merger. Moreover, La Jolla would have limited funds to continue operations, and if La Jolla is unable to complete another strategic transaction, it would likely have to liquidate in a voluntary dissolution under Delaware law.

The market price of the combined company s common stock may decline as a result of the merger.

The market price of the combined company s common stock may decline as a result of the merger for a number of reasons, including the following:

- the combined company does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by La Jolla, Adamis or financial or industry analysts;
- the combined company is unable to obtain required financing;
- the effect of the merger on the combined company s business and prospects is not consistent with the expectations of La Jolla, Adamis or financial or industry analysts;

revenues and net income from sales of Adamis products are less than investors expectations; or

Adamis product research and development efforts do not meet investors expectations.

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La Jolla and Adamis stockholders may not realize a benefit from the merger commensurate with the ownership dilution they will experience in connection with the merger.

If the combined company is unable to realize the strategic and financial benefits currently anticipated from the merger, La Jolla stockholders will have experienced an anticipated approximately 70% to 95% dilution of their ownership interests in La Jolla, and Adamis stockholders will have experienced an estimated approximately 5% to 30% dilution of their ownership interests in Adamis, without receiving a commensurate benefit.

During the pendency of the merger, La Jolla and Adamis may not be able to enter into certain transactions with another party because of restrictions in the merger agreement, which could adversely affect their respective businesses.

Covenants in the merger agreement impede the ability of La Jolla and Adamis to complete certain transactions that are not in the ordinary course of business, such as the sale or licensing of capital assets or any transaction inconsistent with the merger, pending completion of the merger. As a result, if the merger is not completed, the parties may be at a disadvantage to their competitors because the parties will have been prevented from entering into arrangements with possible financial and or other benefits to them. In addition, any such transactions could be favorable to such party s stockholders.

Certain provisions of the merger agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the merger agreement.

The terms of the merger agreement prohibit each of La Jolla and Adamis from soliciting alternative takeover proposals or cooperating with persons making unsolicited takeover proposals, except in limited circumstances when the La Jolla Board or the Adamis Board, as applicable, determines in good faith after consultation with outside counsel that an unsolicited alternative takeover proposal is or is reasonably likely to lead to a superior takeover proposal and that failure to cooperate with the proponent of the proposal would result in a breach of such board s fiduciary duties. In addition, under certain circumstances, La Jolla or Adamis would be required to pay a termination fee of $150,000 to the other party, including upon termination of the merger agreement by such party s board of directors if such board decides to recommend an alternative proposal. This termination fee may discourage third parties from submitting alternative takeover proposals to both La Jolla and Adamis and their respective stockholders, and may cause the respective boards of directors to be less likely to recommend an alternative proposal.

Because of the lack of an active trading market for the stock of Adamis, the stockholders of Adamis and La Jolla may receive consideration in the merger that is greater than or less than the fair market value of their shares.

Although the Adamis common stock is publicly traded, the lack of an active public market for the Adamis common stock makes it challenging to determine the fair market value of Adamis. Because the exchange ratios of the merger and the reverse stock split were determined based on negotiations between the parties, it is possible that the value to Adamis stockholders of the La Jolla common stock to be issued in connection with the merger will be greater than the fair market value of Adamis, and that the market value represented by the number of post-reverse split shares that the La Jolla stockholders will hold after the merger will be less in the aggregate than the current aggregate market value of all outstanding La Jolla shares. Alternatively, it is possible that the value of the shares of La Jolla common stock to be issued to Adamis stockholders in connection with the merger will be less than the fair market value of Adamis.

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If the conditions to the merger are not met, the merger may not occur.

Even if the merger is approved by the stockholders of Adamis and the issuance of shares pursuant to the merger agreement and the reverse stock split are approved by the stockholders of La Jolla, specified conditions must be satisfied or waived in order to complete the merger, including, among others:

- the representations and warranties of the other party set forth in the merger agreement being true and correct as of the date of the agreement and the date the merger occurs, except for breaches or inaccuracies which would not have a material adverse effect;
- there shall not have been any material adverse change in the business, assets or financial condition of the other party that would have a material adverse effect;
- stockholders of La Jolla must have approved the issuance of shares pursuant to the merger agreement and the amendment to La Jolla s restated certificate of incorporation to effect the reverse split of La Jolla common stock and change the company s name, as described elsewhere herein; and
- stockholders of Adamis must have adopted the merger agreement and approved the merger.

These and other conditions are described in detail in the merger agreement, a copy of which is attached hereto as *Annex A*. La Jolla and Adamis cannot assure you that all of the conditions to the merger will be satisfied. If the conditions to the merger are not satisfied or waived, the merger may not occur or may be delayed, and La Jolla and Adamis each may lose some or all of the intended benefits of the merger.

La Jolla and Adamis may not achieve the benefits they expect from the merger, which may have a material adverse effect on the combined company s business, financial condition and operating results.

La Jolla and Adamis entered into the merger agreement with the expectation that the merger will result in benefits to the combined company. Post-merger challenges include the following:

- creating a liquid trading market for La Jolla common stock on the Over-the-Counter Bulletin Board to promote liquidity for stockholders of the combined company and potentially greater access to capital;
- retaining the management and employees of Adamis;
- obtaining additional financing required to fund operations; and
- developing new product candidates that utilize the assets and resources of the combined company.

If the combined company is not successful in addressing these and other challenges, then the benefits of the merger may not be realized and, as a result, the combined company s operating results and the market price of the combined company s common stock may be adversely affected.

If the merger does not qualify as a tax-free reorganization for U.S. federal income tax purposes, Adamis stockholders will recognize gain or loss on the exchange of their shares of Adamis common stock.

La Jolla and Adamis intend for the merger to qualify as a tax-free reorganization under Section 368(a) of the Code. If the merger were to fail to qualify as a tax-free reorganization, Adamis stockholders would generally recognize gain or loss on each share of Adamis common stock surrendered in the merger in the amount of the difference between their

basis in such share and the fair market value of the shares of La Jolla common stock they receive in exchange for each share of Adamis common stock. Adamis stockholders should consult with their own tax advisor regarding the proper reporting of the amount and timing of such gain or loss.

The La Jolla Board did not obtain a fairness opinion in determining whether or not to proceed with the transaction with Adamis and, as a result, the fairness of the terms from a financial point of view to La Jolla s stockholders has not been reviewed by an independent third party.

In analyzing the proposed transaction with Adamis, the Company and the La Jolla Board conducted significant due diligence on Adamis, including, among other things, reviewing Adamis financial statements, material agreements and SEC filings and comparing Adamis to comparable companies. In addition, the La Jolla Board retained the services of a financial advisor to evaluate the proposed merger. The La Jolla Board believes it was qualified to

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conclude that the business combination was fair to its stockholders from a financial perspective because of the financial skills and background of its directors and management and the advice received from its financial advisor. Accordingly, the La Jolla Board did not retain an investment banker in connection with its consideration of the proposed merger and did not seek or obtain a fairness opinion that the consideration to be paid to Adamis stockholders in the merger, or the consideration to be held by La Jolla stockholders immediately after the merger, is fair from a financial point of view to La Jolla s stockholders. The La Jolla Board concluded that the costs of obtaining a fairness opinion from a third party would likely be disproportionately higher than any corresponding benefits that would be realized by obtaining such an opinion, particularly in light of La Jolla s cash position and La Jolla s need to preserve as much cash as possible to close the merger with Adamis. The cost of obtaining a fairness opinion would also reduce the amount of cash that would be available to the combined company. Accordingly, the La Jolla Board did not have the benefit of an independent assessment of the fairness of the transaction.

The Adamis Board did not obtain a fairness opinion in determining whether or not to proceed with the transaction with La Jolla and, as a result, the fairness of the terms from a financial point of view to Adamis stockholders has not been reviewed by an independent third party.

Adamis did not not seek or obtain a fairness opinion from an investment bank or other firm that the consideration to be received by Adamis stockholders in the merger is fair from a financial point of view to Adamis stockholders. In analyzing the proposed transaction with La Jolla, Adamis management and the Adamis Board conducted due diligence on La Jolla, including, among other things, reviewing La Jolla s financial statements, material agreements, SEC filings and range of estimated amounts of La Jolla cash and cash equivalents at the anticipated closing date of the merger. The Adamis Board believes it was qualified to conclude that the terms of the business combination transaction, including without limitation the formulas included in the merger agreement for determining the La Jolla Reverse Split Ratio and the range of percentages of the outstanding shares of the combined company that the Adamis stockholders could be expected to hold immediately after the merger, was fair to Adamis stockholders from a financial perspective because of the knowledge and background of its directors and management. The Adamis Board also concluded that the costs of obtaining a fairness opinion from a third party would likely be disproportionately higher than any corresponding benefits that would be realized by obtaining such an opinion, particularly in light of Adamis and La Jolla s cash position and the history of negotiations with La Jolla regarding the transaction, would not materially assist Adamis in discussions with La Jolla, and would increase the amount of transaction costs, reducing the amount of cash that would be available to the combined company after the merger. Notwithstanding the foregoing, the Adamis Board may be incorrect in its assessment of the terms of the transaction, and the absence of a fairness opinion may increase the risk that the terms of the proposed merger may not be fair from a financial point of view to Adamis stockholders.

Because Adamis business will constitute the business of the combined company after the closing of the merger, if any of the events described in Risks Related to Adamis occur, those events could cause the potential benefits of the merger not to be realized and the market price of the combined company s common stock to decline.

Because of La Jolla s limited operations, the combined company s business immediately following the merger will be the business conducted by Adamis immediately prior to the merger. As a result, the risks described below under Risks Related to Adamis are significant risks to the combined company if the merger is completed. To the extent any of the events in the risks described below under Risks Related to Adamis occur, those events could cause the potential benefits of the merger not to be realized and the market price of the combined company s common stock to decline.

Risks Related to La Jolla

In addition to the other information contained in this joint proxy statement/prospectus, you should carefully consider the material risks described below. As discussed above, La Jolla has entered into the merger agreement with Merger

Sub and Adamis, pursuant to which Merger Sub will merge with and into Adamis, with Adamis as the surviving corporation becoming a wholly-owned subsidiary of La Jolla. Following the completion of the merger, the current management and board of directors of La Jolla will have resigned and therefore have no control over the

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ultimate decisions regarding the combined company s operations and business. Prior to executing the merger agreement with Adamis, the La Jolla Board approved a plan of liquidation and dissolution and called a stockholder meeting to vote on that plan, which meeting was cancelled upon the execution of the merger agreement. If La Jolla is unable to complete the merger or another strategic transaction, it does not expect to be able to continue as a going concern and will likely be required to liquidate in a voluntary dissolution under Delaware law. All of the combined company s business immediately following the merger will be the business conducted by Adamis immediately prior to the merger, and most, if not all, of the risk factors related to La Jolla s business in this joint proxy statement/prospectus will change from those described herein based on La Jolla s business to date and otherwise may no longer be applicable to the combined company. La Jolla encourages you to review the sections entitled Risks Related to Adamis and Risks Related to the Combined Company for a description of the substantial portion of the expected risks of the combined company if the merger is approved and completed.

La Jolla may not be able to complete the merger with Adamis and failure to do so could adversely affect its business.

La Jolla cannot assure you that it will close the pending merger with Adamis in a timely manner or at all. La Jolla s consideration and completion of the merger is subject to a variety of risks that could materially and adversely affect La Jolla s business and financial results, including risks that it will forego strategic opportunities while the closing of the merger is pending and risks inherent in negotiating and completing any transaction. In particular, the Adamis has the right to terminate the merger agreement if La Jolla Net Cash at closing is less than $2.3 million. While La Jolla has and will continue to expend substantial effort to limit its expenses and preserve its remaining cash, unforeseen liabilities or expenses, in some cases over which La Jolla has no control, may arise that could result in La Jolla Net Cash at closing being less than $2.3 million. In such event, Adamis would be able to terminate the merger agreement and the merger would not close. If La Jolla does not close the merger with Adamis, the La Jolla Board may elect to attempt to complete another strategic transaction similar to the merger or otherwise (but such opportunity might not be available), or may determine that La Jolla should re-solicit its stockholders vote to liquidate and dissolve.

If the merger does not close, La Jolla may again seek to liquidate in a voluntary dissolution under Delaware law, but may be unable to do so.

If La Jolla is unable to consummate the merger with Adamis, La Jolla would likely need to liquidate in a voluntary dissolution under Delaware law. The La Jolla Board previously approved a plan of liquidation and dissolution on September 3, 2009. In connection with that plan of liquidation, La Jolla convened a special meeting of its stockholders to approve such plan, which meeting was adjourned three times because of insufficient support from La Jolla s stockholders and which the La Jolla Board cancelled in connection with La Jolla s execution of the merger agreement. In the event La Jolla is unable to complete the merger with Adamis, it is likely that the La Jolla Board will call another special meeting of La Jolla s stockholders to approve the plan of liquidation and dissolution. If the La Jolla stockholders approve the plan of liquidation and dissolution, La Jolla would liquidate in a voluntary dissolution under Delaware law and distribute remaining assets, if any, to its stockholders. However, if La Jolla is still unable to receive the necessary stockholder approval, La Jolla may be limited in its ability to distribute remaining assets and stockholders may not receive the value of these assets.

La Jolla is currently not in compliance with NASDAQ rules regarding the minimum bid price of its common stock and is at risk of being delisted from the NASDAQ Capital Market.

On September 15, 2009, La Jolla received a NASDAQ staff deficiency letter indicating that, for the prior 30 consecutive days, the bid price for La Jolla s common stock had closed below the minimum bid price of $1.00 per share as required for continued inclusion on the NASDAQ Capital Market under Listing Rule 5550(a)(2). If La Jolla does not regain compliance with the minimum bid price rule, NASDAQ will provide written notification that La Jolla s

common stock will be delisted, after which La Jolla may appeal the staff determination to the NASDAQ Listing Qualifications Panel if it so chooses. On January 19, 2010, La Jolla received a letter from NASDAQ indicating NASDAQ s expectation that the combined entity will not satisfy NASDAQ s listing standards as of the closing of the merger. Accordingly, NASDAQ intends to immediately commence delisting proceedings against La

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Jolla unless La Jolla requests a hearing no later than 4:00 p.m. Eastern time on January 26, 2010. La Jolla requested a hearing to appeal the delisting determination. The hearing date has been set for February 25, 2010. However, La Jolla cannot ensure that it will be successful on appeal and therefore La Jolla may lose its NASDAQ listing before the closing of the merger.

If La Jolla is delisted from the NASDAQ Capital Market, La Jolla common stock may be traded over-the-counter on the OTC Bulletin Board or in the pink sheets. These alternative markets are generally considered to be less efficient than, and not as broad as, the NASDAQ Capital Market. Many OTC Bulletin Board stocks trade less frequently and in smaller volumes than securities traded on the NASDAQ markets, which could have a material adverse effect on the liquidity of La Jolla common stock. If La Jolla s common stock is delisted from the NASDAQ Capital Market, there may be a limited market for La Jolla common stock, trading in La Jolla stock may become more difficult and La Jolla s share price could decrease even further.

Specifically, you may not be able to resell your shares of La Jolla common stock at or above the price you paid for such shares, or at all. In addition, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Any such litigation brought against La Jolla could result in substantial costs and a diversion of management s attention and resources, which could hurt La Jolla s business, operating results and financial condition.

In addition, La Jolla common stock would be expected to become subject to penny stock rules. The SEC generally defines penny stock as an equity security that has a market price of less than $5.00 per share, subject to certain exceptions. La Jolla is not currently subject to the penny stock rules because its common stock is listed on the NASDAQ Stock Market. However, if La Jolla common stock is delisted, La Jolla common stock would become subject to the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell La Jolla common stock. If La Jolla common stock were considered penny stock, the ability of broker-dealers to sell La Jolla common stock and the ability of La Jolla stockholders to sell their shares in the secondary market would be limited and, as a result, the market liquidity for La Jolla common stock would be adversely affected. La Jolla cannot assure stockholders that trading in La Jolla securities will not be subject to these or other regulations in the future.

Risks Related to Adamis

Adamis limited operating history may make it difficult to evaluate its business to date and the combined company s future viability.

Adamis is in the early stage of operations and development, and has only a limited operating history on which to base an evaluation of its business and prospects, having just commenced operations in 2006. Moreover, Adamis acquired Adamis Labs during calendar year 2007. Adamis is subject to the risks inherent in the ownership and operation of a company with a limited operating history, such as regulatory setbacks and delays, fluctuations in expenses, competition, the general strength of regional and national economies, and governmental regulation. Any failure to successfully address these risks and uncertainties could seriously harm Adamis business and prospects. Adamis may not succeed given the technological, marketing, strategic and competitive challenges it will face. The likelihood of Adamis success must be considered in light of the expenses, difficulties, complications, problems and delays frequently encountered in connection with the growth of a new business, the continuing development of new drug development technology, and the competitive and regulatory environment in which Adamis operates or may choose to operate in the future.

Some of Adamis potential products and technologies are in early stages of development.

The development of new pharmaceutical products is a highly risky undertaking, and there can be no assurance that any future research and development efforts Adamis might undertake will be successful. Adamis potential products in the influenza and other viral fields will require extensive additional research and development before any commercial introduction, and development work on the generic nasal steroid product must still be completed. There can be no assurance that any future research, development or clinical trial efforts will result in viable products or meet efficacy standards. Future clinical or preclinical results may be negative or insufficient to allow Adamis to successfully market its product candidates. Obtaining needed data and results may take longer than planned or may

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not be obtained at all. Any such delays or setbacks could have an adverse effect on the ability of Adamis to achieve its financial goals.

Adamis is subject to substantial government regulation, which could materially adversely affect Adamis business.

The production and marketing of Adamis products and potential products and its ongoing research and development, pre-clinical testing and clinical trial activities are currently subject to extensive regulation and review by numerous governmental authorities in the United States and will face similar regulation and review for overseas approval and sales from governmental authorities outside of the United States. Some of the product candidates that Adamis is currently developing must undergo rigorous pre-clinical and clinical testing and an extensive regulatory approval process before they can be marketed. This process makes it longer, more difficult and more costly to bring Adamis potential products to market, and Adamis cannot guarantee that any of its potential products will be approved. The pre-marketing approval process can be particularly expensive, uncertain and lengthy, and a number of products for which FDA approval has been sought by other companies have never been approved for marketing. In addition to testing and approval procedures, extensive regulations also govern marketing, manufacturing, distribution, labeling, and record-keeping procedures. If Adamis or its collaboration partners do not comply with applicable regulatory requirements, such violations could result in non-approval, suspensions of regulatory approvals, civil penalties and criminal fines, product seizures and recalls, operating restrictions, injunctions, and criminal prosecution.

Withdrawal or rejection of FDA or other government entity approval of Adamis potential products may also adversely affect Adamis business. Such rejection may be encountered due to, among other reasons, lack of efficacy during clinical trials, unforeseen safety issues, inability to follow patients after treatment in clinical trials, inconsistencies between early clinical trial results and results obtained in later clinical trials, varying interpretations of data generated by clinical trials, or changes in regulatory policy during the period of product development in the United States and abroad. In the United States, there is stringent FDA oversight in product clearance and enforcement activities, causing medical product development to experience longer approval cycles, greater risk and uncertainty, and higher expenses. Internationally, there is a risk that Adamis may not be successful in meeting the quality standards or other certification requirements. Even if regulatory approval of a product is granted, this approval may entail limitations on uses for which the product may be labeled and promoted, or may prevent Adamis from broadening the uses of Adamis current or potential products for different applications. In addition, Adamis may not receive FDA approval to export Adamis potential products in the future, and countries to which potential products are to be exported may not approve them for import.

Manufacturing facilities for Adamis products will also be subject to continual governmental review and inspection. The FDA has stated publicly that compliance with manufacturing regulations will continue to be strictly scrutinized. To the extent Adamis decides to manufacture its own products, a governmental authority may challenge Adamis compliance with applicable federal, state and foreign regulations. In addition, any discovery of previously unknown problems with one of Adamis potential products or facilities may result in restrictions on the potential product or the facility. If Adamis decides to outsource the commercial production of its products, any challenge by a regulatory authority of the compliance of the manufacturer could hinder Adamis ability to bring its products to market.

Some of Adamis Labs products that have been drug listed with the FDA are marketed without an approved new drug application or abbreviated new drug application. The FDA could at some future date seek to prevent marketing of these products, require that such products be marketed only after submission and approval of drug applications, or take other regulatory action against Adamis with respect to these products, which could have an adverse effect on Adamis.

Several of Adamis Labs products, including AeroHist Caplets, AeroHist Plus Caplets, AeroKid Oral Liquid and AeroOtic HC Ear Drops, and the Epi Syringe, were not the subject of a new drug application or abbreviated new drug

application, or ANDA, and have not been specifically approved by the FDA for marketing by Adamis. These products have been marketed for many years and, Adamis believes, are similarly situated to products marketed by many companies that are marketed without an approved new drug application or abbreviated new drug application.

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The products are drug listed with the FDA in the National Drug Code Directory but such listing does not constitute FDA approval of the products. In June 2006, the FDA issued a Compliance Policy Guide for Marketed Unapproved Drugs, which addressed some of the considerations utilized by the FDA in exercising its discretion with respect to products marketed without FDA approval. The guide does not establish legally enforceable responsibilities on the FDA and generally only represents the agency s current thinking on a topic. The guide emphasizes that any product that is being marketed without required FDA approvals is subject to FDA enforcement action at any time. If the FDA were to issue a Federal Register Notice outlining revised conditions for marketing, which could include calling for the submission of an application for products such as Adamis cough/cold products, then Adamis would take appropriate action so as to be in compliance with any such policies. The FDA might also require clinical trials in support of any such applications, and Adamis would need to evaluate its alternatives in light of the costs required to conduct such trials, which could be substantial, compared to the economic benefit to Adamis from such products. The FDA could also exercise its discretion to proceed against Adamis and/or other companies that market similar products without an FDA approval and require immediate withdrawal of the products from the market, to prohibit Adamis from marketing these products without first conducting required trials and obtaining approvals, or to impose other penalties on Adamis. Some of Adamis Labs unapproved products include extended release formulations, which may subject Adamis to a higher risk of FDA enforcement action. Such actions could have a material adverse effect on Adamis business, financial condition and results of operations.

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

Like many companies its size, Adamis does not have the ability to conduct preclinical or clinical studies for its product candidates without the assistance of third parties who conduct the studies on its behalf. These third parties are usually toxicology facilities and clinical research organizations, or CROs, that have significant resources and experience in the conduct of pre-clinical and clinical studies. The toxicology facilities conduct the pre-clinical safety studies as well as all associated tasks connected with these studies. The CROs typically perform patient recruitment, project management, data management, statistical analysis, and other reporting functions. Adamis intends to rely on third parties to conduct clinical trials of its product candidates and to use different toxicology facilities and CROs for its pre-clinical and clinical studies.

Adamis reliance on these third parties for development activities will reduce its control over these activities. If these third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to Adamis clinical protocols or for other reasons, Adamis clinical trials may be extended, delayed or terminated. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, Adamis may be required to replace them. Although Adamis believes there are a number of third-party contractors it could engage to continue these activities, replacing a third-party contractor may result in a delay of the affected trial. Accordingly, Adamis may not be able to obtain regulatory approval for or successfully commercialize its product candidates.

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

Delays in the commencement or completion of clinical testing could significantly impact Adamis product development costs. Adamis does not know whether current or planned clinical trials will begin on time or be completed on schedule, if at all. The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

obtaining regulatory approval to commence a clinical trial;

reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;

obtaining sufficient quantities of clinical trial materials for any or all product candidates;

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obtaining institutional review board approval to conduct a clinical trial at a prospective site; and

recruiting participants for a clinical trial.

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

failure to conduct the clinical trial in accordance with regulatory requirements;

inspection of the clinical trial operations or clinical trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;

failure to achieve certain efficacy and/or safety standards; or

lack of adequate funding to continue the clinical trial.

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

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

Adamis, the FDA or other applicable regulatory authorities may suspend clinical trials of a product candidate at any time if Adamis or they believe the participants in such clinical trials, or in independent third-party clinical trials for drugs based on similar technologies, are being exposed to unacceptable health risks or for other reasons.

Adamis is subject to the risk of clinical trial and product liability lawsuits.

The testing of human health care product candidates entails an inherent risk of allegations of clinical trial liability, while the marketing and sale of approved products entails an inherent risk of allegations of product liability. Adamis currently maintains liability insurance coverage of $5,000,000. However, as Adamis conducts additional clinical trials and introduces products into the United States market, the risk of adverse events increases and Adamis requirements for liability insurance coverage are likely to increase. Adamis is subject to the risk that substantial liability claims from the testing or marketing of pharmaceutical products could be asserted against it in the future. There can be no assurance that Adamis will be able to obtain or maintain insurance on acceptable terms, particularly in overseas locations, for clinical and commercial activities or that any insurance obtained will provide adequate protection against potential liabilities. Moreover, Adamis current and future coverages may not be adequate to protect Adamis from all of the liabilities that it may incur. If losses from liability claims exceed Adamis insurance coverage, Adamis may incur substantial liabilities that exceed its financial resources. In addition, a product or clinical trial liability

action against Adamis would be expensive and time-consuming to defend, even if Adamis ultimately prevailed. If Adamis is required to pay a claim, Adamis may not have sufficient financial resources and its business and results of operations may be harmed.

Adamis does not have commercial-scale manufacturing capability, and it lacks commercial manufacturing experience. Adamis will likely rely on third parties to manufacture and supply its product candidates.

Adamis does not own or operate manufacturing facilities for clinical or commercial production of product candidates. Adamis does not have any experience in drug formulation or manufacturing, and it lacks the resources

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and the capability to manufacture any of its product candidates on a clinical or commercial scale. Accordingly, Adamis expects to depend on third-party contract manufacturers for the foreseeable future. Any performance failure on the part of Adamis contract manufacturers could delay clinical development, regulatory approval or commercialization of Adamis current or future product candidates, depriving Adamis of potential product revenue and resulting in additional losses.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up initial production. These problems include difficulties with production costs and yields, quality control (including stability of the product candidate and quality assurance testing), shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. If Adamis third-party contract manufacturers were to encounter any of these difficulties or otherwise fail to comply with their obligations or under applicable regulations, Adamis ability to provide product candidates to patients in its clinical trials would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of Adamis clinical trials, increase the costs associated with maintaining Adamis clinical trial programs and, depending upon the period of delay, require Adamis to commence new trials at significant additional expense or terminate the trials completely.

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

If Adamis fails to obtain acceptable prices or appropriate reimbursement for its products, its ability to successfully commercialize its products will be impaired.

Government and insurance reimbursements for healthcare expenditures play an important role for all healthcare providers, including physicians and pharmaceutical companies such as Adamis that plan to offer various products in the United States and other countries in the future. Adamis ability to earn sufficient returns on its products and potential products will depend in part on the extent to which reimbursement for the costs of such products will be available from government health administration authorities, private health coverage insurers, managed care organizations, and other organizations. In the United States, Adamis ability to have its products eligible for Medicare, Medicaid or private insurance reimbursement will be an important factor in determining the ultimate success of its products. If, for any reason, Medicare, Medicaid or the insurance companies decline to provide reimbursement for Adamis products, its ability to commercialize its products would be adversely affected. There can be no assurance that Adamis potential drug products will be eligible for reimbursement.

There has been a trend toward declining government and private insurance expenditures for many healthcare items and this trend may accelerate with proposed healthcare reform legislation. Third-party payors are increasingly challenging the price of medical and pharmaceutical products.

If purchasers or users of Adamis products and related treatments are not able to obtain appropriate reimbursement for the cost of using such products, they may forego or reduce such use. Even if Adamis products are approved for reimbursement by Medicare, Medicaid and private insurers, of which there can be no assurance, the amount of reimbursement may be reduced at times or even eliminated. This would have a material adverse effect on Adamis business, financial condition and results of operations.

Significant uncertainty exists as to the reimbursement status of newly approved pharmaceutical products, and there can be no assurance that adequate third-party coverage will be available.

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

In both the United States and certain foreign jurisdictions, there have been and are expected to be a number of legislative and regulatory changes to the healthcare system in ways that could impact Adamis ability to sell its products profitably. In recent years, new legislation has been enacted in the United States at the federal and state levels that effects major changes in the healthcare system, either nationally or at the state level. These new laws include a prescription drug benefit plan for Medicare beneficiaries and certain changes in Medicare reimbursement. Given the recent enactment of these laws, it is still too early to determine their impact on the biotechnology and pharmaceutical industries and Adamis business. Further, the U.S. Congress is considering a significant healthcare overhaul proposal that may affect Adamis ability to market and sell products on favorable terms, which would affect Adamis results of operations as well as its ability to raise capital, obtain additional collaborators or profitably market its products. Such proposals may reduce Adamis revenues, increase its expenses or limit the markets for its products. In particular, Adamis expects to experience pricing pressures in connection with the sale of its products due to the trend toward managed health care, the increasing influence of health maintenance organizations and additional legislative proposals.

Adamis has limited sales, marketing and distribution experience.

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

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

Adamis has entered into arrangements with third parties regarding development and commercialization of some of its products and may in the future seek to enter into collaborative arrangements to develop and commercialize some of its potential products both in North America and international markets. There can be no assurance that Adamis will be able to negotiate collaborative arrangements on favorable terms or at all or that its current or future collaborative arrangements will be successful.

Adamis strategy for the future research, development, and commercialization of its products is expected to be based in part on entering into various arrangements with corporate collaborators, licensors, licensees, health care institutions and principal investigators and others, and its commercial success is dependent upon these outside parties performing their respective contractual obligations responsibly and with integrity. The amount and timing of resources such third parties will devote to these activities may not be within Admins control. There can be no assurance that such parties will perform their obligations as expected. There can be no assurance that Adamis collaborators will devote adequate resources to its products.

If Adamis is not successful in acquiring or licensing additional product candidates on acceptable terms, if at all, Adamis business may be adversely affected.

As part of its strategy, Adamis may acquire or license additional product candidates that it believes have growth potential. There are no assurances that Adamis will be able to identify promising product candidates. Even if Adamis

is successful in identifying promising product candidates, Adamis may not be able to reach an agreement for the acquisition or license of the product candidates with their owners on acceptable terms or at all.

Adamis may not be able to successfully identify any other commercial products or product candidates to in-license, acquire or internally develop. Moreover, negotiating and implementing an economically viable in-licensing arrangement or acquisition is a lengthy and complex process. Other companies, including those with substantially greater resources, may compete with Adamis for the in-licensing or acquisition of product candidates and approved products. Adamis may not be able to acquire or in-license the rights to additional product candidates and approved

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products on terms that it finds acceptable, or at all. If it is unable to in-license or acquire additional commercial products or product candidates, Adamis ability to grow its business or increase its profits could be severely limited.

If Adamis competitors develop and market products that are more effective than Adamis product candidates or obtain regulatory and marketing approval for similar products before Adamis does, Adamis commercial opportunity may be reduced or eliminated.

The development and commercialization of new pharmaceutical products that target influenza and other viral conditions, and allergy and other respiratory conditions addressed by the current and future products of Adamis Labs, is competitive, and Adamis faces competition from numerous sources, including major biotechnology and pharmaceutical companies worldwide. Many of Adamis competitors have substantially greater financial and technical resources, and development, production and marketing capabilities than Adamis does. In addition, many of these companies have more experience than Adamis in pre-clinical testing, clinical trials and manufacturing of compounds, as well as in obtaining FDA and foreign regulatory approvals. Adamis also competes with academic institutions, governmental agencies and private organizations that are conducting research in the same fields. Competition among these entities to recruit and retain highly qualified scientific, technical and professional personnel and consultants is also intense. As a result, there is a risk that one of Adamis competitors will develop a more effective product for the same indications for which Adamis is developing a product or, alternatively, bring a similar product to market before Adamis can do so. Failure of Adamis to successfully compete will adversely impact the ability to raise additional capital and ultimately achieve profitable operations.

If Adamis suffers negative publicity concerning the safety of its products in development, its sales may be harmed and Adamis may be forced to withdraw such products.

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

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

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

There is a substantial backlog of patent applications at the United States Patent and Trademark Office, or USPTO. Patents in the United States are issued to the party that is first to invent the claimed invention. There can be no assurance that any patent applications relating to Adamis products or methods will be issued as patents, or, if issued, that the patents will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide a competitive advantage. Adamis may not be able to obtain patent rights on products, treatment methods or manufacturing processes that it may develop or to which Adamis may obtain license or other rights. Even if Adamis does obtain patents, rights under any issued patents may not provide it with sufficient protection for its product

candidates or provide sufficient protection to afford Adamis a commercial advantage against its competitors or their competitive products or processes. It is possible that no patents will be issued from any pending or future patent applications owned by Adamis or licensed to Adamis. Others may challenge, seek to invalidate, infringe or circumvent any patents Adamis owns or licenses. Alternatively, Adamis may in the future be required to initiate litigation against third parties to enforce its intellectual property rights. The defense and prosecution of patent and intellectual property claims are both costly and time consuming, even if the outcome is favorable to Adamis. Any

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adverse outcome could subject Adamis to significant liabilities, require Adamis to license disputed rights from others, or require Adamis to cease selling its future products.

In addition, many other organizations are engaged in research and product development efforts that may overlap with Adamis products. For example, Adamis PFS Syringe product competes against other self-administered epinephrine products, including EpiPen, EpiPen Jr. and Twinject; Adamis Labs line of allergy and respiratory products compete with numerous prescription and non-prescription over-the-counter products targeting similar conditions; and with regard to the Savvy product candidate, Ortho Pharmaceuticals and many other companies offer contraceptive vaginal gel products. Such organizations may currently have, or may obtain in the future, legally blocking proprietary rights, including patent rights, in one or more products or methods under development or consideration by Adamis. These rights may prevent Adamis from commercializing technology, or may require Adamis to obtain a license from the organizations to use the technology. Adamis may not be able to obtain any such licenses that may be required on reasonable financial terms, if at all, and cannot be sure that the patents underlying any such licenses will be valid or enforceable. As with other companies in the pharmaceutical industry, Adamis is subject to the risk that persons located in other countries will engage in development, marketing or sales activities of products that would infringe Adamis patent rights if such activities were conducted in the United States.

Adamis patents also may not afford protection against competitors with similar technology. Adamis may not have identified all patents, published applications or published literature that affect its business either by blocking Adamis ability to commercialize its product candidates, by preventing the patentability of its products or by covering the same or similar technologies that may affect Adamis ability to market or license its product candidates. For example, patent applications filed with the USPTO are maintained in confidence for up to 18 months after their filing. In some cases, however, patent applications filed with the USPTO remain confidential for the entire time before issuance as a U.S. patent. Patent applications filed in countries outside the United States are not typically published until at least 18 months from their first filing date. Similarly, publication of discoveries in the scientific or patent literature often lags behind actual discoveries. Therefore, Adamis or its licensors might not have been the first to invent, or the first to file, patent applications on Adamis product candidates or for their use. The laws of some foreign jurisdictions do not protect intellectual property rights to the same extent as in the United States, and many companies have encountered significant difficulties in protecting and defending these rights in foreign jurisdictions. If Adamis encounters such difficulties or is otherwise precluded from effectively protecting its intellectual property rights in either the United States or foreign jurisdictions, Adamis business prospects could be substantially harmed.

Adamis corporate compliance programs cannot guarantee that Adamis is now or will be in compliance with all potentially applicable regulations.

The development, manufacturing, pricing, sales, and reimbursement of pharmaceutical products, together with Adamis general operations, are subject to extensive regulation by federal, state and other authorities within the United States and numerous entities outside of the United States. Adamis is a small company and it relies on third parties to conduct certain important functions. Adamis relies on a third party clinical regulatory organization, Health Decisions, Inc., pursuant to an agreement between Adamis and the National Institute of Child Health and Human Development, to conduct its Phase III Savvy clinical trial, and will rely on third parties to assist in evaluation of the results of that trial. In addition, Adamis also has significantly fewer employees than many other companies that have the same or fewer product candidates in clinical development. If Adamis fails to comply with any of these regulations, Adamis could be subject to a range of regulatory actions, including suspension or termination of clinical trials, restrictions on its products or manufacturing processes, or other sanctions or litigation. In addition, as a publicly-traded company, Adamis is subject to significant regulations, including the Sarbanes-Oxley Act of 2002. While Adamis has developed and instituted a corporate compliance program and continues to update the program in response to newly implemented or changing regulatory requirements, Adamis cannot assure you that it is now or will be in compliance with all such applicable laws and regulations. Failure to comply with potentially applicable laws and regulations could also lead to

the imposition of fines, cause the value of Adamis common stock to decline and impede Adamis ability to raise capital or lead to the failure of Adamis common stock to continue to be traded on the OTC Bulletin Board.

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Risks Related to the Combined Company

In determining whether you should approve the merger, the issuance of shares of La Jolla common stock and other matters related to the merger, as the case may be, you should carefully read the following risk factors in addition to the other risks described herein. You should especially focus on the risks described under Risks Related to Adamis, as the business of and risks related to Adamis will be the business of and the risks related to the combined company.

The combined company will require additional financing after the consummation of the merger.

At September 30, 2009, Adamis and its subsidiaries together had cash and cash equivalents of approximately $14,500 and accounts receivable of approximately $160,000. As described in greater detail below under the heading Adamis Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Recent Convertible Note Transactions, Adamis recently raised gross proceeds of approximately $2,000,000 through the issuance of convertible promissory notes and shares of Adamis common stock. At the close of the merger, La Jolla estimates it will have net cash of approximately $2.5 million to $3.0 million. Even if the merger is concluded, the combined company will require additional cash resources to continue operations during 2010. The combined company will have capital needs at various times during calendar year 2010, and such capital needs will depend in part on the level of product revenues, the amount of additional funds raised in equity or debt transactions and the amounts spent on product development efforts. The combined company s capital needs could include $4 million or more for ongoing sales, general and administrative activities and expenses and $9 million or more on product development. However, lower revenues or other factors could result in operations, sales and product development activities, expenses and capital needs significantly below these levels. In addition, if the recently issued Adamis convertible promissory notes, $1,500,000 principal amount of which are senior secured notes that are secured by a security interest in substantially all of the assets of Adamis, are not converted into common stock before their maturity dates, and if cash flow from product sales together with available cash resources were insufficient to pay the principal and any accrued unpaid interest on the notes, then Adamis would require additional financing in order to pay the notes when they mature, and if the senior secured notes were not paid when due, the holders would be entitled to declare a default and would have the rights foreclose on the collateral pursuant to the agreements relating to the notes. For additional information on these notes, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Recent Convertible Note Transactions. Additional funding will be used to satisfy existing obligations and liabilities and future working capital needs, to build working capital reserves and to fund a number of projects, which may include the following:

- market the Adamis Labs PFS Syringe product and the generic nasal steroid product candidate;
- pursue the development of other product candidates;
- fund clinical trials and seek regulatory approvals;
- expand research and development activities;
- access manufacturing and commercialization capabilities;
- implement additional internal systems and infrastructure;
- maintain, defend and expand the scope of the combined company s intellectual property portfolio; and
- hire additional management, sales, research, development and clinical personnel.

Statements in this joint proxy statement/prospectus, including concerning Adamis anticipated or hoped-for target dates for introduction of its nasal steroid and vaccine product candidates, and for the commencement of clinical trials relating to the steroid and vaccine product candidates, assume that Adamis will have sufficient funding to support the timely introduction of products and the conduct of clinical trials. Failure to have sufficient funding could require Adamis to delay product launches or clinical trials, which would have an adverse effect on its business and results of operations and which could increase the need for additional financing in the future.

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Until the combined company can generate a sufficient amount of revenue to finance its cash requirements, which the combined company may never do, the combined company expects to finance future cash needs primarily through public or private equity offerings, debt financings, or licensing revenues from strategic collaborations. Sales of additional equity securities will dilute current stockholders ownership percentage in the combined company. The combined company does not know whether additional financing will be available on acceptable terms, or at all. If the combined company is not able to secure additional equity or debt financing when needed on acceptable terms, the combined company may have to sell some of its assets or enter into a strategic collaboration for one or more of the combined company s product candidate programs at an earlier stage of development than would otherwise be desired. This could lower the economic value of these collaborations to the combined company. In addition, the combined company may have to delay, reduce the scope of, or eliminate one or more of its clinical trials or research and development programs, or ultimately, cease operations.

If adequate funding is not obtained, the board of directors of the combined company will be required to explore alternatives for the combined company s business and assets. These alternatives might include seeking the dissolution and liquidation of the combined company, seeking to merge or combine with another company, selling or licensing some of the combined company s intellectual property, or initiating bankruptcy proceedings. There can be no assurance that any third party will be interested in merging with the combined company or would agree to a price and other terms that the combined company would deem adequate. If the combined company filed for bankruptcy, it would most likely not be able to raise any type of funding from any source. In that event, the creditors of the combined company would have first claim on the value of the assets of the combined company which, other than remaining cash, would most likely be liquidated in a bankruptcy sale. The combined company can give no assurance as to the magnitude of the net proceeds of such sale and whether such proceeds would be sufficient to satisfy the combined company s obligations to its creditors, let alone to permit any distribution to its equity holders.

The combined company s common stock price is expected to be volatile, and the market price of its common stock may drop following the merger.

The market price of the combined company s common stock could be subject to significant fluctuations following the merger. Market prices for securities of early-stage pharmaceutical, biotechnology and other life sciences companies have historically been particularly volatile. Some of the factors that may cause the market price of the combined company s common stock to fluctuate include:

- the results of the combined company s current and any future clinical trials of its product candidates;
- the timing and results of ongoing preclinical studies and planned clinical trials of the combined company s preclinical product candidates;
- the entry into, or termination of, key agreements, including, among others, key collaboration and license agreements;
- the results and timing of regulatory reviews relating to the approval of the combined company s product candidates;
- the initiation of, material developments in, or conclusion of, litigation to enforce or defend any of the combined company s intellectual property rights;
- failure of any of the combined company s product candidates, if approved, to achieve commercial success;

general and industry-specific economic conditions that may affect the combined company s research and development expenditures;

the results of clinical trials conducted by others on drugs that would compete with the combined company s product candidates;

issues in manufacturing the combined company s product candidates or any approved products;

the loss of key employees;

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the introduction of technological innovations or new commercial products by competitors of the combined company;

changes in estimates or recommendations by securities analysts, if any, who cover the combined company s common stock;

future sales of the combined company s common stock;

period-to-period fluctuations in the combined company s financial results;

publicity or announcements regarding regulatory developments relating to the combined company s products;

clinical trial results, particularly the outcome of more advanced studies, or negative responses from both domestic and foreign regulatory authorities with regard to the approvability of the combined company s products;

period-to-period fluctuations in the combined company s financial results, including the combined company s cash and cash equivalents balance, operating expenses, cash burn rate or revenue levels;

common stock sales in the public market by one or more of the combined company s larger stockholders, officers or directors;

the combined company s filing for protection under federal bankruptcy laws;

a negative outcome in any litigation or potential legal proceedings; or

other potentially negative financial announcements including: a review of any of the combined company s filings by the SEC, changes in accounting treatment or restatement of previously reported financial results or delays in the combined company s filings with the SEC.

Following the merger, stockholders of Adamis may sell a significant number of shares of La Jolla common stock they will receive in the merger. Significant sales could adversely affect the market price for the combined company s common stock for a period of time after completion of the merger.

Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of the combined company s common stock.

In the past, following periods of volatility in the market price of a company s securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the combined company s profitability and reputation.

The combined company s common stock is expected to be traded on the OTC Bulletin Board and be subject to additional trading restrictions as a penny stock, which could adversely affect the liquidity and price of such stock.

Following the merger, Adamis and La Jolla expect that the combined company s common stock will be reported on the OTC Bulletin Board. Because the combined company s common stock will not initially be listed on any national securities exchange, such shares will also be subject to the regulations regarding trading in penny stocks, which are those securities trading for less than $5.00 per share. The following is a list of the general restrictions on the sale of penny stocks:

Before the sale of penny stock by a broker-dealer to a new purchaser, the broker-dealer must determine whether the purchaser is suitable to invest in penny stocks. To make that determination, a broker-dealer must obtain, from a prospective investor, information regarding the purchaser s financial condition and investment experience and objectives. Subsequently, the broker-dealer must deliver to the purchaser a written statement setting forth the basis of the suitability finding and obtain the purchaser s signature on such statement.

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A broker-dealer must obtain from the purchaser an agreement to purchase the securities. This agreement must be obtained for every purchase until the purchaser becomes an established customer. A broker-dealer may not effect a purchase of a penny stock less than two business days after a broker-dealer sends such agreement to the purchaser.

The Securities Exchange Act of 1934, or the Exchange Act, requires that before effecting any transaction in any penny stock, a broker-dealer must provide the purchaser with a risk disclosure document that contains, among other things, a description of the penny stock market and how it functions and the risks associated with such investment. These disclosure rules are applicable to both purchases and sales by investors.

A dealer that sells penny stock must send to the purchaser, within ten days after the end of each calendar month, a written account statement including prescribed information relating to the security.

These requirements can severely limit the liquidity of securities in the secondary market because few brokers or dealers are likely to be willing to undertake these compliance activities. As a result of the combined company s common stock not being listed on a national securities exchange and the rules and restrictions regarding penny stock transactions, an investor s ability to sell to a third party and the combined company s ability to raise additional capital may be limited. The combined company makes no guarantee that its market-makers will continue to make a market in its common stock, or that any market for its common stock will continue.

Adamis principal stockholders will have significant influence over the combined company, and your interests as a holder of La Jolla common stock may conflict with the interests of those persons.

Based on the number of outstanding shares of Adamis common stock held by Adamis stockholders as of the date of this joint proxy statement/prospectus, Adamis ten largest stockholders beneficially own approximately 51% of the outstanding Adamis common stock. As a result, those stockholders will be able to exert a significant degree of influence or actual control over the combined company s management and affairs after the merger and over matters requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of the combined company s assets, and any other significant corporate transaction. The interests of these persons may not always coincide with the interests of the combined company or its other stockholders. For example, such persons could delay or prevent a change of control of the combined company even if such a change of control would benefit the combined company s other stockholders. The significant concentration of stock ownership may adversely affect the trading price of the combined company s common stock due to investors perception that conflicts of interest may exist or arise.

The combined company s management will be required to devote substantial time to comply with public company regulations.

The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC, impose various requirements on public companies, including with respect to corporate governance practices. The combined company s management and other personnel will need to devote a substantial amount of time to these requirements.

In addition, the Sarbanes-Oxley Act requires, among other things, that the combined company maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, the combined company must perform system and process evaluation and testing of its internal controls over financial reporting to allow management to report on the effectiveness of its internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. The combined company s compliance with Section 404 will require that it incur substantial

accounting and related expense and expend significant management efforts. The combined company may need to hire additional accounting and financial staff to satisfy the ongoing requirements of Section 404. Moreover, if the combined company is not able to comply with the requirements of Section 404, or if the combined company or its independent registered public accounting firm identifies deficiencies in its internal controls over financial reporting that are deemed to be material weaknesses, the market price of the combined company s stock could decline and the combined company could be subject to sanctions or investigations by the SEC or other regulatory authorities.

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The unaudited pro forma financial statements are presented for illustrative purposes only and may not be an indication of the combined company s financial condition or results of operations following the merger.

The unaudited pro forma financial statements contained in this joint proxy statement/prospectus are presented for illustrative purposes only and may not be an indication of the combined company s financial condition or results of operations following the merger for several reasons. For example, the unaudited pro forma financial statements have been derived from the historical financial statements of La Jolla and Adamis and certain adjustments and assumptions have been made regarding the combined company after giving effect to the merger. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the unaudited pro forma financial statements do not reflect all costs that are expected to be incurred by the combined company in connection with the merger. For example, the impact of any incremental costs incurred in integrating the two companies is not reflected in the pro forma financial statements. As a result, the actual financial condition and results of operations of the combined company following the merger may not be consistent with, or evident from, these unaudited pro forma financial statements.

Adamis has incurred losses since its inception and anticipates that the combined company will continue to incur losses. The combined company may never achieve or sustain profitability.

Even after the merger is concluded, it is expected that the combined company will continue to incur losses. These losses may increase as the combined company continues its research and development activities, seeks regulatory approvals for its product candidates and commercializes any approved products. These losses may cause, among other things, the combined company s stockholders equity and working capital to decrease. The future earnings and cash flow from operations of the combined company s business are dependent, in part, on its ability to further develop its products and on revenues and profitability from sales of products and product candidates of its Adamis Labs operations. There can be no assurance that the combined company will grow and be profitable. There can be no assurance that the combined company will be able to generate sufficient product revenue to become profitable at all or on a sustained basis. The combined company expects to have quarter-to-quarter fluctuations in revenues and expenses, some of which could be significant, due to expanded manufacturing, marketing, research, development, and clinical trial activities. If the combined company s product candidates fail in clinical trials or do not gain regulatory approval, or if the combined company s products do not achieve market acceptance, the combined company may never become profitable. The combined company will need to increase product marketing and brand awareness and conduct significant research, development, testing and regulatory compliance activities that, together with projected general and administrative expenses, are expected to result in substantial operating losses for the foreseeable future. Even if the combined company does achieve profitability, it may not be able to sustain or increase profitability on a quarterly or annual basis.

Adamis has received a going concern opinion from its independent registered public accounting firm, which may negatively impact the combined company s business. Adamis audit opinions from its independent registered public accounting firm regarding the consolidated financial statements for the years ended March 31, 2009 and 2008 include an explanatory paragraph indicating that Adamis has incurred recurring losses from operations and has limited working capital to pursue its business alternatives, and that these factors raise substantial doubt about its ability to continue as a going concern. Without additional funds from debt or equity financing, sales of assets, intellectual property or technologies, or from a business combination or a similar transaction, the combined company will exhaust its resources and will be unable to continue operations. These factors raise substantial doubt about the combined company s ability to continue as a going concern.

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

Before regulatory approval for any potential product can be obtained, the combined company must undertake extensive clinical testing on humans to demonstrate the tolerability and efficacy of the product, both on its own

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terms, and as compared to the other principal drugs on the market that have the same therapeutic indication. The combined company cannot assure you that it will obtain authorization to permit product candidates that are already in the preclinical development phase to enter the human clinical testing phase. In addition, the combined company cannot assure you that any authorized preclinical or clinical testing will be completed successfully within any specified time period by the combined company, or without significant additional resources or expertise to those originally expected to be necessary. The combined company cannot assure you that such testing will show potential products to be safe and efficacious or that any such product will be approved for a specific indication. Further, the results from preclinical studies and early clinical trials may not be indicative of the results that will be obtained in later-stage clinical trials. In addition, the combined company or regulatory authorities may suspend clinical trials at any time on the basis that the participants are being exposed to unacceptable health risks.

Completion of clinical tests depends on, among other things, the number of patients available for testing, which is a function of many factors, including the number of patients with the relevant conditions, the nature of the clinical testing, the proximity of patients to clinical testing centers, the eligibility criteria for tests as well as competition with other clinical testing programs involving the same patient profile but different treatments. The combined company will rely on third parties, such as contract research organizations and/or co-operative groups, to assist it in overseeing and monitoring clinical trials as well as to process the clinical results and manage test requests, which may result in delays or failure to complete trials, if the third parties fail to perform or to meet the applicable standards. A failure by the combined company or such third parties to keep to the terms of a product program development for any particular product candidate or to complete the clinical trials for a product candidate in the envisaged time frame could have significant negative repercussions on the combined company s business and financial condition.

Even if the combined company receives regulatory approval to market its product candidates, such products may not gain the market acceptance among physicians, patients, healthcare payors and the medical community.

Any products that the combined company may develop may not gain market acceptance among physicians, patients, healthcare payors and the medical community even if they ultimately receive regulatory approval. If these products do not achieve an adequate level of acceptance, the combined company, or future collaborators, may not be able to generate material product revenues and the combined company may not become profitable. The degree of market acceptance of any of the combined company s product candidates, if approved for commercial sale, will depend on a number of factors, including:

- demonstration of efficacy and safety in clinical trials;
- the prevalence and severity of any unexpected side effects;
- the introduction and availability of generic substitutes for any of the combined company s products, potentially at lower prices (which, in turn, will depend on the strength of the combined company s intellectual property protection for such products);
- potential or perceived advantages over alternative treatments;
- the timing of market entry relative to competitive treatments;
- the ability to offer the combined company s product candidates for sale at competitive prices;
- relative convenience and ease of administration;
- the strength of marketing and distribution support;

sufficient third party coverage or reimbursement; and

the product labeling or product insert (including any warnings) required by the FDA or regulatory authorities in other countries.

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The combined company may not complete its clinical trials in the time expected, which could delay or prevent the commercialization of its products, which may adversely affect the combined company s future revenues and financial condition.

Although for planning purposes the combined company will forecast the commencement and completion of clinical trials, the actual timing of these events can vary dramatically due to factors such as delays, scheduling conflicts with participating clinicians and clinical institutions and the rate of patient enrollment. Clinical trials involving the combined company s product candidates may not commence or be completed as forecast. In certain circumstances, the combined company will rely on academic institutions or clinical research organizations to conduct, supervise or monitor some or all aspects of clinical trials involving the combined company s products. The combined company will have less control over the timing and other aspects of these clinical trials than if it conducted them entirely on its own. These trials may not commence or be completed as the combined company expects and may not be conducted successfully. Failure to commence or complete, or delays in, any of the combined company s planned clinical trials could delay or prevent the commercialization of the combined company s products and harm its business and may adversely affect the combined company s future revenues and financial condition.

If the combined company fails to keep pace with rapid technological change in the biotechnology and pharmaceutical industries, its products could become obsolete, which may adversely affect the combined company s future revenues and financial condition.

Biotechnology and related pharmaceutical technology have undergone and are subject to rapid and significant change. La Jolla and Adamis expect that the technologies associated with biotechnology research and development will continue to develop rapidly. The combined company s future will depend in large part on its ability to maintain a competitive position with respect to these technologies. Any compounds, products or processes that the combined company develops may become obsolete before the combined company recovers any expenses incurred in connection with developing these products, which may adversely affect the combined company s future revenues and financial condition.

If the combined company is unable to retain its management, research, development, and clinical teams and scientific advisors or to attract additional qualified personnel, the combined company s product operations and development efforts may be seriously jeopardized.

The combined company s success will be dependent upon the efforts of a small management team and staff, including Dennis J. Carlo, Ph.D. The employment of Dr. Carlo may be terminated at any time by either the combined company or Dr. Carlo. Adamis currently does not, and the combined company will not, have key man life insurance policies covering any of its executive officers or key employees. If key individuals leave the combined company, the combined company could be adversely affected if suitable replacement personnel are not quickly recruited. There is competition for qualified personnel in all functional areas, which makes it difficult to attract and retain the qualified personnel necessary for the operation of the combined company s business.

The loss of the services of any principal member of the combined company s management and research, development and clinical teams could significantly delay or prevent the achievement of the combined company s scientific and business objectives. Competition among biotechnology and pharmaceutical companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to the combined company s success. The combined company may be unable to attract and retain key personnel on acceptable terms, if at all.

Adamis has relationships with consultants and scientific advisors who will continue to assist the combined company in formulating and executing its research, development, regulatory and clinical strategies. These consultants and

scientific advisors are not Adamis employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to the combined company. The combined company will have only limited control over the activities of these consultants and scientific advisors and can generally expect these individuals to devote only limited time to the combined company s activities. Adamis also relies on these consultants to evaluate potential compounds and products, which may be important in developing a long-term product pipeline for the combined company. Consultants also assist Adamis in preparing and submitting regulatory filings. Adamis scientific advisors provide scientific and technical guidance on the company s drug discovery and development. Failure of any of these persons to devote sufficient time and resources to the combined company s programs could

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harm its business. In addition, these advisors may have arrangements with other companies to assist those companies in developing technologies that may compete with the combined company s products.

La Jolla s stockholders will have limited ability to influence the combined company s actions and decisions following the merger.

Following the merger, original La Jolla stockholders will own approximately 5% to 30% of the outstanding shares (post-reverse stock split) of common stock of the combined company. As a result, original La Jolla stockholders will have only limited ability to influence the combined company s business. Original La Jolla stockholders will not have separate approval rights with respect to any actions or decisions of the combined company or have separate representation on the combined company s board of directors.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains forward-looking statements of La Jolla and Adamis within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include:

- the potential value created by the proposed merger for La Jolla s and Adamis stockholders;
- the efficacy, safety and intended utilization of Adamis products and product candidates;
- the conduct and results of Adamis research, discovery and preclinical efforts and clinical trials;
- anticipated timelines for product development efforts;
- the amount of time required to obtain regulatory approvals for Adamis or the combined company s product candidates;
- Adamis plans regarding future research, discovery and preclinical efforts and clinical activities, and Adamis collaborative, intellectual property and regulatory activities;
- the amount of net cash that La Jolla anticipates it will have on the closing of the merger and the number of Adamis shares issued and outstanding as of the closing of the merger;
- information concerning possible future or assumed results of the combined company;
- the period in which La Jolla and Adamis expect cash will be available to fund their current operating plans, both before and after giving effect to the merger;
- future required funding needs;
- the number of shares of common stock La Jolla expects to issue in the merger and the ratio of the La Jolla reverse stock split; and
- each of La Jolla s and Adamis results of operations, financial condition and businesses, and Adamis products and drug candidates under development and the expected impact of the proposed merger on the combined company s financial and operating performance.

Words such as anticipates, believes, forecast, potential, contemplates, expects, intends, plans, seeks, would, will, may, can and similar expressions identify forward-looking statements. These forward-looking statemer are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements, including the following:

La Jolla and Adamis may not be able to complete the proposed merger;

La Jolla s net cash at closing may be lower than currently anticipated and the level of ownership in the combined company may also be lower than anticipated for the La Jolla stockholders;

Adamis product candidates that appear promising in early research and clinical trials may not demonstrate safety and efficacy in subsequent clinical trials;

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commercial introduction of Adamis product candidates may be delayed beyond La Jolla s and Adamis current expectations;

revenues and income from Adamis Labs existing and anticipated future products may not meet expectations;

the combined company may not be able to obtain the equity or debt financing necessary to support its anticipated level of operations;

risks associated with reliance on collaborative partners for further clinical trials and other development activities; and

risks involved with development and commercialization of product candidates.

Many of the important factors that will determine these results and values are beyond La Jolla s and Adamis ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements. Except as otherwise required by law, La Jolla and Adamis do not assume any obligation to update any forward-looking statements. In evaluating the merger, you should carefully consider the discussion of risks and uncertainties in the section entitled Risk Factors in this joint proxy statement/prospectus.

THE SPECIAL MEETING OF LA JOLLA STOCKHOLDERS

Date, Time and Place

The special meeting of La Jolla stockholders (the ***La Jolla Special Meeting***) will be held on February 26, 2010, at 4365 Executive Drive, Suite 300, San Diego, California 92121, San Diego, California, commencing at 3:00 p.m., Pacific Time. La Jolla is sending this joint proxy statement/prospectus to its stockholders in connection with the solicitation of proxies by the La Jolla board of directors for use at the La Jolla special meeting and any adjournments or postponements thereof. This joint proxy statement/prospectus is first being furnished to stockholders of La Jolla on or about February 12, 2010.

Purposes of the La Jolla Special Meeting

The La Jolla Special Meeting will be held for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of La Jolla common stock to the stockholders of Adamis Pharmaceuticals Corporation pursuant to the Agreement and Plan of Reorganization dated as of December 4, 2009, by and among La Jolla, Jewel Merger Sub, Inc., or Merger Sub, and Adamis Pharmaceuticals Corporation, a copy of which is attached as *Annex A* to the accompanying joint proxy statement/prospectus, pursuant to which Merger Sub will merge with and into Adamis, with Adamis surviving the merger as a wholly-owned subsidiary of La Jolla, and pursuant to which La Jolla would issue post-reverse split shares of common stock to the stockholders of Adamis, resulting in a change of control of La Jolla.

2. To consider and act upon a proposal to approve an amendment to La Jolla s restated certificate of incorporation to effect a reverse split of the issued and outstanding shares of La Jolla common stock, to occur immediately before the closing of the proposed merger transaction with Adamis, at a ratio based on the formula described in the merger agreement, expected to be within a range of 1:3 to 1:30, with the final ratio to be determined before the merger as provided in the merger agreement, as described in the accompanying joint proxy statement/prospectus.

3. To consider and act upon a proposal to approve an amendment, which would become effective in connection with or immediately following the closing of the proposed merger transaction with Adamis, to our restated certificate of incorporation to change our name from La Jolla Pharmaceutical Company to Adamis Pharmaceuticals Corporation, as described in the accompanying joint proxy statement/prospectus.

4. To consider and act upon a proposal to approve, if necessary, an adjournment of the La Jolla special meeting to solicit additional proxies in favor of the proposals outlined above.

5. To consider and act upon such other business and matters or proposals as may properly come before the special meeting or any adjournments or postponements thereof.

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Recommendation of La Jolla Board

THE LA JOLLA BOARD OF DIRECTORS HAS DETERMINED THAT THE MERGER AND THE RELATED PROPOSALS TO BE PRESENTED AT THE SPECIAL MEETING ARE ADVISABLE AND IN THE BEST INTERESTS OF LA JOLLA AND ITS STOCKHOLDERS AND HAS APPROVED SUCH PROPOSALS. THE LA JOLLA BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT LA JOLLA STOCKHOLDERS VOTE FOR THE PROPOSALS SET FORTH ABOVE.

Record Date and Voting Power

Only holders of record of La Jolla common stock at the close of business on January 22, 2010 (the ***La Jolla Record Date),*** are entitled to notice of, and to vote at, the La Jolla special meeting or any adjournments or postponements thereof. At the close of business on the La Jolla Record Date, 65,722,648 shares of La Jolla common stock were issued and outstanding and entitled to vote. Each share of La Jolla common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. See the section entitled Principal Stockholders of La Jolla in this joint proxy statement/prospectus for information regarding persons known to the management of La Jolla to be the principal stockholders of La Jolla.

Voting and Revocation of Proxies

The La Jolla proxy accompanying this joint proxy statement/prospectus is solicited on behalf of the board of directors of La Jolla for use at the La Jolla special meeting.

If you are a stockholder of record of La Jolla as of the La Jolla Record Date, you may vote in person at the La Jolla special meeting or vote by proxy using the enclosed proxy card or via the telephone or the Internet as instructed in the materials you receive. Whether or not you plan to attend the La Jolla special meeting, La Jolla urges you to vote by proxy to ensure your vote is counted. You may still attend the La Jolla special meeting and vote in person if you have already voted by proxy.

To vote in person, come to the La Jolla special meeting and La Jolla will give you a ballot when you arrive.

To vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. To vote via the telephone or the Internet, please refer to the instructions provided in the materials you receive. If you vote before the La Jolla special meeting, La Jolla will vote your shares as you direct.

All properly executed La Jolla proxies that are not revoked will be voted at the La Jolla special meeting and at any adjournments or postponements of the La Jolla special meeting in accordance with the instructions contained in the proxy. If a holder of La Jolla common stock executes and returns a proxy and does not specify otherwise, the shares represented by that proxy will be voted FOR proposals 1 through 4, as described in greater detail below.

A La Jolla stockholder of record as of the La Jolla Record Date described above who has submitted a proxy may revoke it at any time in one of three ways. First, a La Jolla stockholder of record can send a written notice to the Corporate Secretary of La Jolla stating that it would like to revoke its proxy. Second, a La Jolla stockholder of record can submit new proxy instructions either on a new proxy card, by telephone or via the Internet. Third, a La Jolla stockholder of record can attend the La Jolla special meeting and vote in person. Attendance alone will not revoke a proxy.

Required Vote

The presence, in person or represented by proxy, at the La Jolla special meeting of the holders of a majority of the shares of La Jolla common stock outstanding and entitled to vote at the La Jolla special meeting is necessary to constitute a quorum at the meeting. Abstentions and broker non-votes will be counted towards a quorum. Approval of each of La Jolla Proposal Nos. 2 and 3 requires the affirmative vote of holders of a majority of the outstanding La Jolla common stock having voting power on the record date for the La Jolla special meeting. Approval of each of La Jolla Proposal Nos. 1 and 4 requires the affirmative vote of the holders of a majority of the La Jolla common stock having voting power present in person or represented by proxy at the La Jolla special meeting.

Votes will be counted by the inspector of election appointed for the meeting, who will separately count FOR and AGAINST votes, and abstentions and broker non-votes. Broker non-votes and abstentions will have the same

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effect as AGAINST votes for La Jolla Proposal Nos. 2 and 3. For La Jolla Proposal Nos. 1 and 4, broker non-votes will not be counted towards the vote total.

On the La Jolla Record Date, the directors and executive officers of La Jolla held less than 1 percent of the outstanding shares of La Jolla common stock entitled to vote at the La Jolla special meeting.

Solicitation of Proxies

In addition to solicitation by mail, the directors, officers, employees and agents of La Jolla may solicit proxies from La Jolla s stockholders by personal interview, telephone, telegram or otherwise.

Other Matters

As of the date of this joint proxy statement/prospectus, the La Jolla board of directors does not know of any business to be presented at the La Jolla special meeting other than as set forth in the notice accompanying this joint proxy statement/prospectus. If any other matters should properly come before the La Jolla special meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

THE SPECIAL MEETING OF ADAMIS STOCKHOLDERS

Date, Time and Place

The special meeting of Adamis stockholders (the ***Adamis special meeting***) will be held on February 26, 2010, at 4365 Executive Drive, Suite 300, San Diego, California 92121, commencing at 4:00 p.m., Pacific Time. Adamis is sending this joint proxy statement/prospectus to its stockholders in connection with the solicitation of proxies by the Adamis board of directors for use at the Adamis special meeting and any adjournments or postponements of the special meeting. This joint proxy statement/prospectus is first being furnished to stockholders of Adamis on or about February 12, 2010.

Purposes of the Adamis Special Meeting

The purposes of the Adamis special meeting are:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Reorganization, dated December 4, 2009, by and among La Jolla Pharmaceutical Company, Jewel Merger Sub, Inc., or Merger Sub, and Adamis, a copy of which is attached hereto as *Annex A*, pursuant to which Merger Sub will merge with and into Adamis, with Adamis surviving the merger as a wholly-owned subsidiary of La Jolla.

2. To consider and act upon a proposal to approve, if necessary, an adjournment of the Adamis special meeting to solicit additional proxies in favor of the foregoing proposal.

3. To consider and act upon such other business and matters or proposals as may properly come before the Adamis special meeting or any adjournments or postponements thereof.

Recommendation of Adamis Board of Directors

THE ADAMIS BOARD OF DIRECTORS HAS DETERMINED THAT THE MERGER IS ADVISABLE AND IN THE BEST INTERESTS OF ADAMIS AND ITS STOCKHOLDERS AND HAS APPROVED THE

MERGER AND THE MERGER AGREEMENT. THE ADAMIS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ADAMIS STOCKHOLDERS VOTE FOR ADAMIS PROPOSAL NO. 1 TO APPROVE AND ADOPT THE MERGER AGREEMENT.

THE ADAMIS BOARD OF DIRECTORS HAS DETERMINED THAT ADJOURNING THE ADAMIS SPECIAL MEETING, IF NECESSARY, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF THE FOREGOING PROPOSAL IS ADVISABLE AND IN THE BEST INTERESTS OF ADAMIS AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED

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THE PROPOSAL. THE ADAMIS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ADAMIS STOCKHOLDERS VOTE FOR ADAMIS PROPOSAL NO. 2 TO ADJOURN THE ADAMIS SPECIAL MEETING, IF NECESSARY, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF THE FOREGOING PROPOSAL.

Record Date and Voting Power

Only holders of record of Adamis common stock at the close of business on January 21, 2010 (the ***Adamis Record Date***), are entitled to notice of, and to vote at, the Adamis special meeting. There were approximately 132 holders of record of Adamis common stock at the close of business on the Adamis Record Date. At the close of business on the Adamis Record Date, 44,529,119 shares of Adamis common stock were issued and outstanding. Each share of Adamis common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. See the section entitled Principal Stockholders of Adamis in this joint proxy statement/prospectus for information regarding persons known to the management of Adamis to be the principal stockholders of Adamis.

Voting and Revocation of Proxies

The Adamis proxy accompanying this joint proxy statement/prospectus is solicited on behalf of the board of directors of Adamis for use at the Adamis special meeting.

If you are a stockholder of record of Adamis as of the Adamis Record Date, you may vote in person at the Adamis special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the Adamis special meeting, Adamis urges you to vote by proxy to ensure your vote is counted. You may still attend the Adamis special meeting and vote in person if you have already voted by proxy.

To vote in person, come to the Adamis special meeting and Adamis will give you a ballot when you arrive.

To vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to Adamis before the Adamis special meeting, Adamis will vote your shares as you direct.

All properly executed Adamis proxies that are not revoked will be voted at the Adamis special meeting and at any adjournments or postponements of the Adamis special meeting in accordance with the instructions contained in the proxy. If a holder of Adamis common stock executes and returns a proxy and does not specify otherwise, the shares represented by that proxy will be voted FOR Adamis Proposal No. 1 to approve the merger agreement and the merger and FOR Adamis Proposal No. 2 to adjourn the Adamis special meeting, if necessary, to solicit additional proxies for Proposal No. 1 in accordance with the recommendation of the Adamis board of directors.

An Adamis stockholder of record as of the Adamis Record Date who has submitted a proxy may revoke it at any time before it is voted at the Adamis special meeting by executing and returning a proxy bearing a later date, filing written notice of revocation with the Secretary of Adamis stating that the proxy is revoked or attending the Adamis special meeting and voting in person.

Required Vote

The presence, in person or represented by proxy, at the Adamis special meeting of the holders of a majority of the shares of Adamis common stock outstanding and entitled to vote at the Adamis special meeting is necessary to constitute a quorum at the meeting. Abstentions and broker non-votes will be counted towards a quorum. Approval of Adamis Proposal No. 1 requires the affirmative vote of holders of a majority of the Adamis common stock having

voting power outstanding on the Adamis Record Date. Approval of Adamis Proposal No. 2 requires the affirmative vote of the holders of a majority of the Adamis common stock and present in person or represented by proxy at the Adamis special meeting.

Votes will be counted by the inspector of election appointed for the meeting, who will separately count FOR and AGAINST votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal and will have the same effect as AGAINST votes. Broker non-votes will have the same effect as AGAINST votes for Adamis Proposal No. 1. For Adamis Proposal No. 2, broker non-votes will have no effect and will not be counted towards the vote total.

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On the Adamis Record Date, the directors and executive officers of Adamis owned approximately 36% of the outstanding shares of Adamis common stock entitled to vote at the Adamis special meeting. The Principal Adamis Stockholders, who collectively beneficially own approximately 16,271,693 shares, or approximately 36% of the outstanding shares of Adamis common stock that are entitled to vote, solely in their capacities as Adamis stockholders, are subject to voting agreements and irrevocable proxies. Each such stockholder has agreed in his voting agreement to vote all shares of Adamis common stock that he beneficially owned as of the date of the voting agreement, and that the stockholder subsequently acquires, in favor of the merger, and against any matter that would result in a breach of the merger agreement by La Jolla and against any proposal made in opposition to, or in competition with, the consummation of the merger and the other transactions contemplated by the merger agreement. See the section entitled The Merger Agreement Voting Agreements in this joint proxy statement/prospectus.

Solicitation of Proxies

In addition to solicitation by mail, the directors, officers, employees and agents of Adamis may solicit proxies from Adamis stockholders by personal interview, telephone, telegram or otherwise.

Other Matters

As of the date of this joint proxy statement/prospectus, the Adamis board of directors does not know of any business to be presented at the Adamis special meeting other than as set forth in the notice accompanying this joint proxy statement/prospectus. If any other matters should properly come before the Adamis special meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

THE MERGER

This section and the section entitled The Merger Agreement describe the material aspects of the merger and the merger agreement. While La Jolla and Adamis believe that this description covers the material terms of the merger and the merger agreement, it may not contain all of the information that is important to you. You should carefully read this entire joint proxy statement/prospectus for a more complete understanding of the merger and the merger agreement, including the merger agreement attached hereto as *Annex A*.

Background of the Merger

La Jolla

La Jolla had historically focused substantially all of its research, development and clinical efforts and financial resources toward the development of its Riquent (abetimus sodium) product candidate. On February 11, 2009, the La Jolla Board convened a meeting to discuss the futility finding from the data monitoring board with respect to the Riquent Phase 3 ASPEN study. Given the negative results, the La Jolla Board determined that La Jolla should act quickly with respect to minimizing costs and developing an action plan regarding its options going forward. The La Jolla Board accordingly established a Special Committee to oversee and work with management on a cost-reduction plan, to assess what value may be obtained from La Jolla s remaining assets, including Riquent and La Jolla s SSAO technology, to take next steps to maximize the value of La Jolla s remaining assets and to satisfy, to the extent possible, all of La Jolla s outstanding obligations.

On February 12, 2009, La Jolla announced that Riquent did not pass the interim futility analysis, the termination of the ASPEN study and that La Jolla would be analyzing the data from the interim analysis to assess whether Riquent could be developed further. While analyzing the data from the interim analysis, La Jolla was also in discussions with

BioMarin Pharmaceutical Inc., or BioMarin, with whom it had entered into a development and commercialization agreement in January 2009, regarding this analysis and whether BioMarin might wish to purchase the rights to Riquent from La Jolla for further development. However, in April 2009, BioMarin elected not to purchase the rights to Riquent.

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On February 23, 2009, La Jolla announced that, due to the negative results of the interim efficacy analysis, La Jolla would be reducing costs to preserve its remaining cash and assets by substantially reducing its workforce and operating expenses. In accordance with La Jolla s plan to substantially reduce its workforce, La Jolla s full time employees were reduced from approximately 95 as of February 1, 2009 to 11 as of April 30, 2009.

In February and March 2009, La Jolla received written proposals from four companies regarding potential strategic transactions. Management reviewed these proposals with the Special Committee in early March 2009 and was instructed by the Special Committee to continue to evaluate such proposals and remain ready to complete a strategic transaction if the proper opportunity arose.

On March 27, 2009, management presented the four merger proposals to the La Jolla Board and reviewed the terms of each proposal in detail, including the consideration that would be paid, the dilution to La Jolla s stockholders, the nature of the business that would be acquired, closing conditions and the prospects for the completion of the transaction. The La Jolla Board determined that, of the four proposals discussed, one was worth pursuing. Accordingly, the La Jolla Board instructed management to continue discussions with such company, with definitive terms to be presented for review and approval at a later time.

While La Jolla was in the process of negotiating a strategic transaction with this potential merger candidate, BioMarin brought suit against La Jolla claiming that La Jolla and the La Jolla Board were in breach of contract, breach of covenant of good faith and fair dealing and breach of their fiduciary duties. BioMarin brought suit to force La Jolla to accelerate the timing for the registration of approximately 10 million shares of restricted common stock that BioMarin had purchased from La Jolla when entering into the collaboration for Riquent in January 2009.

This lawsuit negatively impacted the merger discussions La Jolla was having with the merger candidate discussed above. The La Jolla Board accordingly concluded that, in light of the ongoing lawsuit, it was impractical to continue merger discussions. Therefore, on June 12, 2009, the La Jolla Board determined it was in the best interests of La Jolla to abandon attempts to enter into a merger or other significant transaction and to begin to wind down the business and discharge remaining obligations to creditors.

The lawsuit brought by BioMarin was resolved on July 17, 2009, upon the execution of a Settlement Agreement and Mutual Release pursuant to which (i) BioMarin released all claims previously asserted against La Jolla and the La Jolla Board and (ii) La Jolla and the La Jolla Board released all counterclaims that they may have otherwise asserted against BioMarin. Since that time, La Jolla sought to identify a suitable merger candidate or other strategic transaction that would provide the potential for a better return to La Jolla s stockholders than dissolution. However, no such opportunities were identified at that time that were considered viable.

Due to the lack of viable strategic alternatives, the La Jolla Board met on September 3, 2009 for the purpose of considering the liquidation and dissolution of La Jolla and other strategic alternatives available to La Jolla. Management presented its analysis of La Jolla s financial situation, the status of potential strategic transactions and the net assets that management believed would be available for distribution to stockholders upon the dissolution of La Jolla. After discussion, the La Jolla Board determined that dissolution was the most desirable option available to La Jolla and directed management and the Special Committee to move ahead with preparations for the dissolution and liquidation, including preparations for the Special Meeting of Stockholders. Nevertheless, the La Jolla Board also noted its fiduciary duty to consider other viable alternatives that might be presented to La Jolla prior to the filing of a certificate of dissolution with the Secretary of State of the State of Delaware and thus directed Dr. Gillespie to report to the Special Committee any such viable alternatives presented to her. Also at the September 3, 2009 meeting, Thomas H. Adams, Ph.D., James N. Topper, M.D., Ph.D., and Martin P. Sutter resigned from the La Jolla Board.

In accordance with the La Jolla Board s direction to proceed with preparations for the liquidation and dissolution of La Jolla, La Jolla continued to settle its remaining obligations with creditors, minimize its ongoing expenses (including abandoning the maintenance and further prosecution of its Riquent patent estate and the sale of its SSAO patent estate) and prepared a proxy statement soliciting the vote of its stockholders to approve of the liquidation and dissolution of La Jolla pursuant to a plan of complete liquidation and dissolution. La Jolla filed its definitive proxy statement with the SEC on October 1, 2009 and mailed the proxy statement to the La Jolla stockholders on or about October 7, 2009.

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The proxy statement provided a detailed discussion of the proposals to be considered at a special meeting of La Jolla stockholders to be held on October 30, 2009. On October 30, 2009, however, only 6% of the outstanding shares of La Jolla had voted on such proposals. The meeting was therefore adjourned to November 6, 2009 due to lack of the required quorum to conduct business. The required quorum still did not exist by the time of the November 6, 2009 meeting, resulting in the adjournment of the meeting to November 13, 2009. On November 13, 2009, La Jolla again lacked the requisite quorum to conduct business and adjourned the meeting, for a third time, to November 24, 2009. La Jolla conferred with its proxy solicitor and the proxy solicitor advised that it was unlikely that La Jolla would achieve the necessary vote to move forward with the proposed liquidation and dissolution. La Jolla therefore, concurrent with preparing to dissolve, conducted a process to evaluate other strategic opportunities. La Jolla announced the cancellation of its special meeting of stockholders to approve the plan of dissolution of La Jolla on November 25, 2009.

In early October 2009, Dennis Carlo, the chief executive officer of Adamis, contacted Dr. Gillespie inquiring whether La Jolla had an interest in pursuing conversations concerning a transaction between the two companies. On October 8, 2009, the parties executed a mutual nondisclosure agreement, and the parties began exchanging due diligence materials. On October 13, 2009, Dr. Carlo and David Marguglio, the vice president of business development and investor relations of Adamis, met with Dr. Gillespie and Gail Sloan, the Vice President of Finance of La Jolla. Dr. Gillespie indicated that La Jolla was considering alternatives to dissolving and winding up the company s affairs and distributing any cash to its stockholders remaining after paying and providing for all obligations to its creditors. Dr. Carlo and Mr. Marguglio discussed Adamis current and intended business, and indicated that Adamis was interested in exploring an acquisition or other transaction that would result in additional cash funding for Adamis. The parties discussed different possible ways that such a transaction might be structured and issues relating to different possible structures.

On October 16, 2009, La Jolla distributed a draft term sheet to Adamis describing a framework for discussions regarding a possible merger transaction including a merger of Adamis into La Jolla. On October 22, 2009, Adamis delivered a revised term sheet to La Jolla, proposing a reverse merger structure where a subsidiary of La Jolla would merge into Adamis, Adamis would be the surviving corporation and a wholly-owned subsidiary of La Jolla, and the stockholders of Adamis would receive shares of common stock of La Jolla on the basis of one share of La Jolla common stock for each share of Adamis common stock. Before the closing of the merger, La Jolla would effect a reverse stock split of its common stock. The term sheet proposed that the ratio of the reverse stock split would be determined based on the amount of net cash of La Jolla as of the closing of the merger and a discounted Adamis share price based on the Adamis stock price and a percentage discount that varied at different ranges of stock prices.

Between October 22, 2009 and November 2, 2009, the parties continued to have discussions regarding a variety of legal and business issues concerning issues relating to the structure, valuation, timing and terms of a possible transaction, and due diligence continued. On November 2, 2009, Adamis delivered a draft merger agreement to La Jolla.

As of November 2009, having reviewed a number of possible strategic transaction opportunities, La Jolla was considering three merger proposals and discussed those strategic alternatives in detail with the La Jolla Board. The La Jolla Board prioritized the merger candidates and authorized La Jolla management to move forward in discussions with two of the candidates and to complete the due diligence and related work necessary to reach definitive terms that could be presented to the Special Committee of the La Jolla Board (the ***Special Committee***) for final approval.

On December 3, 2009, the Special Committee held a meeting, with La Jolla s legal counsel present. In connection with that meeting, drafts of the merger agreement were circulated to the directors. Dr. Gillespie summarized the proposed terms of the transaction with Adamis, including the range of expected percentage ownership of the combined company that La Jolla stockholders would own, the proposed reverse stock split of the La Jolla common stock before

the merger and the determination of the reverse stock split ratio including the range of discounts from the weighted average Adamis stock price to be used as a factor in calculating the ratio of the La Jolla reverse stock split. The Special Committee discussed the terms of the proposed transaction and limited alternatives to the merger transaction. Following review, the Special Committee approved the merger agreement and related proposals and transactions.

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Adamis

As part of management s ordinary process of considering corporate and financing alternatives for Adamis, in early October 2009, Dennis Carlo, the chief executive officer of Adamis, contacted Dr. Gillespie inquiring whether La Jolla had an interest in pursuing conversations concerning a transaction between the two companies. Dr. Carlo knew of Dr. Gillespie and of La Jolla by virtue of his experience as an executive of pharmaceutical companies in the San Diego area and his knowledge that La Jolla had taken steps during 2009 to substantially reduce its operations, preserve its cash and consider strategic alternatives.

Discussions and negotiations between Adamis and La Jolla, and their respective counsel, during the period from mid-October 2009 through the date the merger agreement was executed are described above under the heading Background of the Merger La Jolla. During the discussions described above, Dr. Carlo and Mr. Marguglio were also directors of Adamis, and Dr. Carlo apprised the other Adamis director, Mr. Aloi, of the progress of discussions with La Jolla and the terms being discussed, including the general structure of the proposed reverse split of La Jolla s shares, the intent to structure a transaction so as to be tax-free to the stockholders of both companies, and the filing of a joint proxy/registration statement with the SEC concerning the transaction. Issues negotiated by the parties during this time included the percentage discount and range of prices to which different discounts would be applied that would be included in the formula of determining the reverse stock split ratio, whether and in what circumstances La Jolla would have a right to terminate the merger agreement if Adamis weighted average stock price fell below certain price levels, whether Adamis would have a right to terminate the merger agreement if La Jolla s net cash at closing fell below certain levels, which restrictions would apply to the parties ability to issue additional shares between the date of the merger agreement and the closing of the merger, representations and warranties to be made by the parties in the merger agreement and other matters.

These discussions culminated in a December 4, 2009 meeting of the Adamis Board, with Adamis legal counsel present. In connection with that meeting, drafts of the merger agreement and principal ancillary agreements, including the voting agreements, were circulated to the directors. Dr. Carlo summarized Adamis current and expected cash position and expected future cash requirements. Dr. Carlo and outside counsel summarized the proposed terms of the transaction with La Jolla, including the range of expected percentage ownership of the combined company that La Jolla stockholders would own, the proposed reverse stock split of the La Jolla common stock before the merger and the determination of the reverse stock split ratio including the range of discounts from the weighted average Adamis stock price to be used as a factor in calculating the ratio of the La Jolla reverse stock split, the amount of cash, liabilities and obligations that La Jolla expected to have as of the anticipated closing date for the merger, the representations, warranties, covenants, closing conditions and indemnity provisions of the merger agreement and other material terms. The Adamis board discussed the terms of the proposed transaction, various strategic alternatives to the merger transaction and Adamis current and expected cash needs. Following review, the Adamis board approved the merger agreement and related proposals and transactions. Following the board meeting, the merger agreement and ancillary documents, including the voting agreements with certain Adamis officers, were finalized. The changes made to the merger agreement and other agreements during this time were not substantive and did not alter the consideration to be received by Adamis stockholders or La Jolla stockholders or any other material term from the version of the merger agreement and voting agreement circulated to the Adamis board of directors in connection with the December 4, 2009 meeting of the board of directors. The merger agreement and ancillary documents were executed and delivered by the parties on December 4, 2009.

Accordingly, on December 4, 2009, a definitive merger agreement was signed between La Jolla, Adamis and Merger Sub. In addition, certain directors and officers of Adamis executed voting agreements with La Jolla. Prior to the opening of trading markets on December 7, 2009, La Jolla and Adamis each issued a press release announcing the execution of the merger agreement.

La Jolla and Adamis determined the merger consideration according to their respective views concerning the relative valuations of the two companies at the time of the merger negotiations. For example, the merger consideration was based in part upon the range of net cash that La Jolla could reasonably be expected to have at the closing, the range of Adamis stock prices between the date of the merger agreement and the closing of the merger, and La Jolla s estimated valuation of Adamis at the time, which estimate accounted for Adamis future prospects. Because neither La Jolla nor Adamis had performed a formal valuation during the negotiations, such valuation could only be estimated,

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with an understanding by both La Jolla and Adamis that their respective valuations, whether estimated or otherwise, could be subject to change. Following the negotiations described above, La Jolla and Adamis ultimately agreed on the terms for the merger described in this joint proxy statement/prospectus.

Reasons for the Merger

The following discussion of the parties reasons for the merger contains a number of forward-looking statements that reflect the currents views of La Jolla and/or Adamis with respect to future events that may have an effect on their future financial performance. Forward-looking statements are subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Cautionary statements that identify important factors that could cause or contribute to differences in results and outcomes include those discussed in the sections entitled Risk Factors and Forward-Looking Statements.

Mutual Reasons for the Merger

In reaching the decision to adopt the merger agreement and recommend the proposals discussed herein for approval by the respective stockholders of La Jolla and Adamis, each board of directors consulted with its respective management as well as legal advisors. As discussed in greater detail below, these consultations included discussions regarding Adamis and La Jolla s strategic business plans, the costs and risks of executing those business plans as independent companies, past and current business operations and financial condition, future prospects, the strategic rationale for the potential transaction, and the terms and conditions of the merger agreement.

La Jolla and Adamis believe that the combined company will have the following potential advantages:

Existing Sales and Product Line. The combined company will have an existing line of prescription products, primarily the PFS Syringe product, that are promoted and sold to physicians who specialize in allergy, respiratory disease and pediatric medicine.

Additional Product Candidates. The combined company will have a number of additional product candidates in the allergy and respiratory field, including the nasal steroid product candidate.

Intellectual Property Rights for Additional Product Candidates. The combined company will have a portfolio of intellectual property rights that may lead to product candidates targeted at prevention and treatment of certain viral diseases, which, if successfully developed, are expected to address significant markets.

Management Team. The combined company will be led by the experienced senior management from Adamis.

Stronger Balance Sheet. The anticipated net cash from La Jolla will strengthen the balance sheet of Adamis and support the commercialization and drug development activities of Adamis.

La Jolla s Reasons for the Merger

In addition to considering the factors outlined above, the La Jolla Board considered the following factors in reaching its conclusion to approve the merger and to recommend that the La Jolla stockholders approve the issuance of shares of La Jolla common stock in the merger and the resulting change of control of La Jolla, and the related transactions, all of which it viewed as supporting its decision to approve the business combination with Adamis:

the lack of a viable product candidate or cash resources to develop a new product candidate following the failure of Riquent;

the inability to obtain stockholder approval for the proposed liquidation and dissolution of La Jolla;

the consideration of La Jolla s efforts to pursue strategic alternatives to the merger, including engaging in a merger transaction with another company or dissolving the business;

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results of the due diligence review of Adamis business and operations by La Jolla s management, which confirmed, among other things, that Adamis met the criteria set by the La Jolla Board for a potential merger candidate;

the fact that the transaction would be submitted to the La Jolla stockholders for approval;

the current and recent market prices for the La Jolla and Adamis common stock;

the results of efforts made by La Jolla management to solicit indications of interest from third parties regarding a potential business combination or other alternative transactions;

the future prospects for La Jolla s business, and the costs of attempting to continue as an independent company;

the terms and conditions of the merger agreement, including the following related factors:

- the percentage of the combined company that the La Jolla stockholders will receive in the transaction, which was expected to be in the range of between approximately 5% and 30% of the outstanding shares of the combined company;
- the limited number and nature of the conditions to Adamis obligation to consummate the merger;
- La Jolla s rights under the merger agreement to consider certain unsolicited acquisition proposals under certain circumstances should La Jolla receive a superior proposal;
- the conclusion of the La Jolla Board that the potential termination fee of $150,000, and the circumstances when such fee may be payable, were reasonable;
- the no-solicitation provisions governing Adamis ability to engage in negotiations with, provide any confidential information or data to, and otherwise have discussions with, any person relating to an alternative acquisition proposal; and
- the belief that the terms of the merger agreement, including the parties representations, warranties and covenants, and the conditions to their respective obligations, are reasonable under the circumstances;

La Jolla s understanding of Adamis business, including its product candidates, Adamis experienced management team, and the prospects for value creation for La Jolla stockholders in connection with the merger;

the likelihood that the merger would be consummated, including the likelihood that the merger will receive all necessary approvals;

the opportunity for La Jolla s stockholders to participate in the long-term value of Adamis product candidate development programs as a result of the merger; and

the La Jolla Board s consideration of strategic alternatives to the merger, including engaging in a merger transaction with another company or undertaking the liquidation of La Jolla.

In the course of its deliberations, the La Jolla Board also considered a variety of risks and other countervailing factors related to entering into the merger agreement, including:

- the risks related to the merger, Adamis and the combined company as described in the Risk Factors section set forth elsewhere in this joint proxy statement/prospectus, including the risk that the combined company will not be successful in developing additional commercial products, the risk that the combined company will not be able to secure funding for such development on commercially reasonable terms or at all, and the risk that revenues from Adamis current and future products will be less than expected;

- the $150,000 termination fee payable to Adamis upon the occurrence of certain events and the potential effect of such termination fee in deterring other potential acquirers from proposing an alternative transaction that may be more advantageous to La Jolla s stockholders;

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the risks, challenges and costs inherent in combining the operations of the two companies and the substantial expenses to be incurred in connection with the merger, including the possibility that delays or difficulties could adversely affect the combined company s operating results and preclude the achievement of some of the benefits anticipated from the merger;

the possible volatility of the trading price of La Jolla common stock resulting from the merger announcement;

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

the fact that La Jolla s stockholders would experience material dilution by virtue of the reverse stock split and the exchange ratio in the merger transaction and that the degree of dilution could be increased by other stock issuances by Adamis prior to the merger;

the expected inability of the La Jolla common stock to remain listed on Nasdaq if the merger were completed and the potential reduction in the liquidity of the La Jolla common stock if La Jolla were to cease being a Nasdaq-listed company;

the risk to La Jolla s business, operations and financial results in the event that the merger is not consummated; and

the fact that the prospects for the Adamis products and product candidates involve uncertainty.

The La Jolla Board also discussed potential alternatives to the transaction, including pursuing a voluntary dissolution and continuing to pursue an alternative business combination transaction with a third party other than Adamis. The La Jolla Board concluded that other potential transactions with third parties might not be concluded and were not as attractive as the proposed transaction with Adamis. The La Jolla Board concluded that the proposed merger with Adamis was a more attractive alternative for the La Jolla stockholders than pursuing a dissolution proceeding, which would require additional time and expense to complete and which would result in less value to La Jolla s stockholders. The La Jolla Board reviewed the issues likely to be involved with pursuing a voluntary dissolution and concluded that such an alternative would not be in the best interests of the La Jolla stockholders and was not likely to provide superior value to the merger with Adamis. The La Jolla Board concluded that it was unlikely to attract a superior merger offer than the proposed transaction with Adamis, and that attempting to continue looking for other transactions would involve additional time and expense with no reasonable prospect of a superior result for the La Jolla stockholders.

After evaluating the proposed transaction with Adamis and taking into account all of the factors previously discussed and considered by the La Jolla Board, the board unanimously approved the merger transaction with Adamis and authorized management to negotiate and enter into a definitive agreement on terms consistent in material respects with the terms presented to the La Jolla Board. In making its determination, the La Jolla Board considered the percentage of the combined company that would be held by La Jolla stockholders, the existing business and future business prospects of Adamis, the overall structure of the transaction, the terms of the merger agreement and the factors and considerations described above.

The foregoing information and factors considered by the La Jolla Board are not intended to be exhaustive but are believed to include all of the material factors considered by the La Jolla Board. The La Jolla Board viewed its recommendation to approve the merger transaction as being based upon its business judgment in light of La Jolla s financial position and the totality of the information presented and considered, and the overall effect of the transaction on the stockholders of La Jolla compared to other alternatives. In view of the wide variety of factors considered in

connection with its evaluation of the merger and the complexity of these matters, the La Jolla Board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the La Jolla Board may have given different weight to different factors. The La Jolla Board conducted an overall analysis of the factors described above, including discussions with, and questioning of, La Jolla s management and La Jolla s legal advisors, and considered the factors overall to be favorable to, and to support, its determination.

Interests of the La Jolla Board and Executive Officers in the Proposed Transaction. The La Jolla Board was aware that certain of La Jolla s directors and executive officers may have interests in the proposed transaction that

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are different from, or in addition to, the interests of La Jolla s stockholders generally, and that these interests may present them with actual or potential conflicts of interest in the merger that may be different from, or in addition to, interests they have as La Jolla stockholders.

Adamis Reasons for the Merger

The Adamis Board has determined that the terms of the proposed merger are fair and in the best interests of Adamis and its stockholders. Accordingly, the Adamis Board approved the merger agreement and the merger contemplated thereby, and recommended that Adamis stockholders vote **FOR** approval of the merger agreement and the merger contemplated thereby.

The Adamis Board considered a number of factors in reaching its decision, without assigning any specific or relative weight to such factors. The material factors considered included:

- information concerning the business, operations, net worth, liabilities, cash assets and needs, and future business prospects of Adamis and La Jolla, both individually and on a combined basis;
- the belief that by combining operations, the combined company would have better opportunities for future growth than Adamis would have on its own;
- the current and prospective economic and competitive environments facing Adamis as a stand-alone company;
- the fact that the holders of Adamis common stock would own a substantial majority of the outstanding common stock of the combined company;
- the belief that the merger would provide Adamis with additional financial resources, including immediate cash;
- the opportunity for Adamis stockholders to benefit from potential appreciation in the value of the combined company s common stock;
- the expectation that the merger would be accomplished on a tax-free basis for United States federal income tax purposes for United States taxpayers, except for taxes payable on cash received by Adamis stockholders in lieu of fractional shares.

In addition to considering the factors outlined above, the Adamis Board considered the following factors in reaching its conclusion to approve the merger and to recommend that the Adamis stockholders approve the merger agreement, all of which it viewed as supporting its decision to approve the business combination with La Jolla:

- the results of the due diligence review of La Jolla s business and operations by Adamis management confirmed that the assets and liabilities of La Jolla were substantially as represented by La Jolla management;
- the terms and conditions of the merger agreement, including the following related factors:
  - the number of the shares of the combined company that the Adamis stockholders will receive in the transaction;
  - the nature of the conditions to La Jolla s obligation to consummate the merger and the Adamis Board belief concerning the limited risk of non-satisfaction of such conditions;

the limited number and nature of the conditions to Adamis obligation to consummate the merger;

the conclusion of the Adamis Board that the potential termination fee of $150,000, and the circumstances in which such fee may be payable, were reasonable;

the no-solicitation provisions governing La Jolla s ability to engage in negotiations with, provide any confidential information or data to, and otherwise have discussions with, any person relating to an alternative acquisition proposal;

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

the likelihood that the merger will be consummated, including the likelihood that the merger will receive all necessary approvals; and

the Adamis Board s consideration of strategic alternatives to the merger, including engaging in an alternate transaction with another third party.

The Adamis Board also considered a number of risks and potentially negative factors in its deliberations concerning the merger, including the risk factors described elsewhere in this joint proxy statement/prospectus, and in particular:

the fact that Adamis stockholders will not receive the full benefit of any future growth in the value of their equity that Adamis may have achieved as an independent company;

the risks associated with the existing operations of La Jolla;

the limitations on Adamis, as set forth in the merger agreement, from engaging in discussions and negotiations with any party other than La Jolla concerning a business combination involving Adamis;

the possibility that Adamis will be required to pay the termination fee provided for in the merger agreement;

the possibility that La Jolla might have less than expected net cash at the closing of the merger;

the risk that the potential benefits of the merger may not be realized;

the risks, challenges and costs inherent in combining the operations of the two companies and the substantial expenses to be incurred in connection with the merger, including the possibility that delays or difficulties could adversely affect the combined company s operating results and preclude the achievement of some of the benefits anticipated from the merger;

the possible volatility, at least in the short term, of the trading price of Adamis common stock following the merger;

the risk of diverting management s attention from other strategic priorities to implement merger integration efforts;

the risk that the merger might not be consummated in a timely manner or at all and the potential adverse effect of the public announcement of the merger on Adamis reputation;

the risk to Adamis business, operations and financial results in the event that the merger is not consummated; and

various other risks associated with the combined company and the merger, including those described in the section entitled Risk Factors in this joint proxy statement/prospectus.

The Adamis Board determined that the merger is preferable to the other alternatives that might be available to Adamis, such as seeking additional equity or debt financings, or engaging in a transaction with another party. The

Adamis Board made that determination because it believes that the merger will unite two companies with complementary needs and assets, thereby creating a combined company with greater capital strength and profitability potential than Adamis possesses on a stand-alone basis.

For the reasons set forth above, the Adamis Board recommended that holders of Adamis common stock vote to approve the merger agreement, the merger contemplated thereby, and the related transactions.

Interests of La Jolla s Directors and Executive Officers in the Merger

In considering the recommendation of the La Jolla Board with respect to approving the issuance of shares of La Jolla common stock to Adamis stockholders in connection with the merger and the other matters to be acted upon by La Jolla stockholders at the La Jolla special meeting, La Jolla stockholders should be aware that Deirdre Y. Gillespie, M.D. and Gail A. Sloan, the President and Chief Executive Officer and the Vice President of Finance and

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Secretary respectively, of La Jolla, have interests in the merger that may be different from, or in addition to, interests they have as La Jolla stockholders.

Pursuant to the Retention and Separation Agreement and General Release of All Claims, dated as of December 4, 2009, by and between La Jolla and Dr. Gillespie (the ***Gillespie Retention Agreement***), which supersedes the severance provisions of Dr. Gillespie s existing employment agreement, as amended, Dr. Gillespie received a retention bonus in the amount of $202,800 and is entitled to receive a severance payment in the amount of $405,600. Dr. Gillespie is entitled to both payments so long as she does not resign her employment with La Jolla prior to the earlier of (a) the closing of the merger with Adamis and (b) March 31, 2010. If, however, Dr. Gillespie voluntarily resigns her employment with La Jolla prior to the earlier to occur of (a) the closing of the merger and (b) March 31, 2010, she must immediately repay her retention bonus to La Jolla and will not receive a severance payment of $405,600 payable under the Gillespie Retention Agreement.

Pursuant to the Retention and Separation Agreement and Release of All Claims, dated as of December 4, 2009, by and between La Jolla and Ms. Sloan (the ***Sloan Retention Agreement***), which supersedes the severance provisions of Ms. Sloan s existing employment agreement, as amended, Ms. Sloan received a retention bonus in the amount of $66,183.53 and is entitled to receive a severance payment in the amount of $132,367.06. Ms. Sloan is entitled to both payments so long as she does not resign her employment with La Jolla prior to the earlier of (a) the closing of the merger with Adamis and (b) March 31, 2010. If, however, Ms. Sloan voluntarily resigns her employment with La Jolla prior to the earlier to occur of (a) the closing of the merger and (b) March 31, 2010, she must immediately repay her retention bonus to La Jolla and will not receive a severance payment of $132,367.06 payable under the Sloan Retention Agreement.

Moreover, on December 3, 2009, the La Jolla Compensation Committee approved grants of restricted stock units to each of Dr. Gillespie and Ms. Sloan with a grant-date fair value of no more than $223,080 and $76,442 for Dr. Gillespie and Ms. Sloan, respectively. The restricted stock units of each of Dr. Gillespie and Ms. Sloan will only vest upon the closing of the merger. Based on the foregoing, Dr. Gillespie received 1,411,898 restricted stock units and Ms. Sloan received 483,810 restricted stock units.

Ownership Interests

La Jolla s directors, executive officers and their affiliates hold less than 1% of the shares of La Jolla common stock that are outstanding on the date of this joint proxy statement/prospectus.

Each of La Jolla s executive officers and non-employee directors also holds options to purchase shares of La Jolla common stock. The options were previously granted under La Jolla s equity incentive plans pursuant to a stock option agreement. Each option grant typically vests in a series of annual installments over a number of years. However, the option agreements provide that each option will vest and become exercisable as to all shares covered by such option upon the consummation of a merger involving La Jolla, subject to certain exceptions that do not apply to the contemplated merger. As a result, all of the outstanding options held by La Jolla s executive officers and non-employee directors will immediately vest and become exercisable in full upon consummation of the merger.

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The following table shows the total number of options held as of December 9, 2009 by each director and executive officer of La Jolla. The options have exercise prices ranging between $1.42 and $38.25 per share. Based on the difference between $0.23 (the closing price of a share of La Jolla common stock as quoted on The Nasdaq Capital Market on December 9, 2009) and the actual exercise price of each individual s unvested options, none of the unvested options held by La Jolla s executive officers and non-employee directors has any intrinsic value.

Name	Total Options Held	Vested	Unvested	Weighted Average Exercise Price per Share
Executive Officers:				
Deirdre Y. Gillespie	1,250,000	953,125	296,875	$ 4.20
Gail A. Sloan	345,513	304,367	41,146	$ 6.55
Directors:				
Robert A. Fildes, Ph.D.	100,276	100,276		$ 6.30
Stephen M. Martin	105,400	105,400		$ 6.87
Craig R. Smith, M.D.	123,400	123,400		$ 4.85
Frank E. Young, M.D., Ph.D.	38,000	38,000		$ 3.83

The La Jolla Board was aware of these potential conflicts of interest and considered them in reaching its decision to approve the transactions contemplated by the merger agreement and to recommend that the La Jolla stockholders approve the La Jolla proposals contemplated by this joint proxy statement/prospectus.

Interests of Adamis Directors and Executive Officers in the Merger

In considering the recommendation of the Adamis Board with respect to approving the merger, Adamis stockholders should be aware that certain members of the board of directors and executive officers of Adamis have interests in the merger that may be different from, or in addition to, interests they have as Adamis stockholders. Following the consummation of the merger, the persons who currently constitute the Adamis board of directors (Dr. Carlo and Messrs. Aloi and Marguglio) will continue to serve on the board of directors of the combined company and the existing executive officers of Adamis will continue to serve in their respective positions with the combined company. Adamis directors, executive officers and their affiliates hold approximately 36% of the shares of Adamis common stock that are outstanding and entitled to vote on the date of this prospectus.

The Adamis Board was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the merger agreement and the merger and to recommend that its stockholders approve the Adamis proposals contemplated by this joint proxy statement/prospectus.

Ownership Interests

As of January 22, 2010, certain of the major stockholders of Adamis, sometimes referred to as the Principal Adamis Stockholders, holding approximately 16,272,000 shares, or approximately 36% of the outstanding shares of Adamis common stock that are entitled to vote, solely in their capacity as Adamis stockholders, have entered into voting agreements and irrevocable proxies with La Jolla in connection with the merger. For a more detailed discussion of the voting agreements see the section entitled Agreements Related to the Merger Voting Agreements.

Effective Time of the Merger

The merger agreement requires the parties to consummate the merger after all of the conditions to the consummation of the merger contained in the merger agreement are satisfied or waived, including obtaining the requisite approvals by the stockholders of each of La Jolla and Adamis. The merger will become effective after the reverse stock split and upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as is agreed by La Jolla and Adamis and specified in the certificate of merger. Neither La Jolla nor Adamis can predict the exact timing of the consummation of the merger.

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Regulatory Approvals

La Jolla must comply with applicable federal and state securities laws in connection with the issuance of shares of La Jolla common stock in the merger and the filing of this joint proxy statement/prospectus with the SEC.

Tax Treatment of the Merger

La Jolla and Adamis intend the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code. Each of La Jolla and Adamis will use its commercially reasonable best efforts to cause the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code, and not to permit or cause any affiliate or any subsidiary of La Jolla or Adamis to take any action or cause any action to be taken that would cause the merger to fail to qualify as a reorganization under Section 368(a) of the Code.

Certain Material United States Federal Income Tax Considerations with Respect to the Merger

General

The following general discussion summarizes certain material United States federal income tax considerations relating to the merger to La Jolla, Merger Sub, Adamis, and holders of Adamis common stock who are United States persons (as defined in Section 7701(a)(30) of the Code) and who hold their Adamis common stock as a capital asset within the meaning of Section 1221 of the Code. The term non-United States person means a person or holder other than a United States person. If a partnership or other flow-through entity is a beneficial owner of Adamis common stock, the tax treatment of a partner in the partnership or an owner of the entity will generally depend upon the status of the partner or other owner and the activities of the partnership or other entity.

This section does not discuss all of the United States federal income tax consequences that may be relevant to a particular stockholder in light of his or her individual circumstances or to stockholders subject to special treatment under the federal income tax laws, including, without limitation:

brokers or dealers in securities or foreign currencies;

stockholders who are subject to the alternative minimum tax provisions of the Code;

tax-exempt organizations;

stockholders who are non-United States persons ;

expatriates;

stockholders that have a functional currency other than the United States dollar;

banks, financial institutions or insurance companies;

stockholders who acquired Adamis stock in connection with stock option or stock purchase plans or in other compensatory transactions; or

stockholders who hold Adamis stock as part of an integrated investment, including a straddle, hedge, or other risk reduction strategy, or as part of a conversion transaction or constructive sale.

Assuming the merger is completed according to the terms of the merger agreement and this joint proxy statement/prospectus, and based upon customary assumptions and certain representations as to factual matters by La Jolla and Adamis, it is the opinion of Goodwin Procter LLP that the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. No ruling has been or will be sought from the Internal Revenue Service, or the IRS, as to the United States federal income tax consequences of the merger, and the following summary is not binding on the IRS or the courts. This discussion is based upon the Code, laws, regulations, rulings and decisions in effect as of the date of this proxy statement/prospectus, all of which are subject to change, possibly with retroactive effect and to differing interpretations. This summary does not address the tax consequences of the merger under state, local and foreign laws or under United

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States federal tax law other than income tax law. There can be no assurance that the IRS will not challenge one or more of the tax considerations described herein.

Adamis stockholders are urged to consult their own tax advisors as to the specific tax consequences to them of the merger, including any applicable federal, state, local and foreign tax consequences.

The following summary sets forth certain material U.S. federal income tax considerations for the Adamis stockholders and the corporate parties to the merger assuming that the merger constitutes a reorganization within the meaning of Section 368(a) of the Code.

Adamis stockholders will not recognize any gain or loss upon the receipt of La Jolla common stock in exchange for Adamis stock in connection with the merger (except to the extent of cash received in lieu of a fractional share of La Jolla common stock, as discussed below).

Cash payments received by an Adamis stockholder for a fractional share of La Jolla common stock will be treated as if such fractional share had been issued in connection with the merger and then redeemed by La Jolla for cash. Adamis stockholders will recognize capital gain or loss with respect to such cash payment, measured by the difference, if any, between the amount of cash received and the tax basis in such fractional share. The gain or loss will generally be long-term capital gain or loss, if, as of the effective date of the merger, the holding period for the Adamis stock is longer than one year. The deductibility of capital losses is subject to limitation.

The aggregate tax basis of the La Jolla common stock received by an Adamis stockholder in connection with the merger will be the same as the aggregate tax basis of the Adamis stock surrendered in exchange for La Jolla common stock, reduced by any amount allocable to a fractional share of La Jolla common stock for which cash is received.

The holding period of the La Jolla common stock received by an Adamis stockholder in connection with the merger will include the holding period of the Adamis stock surrendered in connection with the merger.

A dissenting stockholder who perfects appraisal rights will generally recognize gain or loss with respect to his or her shares of the Adamis stock equal to the difference between the amount of cash received and his or her basis in such shares. Such gain or loss will generally be long term capital gain or loss, provided the shares were held for more than one year before the disposition of the shares. Interest, if any, awarded in an appraisal proceeding by a court would be included in such stockholder s income as ordinary income.

La Jolla, Merger Sub and Adamis will not recognize gain or loss solely as a result of the merger.

Backup Withholding

If you are a non-corporate holder of Adamis stock you may be subject to information reporting and backup withholding on any cash payments received in lieu of a fractional share interest in La Jolla common stock or cash payments for perfecting appraisal rights. You will not be subject to backup withholding, however, if you:

furnish a correct taxpayer identification number and certify that you are not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to you following the completion of the merger; or

are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your United States federal income tax liability, provided you furnish the required information to the IRS.

Tax Return Reporting Requirements

If you receive La Jolla common stock as a result of the merger, you will be required to retain records pertaining to the merger, and you will be required to file with your United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger as provided in Treasury Regulations Section 1.368-3(b).

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Taxable Acquisition

The failure of the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code would result in an Adamis stockholder recognizing gain or loss with respect to the shares of Adamis stock surrendered by such stockholder equal to the difference between the stockholder s basis in the shares and the fair market value, as of the effective time of the merger, of the La Jolla stock received in exchange for the Adamis stock (and the cash received in lieu of a fractional share of Adamis stock). In such event, a stockholder s aggregate basis in the La Jolla common stock so received would equal its fair market value, and such stockholder s holding period would begin the day after the merger. The gain or loss would generally be long-term capital gain or loss, if, as of the effective date of the merger, the holding period for the Adamis stock is longer than one year. The deductibility of capital losses is subject to limitations. A dissenting stockholder who receives cash will be required to recognize gain or loss in the same manner as described above (see discussion of dissenters in a reorganization above).

The foregoing discussion is not intended to be a complete analysis or description of all potential United States federal income tax consequences of the merger. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address any non-income tax or any foreign, state or local tax consequences of the merger. Accordingly, Adamis stockholders are urged to consult with their own tax advisor to determine the particular United States federal, state, local or foreign income or other tax consequences to them of the merger.

Anticipated Accounting Treatment

Adamis security holders are expected to own, after the merger, between approximately 70% and 95% of the outstanding shares of the combined company. Further, Adamis directors will initially constitute the entirety of the combined company s board of directors, and all members of the executive management of the combined company will be from Adamis. Therefore, Adamis will be deemed to be the acquiring company for accounting purposes and the merger will be accounted for as a reverse merger and a recapitalization.

The unaudited pro forma combined condensed consolidated financial statements included in this joint prospectus/proxy have been prepared to give effect to the proposed merger of Adamis and La Jolla as a reverse acquisition of assets and a recapitalization in accordance with accounting principles generally accepted in the United States. For accounting purposes, Adamis is considered to be acquiring La Jolla in the merger and it is assumed that La Jolla does not meet the definition of a business in accordance with *The Accounting Standards Codification Topic of Business Combinations* because of La Jolla s current efforts to sell or otherwise dispose of its operating assets and liabilities.

Appraisal Rights

If the merger is completed, holders of Adamis common stock are entitled to appraisal rights under Section 262 of the DGCL, or Section 262, provided that they comply with the conditions established by Section 262.

The discussion below is a summary regarding an Adamis stockholder s appraisal rights under Delaware law but is not a complete statement of the law regarding dissenters rights under Delaware law and is qualified in its entirety by reference to the text of the relevant provisions of Delaware law, which are attached hereto as *Annex B.* Stockholders intending to exercise appraisal rights should carefully review *Annex B*. Failure to precisely follow any of the statutory procedures set forth in *Annex B* may result in a termination or waiver of these rights.

A stockholder of Adamis common stock who makes the demand described below with respect to such shares, owns such shares at the time of such demand, continuously is the record holder of such shares through the effective time of

the merger, who otherwise complies with the statutory requirements of Section 262 and who neither votes in favor of the merger nor consents thereto in writing will be entitled to an appraisal by the Delaware Court of Chancery, or the Delaware Court, of the fair value of his, her or its shares of Adamis common stock in lieu of the consideration that such stockholder would otherwise be entitled to receive pursuant to the merger agreement. All references in this summary of appraisal rights to a stockholder or holders of shares of Adamis common stock are to the record holder or holders of shares of Adamis common stock. Except as described herein, stockholders of Adamis will not be entitled to appraisal rights in connection with the merger.

Under Section 262, where a merger is to be submitted for approval at a meeting of stockholders, such as the Adamis special meeting, not fewer than 20 days before the meeting, a constituent corporation must notify each of

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the holders of its stock for whom appraisal rights are available that such appraisal rights are available and include in each such notice a copy of Section 262. This joint proxy statement/prospectus shall constitute such notice to the record holders of Adamis common stock.

Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions of Section 262. Those conditions include the following:

Stockholders electing to exercise appraisal rights must not vote for the adoption of the merger agreement. Voting for the adoption of the merger agreement will result in the waiver of appraisal rights. Also, because a submitted proxy not marked against or abstain will be voted for the proposal to adopt the merger agreement, the submission of a proxy not marked against or abstain will result in the waiver of appraisal rights.

A written demand for appraisal of shares must be filed with Adamis before the taking of the vote on the merger agreement at the Adamis special meeting. The written demand for appraisal should specify the stockholder s name and mailing address, and that the stockholder is thereby demanding appraisal of his, her or its Adamis common stock. The written demand for appraisal of shares is in addition to and separate from a vote against the merger agreement or an abstention from such vote. That is, failure to return your proxy, voting against, or abstaining from voting on, the merger will not satisfy your obligation to make a written demand for appraisal.

A demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder s name appears on the stock certificate. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, this demand must be executed by or for the fiduciary. If the shares are owned by or for more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record. However, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner. A person having a beneficial interest in Adamis common stock held of record in the name of another person, such as shares of stock held in a voting trust or by a nominee, must act promptly, in such person s own name, to follow the steps summarized below in a timely manner to perfect whatever appraisal rights the beneficial owners may have.

A stockholder who elects to exercise appraisal rights should mail or deliver his, her or its written demand to Adamis at 2658 Del Mar Heights Road, #555 Del Mar, CA 92014, Attention: Chief Financial Officer.

Within 10 days after the effective time of the merger, Adamis, as the surviving company, will provide notice of the effective time of the merger to all Adamis stockholders who have complied with Section 262 and have not voted in favor of the adoption of the merger agreement.

Within 120 days after the effective time of the merger, either Adamis or any stockholder who has complied with the required conditions of Section 262 may commence an appraisal by filing a petition in the Delaware Court, with a copy served on Adamis in the case of a petition filed by a stockholder, demanding a determination of the fair value of the shares of all stockholders seeking to exercise appraisal rights. There is no present intent on the part of Adamis to file an appraisal petition, and stockholders seeking to exercise appraisal rights should not assume that Adamis will file such a petition or that Adamis will initiate any negotiations with respect to the fair value of such shares. Accordingly, holders of Adamis common stock who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262.

Within 120 days after the effective time of the merger, any stockholder who has satisfied the requirements of Section 262 will be entitled, upon written request, to receive from Adamis a statement setting forth the aggregate

number of shares of Adamis common stock and Adamis preferred stock not voting in favor of the adoption of the merger agreement and with respect to which demands for appraisal were received by Adamis and the aggregate number of holders of such shares. Such statement must be mailed within 10 days after the stockholder s request has been received by Adamis or within 10 days after the expiration of the period for the delivery of demands as described above, whichever is later.

If a petition for an appraisal is timely filed and a copy thereof is served upon Adamis, Adamis will then be obligated, within 20 days after service, to file in the office of the Register in Chancery a duly verified list containing

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the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached. Notice of a hearing on the petition for an appraisal will be given by 1 or more publications in a newspaper of general circulation published in Wilmington, DE (or such other publication as the Court deems advisable) at least 1 week before the day of the hearing and, if ordered by the Delaware Court, the Register in Chancery will give notice to the petitioning stockholders at the address provided in the petition. At the hearing on such petition, the Delaware Court will determine which stockholders are entitled to appraisal rights. The Delaware Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Delaware Court may dismiss the proceedings as to such stockholder. If the Delaware Court decides stockholders are entitled to appraisal rights, the Delaware Court will appraise the shares of Adamis common stock owned by such stockholders, determining the fair value of such shares exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value.

Although the Adamis Board believes that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court, and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the consideration they would receive pursuant to the merger agreement. Moreover, Adamis does not anticipate offering more than the nature of the merger consideration to any stockholder exercising appraisal rights and reserves the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of Adamis common stock is less than the merger consideration. In determining fair value, the Delaware Court is required to take into account all relevant factors. The cost of the appraisal proceeding may be determined by the Delaware Court and taxed against the dissenting stockholder and/or Adamis as the Delaware Court deems equitable under the circumstances. Each dissenting stockholder is responsible for his or her attorneys and expert witness expenses, although, upon application of a dissenting stockholder, the Delaware Court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including without limitation, reasonable attorneys fees and the fees and expenses of experts, be charged pro rata against the value of all shares of stock entitled to appraisal.

Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote for any purpose any shares subject to such demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date before the effective time of the merger.

At any time within 60 days after the effective time of the merger, any stockholder will have the right to withdraw his, her or its demand for appraisal and to accept the terms offered in the merger agreement. After this period, a stockholder may withdraw his, her or its demand for appraisal and receive payment for his, her or its shares as provided in the merger agreement only with the consent of Adamis. If no petition for appraisal is filed with the court within 120 days after the effective time of the merger, stockholders rights to appraisal, if available, will cease. Inasmuch as Adamis has no obligation to file such a petition, any stockholder who desires a petition to be filed is advised to file it on a timely basis. Any stockholder may withdraw such stockholder s demand for appraisal by delivering to Adamis a written withdrawal of his, her or its demand for appraisal and acceptance of the merger consideration, except (i) that any such attempt to withdraw made more than 60 days after the effective time of the merger will require written approval of Adamis and (ii) that no appraisal proceeding in the Delaware Court shall be dismissed as to any stockholder without the approval of the Delaware Court, and such approval may be conditioned upon such terms as the Delaware Court deems just; provided, however, that any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder s demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of

the merger or consolidation.

Failure by any Adamis stockholder to comply fully with the procedures described above and set forth in *Annex B* may result in termination of such stockholder s appraisal rights. In view of the complexity of exercising appraisal rights under Delaware law, any Adamis stockholder considering exercising these rights should consult with legal counsel.

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THE MERGER AGREEMENT

The following is a summary of selected provisions of the merger agreement. While La Jolla and Adamis believe that this description covers the material terms of the merger agreement, it may not contain all of the information that is important to you. The merger agreement has been attached hereto as Annex A to provide you with information regarding its terms. It is not intended to provide any other factual information about La Jolla, Adamis or Merger Sub. The following description does not purport to be complete and is qualified in its entirety by reference to the merger agreement. You should refer to the full text of the merger agreement for details of the merger and the terms and conditions of the merger agreement.

The merger agreement contains representations and warranties that La Jolla and Merger Sub, on the one hand, and Adamis, on the other hand, have made to one another as of specific dates. These representations and warranties have been made for the benefit of the other parties to the merger agreement and may be intended not as statements of fact but rather as a way of allocating the risk to one of the parties if those statements prove to be incorrect. In addition, the assertions embodied in the representations and warranties are qualified by information in confidential disclosure schedules exchanged by the parties in connection with signing the merger agreement. While La Jolla and Adamis do not believe that these disclosure schedules contain information required to be publicly disclosed under the applicable securities laws, other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as current characterizations of factual information about La Jolla, Merger Sub or Adamis, because they were made as of specific dates, may be intended merely as a risk allocation mechanism between La Jolla and Merger Sub and Adamis and are modified by the disclosure schedules.

The Merger and Effective Time of the Merger

The merger agreement provides that La Jolla s wholly-owned subsidiary, Merger Sub, will merge with and into Adamis. Adamis will survive the merger as La Jolla s wholly-owned subsidiary. The closing of the merger will occur at a time as La Jolla and Adamis agree, but no later than the third business day after the satisfaction or waiver of the last to be satisfied or waived of the closing conditions set forth in the merger agreement, or at such other time, date and place as La Jolla and Adamis mutually agree in writing. As soon as practicable after the closing, La Jolla and Adamis will file a certificate of merger with the Secretary of State of the State of Delaware. The merger will become effective upon the filing of such certificate or at such later time as may be specified in such certificate and as agreed by La Jolla and Adamis. La Jolla and Adamis currently expect that the closing of the merger will take place by March 31, 2010, or as soon thereafter as possible. However, because the merger is subject to stockholder approvals and other conditions to closing, neither La Jolla nor Adamis can predict exactly when the closing will occur.

Merger Consideration

Conversion of Securities, Exchange Ratio

If the merger is completed, each share of Adamis common stock outstanding immediately before the merger, other than Adamis common stock held as treasury stock or held or owned by La Jolla or any direct or indirect wholly-owned subsidiary of Adamis or La Jolla, and any dissenting shares, will automatically be converted into the right to receive one share of La Jolla common stock. If any shares of Adamis common stock outstanding immediately before the merger are unvested or subject to any repurchase option or risk of forfeiture under an agreement with Adamis, then the shares of La Jolla common stock issued in exchange for such shares of restricted Adamis common

stock will to the same extent be unvested and subject to the same repurchase option or risk of forfeiture. As further described herein, La Jolla anticipates that immediately following completion of the merger, the current holders of Adamis common stock will own between approximately 70% 95% of the outstanding La Jolla common stock.

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Fractional Shares

No fractional shares of La Jolla common stock will be issued in exchange for shares of Adamis common stock at the closing of the merger. In lieu of fractional shares, La Jolla will pay cash to each Adamis stockholder for any remaining fraction equal to the product of (i) such fraction multiplied by (ii) the applicable price per share which shall equal to the average closing price of La Jolla common stock as reported on the Nasdaq Capital Market or the OTCBB or, if the La Jolla common stock is not traded on the OTCBB, then the pink sheets, on the five trading days immediately before the effective time of the merger. Because the exchange ratio in the merger is one share of La Jolla common stock for one share of Adamis common stock, La Jolla does not anticipate that there will be fractional shares issuable to Adamis stockholders.

Reverse Stock Split

The merger agreement provides that La Jolla s stockholders must approve an amendment to La Jolla s restated certificate of incorporation (the ***Charter Amendment***) to effect a reverse stock split of La Jolla common stock as described herein. Upon the effectiveness of the Charter Amendment effecting the reverse stock split (the ***Split Effective Time***), the total number of outstanding shares of La Jolla common stock immediately before the Split Effective Time will be combined into a smaller number of shares.

Under the terms of the merger agreement, the shares of La Jolla common stock issued and outstanding immediately before the closing of the merger (which does not include outstanding shares of Adamis common stock) will be combined in a reverse stock split, with each share thereafter representing a fractional share equal to the reverse stock split ratio. Under the merger agreement, the Reverse Stock Split Ratio is defined as a fraction, the numerator of which is one and the denominator of which is the Pre-Effective La Jolla Shares divided by the Post-Effective La Jolla Stockholder Shares. The Reverse Split Ratio, which affects only the existing La Jolla stockholders, is expected to range between 1:3 and 1:30.

Pre-Effective La Jolla Shares is the sum of all shares of La Jolla common stock before the effective date of the merger that are: (a) issued and outstanding and (b) issuable upon conversion of any preferred stock of La Jolla. The Post-Effective La Jolla Stockholder Shares is a number equal to (i) the projected La Jolla Net Cash as of the closing date of the merger plus $750,000, divided by (ii) the Adamis Discounted Share Price. La Jolla Net Cash is the amount of (A) La Jolla s cash and cash equivalents and current amounts receivable of La Jolla, as reflected in La Jolla s financial records, minus (B) all cash liabilities and obligations of La Jolla as reflected in La Jolla s financial records, but excluding the aggregate value of the fractional share payments and out-of-pocket expenses associated with the reverse stock split and the post-closing exchange of certificates associated with the reverse stock split.

The Adamis Discounted Share Price is defined in the merger agreement as the volume weighted average closing price of the Adamis common stock (as reported on the OTC Bulletin Board or other market or quotation system on which the Adamis common stock is quoted or traded) commencing on the first business day after the date of the merger agreement, which was December 7, 2009, and ending two trading days before the closing date of the merger, discounted by an amount set forth in the following table:

Adamis Weighted Average Share Price	**% Discount**
Less than $0.25	10% (not to go below $0.20 per share)
$0.25 to $2.00	25% (not to go below $0.20 per share)
Greater than $2.00	$1.50 (fixed price)

The prices in the above table are subject to proportional adjustments in the event of recapitalizations or similar events affecting the Adamis common stock.

Please see the table on page 12 for an illustration of the approximate percentage ownership of the outstanding shares of common stock of the combined company that Adamis stockholders and existing La Jolla stockholders would be expected to hold immediately following the closing of the merger.

Accordingly, at the Split Effective Time, each outstanding pre-reverse split La Jolla share will be reclassified into a fraction of a share equal to the reverse split ratio. All shares and fractions thereof held by a particular holder

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will be aggregated into whole shares and La Jolla will round down to the nearest whole share any fraction of a share that any La Jolla stockholder would otherwise receive.

In lieu of fractional shares, La Jolla stockholders will instead receive a check in the amount payable in lieu of fractional shares. Notwithstanding the foregoing, La Jolla may elect to round up each fractional share (after aggregating all fractional shares issuable to such holder) to a whole share at no additional cost to the stockholder. La Jolla management does not expect the number of shares of La Jolla common stock to be issued in connection with rounding up such fractional interests to be significant.

Exchange Procedures

Promptly after the effective time of the merger, American Stock Transfer & Trust Company, LLC, or such other exchange agent as La Jolla appoints, will provide appropriate transmittal materials to holders of record of Adamis common stock (other than with respect to any such shares held directly or indirectly by La Jolla, Adamis or dissenting stockholders of Adamis), advising such holders of the procedure for surrendering their stock certificates to the exchange agent.

Upon the surrender of the holder s shares of Adamis common stock, along with a duly executed letter of transmittal and any other required documents, the holder will be entitled to receive in exchange therefor:

- a certificate representing the number of whole shares of La Jolla common stock that such holder is entitled to receive pursuant to the merger, as described in the section entitled Conversion of Adamis Securities, Exchange Ratio ; and

- a check in the amount, after giving effect to any required tax withholdings, of any cash payable in lieu of fractional shares plus any unpaid non-stock dividends and any other dividends or other distributions that such holder has the right to receive as described in the next paragraph.

Whenever a dividend or other distribution is declared by La Jolla in respect of La Jolla common stock, the record date for which is after the effective time of the merger, that declaration will include dividends or other distributions in respect of all shares issuable pursuant to the merger agreement. No dividends or other distributions in respect of La Jolla common stock shall be paid to any holder of any unsurrendered shares of Adamis common stock until the unsurrendered shares of Adamis common stock are surrendered for exchange. No holder of unsurrendered shares of Adamis common stock will be entitled to vote after the effective time of the merger at any meeting of La Jolla stockholders until such unsurrendered shares of Adamis common stock have been surrendered for exchange.

Promptly after the effective time of the merger, American Stock Transfer & Trust, LLC, or such other exchange agent as La Jolla appoints, will provide written instructions to record owners of La Jolla common stock for exchanging their certificates representing pre-reverse stock split shares of La Jolla common stock.

Treatment of Adamis Options, Warrants and Convertible Securities

At the effective time of the merger, each outstanding stock option to purchase Adamis common stock not exercised immediately prior to the effective time of the merger, whether or not vested, will be assumed by La Jolla and become exercisable, on a one-to-one basis, for shares of La Jolla common stock. Any restrictions on the exercise of any Adamis option assumed by La Jolla will continue following the conversion and the term, exercisability, vesting schedules and other provisions of assumed Adamis options will remain unchanged.

At the effective time of the merger, each outstanding warrant to purchase shares of Adamis common stock not terminated or exercised immediately prior to the effective time of the merger will be assumed by La Jolla and will become exercisable, on a one-to-one basis, for shares of La Jolla common stock.

Board of Directors and Officers of the Combined Company

The merger agreement provides that, immediately after the merger, the La Jolla Board will consist of a number of directors determined by Adamis. On the date of the closing of the merger, La Jolla must deliver resignations for

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all La Jolla directors. The initial directors of the combined company will be the directors of Adamis immediately before the merger is effected (i..e, Dr. Carlo and Messrs. Aloi and Marguglio).

If the merger occurs, La Jolla and Adamis expect that Dr. Carlo, the chief executive officer and president of Adamis, will become the chief executive officer and president of the combined company, and that the other current executive officers of Adamis (Robert O. Hopkins as chief financial officer, Richard L. Aloi as president of Adamis Labs and David J. Marguglio as vice president of business development and investor relations) will become executive officers of the combined company and that the existing officers of La Jolla will resign.

Representations and Warranties

The merger agreement contains representations and warranties, customary for transactions of this type, of La Jolla, Merger Sub and Adamis as to, among other things:

- corporate organization and existence;
- corporate power and authority;
- capitalization and related matters;
- financial statements and documents filed with the SEC and the accuracy of information contained in those documents;
- real property;
- no conflict, required filings and governmental approvals required to complete the merger, except as contemplated by the merger agreement;
- compliance with laws, contracts, certificate of incorporation and bylaws;
- compliance with legal requirements of governmental entities;
- no pending legal proceedings;
- absence of certain changes;
- matters relating to each party s business (i.e., tax matters, environmental matters, labor matters, intellectual property, insurance coverage and employee and employee benefit matters;
- validity of, and the absence of defaults under, certain contracts;
- transactions with affiliates;
- no unlawful payment to governmental officers; and
- completeness of representations.

In addition, the merger agreement contains further representations and warranties of La Jolla as to, among other things, the formation and operation of Merger Sub.

The representations and warranties have been made solely for the benefit of the parties in connection with the merger agreement and are not intended to be relied upon by any other person, including the stockholders of La Jolla or Adamis. In addition, the representations and warranties are qualified by specific disclosures made to the other parties in connection with the merger agreement, will not survive the closing, and may not form the basis for any claims under the merger agreement after the merger is completed, but their accuracy forms the basis of one of the conditions to the obligations of La Jolla and Adamis to complete the merger. Moreover, many of the representations and warranties are subject to materiality and knowledge qualifications contained in the merger agreement, and are made only as of the date of the merger agreement or such other date as is specified in the merger agreement.

Covenants; Conduct of Business Pending the Merger

Adamis agreed that it will preserve its organization and conduct its business in the usual and ordinary course, except as otherwise permitted by the merger agreement, in compliance with all applicable laws and regulations, and

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to take other agreed-upon actions. Adamis also agreed that during the period before the effective time of the merger it will:

- use commercially reasonable efforts to conduct its business and operations in compliance with all applicable legal requirements and the requirements of all material Adamis contracts; and

- use its commercially reasonable efforts to preserve intact its current business organization, use commercially reasonable efforts to keep available the services of its current key employees, officers and other employees and maintain its relations and goodwill with all suppliers, customers, landlords, creditors, licensors, licensees, employees and other persons having business relationships with Adamis or its subsidiaries.

Adamis also agreed to promptly notify La Jolla of (A) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the merger or any of the other contemplated transactions; and (B) any event that would reasonably be expected to have a material adverse effect on Adamis.

Each of Adamis and La Jolla agreed that it will preserve its organization and conduct its business in the usual and ordinary course, except as otherwise permitted by the merger agreement, in compliance with all applicable laws and regulations, and to take other agreed-upon actions. La Jolla also agreed that during the period before the effective time of the merger it would:

- use commercially reasonable efforts to conduct its business and operations in compliance with all applicable legal requirements and the requirements of all material La Jolla contracts; and

- use its commercially reasonable efforts to preserve intact its current business organization, use commercially reasonable efforts to keep available the services of its current key employees, officers and other employees and maintain its relations and goodwill with all suppliers, customers, landlords, creditors, licensors, licensees, employees and other persons having business relationships with La Jolla or its subsidiaries.

Each of Adamis and La Jolla also agreed that, subject to certain limited exceptions, without the consent of the other party in writing, it would not, during the period before the effective time of the merger:

- enter into any contract or commitment or engage in any transaction not in the usual and ordinary course of business and consistent with its normal business practices;

- do any act or omit to do any act, or permit any act or omission to act, which will cause a material breach of any contract, commitment or obligation of such party, which could have a material adverse effect on the business, assets or financial condition of such party, other than with respect to discontinued operations;

- declare or pay any dividends on, or make any other distributions in respect of any shares of its capital stock; or

- issue any options, warrants or other rights to acquire shares of its capital stock or any other instruments convertible into securities of such party (but excluding any shares of capital stock issued upon the exercise of options or warrants, or the conversion of convertible notes, outstanding on the date of the merger agreement or referred to in La Jolla s disclosure schedules to the merger agreement);

Additionally, Adamis and La Jolla have agreed under the merger agreement that the La Jolla Net Cash may not be used post-closing to pay any Adamis indebtedness for borrowed money as of the closing of the merger or to pay any Adamis deferred compensation or accrued bonuses in existence as of the closing of the merger.

Notwithstanding the foregoing, Adamis may, during the period before the effective time of the merger, carry out the following types of transactions:

any debt financing transaction for up to $2,000,000 of aggregate principal;

any equity financing transaction involving the issuance of up to 20% of Adamis common stock outstanding on the date of the merger agreement; or

the acquisition of one or more businesses, interests in businesses, technologies, intellectual property or products or issuing equity or debt instruments in connection in such a financing, with an aggregate consideration paid or potentially payable in connection with all such transactions that may not be equal to

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more than $1,000,000 or result in the issuance or potential issuance of more than 20% of the Adamis common stock outstanding on the date of the merger agreement.

See Risks Related to the Merger The Adamis exchange ratio is fixed in the merger agreement, which means that additional issuances by Adamis prior to closing will dilute the La Jolla stockholders at closing for additional information.

Each of Adamis and La Jolla also agreed to promptly notify the other party of (A) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the merger or any of the other contemplated transactions; and (B) any event that would reasonably be expected to have a material adverse effect on such party.

Additional Agreements

Each of La Jolla and Adamis has agreed to use its commercially reasonable efforts to:

take all actions necessary to complete the merger;

coordinate with the other party in preparing and exchanging information for purposes of the registration statement filed with the SEC, compliance with state and federal securities laws and otherwise;

obtain all consents, in form and substance reasonably satisfactory to the other party, required for the consummation of the transactions contemplated by the merger agreement; and

consult and agree with each other about any public statement either will make concerning the merger, subject to certain exceptions.

La Jolla and Adamis further agreed that:

each party will, subject to limited exceptions, promptly take all steps necessary to duly call, give notice of, convene and hold a meeting of its respective stockholders for the purposes of approving the issuance of shares in the merger and the other transactions contemplated by the merger agreement including, in the case of La Jolla, the reverse split and amendments to its restated certificate of incorporation, and will recommend such approvals and use its best efforts to obtain such approvals;

each party will promptly notify the other of any development or change in circumstances that does or could reasonably be expected to:

call into question the validity of the merger agreement or any action taken or to be taken pursuant to such agreement;

adversely affect the ability of the parties to close the transactions contemplated by the merger agreement;

have any material adverse effect on such party; or

make any of the representations and warranties in the merger agreement untrue or incorrect; and

use its commercially reasonable efforts to keep current its filings with the SEC as required under Section 13 of the Exchange Act.

No Solicitation

In the merger agreement, La Jolla and Adamis have agreed that each party and their respective subsidiaries will not, nor will either company authorize or permit any of its directors, officers, investment bankers, attorneys, accountants or other advisors or representatives to, directly or indirectly:

knowingly solicit, initiate, encourage, induce or facilitate the communication, making or announcement of any acquisition proposal or acquisition inquiry or take any action that could reasonably be expected to lead to an acquisition proposal or acquisition inquiry;

furnish any information regarding such party to any person in connection with or in response to an acquisition proposal or acquisition inquiry;

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engage in discussions or negotiations with any person with respect to any acquisition proposal or acquisition inquiry;

approve, endorse or recommend any acquisition proposal or effect any material change in the recommendation of the party s board of directors; or

execute or enter into any letter of intent or similar document or any contract relating to any acquisition transaction or enter into any agreement in principle requiring such party to abandon, terminate or fail to consummate the merger or breach its obligations under the merger agreement.

In the event that either party receives an offer, proposal or request of the type discussed above, it has agreed to immediately notify the other party and provide information as to the identity of the offeror and the specific terms of such offer or proposal, and such other information related thereto as the other party may reasonably request.

Notwithstanding these restrictions, before obtaining stockholder approval, either Adamis or La Jolla, sometimes referred to as a Party, may furnish information and enter into discussions or negotiations in response to an unsolicited, bona fide written acquisition proposal when such Party s board of directors determines in good faith that it constitutes, or is reasonably likely to result in, a superior proposal (as defined in the merger agreement) and the failure to take such action would result in a breach of the fiduciary duties of the board of directors. To the extent the Party determines that such offer constitutes a superior proposal (as defined in the merger agreement), the Party has agreed to give the other Party a period of no less than three business days to negotiate regarding modifications to the merger agreement.

However, the no-solicitation provisions do not restrict a Party from taking any of the following activities:

taking and disclosing to its stockholders a position with respect to a tender or exchange offer by a third party;

making any disclosure to its stockholders or furnishing information to a third party who has made a bona fide acquisition proposal if, in the good faith judgment of such party s board of directors, after consultation with outside counsel, failure to make such disclosures would be contrary to its fiduciary obligations under applicable law; or

furnishing information to a third party which has made a bona fide acquisition proposal that is reasonably likely to be a superior proposal, as defined below.

For the purposes of the merger agreement, an acquisition proposal means any offer or proposal (other than an offer or proposal made or submitted by Adamis, on the one hand or La Jolla, on the other hand to the other Party) contemplating or otherwise relating to any acquisition transaction with the other Party. An acquisition transaction shall mean any transaction or series of transactions (except for the Contemplated Transactions) involving:

any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction in which (i) a person or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons directly or indirectly acquires beneficial or record ownership of securities representing more than 50% of the outstanding securities of any class of voting securities of a Party or any of its Subsidiaries; or (ii) a Party or any of its Subsidiaries issues securities representing more than 50% of the outstanding securities of any class of voting securities of such Party or any of its Subsidiaries (other than, solely with respect to Adamis, through any capital raising transaction);

any sale, lease, exchange, transfer, license, acquisition or disposition of any business or businesses or assets that constitute or account for: (i) 50% or more of the consolidated book value of the assets of a Party and its Subsidiaries, taken as a whole; or (ii) 50% or more of the fair market value of the assets of a Party and its Subsidiaries, taken as a whole; or

any liquidation or dissolution of a Party.

A superior proposal means an acquisition proposal that the board of directors of a Party determines, in its reasonable judgment, to be more favorable to such Party s stockholders than the terms of the transactions contemplated by the merger agreement.

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Meetings of Stockholders and Proxy Statement

La Jolla is obligated under the merger agreement to take all actions necessary under applicable law to hold and convene a meeting of its stockholders for purposes of voting on (i) the issuance of shares of La Jolla common stock in connection with the merger and the resulting change of control and (ii) the amendments to its certificate of incorporation to effect a reverse stock split and to change its corporate name at the closing of the merger. Further, La Jolla is required to promptly distribute a registration statement and proxy statement relating to such stockholder proposals.

In the merger agreement, La Jolla agreed to use its reasonable best efforts to have the registration statement (of which this joint proxy statement/prospectus is a part) declared effective under the Securities Act as promptly as practicable after filing, and commercially reasonable efforts to obtain all regulatory approvals needed to ensure that the all the La Jolla common stock issued in the merger will be registered or qualified or exempt from registration or qualification under the securities laws of every state mutually agreed upon by Adamis and La Jolla.

Adamis is obligated under the merger agreement to hold and convene a meeting of its stockholders for purposes of considering the approval of the merger and the adoption of the merger agreement, and to hold the meeting as promptly as reasonably practicable after the effectiveness of the registration statement (of which this joint proxy statement/prospectus is a part).

Indemnification and Insurance of Directors and Officers

The merger agreement provides that, for a period of three years following the effective date of the merger, the combined company will honor in all respects the obligations of La Jolla and Adamis pursuant to any indemnification provisions under their respective certificates of incorporation and bylaws as in effect on the date of the merger agreement.

The merger agreement provides that, for a period of three years from the date of the merger, the certificate of incorporation and bylaws of La Jolla and the surviving corporation, as the case may be, will contain provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of present and former directors and officers of La Jolla than are presently set forth in the certificate of incorporation and bylaws of La Jolla, and while in place, these provisions will not be amended, modified or repealed in a manner that would adversely affect the rights of the directors and officers of La Jolla. The merger agreement also provides that La Jolla shall take no actions to terminate or curtail the directors and officers tail liability insurance coverage that is in place at the effective date of the merger to insure those directors and officers of La Jolla in place prior to the merger.

Conditions to Completion of the Merger

Each party s obligation to complete the merger is subject to the satisfaction or waiver by each of the parties, at or before the merger, of various conditions, which include the following:

- there must not have been issued any restraining order, injunction or other order by any court of competent jurisdiction, or other legal restraint or prohibition preventing the consummation of the merger or other transactions contemplated by the merger agreement, and there must not have been any applicable legal requirement that has the effect of making the consummation of the merger illegal;

- the requisite stockholder approvals shall have been obtained by Adamis and La Jolla;

any governmental authorization or consent required to be obtained under any applicable antitrust or competitive law or regulation (of which the parties believe there are none), or under any other applicable legal requirement, shall have been obtained and remain in full force and effect;

there must not be any legal proceeding pending or threatened by any governmental entity in which the entity indicates that it intends to conduct any legal proceeding or take any other action: (a) challenging or seeking to restrain the consummation of the merger or any of the other contemplated transactions; (b) relating to the merger and seeking to obtain from La Jolla or Adamis any damages or other relief that would have a material adverse effect on the combined company; (c) seeking to prohibit or limit in any material and adverse respect a party s ability to vote, transfer, receive dividends with respect to or otherwise exercise ownership rights

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with respect to the stock of La Jolla; (d) that could have a material adverse effect on the ability of the combined company to own the assets or operate the business of the combined company; or (e) seeking to compel Adamis or La Jolla (or any subsidiary of either) to dispose of or hold separate any assets that are material to the combined company as a result of or following the merger or any of the contemplated transactions; and

the registration statement on Form S-4, of which this joint proxy statement/prospectus is a part, must have been declared effective by the SEC in accordance with the Securities Act and must not be subject to any stop order or proceeding, or any proceeding threatened by the SEC, seeking a stop order.

In addition, the obligation of La Jolla and Merger Sub to complete the merger is further subject to the satisfaction or waiver of the following conditions:

the representations and warranties of Adamis contained in the merger agreement shall have been true and correct as of the date of the merger agreement and shall be true and correct on and as of the closing date of the merger with the same force and effect as if made on the closing date except (A) in each case, or in the aggregate, where the failure to be true and correct would not reasonably be expected to have a material adverse effect on the combined company, or (B) for those representations and warranties that address matters only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (A), as of such particular date);

each of the covenants and obligations in the merger agreement that Adamis is required to comply with or to perform at or before the closing shall have been complied with and performed by Adamis in all material respects, except where the failure to perform such covenants or obligations would not have a material adverse effect on the combined company;

from the date of the merger agreement through the effective time of the merger, there shall not have occurred any material adverse effect on Adamis that shall be continuing as of the effective time of the merger and that would have a material adverse effect on the combined company;

La Jolla shall have received the following agreements and other documents, each of which shall be in full force and effect:

a certificate of Adamis executed on its behalf by the chief executive officer and chief financial officer of Adamis confirming that the conditions set forth above have been duly satisfied; and

certificates of good standing (or equivalent documentation) of Adamis in its jurisdiction of incorporation and the various foreign jurisdictions in which it is qualified (except where the failure to have obtained such certificates would not result in a material adverse effect on the combined company), certified charter documents, a certificate as to the incumbency of officers and the adoption of resolutions of the board of directors of Adamis authorizing the execution of the merger agreement and the consummation of the contemplated transactions to be performed by Adamis thereunder; and

neither the principal executive officer nor the principal financial officer of Adamis shall have failed to provide, with respect to any Adamis SEC document filed (or required to be filed) with the SEC on or after the date of the merger agreement, any necessary certification in the form required under Rule 13a-14 under the Exchange Act and 18 U.S.C. § 1350, which are certifications required under the Sarbanes Oxley Act; and

Receipt of an opinion of counsel from counsel to Adamis.

In addition, the obligation of Adamis to complete the merger is further subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of La Jolla and Merger Sub contained in the merger agreement shall have been true and correct as of the date of the merger agreement and shall be true and correct on and as of the closing date with the same force and effect as if made on the closing date except (A) in each case, or in the aggregate, where the failure to be true and correct would not reasonably be expected to have a material adverse effect on the combined company, or (B) for those representations and warranties that address matters

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only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (A), as of such particular date);

each of the covenants and obligations in the merger agreement that La Jolla or Merger Sub is required to comply with or to perform at or before the closing shall have been complied with and performed in all material respects, except where the failure to perform such covenants or obligations would not have a material adverse effect on the combined company;

from the date of the merger agreement through the effective time of the merger, there shall not have occurred any material adverse effect on La Jolla that continues as of the effective time of the merger and that would have a material adverse effect;

Adamis shall have received the following documents:

a certificate of La Jolla executed on its behalf by the chief executive officer and vice president of finance of La Jolla confirming that the conditions set forth above have been duly satisfied;

certificates of good standing (or equivalent documentation) of each of La Jolla and Merger Sub in Delaware and the various foreign jurisdictions in which it is qualified (except where the failure to have obtained such certificates would not result in a material adverse effect on the combined company), certified charter documents, a certificate as to the incumbency of officers and the adoption of resolutions of the boards of directors of La Jolla and Merger Sub authorizing the execution of the merger agreement and the consummation of the contemplated transactions to be performed by La Jolla and Merger Sub thereunder; and

written resignations in forms reasonably satisfactory to Adamis, dated as of the closing date and effective as of the closing, executed by the directors and officers of La Jolla;

neither the principal executive officer nor the principal financial officer of La Jolla shall have failed to provide, with respect to any La Jolla SEC document filed (or required to be filed) with the SEC on or after the date of the merger agreement, any necessary certification in the form required under Rule 13a-14 under the Exchange Act and 18 U.S.C. § 1350, which are certifications required under the Sarbanes Oxley Act;

La Jolla shall have caused the board of directors of La Jolla to be constituted as set forth in the merger agreement;

each of the individuals identified by Adamis before the effective time of the merger shall have been appointed officers of La Jolla as of the effective time of the merger;

the amendments to the La Jolla restated certificate of incorporation, including the reverse stock split and the corporate name change, as contemplated by the merger agreement, shall have become effective under the DGCL; and

receipt of an opinion of counsel from counsel to La Jolla.

Other than the conditions regarding effectiveness of the registration statement of which this joint proxy statement/prospectus is part, the condition regarding having obtained required stockholder approvals for the proposals described in the joint proxy statement/prospectus, and the conditions regarding having obtained any required governmental authorization and no restraining order or injunction having been issued or government proceeding pending preventing the consummation of the merger, satisfaction of each of the conditions to the merger is permitted

by law to be waived in the discretion of the board of directors of La Jolla or Adamis, as applicable. Many of the other closing conditions, such as the representations and warranties of the parties in the merger agreement being true and correct as of the closing date and the parties having performed all obligations under the merger agreement that they are required to perform, are qualified by the requirement that the failure of the condition must have a material adverse effect on the combined company. The failure of other closing conditions to be true, including the requirement that La Jolla have taken required actions to cause the board of directors and officers of the combined company to be as described in the joint proxy statement/prospectus, the requirement that there be no governmental proceeding pending challenging or seeking to restrain the consummation of the merger or related transactions, or the requirement that neither La Jolla s nor Adamis chief executive officer or principal financial

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officer have failed to provide any required certification under the Sarbanes-Oxley Act, might or might not have a material adverse effect on the combined company.

Termination

The merger agreement may be terminated at any time before the completion of the merger, whether before or after the required stockholder approvals to complete the merger have been obtained, as set forth below:

by mutual written consent duly authorized by the board of directors of each of La Jolla and Adamis;

by either La Jolla or Adamis if the merger has not been consummated by March 31, 2010, but this right to terminate the merger agreement will not be available to a party whose failure to fulfill any material obligation of the merger agreement or other material breach of the merger agreement has been the cause of, or resulted in, the failure of the merger to be completed by such date;

by either La Jolla or Adamis if a court of competent jurisdiction or any governmental entity having authority with respect thereto has issued a final and nonappealable order, decree or ruling or taken any other action that permanently restricts, restrains, enjoins or otherwise prohibits the merger, and the parties shall have used commercially reasonable efforts to resist, resolve or lift, as applicable, such judgment, injunction, order or decree;

by either La Jolla or Adamis if (i) at the Adamis stockholder meeting, Adamis stockholders shall have taken a final vote on the merger and (ii) the merger shall not have been approved or adopted by the Adamis stockholders; provided, however, that the right to terminate the merger agreement shall not be available to Adamis where the failure to obtain a positive vote shall have been caused by the action or failure to act of Adamis that amounts to a material breach of the merger agreement by Adamis;

by La Jolla if the Adamis discounted share price is less than $0.20 per share and one of the following events exists:

material manufacturing or supply problems with Adamis Epinephrine PFS product (including API and syringe), or any regulatory actions taken by the FDA, that result in or would be expected to result in a commercial interruption in sales of such product;

any litigation is filed against Adamis, its directors or officers asserting claims that could reasonably be expected to result in the occurrence of a Material Adverse Effect as defined in the merger agreement; or

the loss of the services of Dennis J. Carlo as an officer, director or full-time employee of Adamis for any reason;

by Adamis, if, as of the date of the close of the merger transaction, the net cash of La Jolla presented in the Net Cash Certification required to be delivered by La Jolla is less than $2.3 million;

by Adamis if any of the following shall have occurred: (i) a change in the La Jolla board recommendation regarding the merger transaction; (ii) La Jolla shall have failed to hold the La Jolla stockholder meeting within 60 days after the definitive proxy statement is declared effective by the SEC, (iii) La Jolla or any of its subsidiaries or representatives shall have failed to comply with the no-solicitation covenants in the merger agreement in any material respect, or (iv) La Jolla shall have delivered a notice of superior proposal to Adamis;

by La Jolla if any of the following shall have occurred: (i) a change in the Adamis board recommendation regarding the merger transaction; (ii) Adamis shall have failed to hold the Adamis stockholder meeting within 60 days after the definitive proxy statement is declared effective by the SEC; (iii) Adamis or any of its subsidiaries or representatives shall have failed to comply with the no-solicitation covenants in the merger agreement in any material respect; or (iv) Adamis shall have delivered a notice of superior proposal to La Jolla; and

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by La Jolla if La Jolla intends to substantially concurrently enter into an agreement with respect to a superior proposal in compliance with its no solicitation covenants described in the section above entitled The Merger Agreement No Solicitation and has paid the termination fee and expenses as described below.

Fees and Expenses

Each party is generally required to bear its own expenses associated with the merger agreement and the consummation of the merger, except as set forth below.

Adamis is entitled to a nonrefundable fee as liquidated damages from La Jolla in the amount of: (i) $150,000 if the merger agreement is terminated by Adamis because of (A) a material change in the La Jolla Board s recommendations concerning the merger, (B) La Jolla s failure to hold a stockholder meeting to vote on the merger transaction within 60 days after the registration statement is declared effective by the SEC, (C) La Jolla s notice to Adamis of a superior proposal, or (D) La Jolla s failure to comply with its non-solicitation obligations, (ii) terminated by La Jolla if the Adamis discounted share price is less than $0.20 per share and one of the following events exists: (a) material manufacturing or supply problems with Adamis Epinephrine PFS product (including API and syringe), or any regulatory actions taken by the FDA, that result in or would be expected to result in a commercial interruption in sales of such product; (b) any litigation is filed against Adamis, its directors or officers asserting claims that could reasonably be expected to result in the occurrence of a material adverse effect; or (c) the loss of the services of Dennis J. Carlo as an officer, director or full-time employee of the Company for any reason or (iii) if the merger agreement is terminated by La Jolla or Adamis due to a failure to obtain the required stockholder approvals, all reasonable accounting and legal fees and costs incurred by the party in connection with the transactions contemplated by the merger agreement (up to a maximum of $100,000).

La Jolla is entitled to a nonrefundable fee as liquidated damages from Adamis in the amount of: (i) $150,000 if the merger agreement is terminated by La Jolla because of (A) a material change in the Adamis Board s recommendations concerning the merger, (B) Adamis failure to hold a stockholder meeting to vote on the merger transaction within 60 days after the registration statement is declared effective by the SEC, (C) Adamis notice to La Jolla of a superior proposal or (D) Adamis failure to comply with its non-solicitation obligations, (ii) (E) terminated by Adamis if, as of the closing date of the merger, the La Jolla Net Cash as reflected on the Net Cash Certification (as defined in the merger agreement) is less than $2.3 million, or (iii) if the merger agreement is terminated by La Jolla or Adamis due to a failure to obtain the required stockholder approvals, all reasonable accounting and legal fees and costs incurred by the party in connection with the transactions contemplated by the merger agreement (up to a maximum of $100,000).

Agreements Related to the Merger Agreement

Voting Agreements and Irrevocable Proxies

Dennis J. Carlo, Richard L. Aloi, David J. Marguglio and Robert O. Hopkins, all of whom will be referred to collectively herein as the Principal Adamis Stockholders, have entered into voting agreements with La Jolla pursuant to which, among other things, each such stockholder agreed, solely in his capacity as an Adamis stockholder, to vote all of the stockholder s shares of Adamis common stock in favor of the issuance of La Jolla common stock to Adamis stockholders in connection with the merger and the other Adamis proposals described in this joint proxy statement/prospectus, and against any matter that would result in a breach of the merger agreement by La Jolla and any proposal made in opposition to, or in competition with, the consummation of the merger and the other transactions contemplated by the merger agreement. As of January 22, 2010, the Principal Adamis Stockholders beneficially owned an aggregate of 16,271,693 shares of Adamis common stock, representing approximately 36% of the outstanding shares of Adamis common stock that are entitled to vote.

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MATTERS TO BE PRESENTED TO THE ADAMIS STOCKHOLDERS

ADAMIS PROPOSAL NO. 1 APPROVAL OF THE MERGER

At the Adamis special meeting, Adamis stockholders will be asked to approve the merger agreement and the transactions contemplated thereby, including the merger. Immediately following the merger, Adamis stockholders are expected to own between approximately 70% and 95% of the outstanding shares of the combined company, and existing La Jolla stockholders are expected to hold between approximately 5% and 30% of the outstanding shares of the combined company. See Risks Related to the Merger, and specifically those risk factors discussing potential ownership percentages of each of the La Jolla stockholders and the Adamis stockholders post-merger, for additional information.

The terms of, reasons for and other aspects of the merger agreement, the merger, the issuance of La Jolla common stock to Adamis stockholders pursuant to the merger agreement, and the resulting change in control of La Jolla, are described in detail in other sections of this joint proxy statement/prospectus.

Vote Required; Recommendation of Board of Directors

The affirmative vote of the holders of a majority in voting power of the shares of Adamis common stock outstanding on the Adamis Record Date is required for approval of Adamis Proposal No. 1.

THE ADAMIS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ADAMIS STOCKHOLDERS VOTE FOR ADAMIS PROPOSAL NO. 1 TO APPROVE THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY.

ADAMIS PROPOSAL NO. 2 APPROVAL OF POSSIBLE ADJOURNMENT OF THE ADAMIS SPECIAL MEETING

If Adamis fails to receive a sufficient number of votes to approve the merger and the merger agreement, Adamis may propose to adjourn the Adamis special meeting, for a period of not more than 30 days, for the purpose of soliciting additional proxies to approve such proposal. Adamis does not currently intend to propose adjournment at the Adamis special meeting if there are sufficient votes to approve the merger and the merger agreement.

Vote Required; Recommendation of Board of Directors

The affirmative vote of the holders of a majority in voting power of the outstanding shares of Adamis common stock present in person or represented by proxy at the Adamis special meeting is required to approve the adjournment of the Adamis special meeting for the purpose of soliciting additional proxies to approve the merger and the merger agreement.

THE ADAMIS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ADAMIS S STOCKHOLDERS VOTE FOR ADAMIS PROPOSAL NO. 2 TO ADJOURN THE SPECIAL MEETING, IF NECESSARY, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF THE MERGER AND THE MERGER AGREEMENT.

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ADAMIS BUSINESS

In the discussion below, all statements concerning market sizes, annual U.S. sales of products, U.S. prescriptions and rates of prescriptions, the incidence of diseases or conditions in the general population, and similar statistical or market information are based on data published by the following sources: IMS Health Sales Perspectives, Retail and Non-Retail Combined Report, referred to as the IMS Report; National Data Corporation s Epinephrine Prescription and Dollar data for 2007, referred to as the NDC Report; Commercial and Pipeline Insight: Allergic Rhinitis, published by DataMonitor October 2007, referred to as the DataMonitor Report; and AAAAI American Academy of Allergy, Asthma and Immunology Allergy Statistics for the U.S. published in 2008, referred to as the AAAAI Statistics.

Company Overview

Adamis was founded in June 2006 as a Delaware corporation. Adamis has three wholly-owned subsidiaries: Cellegy Holdings, Inc.; Adamis Corporation; and Biosyn, Inc. Adamis Corporation has two wholly-owned subsidiaries: Adamis Viral Therapies, Inc. (biotechnology), or Adamis Viral; and Adamis Laboratories, Inc. (specialty pharmaceuticals), or Adamis Labs. Cellegy Holdings and Biosyn currently have no material operations.

Adamis Labs is a specialty pharmaceutical company that Adamis acquired in April 2007. Adamis Labs has a line of prescription products in the allergy and respiratory field that are sold through its own sales force. These products generated net revenues to Adamis of approximately $660,000 for Adamis fiscal year ended March 31, 2009. Adamis Epinephrine Injection USP 1:1000 (0.3mg Pre-Filled Single Dose Syringe) product, or the PFS Syringe product, a pre-filled epinephrine syringe product for use in the emergency treatment of extreme acute allergic reactions, or anaphylactic shock, was launched in July 2009. An additional product candidate in its product pipeline is a generic inhaled nasal steroid for the treatment of seasonal and perennial allergic rhinitis. Adamis goal is to commence commercial sales of the nasal steroid product in the first quarter of 2012, assuming adequate funding and no unexpected delays. Based on Adamis knowledge of a previously marketed pre-filled syringe indicated for anaphylaxis, the anticipated lower price of the PFS Syringe product relative to the leading syringe products currently marketed and the ease of use of its product, Adamis believes that the PFS Syringe product has the potential to compete successfully shortly after full commercial introduction of the product, although there can be no assurance that this will be the case. To date, Adamis ability to fully execute its plan for the commercial launch of the PFS Syringe product has been hampered because of limited funding to support the launch.

Adamis Viral is focused on developing patented preventative and therapeutic vaccines for a variety of viral diseases such as influenza and hepatitis. The first target indication will be avian influenza. Adamis believes that avian flu is a good initial clinical application because there is a large potential demand for a vaccine or other therapeutic product. However, there are no assurances concerning whether such a product will be developed or launched. After the merger, Adamis hopes to initiate an initial clinical trial in the third quarter of 2010, and, if the results are successful, to initiate clinical trials in the United States in 2011, assuming adequate funding and no unexpected delays. Future potential disease targets might include therapeutic vaccines for Hepatitis C and Human Papillomavirus.

Adamis general business strategy is to attempt to increase sales of existing and proposed products and services from its Adamis Labs operations to generate cash flow to help support the vaccine product development efforts of Adamis Viral. Adamis believes that the potential for increased revenues will be driven by two new products.

- Commercial sales of the PFS Syringe product commenced in July 2009. The product competes in a well-established U.S. market estimated to be over $150 million in annual sales, based on industry data published in the NDC Report.

Adamis Labs intends to introduce an aerosolized inhaled nasal steroid that is designed to take a small share of the U.S. market for nasal steroid products, estimated by Adamis to be approximately $3 billion in annual sales, based on the NDC Report. Adamis currently believes that this product could be introduced as early as the first calendar quarter of 2012, although the actual date of introduction will depend on a number of factors and the actual launch date could be later than that date. Factors that could affect the actual launch date include the outcome of discussions with the FDA concerning the number and kind of clinical trials that the

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FDA will require before the FDA will consider regulatory approval of the product, any unexpected difficulties in licensing or sublicensing intellectual property rights for other components of the product such as the inhaler, any unexpected difficulties in the ability of suppliers to timely supply quantities for commercial launch of the product, any unexpected delays or difficulties in assembling and deploying an adequate sales force to market the product, and adequate funding to support sales and marketing efforts.

To achieve these goals, as well as to support the overall strategy, Adamis will need to raise a substantial amount of funding and make substantial investments in equipment, new product development and working capital. Adamis estimates that approximately $1.5 million to $2 million will be required to support the continued commercial launch of the PFS Syringe product, and that approximately an additional $3.5 million or more must be invested from the date of this joint proxy statement/prospectus in the Adamis Labs operations to support development and commercial introduction of the aerosolized nasal steroid product candidate. The capital that is expected to be provided from expected sales of these products will be important to help fund expansion of those businesses and the research and development of the anti-viral technology. If adequate funding is obtained, clinical trials proceed successfully, regulatory approvals are obtained and sales are consistent with Adamis current expectations, following a period of initial commercial introduction, Adamis believes that revenues generated by Adamis Viral s vaccine products could exceed revenues from the Adamis Labs operations.

Effective April 1, 2009, Adamis completed a business combination transaction with Cellegy Pharmaceuticals, Inc., or Cellegy. The stockholders of Cellegy and the stockholders of former Adamis Pharmaceuticals Corporation, or Old Adamis, approved a merger transaction and related matters at an annual meeting of Cellegy s stockholders and at a special meeting of Old Adamis stockholders, each held on March 23, 2009. On April 1, 2009, Cellegy completed the merger transaction with Old Adamis. Before the merger, Cellegy was a public company and Old Adamis was a private company.

In connection with the consummation of the merger and pursuant to the terms of the definitive merger agreement relating to the transaction, Cellegy changed its name from Cellegy Pharmaceuticals, Inc. to Adamis Pharmaceuticals Corporation, and Old Adamis changed its corporate name to Adamis Corporation.

Pursuant to the terms of the merger agreement, Cellegy effected a reverse stock split of its common stock immediately before the consummation of the merger Pursuant to this reverse stock split, each approximately 10 shares of common stock of Cellegy that were issued and outstanding immediately before the effective time of the merger were converted into one share of Cellegy common stock and any remaining fractional shares held by a stockholder (after aggregating the fractional shares) were rounded up to the nearest whole share.

As a result, the total number of shares of Cellegy that were outstanding immediately before the effective time of the merger were converted into approximately 3,000,000 shares of post-reverse split shares of common stock of Cellegy. Pursuant to the terms of the merger agreement, at the effective time of the merger each share of Old Adamis common stock that was issued and outstanding immediately before the effective time of the merger ceased to be outstanding and was converted into the right to receive one share of Adamis common stock. As a result, approximately 44,038,989 shares of Adamis were issued and/or are issuable to the holders of the outstanding shares of common stock of Old Adamis before the effective time of the merger. Old Adamis, renamed Adamis Corporation, was the surviving entity as a wholly-owned subsidiary of Adamis.

Adamis Labs

On April 23, 2007, Adamis completed the acquisition of a specialty pharmaceutical company named Healthcare Ventures Group, Inc., or HVG. HVG had previously acquired a group of allergy and respiratory products and certain related assets from a third party company. The third party also transferred to HVG members of its sales force and

management team. Adamis created the Adamis Laboratories subsidiary, which then acquired HVG in a stock-for-stock exchange. Adamis issued approximately 12.6 million new shares of Adamis common stock to the shareholders of HVG. Under the terms of the transaction agreements, approximately 6.7 million of these shares are subject to restrictions on transfer as well as repurchase by Adamis if certain performance targets based on revenue over a period of three years are not achieved by Adamis Labs and if the holders do not remain employed by Adamis during that period.

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Adamis Labs has a small base of established products, as well as several product candidates that Adamis believes have the potential to be successful products.

Current Products

The current specialty pharmaceutical products are sold under a prescription and promoted to physicians who specialize in allergy, respiratory disease and pediatric medicine. The six currently marketed products include:

AeroHist® Caplets (chlorpheniramine maleate 8mg, methscopolamine nitrate 2.5 mg) extended release, scored caplets. Indicated for the relief of symptoms of seasonal or perennial rhinitis.

AeroHist® *Plus* Caplets (chlorpheniramine maleate 8mg, phenylephrine hydrochloride 20mg, methscopolamine nitrate 2.5 mg). Indicated for the relief of symptoms of seasonal or perennial rhinitis.

AeroKid® Oral Liquid (chlorpheniramine maleate 4mg/5ml, phenylephrine hydrochloride 10mg/5ml, methscopolamine nitrate 1.25mg/5ml). Indicated for the relief of symptoms of seasonal or perennial rhinitis.

AeroOtic® HC Ear Drops (chloroxylenol 1mg, pramoxine hydrochloride 10mg, hydrocortisone 10mg). Indicated for the treatment of superficial infections of the external auditory canal complicated by inflammation caused by organisms susceptible to the action of the antimicrobial and to control itching and swimmer s ear.

Allergy Extracts allergy extracts, sterile vials, and diluents used in preparation of allergy therapy. As of July 2009, Adamis Labs ceased selling these products.

Prelone® (prednisolone syrup, USP, 15 mg per 5 ml). Indicated in various diseases and disorders including allergic states and respiratory diseases.

Net revenues to Adamis from sales of these products from April 23, 2007, the date on which Adamis acquired Adamis Labs, through Adamis fiscal year ended March 31, 2009, were approximately $1,281,000. During Adamis fiscal year ended March 31, 2009, two customers, Cardinal Health and McKesson, accounted for approximately 37% and 19% , respectively, of Adamis revenues. The products have not been heavily promoted in the past due to funding limitations and the competitive market for antihistamine/decongestant products. Adamis believes there is limited growth potential for these products, due in part to the widespread substitution of generic products at the dispensing pharmacy level for the conditions indicated for the Adamis Labs products.

The Prelone product is the subject of an ANDA approval from the FDA. As Adamis believes is common with many drug products, the Prelone product is manufactured by a third party manufacturer who holds the ANDA approval relating to the product. Adamis owns the trademark and intellectual property rights relating to the product and distributes the product pursuant to those rights.

Product Pipeline

Adamis Labs product pipeline includes the recently launched epinephrine PFS Syringe product and an inhaled nasal steroid product candidate. The first product, the PFS Syringe product, was commercially launched in July 2009. The second product, an aerosolized inhaled nasal steroid product for the treatment of seasonal and perennial allergic rhinitis, is targeted for commercial availability in the first quarter of calendar year 2012, assuming adequate funding to support product development and launch and no unanticipated delays in obtaining regulatory approvals. Adamis Labs has an agreement with Catalent Pharma Solutions, Inc. for sterile manufacturing product supply for the PFS Syringe product and is in discussions with an aerosol inhaler supplier for the aerosolized nasal steroid product candidate.

Epinephrine Pre-Filled Syringe

There is a well-defined, growing market in the United States for patient-administered emergency epinephrine injectors used in the treatment of anaphylaxis. Based on information in the NDC Report, Adamis estimates that annual U.S. sales for emergency epinephrine injectors were approximately $150 million in 2006 and have historically grown at a rate of approximately 15% per year. Currently, the emergency epinephrine market is

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dominated by one brand, EpiPen®, which Adamis believes is relatively high priced. Adamis believes there is an opportunity to bring to market a simpler, more intuitive and user-friendly, lower-cost product that should be competitive with existing products.

Anaphylaxis is usually triggered by an allergic reaction to medication, food, insect stings, skin allergies or latex allergies. This sudden, whole body allergic reaction results in a potentially life threatening medical emergency. The recognized treatment of choice for anaphylaxis is aqueous epinephrine (adrenaline) delivered by injection.

There are two major causes of consumption of emergency epinephrine injectors: use when a patient experiences an anaphylactic attack, or expiration of the product. Of the two, expiration is by far the largest cause of consumption. The epinephrine contained in injectors has a limited shelf life, and on average a new prescription must be obtained every 12 to 18 months. As a result, based on information in the AAAAI Statistics, Adamis estimates that at least 70% of all epinephrine injectors expire unused.

EpiPen, EpiPen Jr., and Twinject are the only patient-administered epinephrine products available for sale as emergency treatment of anaphylaxis in the United States. Based on information in the IMS Report, the U.S. epinephrine injector market was approximately $149 million in sales in 2005. EpiPen and EpiPen Jr. combined represented over approximately 99% of all sales in the U.S. The physicians that prescribe self-administered epinephrine are relatively concentrated, with over 70% of prescriptions originating from allergists and primary care physicians, according to the IMS Report.

Based on information in the AAAAI Statistics, in the U.S., an estimated 5% of the population suffers from insect sting anaphylaxis, up to 6% are latex sensitive and up to 1.5% of adults and 5% of children under three years of age experience food related anaphylaxis. Adamis believes that anaphylaxis may be under-diagnosed. In January 2001, a published study by AAAAI revealed that up to 40 million Americans (15% of the total population) may be at risk for anaphylaxis, a significantly higher number than the historically estimated at-risk population. According to information in the AAAAI Statistics, approximately 3,000 people in the U.S. die each year from anaphylaxis.

The number of prescriptions has grown annually as the risk of anaphylaxis has become more widely understood. According to the IMS Report, total prescriptions for EpiPen products more than doubled in the five year period from 2001 to 2005. Adamis estimates that the growth rate of annual prescriptions will decline to a growth rate of approximately 4-5% per year by 2010.

Annual Prescriptions for Emergency Epinephrine (000)

EpiPen was originally developed by Meridian Medical Technologies, Inc. as an auto-injection system for use by military personnel. It was designed for self-administration as an antidote for chemical warfare agents and morphine. Meridian Medical Systems, which is the manufacturer of the EpiPen and EpiPen Jr., continues to focus on products for the military, and its major customer is the United States Department of Defense. The EpiPen products were introduced to the market in 1982, and were the only epinephrine injectors for allergic emergencies that were available until 2005. In August 2005, another company introduced a competing product, Twinject Dual Pack 0.3mg epinephrine auto injectors, which, Adamis believes due to pricing and ease of use issues, has enjoyed only a small market share in the United States. Twinject is currently owned by Sciele Pharma, Inc.

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Adamis believes that there are barriers to market entry for new competitors based on epinephrine s susceptibility to contamination, sensitivity to heat and light and a short shelf-life, as well as the need for a competitor to possess the expertise to overcome the packaging and delivery challenges of introducing a competing product to the market. Adamis also believes that the size of the market is too small to be a major focus of the large pharmaceutical companies, although there can be no guarantees that this will be the case.

Adamis believes that the primary opportunity lies in the 0.3 mg segment, which constitutes approximately 72% of the total market (measured as a percent of U.S. sales), based on EpiPen unit sales history and the NDC Report. When sales of dual packs of EpiPen and TwinJect are converted to single units, the total target market in the U.S. is about 2.5 million single units per year.

Adamis believes that there is an opportunity for a simpler, low-cost, more intuitive and user-friendly pre-filled syringe to compete in this largest segment of the market. Adamis believes that its new product can compete effectively against EpiPen ® based on the following factors, among others:

Market Knowledge. Mr. Richard Aloi, president of Adamis Labs (formerly a Director at Center Laboratories of Long Island, New York), had responsibility for the U.S. introduction of EpiPen® and EpiPen® Jr. brands and helped to craft the marketing and sales strategy that saw EpiPen® brands grow in units and dollars annually.

Market Presence. Adamis Labs has provided allergenic extracts for processing into desensitization or immunotherapy injections to the same allergy physician group that would prescribe the PFS Syringe product.

Lower Price. Adamis believes that a lower-priced option would be particularly attractive to individuals potentially susceptible to anaphylaxis as well as managed healthcare drug reimbursement plans providing patient prescription reimbursement. Adamis introduced the PFS Syringe at a price point reflecting a discount to the price of the market leader, EpiPen®, in part to make the product more attractive to customers. At this price, Adamis believes it can still obtain significant gross margins.

Ease of Use. The EpiPen®, EpiPen® Jr., and Twinject® are powerful spring-loaded devices. If not administered properly, they can misfire or be misused. Adamis 0.3 mg PFS Syringe product will allow patients to self-administer (self-inject) a pre-measured epinephrine dose quickly with a device that does not have moving parts that the user cannot control, which Adamis believes may increase product safety.

There are three key supply components used in the manufacture of PFS Syringe product: the pre-filled syringe containing the epinephrine; the formulation solution; a specially designed plunger rod that expels only the appropriate emergency amount of 0.3mg of epinephrine; and the plastic carrying case. Adamis owns a proprietary epinephrine liquid formulation. Adamis has secured component suppliers that will ship all components to the manufacturer who completes the finished labeled product. Adamis believes that the market for emergency epinephrine injectors will grow, driven by increasing awareness, lower cost alternatives, and promotion by new market entrants. Adamis expects that the total market unit growth rate will continue to grow as additional lower priced epinephrine products are introduced, but total dollar market will plateau as a result as the market matures with multiple lower priced products. Adamis believes that the PFS Syringe product may acquire a share of the market in a manner somewhat similar to the pattern established by generic drugs, in that the price differential between the expected price of the Adamis syringe product and the price at which the market-leading product is currently sold will motivate purchasers and reimbursing payors to choose the lower cost alternative. Adamis also believes, however, that if its product competes successfully, at least one of the current competitors may introduce a competing, low-priced, pre-filled syringe while maintaining the price points of its existing product lines. Adamis believes that such a competing product might have a comparable or lower price than the Adamis product. Adamis believes that the PFS Syringe product has the potential to compete successfully shortly after full commercial introduction of the product, although there can be no assurance that this will

be the case. To date, Adamis ability to fully execute its plan for the commercial launch of the PFS Syringe product has been hampered because of limited funding to support the launch.

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Inhaled Nasal Steroid

Adamis Labs is developing an aerosolized inhaled nasal steroid for the treatment of seasonal and perennial allergic rhinitis. The active ingredient is beclomethasone diproprionate, a synthetic steroid that demonstrates potent glucocorticoid activity. Glucocorticosteroids are hormones produced by the adrenal cortex. Corticosteroids inhibit inflammation in allergic reactions by interfering with the synthesis of prostaglandins and leukotrienes, chemicals that are normally synthesized as part of the inflammatory process. Adamis refers to the product as Beclomethasone Aerosolized Nasal Steroid, or BANS.

The market for inhaled nasal steroids, or INS, as estimated by Adamis based on the DataMonitor Report, is about $3 billion annually in the U.S. and growing steadily. Although the market is dominated by two multi-national pharmaceutical companies, Adamis believes there is a niche that can be exploited, and that an Adamis product candidate can achieve a small percentage share of this large market.

INS products are sold under prescription for seasonal allergic rhinitis. In addition to inhaled nasal steroids, many different types of products treat the symptoms of allergic rhinitis: oral antihistamines and decongestants are among the most popular for self-medication/patient treatment. All physician specialties report that the majority of their allergic rhinitis patients receive intranasal steroids, either alone or in combination with oral antihistamines. In general, physicians view intranasal steroids as safe and effective.

There are four major physician specialties that treat patients with allergic rhinitis: Allergists, Otolaryngologists, or ENTs; Primary Care Physicians, or PCPs; and Pediatricians. Allergists, along with ENTs, tend to be the most aggressive in terms of pharmacological treatment of allergic rhinitis. On an individual basis, the allergist is the largest prescriber of products within the INS category. ENT physicians contribute half as many prescriptions as allergists, but that is still about five times the volume of the average primary care physician.

The INS market is highly seasonal with most of the sales occurring in two periods: a spring season from April through May or June; and a fall season occurring in September and October. Based on information in the DataMonitor Report, Adamis estimates that the INS market grew at an annual rate of over 5% from 31.7 million prescriptions in 2002 to an estimated 38.7 million prescriptions in 2006.

Total U.S. Prescriptions for Inhaled Nasal Steroids 2002-2006e (millions)

In the same period, total U.S. market sales grew from $1.89 billion in 2002 to an estimated $3 billion for 2006. This average growth rate is about 10% per year, and resulted primarily from steady price increases.

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Total U.S. Sales of Prescription Inhaled Nasal Steroids 2002-2006e ($ millions)

Adamis expects that the growth rate in average price increases will decline and reach zero by 2011, due to increasing competition from generic products.

Currently, the INS market is dominated by aqueous solution formulations delivered by a pump. These aqueous pump spray formulations have replaced CFC propellant INS products, which once dominated the INS market. The propellant inhaled nasal steroids that were previously available have been discontinued due to CFC concerns for the environment. Based on information in the IMS Report concerning 2005 sales, the two leading products account for over 70% of total product sales in this market.

Product	2005 Sales (Millions)	Market Share
Flonase®	$ 1,208	46.4%
Nasonex®	$ 705	27.1%
Nasacort® AQ	$ 348	13.4%
Rhinocort®	$ 325	12.5%
Nasarel®	$ 17	0.6%
Total	$ 2,603	100.0%

Adamis believes that, in general, prescribing physicians view all INS products as being generally similar in terms of efficacy and safety. As a result, the INS market is sensitive to promotion, and companies spend a great deal of effort and money each year in the attempt to differentiate these products from one another. Adamis believes that large amounts are spent on direct-to-consumer advertising for the two largest holders of market share, Flonase®, marketed by GlaxoSmithKline, and Nasonex®, marketed by Schering. In addition to direct-to-consumer advertisement, GSK and Schering also spend large amounts of dollars in personal promotion detailing physicians and distributing samples as well as journal advertisement.

Adamis does not anticipate competing directly against the two leading companies in this market by attempting to out-spend or out-promote them in the marketplace. Adamis believes that its market opportunity lies in taking a small portion of the market with a new aerosolized HFA version of a well-established product at a substantial discount to the current prices of the leading branded products.

Adamis expects BANS to be considered a new drug by the FDA, and accordingly Adamis believes that it will be required to submit data for an application for approval to market BANS pursuant to Section 505(b)(2) of the Food Drug and Cosmetics Act. Total time to develop the BANS product is expected to be approximately 24 months from inception of full product development efforts, assuming sufficient funding and no unexpected delays. The table below shows the estimated development timeline for the BANS product based on the number of months from inception of full product development efforts.

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Developmental Timeline for BANS
(beclomethasone diproprionate)

Factors that could affect the actual launch date for the BANS product candidate include the outcome of discussions with the FDA concerning the number and kind of clinical trials that the FDA will require before the FDA will consider regulatory approval of the product, any unexpected difficulties in licensing or sublicensing intellectual property rights for other components of the product such as the inhaler, any unexpected difficulties in the ability of suppliers to timely supply quantities for commercial launch of the product, any unexpected delays or difficulties in assembling and deploying an adequate sales force to market the product, and adequate funding to support sales and marketing efforts.

Adamis Viral Therapies

Adamis Viral is focused on developing patented vaccine technology that has the potential to provide protection against a number of different viral infectious agents. This novel vaccination strategy, which employs DNA plasmids, appears, based on preclinical studies conducted to date, to have the ability to train a person s immune system to recognize and mount a defense against particular aspects of a virus structure. If successful, Adamis believes this technology will give physicians a new tool in generating immunity against a number of viral infections that have been difficult to target in the past.

The first target indication will be avian influenza. Avian flu is a particularly good initial clinical application because there is a large potential demand. Subsequent disease targets might include therapeutic vaccines for Hepatitis C and Human Papillomavirus.

The technology that provides the basis of Adamis Viral s research and development was developed by Dr. Maurizio Zanetti, M.D., a professor at the Department of Medicine at the University of California, San Diego. Dr. Zanetti has developed and patented a method of DNA vaccination by somatic transgene immunization, or STI. Adamis has entered into a world-wide exclusive license with Dr. Zanetti, through a company of which he is the sole owner, Nevagen, LLC, to utilize the technology within the field of viral infectious agents. Adamis believes that the technology has broad applications and is targeting influenza for its initial proof of concept.

STI has already been tested in Phase I studies in man for other vaccine applications. An immune response was elicited in the study, and the results suggested that the procedure was safe. Testing for influenza is currently at the preclinical stage. If successful, STI may provide a vaccine for immunity to all forms of influenza, including avian flu, although there are no guarantees that any of the trials will be successful or that a commercial product will be developed or marketed.

Current flu vaccines act by giving the immune system a preview of certain proteins expected to be found on the coat of the flu virus; however, the influenza virus changes its coat every season. The changes make each year s new version of the flu unrecognizable to the immune system, and therefore immunity to influenza must be reestablished with a new vaccine every fall. The following summarizes the method proposed by Adamis to develop long lasting and cross-reactive immunity using STI:

Draw a small amount of blood from patient

Separate the white blood cells

Add plasmid (DNA) to the white blood cells

Incubate overnight to allow the plasmid to enter the white blood cells (*ex vivo* transgenesis)

Inject white blood cells back to the individual to induce immunity to the pathogen of choice, i.e., influenza, hepatitis, etc.).

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Adamis intends to initiate a clinical proof of concept trial, currently anticipated to be conducted in Thailand for the avian flu vaccine in the third quarter of 2010. Preliminary discussions have been held with potential Thai partners regarding the conduct of this trial. Adamis current plan is to test a small number of human patients (approximately 80) to demonstrate that Adamis procedure induces both a cell-mediated and antibody response. An antibody response, as measured by increased concentration of antibodies, is generally accepted by the FDA as an indicator of increased immunity to the disease. Adamis would further seek to demonstrate a dose-response relationship for the treatment. If the results of the initial trial are successful, Adamis intends to file an Investigative New Drug application, or IND, with the FDA and begin trials in the United States in 2011, assuming adequate funding and no unexpected delays. If Adamis assumptions regarding the development process and sufficient funding are correct, Adamis believes the product could be available for public use in the second half of 2013.

There are a number of factors, including those identified in the Risk Factors section of this joint proxy statement/prospectus, that could cause actual events to differ from Adamis expectations concerning the timeline for product development and the regulatory approval process. Adamis believes that it will be able to obtain sufficient funding for its clinical trials and product launches, but there can be no assurance that this will be the case. Similarly, there are no assurances that the clinical trials will be successful or that Adamis will be able to submit an application for, or obtain approval from the FDA for, an avian flu or vaccine product.

Overview of History of the Flu

Avian influenza is a highly contagious virus that affects birds and causes high mortality rates among chickens, ducks, geese, etc. Humans that come into contact with contaminated birds can become infected. However, the more widespread concern is the possible mutation of the current form of avian flu. Some experts predict that the virus will combine with existing human flu viruses at some point and mutate to allow human-to-human transfer. The result could be a worldwide pandemic.

A pandemic occurs when a virus changes dramatically and spreads easily across the world. A pandemic is not as common as an epidemic. A flu epidemic happens nearly every year when a virus spreads rapidly through a population. The history of major flu outbreaks is summarized in the table below.

1918-1919: Spanish flu pandemic

The virus is thought to have spread through troop movements in World War I.

Estimated 20-40% percent of the world s population fell ill during the outbreak.

Unlike other flu viruses, Spanish flu killed healthy adults - approximately 500,000 in the U.S. and up to 50 million worldwide.

1957: Asian flu pandemic

Started in China and claimed an estimated 70,000 lives in the U.S. mostly among the elderly population.

Experts identified the virus quickly and created a vaccine available in limited quantities.

1968: Hong Kong flu pandemic

Flu pandemic killed about 34,000 in the U.S., mostly among the elderly population.

This was the mildest pandemic of the 20th century, perhaps because a similar flu virus created some cross immunity to the new strain.

1976: Swine flu scare

The killer virus was identified in Fort Dix, New Jersey.

Over 40 million Americans were vaccinated and the virus did not spread.

1977: Russian flu scare

A flu virus, similar to the avian flu that circulated in 1957, spread around the world.

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Mostly children and adults under age 23 were infected with the new virus.

Some experts explain that young people, not exposed to the 1957 virus, were susceptible.

1997: Avian flu scare

An avian flu outbreak hospitalized 18 people in Hong Kong with an infection seen before only in birds.

Officials ordered all chickens slaughtered after six people died.

2009: Swine flu

During 2009, the H1N1 influenza strain and the incidence of illness and deaths in many countries throughout the world have attracted the attention of the public, the FDA and numerous companies seeking to develop vaccines or other therapies for influenza.

Potential Impact of Avian Flu Pandemic

In March 2007, the Lowry Institute published a report entitled *Global Macroeconomic Consequences of Pandemic Influenza.* The report considered the impact of four possible scenarios:

Mild, in which the pandemic is similar to the 1968-69 Hong Kong flu;

Moderate, similar to the 1957 Asian flu;

Severe, similar to the 1918-19 Spanish flu;

An ultra scenario that is worse than the Spanish flu outbreak;

The report estimated that a mild pandemic could kill 1.4 million people and cost $330 billion. In the ultra scenario, they estimate that:

as many as 142 million people around the world could die;

global economic losses would be $4.4 trillion - the equivalent of wiping out the Japanese economy s annual output; and

there would be a large-scale collapse of Asian economic activity causing global trade flows to dry up.

The Flu Virus

Influenza viruses are classified as type A, B, or C based upon their protein composition. Type A viruses are found in many kinds of animals, including ducks, chickens, pigs, whales, and also in humans. The type B virus widely circulates in humans. Type C has been found in humans, pigs, and dogs and causes mild respiratory infections, but does not spark epidemics. Type A influenza is the most dangerous of the three. It is believed responsible for the global flu outbreaks of 1918, 1957 and 1968.

Type A viruses are subdivided into subtypes based on the protein layers projecting in spikes from the surface of the individual virus. There are two different kinds of spikes on each virus: one is the protein hemagglutinin, or HA, which allows the virus to stick to a host cell and initiate infection; the other is a protein called neuraminidase, or NA, which enables newly formed viruses to exit the host cell. Scientists have characterized approximately 16 HA varieties and 9 NA varieties.

Type A subtypes are classified by a naming system that includes the place the strain was first found, a lab identification number, the year of discovery, and, in parentheses, the variety of HA and NA it possesses, for example, A/Hong Kong/156/97 (H5N1). If the virus infects non-humans, the host species is included before the geographical site, as in A/Chicken/Hong Kong/G9/97 (H9N2). There are no type B or C subtypes.

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Influenza virus is one of the most mutable of viruses. These genetic changes may be small and continuous or large and abrupt. Small, continuous changes happen in type A and type B influenza as the virus makes copies of itself. The process is called antigenic drift. The drifting is frequent enough to make the new strain of virus often unrecognizable to the human immune system. Type A influenza also undergoes infrequent and sudden changes, called antigenic shift. Antigenic shift occurs when two different flu strains infect the same cell and exchange genetic material. The novel assortment of HA or NA proteins in a shifted virus creates a new influenza A subtype.

Because people have little or no immunity to such a new subtype, its appearance tends to cause very severe flu epidemics or pandemics. Due to either antigenic drift or shift, a new flu vaccine must be produced each year to combat that year s prevalent strains.

In nature, the flu virus is found in wild aquatic birds such as ducks and shore birds. It has persisted in these birds for millions of years and does not typically harm them. But the frequently mutating bird (avian) flu viruses can readily jump the species barrier from wild birds to domesticated ducks and then to chickens.

From there, the next stop in the infectious chain is often pigs. Pigs can be infected by both bird influenza and the form of influenza that infects humans. In a setting such as a farm, where chickens, humans and pigs live in close proximity, pigs act as an influenza virus mixing bowl. If a pig is infected with avian and human flu simultaneously, the two types of virus may exchange genes. Such a re-assorted flu virus can sometimes spread from pigs to people depending on the precise assortment of bird-type flu proteins that are transported into the human population; the flu may be more or less severe.

In 1997, for the first time, scientists found that bird influenza skipped the transitional step from bird to pig and infected humans directly. Alarmed health officials feared a worldwide epidemic or a pandemic. Fortunately, the virus could not pass between people and thus did not spark an epidemic. Scientists speculate that chickens may now also have the receptor used by human-type viruses.

The recent spread of strains of avian influenza (H5N1) has highlighted the threat posed by pandemic influenza. The H5N1 virus is one of 16 different known subtypes of avian influenza (bird flu) viruses. All influenza viruses (human and avian) are of significant concern to health officials because of their ability to mutate rapidly and their propensity for acquiring genes from viruses that infect other animal species.

H5N1 viruses have been found in birds around the world. As the spread of H5N1 infection among birds increases, so too does the opportunity for H5N1 to be transmitted directly from birds to humans. Recently, human H5N1 infection has occurred throughout Southeast Asia, most prominently in Indonesia, during large H5N1 outbreaks among poultry, causing great concern among health officials.

If cases of human infections increase, people simultaneously infected with human and avian influenza strains could become a mixing vessel for the disease. The result could be the emergence of a lethal H5N1 influenza virus

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that is easily transmitted from person to person. Such an easily transmissible virus could result in an epidemic with severe public health consequences similar to the pandemic of 1918.

Currently, available anti-viral drugs and vaccines have limited efficacy, and may become even less efficacious as the virus continues to mutate. The challenge is to develop a vaccine that induces an immune response that will protect against various strains of the flu virus.

Preclinical Animal Studies

Recently, experiments conducted by third parties for Adamis utilizing the STI technology in mice have shown that T-cell immunity can be induced *in vivo* by a single intravenous inoculation of naïve B lymphocytes genetically programmed by *ex vivo* transgenesis. Trangenesis is accomplished by administering a plasmid DNA under control of a B cell specific promoter. The process is entirely spontaneous and mimics the process of viral infection, which is intracellular replication. Results show the induction of systemic effector CD4 and CD8 T-cell responses within 14 days after administration of the transgenic B cells. Durable immunologic memory is also induced. It has been demonstrated that a single injection of 5×10^3 transgenic B lymphocyte induces complete protection from a lethal virus challenge. The following outlines the protocol used in the mouse trial:

a small amount of blood was drawn from mice

B cells were separated from the blood and transfected with DNA from flu virus

transfected lymphocyctes, or priming B cells, were re-infused into the mice

a lethal challenge of virus was administered via aerosol 14-21 days after re-infusion

for controls, mice were injected with priming B cells transfected with DNA not specific for the flu

A single injection of transgenic B lymphocytes in this trial was sufficient to generate specific CD8 T-cell memory responses, which protected mice from a lethal viral challenge. The immune response that was induced was a reaction against the common components of the influenza virus, and was cross-reactive, meaning that it reacted against various types of flu virus (avian or any other). Thus, this type of vaccine may be utilized to protect individuals from various strains of influenza that may occur.

License Agreement

On July 28, 2006, Adamis entered into a worldwide exclusive license agreement with Dr. Zanetti, through a company of which he is the sole owner, Nevagen, to utilize the technology within the field of viral infectious agents. The intellectual property, or IP, licensed by Adamis includes the use of the technology known as Transgenic Lymphocyte Technology, or TLI, covered by patent applications titled Somatic Transgene Immunization and related methods including but not limited to *ex vivo* treatment of an individual s lymphocytes with plasmid (non-

viral) DNA and administration of treated lymphocytes to the same individual. The vaccine is constituted of the individual s lymphocytes harboring plasmid DNA, for example, DNA coding for selected epitopes of influenza virus. The IP includes rights under two issued U.S. patents, three U.S. patent applications and related patent applications filed in European Union, Japan and Canada. The U.S. patent was issued on October 9, 2007 and will expire on April 27, 2019, 20 years from the filing date of the earliest U.S. non-provisional application upon which the patent claims priority.

The field for this exclusive license is the prevention and treatment and detection of viral infectious diseases. The geographic area covered by the exclusive license is worldwide. The license will terminate with the expiration of the U.S. patent for the IP.

As part of the initial license fee Adamis granted Dr. Zanetti the right to purchase one million shares of Adamis common stock at a price of $0.001 per share, and he subsequently exercised that right. In addition, Adamis paid the licensor an initial license fee of $55,000. For the first product, Adamis will make payments upon reaching specified milestones in clinical development and submission of an application regulatory approval, potentially aggregating $900,000 if all milestone payments are made. As of the date of this joint proxy statement/prospectus, no milestones have been achieved and no milestone payments have been made. The agreement also provides that Adamis will pay the licensor royalties, in the low single digits, payable on net sales received by Adamis of products covered by the IP. If additional technologies are required to be licensed to produce a functional product, the royalty rate will be reduced by the amount of the royalty paid to the other licensor, but not more than one-half the specified royalty rate. Royalties and incremental payments with respect to influenza will continue until reaching a cumulative total of $10 million.

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

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

All improvements of the IP conceived of, or reduced to practice by Adamis, or made jointly by Adamis and the licensor will be owned by Adamis. Adamis granted Nevagen a royalty-free nonexclusive license to use any improvements made on the existing technology for research purposes only. Adamis has agreed to grant to Nevagen a royalty-free license for any improvement needed for the commercialization of the IP for Nevagen s use outside the field licensed to Adamis. If Nevagen sublicenses or sells the improved technology to a third party, then a portion of the total payments, to be decided by mutual agreement, will be due to Adamis.

Adamis will have the right of first offer to license the following additional technology from the licensor, if and when it becomes available:

- Technology for the application of related intellectual property as a prophylactic or therapeutic cancer vaccine; and

- Any additional technology developed by the licensor related to the IP.

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

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Development Process

The statements below, and elsewhere in this joint proxy statement/prospectus regarding anticipated future events concerning the development process of Adamis vaccine product candidates, the clinical trial process, and the regulatory approval process including the actions of the FDA, are subject to several uncertainties and contingencies that could cause actual results to differ in material respects from the results and timelines anticipated in the discussion below. Some of these uncertainties and contingencies are described above under the heading Risks Factors Related to Adamis. There is no guarantee that Adamis will be able to complete clinical development and obtain approval from the FDA for any vaccine product candidate.

Without direct discussions with the FDA, it is difficult to precisely plan clinical development of a new therapeutic treatment. However, the FDA has announced that it will seek ways to accelerate the development and approval process for new vaccines against avian influenza. Based on Adamis interpretations of the FDA s position, Adamis has developed a plan for clinical development that includes making a formal application for marketing approval by late 2013, assuming adequate funding and no unexpected delays.

Preclinical Development. Adamis anticipates filing for an Investigational New Drug Application, or IND, based on previously published data on this technology. Adamis believes that having this data could shorten the process of preclinical development and preparation of the IND, although there can be no assurance that this will be the case. Adamis believes that clinical trials could start within 60-90 days after acceptance of the IND by the FDA. The total time to complete an IND application is expected to be about one year following receipt of sufficient funding.

Phase I/II Trial. The Phase I/II clinical trial that would be specified in the IND would probably be conducted in one center and require about 81/2 months in total, as illustrated in the table below. Adamis estimates the total cost of the clinical trial to be about $250,000. After completion of the anticipated Phase I/II trial, Adamis expects that it would meet with the FDA to review the trial results and determine whether another Phase II trial will be required or whether the next trial would be a Phase III trial, assuming a successful Phase I/II trial.

Phase III Trial. The timing and cost of the Phase III clinical trial will depend on the results of the Phase I/II clinical trial, the amount of capital Adamis is able to raise and requirements of the FDA. For planning purposes, Adamis estimates that the Phase III trial will be a multiple center study and require a total of approximately

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17 months, primarily due to the need to monitor and test patients after the vaccination. Adamis estimates that the cost of the trial will be approximately $10.7 million.

The FDA has recently announced guidelines for accelerated approval of influenza vaccines, which provide for timeframes that are significantly shorter than the average review process. Accordingly, absent unexpected developments, Adamis believes it may be able to submit its NDA for the influenza vaccine by late 2012 and, if approved, the product could be available for public use by late 2013. However, there is no guarantee that Adamis will be able to submit its NDA in such a timeframe or obtain approval of its influenza vaccine product for marketing from the FDA.

Cost of Development

Adamis estimates that the total cost of clinical development for the avian influenza vaccine is in the range of approximately $20 million to $25 million. Of this amount, approximately $5 million to $10 million will consist of internal research and development expenses associated with optimizing the effectiveness of the influenza DNA plasmid, management of the clinical trials, and other activities conducted by Adamis personnel; Adamis estimates that approximately $15 million will be spent on activities anticipated to be conducted by third parties, such as:

production of the plasmid

preclinical studies

phase I/II clinical trials

phase III clinical trials; and

FDA Application fees.

If clinical trials for the influenza vaccine are progressing successfully, Adamis anticipates that it may seek to form a strategic partnership with a large, international pharmaceutical company capable of commercializing Adamis product in markets outside of the United States, in the U.S. markets, or worldwide. The formation of such a partnership depends on a number of factors, including the status of Adamis other business activities and products, the amount of funds that Adamis has raised, and Adamis other capital needs and the terms of any such partnership. In addition, Adamis has also considered an alliance with one or more non-governmental organizations, such as the Red Cross, as a viable method of commercializing some of Adamis products domestically.

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Other Product Candidates

Adamis Biosyn subsidiary has intellectual property relating to a microbicide contraceptive product candidate named Savvy®. Savvy underwent Phase III clinical trials in Ghana and Nigeria for reduction in the transmission of Human Immunodeficiency Virus/Acquired Immunodeficiency Disease, or HIV/AIDS, both of which were suspended in 2005 and 2006 and were terminated before completion. Savvy is the subject of a Phase III contraception trial in the United States. The trial has been completed and the analysis of the results is expected to be completed in 2010. Biosyn is not directly involved with the conduct and funding thereof, and significant doubt exists concerning whether Savvy will be commercialized or that Biosyn will ever realize revenues therefrom.

Sources and Availability of Raw Materials

Adamis purchases, in the ordinary course of business, necessary raw materials, components and supplies essential to its operations from several suppliers in the U.S. and overseas. Adamis Labs has entered into a contract with a contract manufacturing organization for the development and production of its PFS Syringe product, and a contract with a different contract manufacturing organization for the development and production of its BANS product candidate. Adamis intends to monitor these situations and to seek to provide a continued supply of both raw materials and components.

Sales and Marketing

Adamis Labs field force includes sales management, customer service representatives, trade relations/reimbursement specialists and executive management. Adamis expansion plan, depending upon securing adequate funding, includes hiring and training approximately 15-30 additional sales representatives to be strategically deployed in the most valuable prescribing U.S. markets to support the ongoing launch of the PFS Syringe product. For future field force expansion and before the launch of Adamis aerosolized inhaled nasal steroid, Adamis has identified the top prescribing markets in the U.S. by utilizing physician data aligned with zip code alignment data. Adamis expects to expand to approximately 50 specialty field force sales representatives before introducing the aerosolized nasal steroid product. Physician calls by Adamis sales force are expected to be to the highest prescribers of emergency epinephrine injectors in each market and then modified, if required, when the aerosolized nasal steroid product introduction occurs.

Governmental Regulation

The production and marketing of Adamis products and potential products and its ongoing research and development, preclinical testing and clinical trial activities are currently subject to extensive regulation and review by numerous governmental authorities in the United States and will face similar regulation and review for overseas approval and sales from governmental authorities outside of the United States. Most of the products Adamis is currently developing must undergo rigorous preclinical and clinical testing and an extensive regulatory approval process before they can be marketed. This process makes it longer, more difficult and more costly to bring Adamis potential products to market, and Adamis cannot guarantee that any of its potential products will be approved. The pre-marketing approval process can be particularly expensive, uncertain and lengthy, and a number of products for which FDA approval has been sought by other companies have never been approved for marketing. In addition to testing and approval procedures, extensive regulations also govern marketing, manufacturing, distribution, labeling, and record-keeping procedures. If Adamis or its collaboration partners do not comply with applicable regulatory requirements, such violations could result in non-approval, suspensions of regulatory approvals, civil penalties and criminal fines, product seizures and recalls, operating restrictions, injunctions, and criminal prosecution.

Withdrawal or rejection of FDA or other government entity approval of Adamis potential products may also adversely affect Adamis business. Such rejection may be encountered due to, among other reasons, lack of efficacy during clinical trials, unforeseen safety issues, inability to follow patients after treatment in clinical trials, inconsistencies between early clinical trial results and results obtained in later clinical trials, varying interpretations of data generated by clinical trials, or changes in regulatory policy during the period of product development in the United States and abroad. In the United States, there is stringent FDA oversight in product clearance and enforcement activities, causing medical product development to experience longer approval cycles, greater risk

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and uncertainty, and higher expenses. Internationally, there is a risk that Adamis may not be successful in meeting the quality standards or other certification requirements. Even if regulatory approval of a product is granted, this approval may entail limitations on uses for which the product may be labeled and promoted, or may prevent Adamis from broadening the uses of Adamis current or potential products for different applications. In addition, Adamis may not receive FDA approval to export Adamis potential products in the future, and countries to which potential products are to be exported may not approve them for import.

Manufacturing facilities for Adamis products will also be subject to continual governmental review and inspection. The FDA has stated publicly that compliance with manufacturing regulations will continue to be strictly scrutinized. To the extent Adamis decides to manufacture its own products, a governmental authority may challenge Adamis compliance with applicable federal, state and foreign regulations. In addition, any discovery of previously unknown problems with one of Adamis potential products or facilities may result in restrictions on the potential product or the facility. If Adamis decides to outsource the commercial production of its products, any challenge by a regulatory authority of the compliance of the manufacturer could hinder Adamis ability to bring its products to market.

To the extent that Adamis is able to successfully advance a product candidate through clinical trials, it will be required to obtain regulatory approval prior to marketing and selling such product. Adamis is subject to extensive government regulation that increases the cost and uncertainty associated with its efforts to gain regulatory approval of its product candidates. Preclinical development, clinical trials, manufacturing, and commercialization of its product candidates are all subject to extensive regulation by U.S. and foreign governmental authorities. It takes many years and significant expenditures to obtain the required regulatory approvals for biological products. Satisfaction of regulatory requirements depends upon the type, complexity and novelty of the product candidate and requires substantial resources. Adamis cannot be certain that any of its product candidates will be shown to be safe and effective, or that it will ultimately receive approval from the FDA or foreign regulatory authorities to market these products. In addition, even if granted, product approvals and designations such as fast-track may be withdrawn or limited at a later time.

The process of obtaining FDA and other required regulatory approvals is expensive. The time required for FDA and other approvals is uncertain and typically takes a number of years, depending on the complexity or novelty of the product. The process of obtaining FDA and other required regulatory approvals for many of Adamis products under development is further complicated because some of these products use non-traditional or novel materials in non-traditional or novel ways. For example:

- the FDA has not established guidelines concerning the scope of clinical trials required for gene-based therapeutic and vaccine products;
- the FDA has provided only limited guidance on how many subjects it will require to be enrolled in clinical trials to establish the safety and efficacy of gene-based products; and
- current regulations and guidance are subject to substantial review by various governmental agencies.

Therefore, U.S. or foreign regulations could prevent or delay regulatory approval of Adamis products or limit its ability to develop and commercialize products. These delays could:

- impose costly procedures;
- diminish any competitive advantages; or
- negatively affect results of operations and cash flows.

Adamis believes that the FDA and comparable foreign regulatory bodies will separately regulate each product containing a particular gene depending on its intended use. Presently, to commercialize any product Adamis must sponsor and file a regulatory application for each proposed use. Adamis must conduct clinical studies to demonstrate the safety and efficacy of the product necessary to obtain FDA approval. The results obtained so far in clinical trials may not be replicated in future trials. This may prevent any of the potential products from receiving FDA approval.

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Adamis will utilize recombinant DNA molecules in its product candidates, and therefore must comply with guidelines instituted by the NIH and its Office of Biotechnology Activities. The NIH could restrict or delay the development of its product candidates. In March 2004, the NIH Office of Biotechnology Activities and the FDA Center for Biologics Evaluation and Research launched the jointly developed Genetic Modification Clinical Research Information System, or GeMCRIS, an Internet-based database of human gene transfer trials. In its current form, GeMCRIS enables individuals to easily view information on particular characteristics of clinical gene transfer trials, and includes special security features designed to protect patient privacy and confidential commercial information. These security features may be inadequate in design or enforcement, potentially resulting in disclosure of confidential commercial information.

The FDA and the NIH are considering rules and regulations that would require public disclosure of additional commercial development data that is presently confidential. In addition, the NIH, in collaboration with the FDA, has developed an Internet site, ClinicalTrials.gov, which provides public access to information on clinical trials for a wide range of diseases and conditions. Such disclosures of confidential commercial information, whether by implementation of new rules or regulations, by inadequacy of GeMCRIS security features, or by intentional posting on the Internet, may result in loss of advantage of competitive secrets.

A rule published in 2002 by the FDA, known commonly as the Animal Rule, established requirements for demonstrating effectiveness of drugs and biological products in settings where human clinical trials for efficacy are not feasible or ethical. The rule requires as conditions for market approval the demonstration of safety and biological activity in humans, and the demonstration of effectiveness under rigorous test conditions in up to two appropriate species of animal. Adamis believes, that with appropriate guidance from the FDA, it may seek and win market approval under the Animal Rule for certain DNA-based products for which human clinical efficacy trials are not feasible or ethical. At the moment, however, it cannot determine whether the Animal Rule would be applied to any products of Adamis, or if applied, that its application would result in expedited development time or regulatory review.

Any regulatory approval to market a product may be subject to limitations on the indicated uses for which Adamis may market the product. These limitations may restrict the size of the market for the product and affect reimbursement by third-party payers. In addition, regulatory agencies may not grant approvals on a timely basis or may revoke or significantly modify previously granted approvals.

Adamis, or its collaborative partners, are subject to numerous foreign regulatory requirements governing the manufacturing and marketing of Adamis potential future products outside of the United States. The approval procedure varies among countries, additional testing may be required in some jurisdictions, and the time required to obtain foreign approvals often differs from that required to obtain FDA approvals. Moreover, approval by the FDA does not ensure approval by regulatory authorities in other countries, and vice versa.

In addition to regulations imposed by the FDA, Adamis may also be subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Research Conservation and Recovery Act, as well as regulations administered by the Nuclear Regulatory Commission, national restrictions on technology transfer, import, export and customs regulations and certain other local, state or federal regulations. From time to time, other federal agencies and congressional committees have indicated an interest in implementing further regulation of biotechnology applications. Adamis cannot predict whether any such regulations will be adopted or whether, if adopted, such regulations will apply to its business, or whether Adamis would be able to comply with any applicable regulations.

Even if Adamis products are approved by regulatory authorities, if it fails to comply with ongoing regulatory requirements, or if there are unanticipated problems with the products, these products could be subject to restrictions

or withdrawal from the market. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. Later discovery of previously unknown problems with the products, including unanticipated adverse events or adverse events of unanticipated severity or frequency, or failure to comply with regulatory requirements, may result in restrictions on such products or manufacturing processes, withdrawal of the products from the market, voluntary or mandatory

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recall, fines, suspension of regulatory approvals, product seizures, injunctions or the imposition of civil or criminal penalties.

As a result of these factors, Adamis may not successfully begin or complete clinical trials in the time periods estimated, if at all. Moreover, if Adamis incurs costs and delays in development programs or fails to successfully develop and commercialize products based upon its technologies, Adamis may not become profitable, and its stock price could decline.

FDA Approval Process

General

In the United States, the FDA regulates drug products under the Federal Food, Drug, and Cosmetic Act, or FFDCA, and its implementing regulations, and regulates biological drug products under both the Public Health Service Act, or PHS Act, and its implementing regulations, as well as the FFDCA. Adamis product candidates include both biological drug products and drug products. The process required by the FDA before Adamis drug and biological drug product candidates may be marketed in the United States generally involves the following:

- completion of extensive preclinical laboratory tests, preclinical animal studies and formulation studies all performed in accordance with the FDA s current Good Laboratory Practice, or cGLP, regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- performance of adequate and well controlled human clinical trials to establish the safety and efficacy of the product candidate for each proposed indication;
- submission to the FDA of a new drug application, or NDA, for drug products, or a Biologic License Application, or BLA, for biological drug products;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facilities at which the product is produced to assess compliance with cGMP regulations; and
- FDA review and approval of the NDA or BLA prior to any commercial marketing, sale or shipment of the drug or biological drug.

Preclinical tests include laboratory evaluation of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animals. The results of preclinical tests, together with manufacturing information and analytical data, are submitted as part of an IND to the FDA. The IND becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. A separate submission to an existing IND must also be made for each successive clinical trial conducted during product development, and the FDA must grant permission before each clinical trial can begin. Further, an independent institutional review board, or IRB, for each medical center proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that center and it must monitor the study until completed. The FDA, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive good clinical practices, or GCPs, regulations and regulations for informed consent.

Clinical Trials

For purposes of an NDA or BLA submission and approval, human clinical trials are typically conducted in the following three sequential phases, which may overlap:

Phase I Clinical Trials. Studies are initially conducted in a limited population to test the product candidate primarily for safety, dose tolerance, pharmacokinetics and, for vaccine products, immunogenicity, is n healthy humans or in patients. In some cases, a sponsor may decide to conduct what is referred to as a Phase Ib evaluation, which is a second, safety-focused Phase I clinical trial typically designed to evaluate the impact of the drug candidate in combination with currently approved drugs;

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Phase II Clinical Trials. Studies are generally conducted in a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the product for specific targeted indications and to determine dose tolerance and optimal dosage. Multiple Phase II clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more extensive Phase III clinical trials. In some cases, a sponsor may decide to run what is referred to as a Phase IIb evaluation, which is a second, confirmatory Phase II clinical trial;

Phase III Clinical Trials. These are commonly referred to as pivotal studies. When Phase II evaluations demonstrate that a dose range of the product is effective and has an acceptable safety profile, Phase III clinical trials are undertaken in large patient populations to further evaluate dosage, to provide substantial evidence of clinical efficacy and to further test for safety in an expanded and diverse patient population at multiple, geographically-dispersed clinical trial sites; and

Phase IV Clinical Trials. In some cases, the FDA may condition approval of an NDA or BLA for a product candidate on the sponsor s agreement to conduct additional clinical trials to further assess the drug s safety and effectiveness after NDA or BLA approval. Such post-approval trials are typically referred to as Phase IV studies.

There can be no assurance that Phase I, Phase II trials or Phase III will be completed successfully within any specific time period, if at all, with respect to any of Adamis potential products subject to such testing.

After completion of the required clinical testing, an NDA or BLA is prepared and submitted to the FDA. FDA approval of the NDA is required before marketing of the product may begin in the United States. The NDA and BLA must include the results of all preclinical, clinical and other testing and a compilation of data relating to the product s pharmacology, chemistry, manufacture and controls. The cost of preparing and submitting an NDA or BLA is substantial, and there can be no assurance that any approval will be granted on a timely basis, if at all. Under federal law, the submission of most NDAs and BLAs are additionally subject to a substantial application user fee, and the manufacturer and/or sponsor under an approved new drug application is also subject to annual product and establishment user fees. These fees are typically increased annually.

The FDA has 60 days from its receipt of an NDA or BLA to determine whether the application will be accepted for filing based on the agency s threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of new drug applications. Most such applications for non-priority drug products are reviewed within ten months. The review process may be extended by the FDA for three additional months to consider certain information or clarification regarding information already provided in the submission. The FDA may also refer applications for novel drug products or drug products which present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. The FDA may deny approval of an NDA or BLA if the applicable regulatory criteria are not satisfied, or it may require additional information including clinical or CMC data. Even if such data are submitted, the FDA may ultimately decide that the NDA or BLA does not satisfy the criteria for approval. Data from clinical trials are not always conclusive and the FDA may interpret data differently than Adamis or its collaborators interpret data. Once issued, the FDA may withdraw product approval if ongoing regulatory requirements are not met or if safety problems occur after the product reaches the market.

Before approving an NDA or BLA, the FDA will typically inspect one or more clinical sites to assure compliance with Good Clinical Practices, or GCP. Additionally, the FDA will inspect the facility or the facilities at which the drug is manufactured. The FDA will not approve the product unless compliance with current good manufacturing practices, or cGMP, is satisfactory and the NDA or BLA contains data that provides substantial evidence that the drug is safe and effective in the indication studied. Failure to comply with GMP or other applicable regulatory requirements may result in withdrawal of marketing approval, criminal prosecution, civil penalties, recall or seizure of products, warning letters, total or partial suspension of production, suspension of clinical trials, FDA refusal to review pending marketing approval applications or supplements to approved applications, or injunctions, as well as other legal or regulatory action against Adamis or its corporate partners.

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After the FDA evaluates the NDA or BLA and the manufacturing facilities, it issues an approval letter, an approvable letter or a not-approvable letter. Both approvable and not-approvable letters generally outline the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. If and when those deficiencies have been addressed to the FDA s satisfaction in a resubmission of the NDA or BLA, the FDA will issue an approval letter.

An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. As a condition of NDA or BLA approval, the FDA may require substantial post-approval testing and surveillance to monitor the drug s safety or efficacy and may impose other conditions, including labeling or distribution restrictions or other risk-management mechanisms which can materially affect the potential market and profitability of the drug. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

Adamis Labs Products

Several of Adamis Labs products, including AeroHist Caplets, AeroHist Plus Caplets, AeroKid Oral Liquid and AeroOtic HC Ear Drops, and the Epi Syringe, were not the subject of a new drug application or abbreviated new drug application and have not been specifically approved by the FDA for marketing by Adamis. These products have been marketed for many years and, Adamis believes, are similarly situated to products marketed by many companies that are marketed without an approved new drug application or abbreviated new drug application. The products are drug listed with the FDA in the National Drug Code Directory but such listing does not constitute FDA approval of the products. In June 2006, the FDA issued a Compliance Policy Guide for Marketed Unapproved Drugs, which addressed some of the considerations utilized by the FDA in exercising its discretion with respect to products marketed without FDA approval. The guide does not establish legally enforceable responsibilities on the FDA and generally only represents the agency s current thinking on a topic. The guide emphasizes that any product that is being marketed without required FDA approvals is subject to FDA enforcement action at any time. If the FDA were to issue a Federal Register Notice outlining revised conditions for marketing, which could include calling for the submission of an application for products such as Adamis cough/cold products, then Adamis would take appropriate action so as to be in compliance with any such policies. The FDA might also require clinical trials in support of any such applications, and Adamis would need to evaluate its alternatives in light of the costs required to conduct such trials, which could be substantial, compared to the economic benefit to Adamis from such products. The FDA could also exercise its discretion to proceed against Adamis and/or other companies that market similar products without an FDA approval and require immediate withdrawal of the products from the market, to prohibit Adamis from marketing these products without first conducting required trials and obtaining approvals, or to impose other penalties on Adamis. Some of Adamis Labs unapproved products include extended release formulations, which may subject Adamis to a higher risk of FDA enforcement action. Such actions could have a material adverse effect on Adamis business, financial condition and results of operations.

The Prelone product is the subject of an ANDA approval from the FDA. As Adamis believes is common with many drug products, the Prelone product is manufactured by a third party manufacturer which holds the ANDA approval relating to the product. Adamis owns the trademark and intellectual property rights relating to the product and distributes the product pursuant to those rights.

The Hatch-Waxman Act

Abbreviated New Drug Applications

In seeking approval for a drug through an NDA, applicants are required to list with the FDA each patent with claims that cover the applicant s product. Upon approval of a drug, each of the patents listed in the application for the drug is

then published in the FDA s Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. Drugs listed in the Orange Book can, in turn, be cited by potential competitors in support of approval of an ANDA. An ANDA provides for marketing of a drug product that has the same active ingredients in the same strengths and dosage form as the listed drug and has been shown through bioequivalence testing to be therapeutically equivalent to the listed drug. ANDA applicants are not required to conduct or submit results of pre-clinical or clinical tests to prove the safety or effectiveness of their drug product,

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other than the requirement for bioequivalence testing. Drugs approved in this way are commonly referred to as generic equivalents to the listed drug, and can often be substituted by pharmacists under prescriptions written for the original listed drug.

The ANDA applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA s Orange Book. Specifically, the applicant must certify that: (i) the required patent information has not been filed; (ii) the listed patent has expired; (iii) the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or (iv) the listed patent is invalid or will not be infringed by the new product. A certification that the new product will not infringe the already approved product s listed patents or that such patents are invalid is called a Paragraph IV certification. If the applicant does not challenge the listed patents, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired.

If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days of the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA until the earlier of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to the ANDA applicant.

The ANDA application also will not be approved until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired. Federal law provides a period of five years following approval of a drug containing no previously approved active ingredients, during which ANDAs for generic versions of those drugs cannot be submitted unless the submission contains a Paragraph IV challenge to a listed patent, in which case the submission may be made four years following the original product approval. Federal law provides for a period of three years of exclusivity following approval of a listed drug that contains previously approved active ingredients but is approved in a new dosage form, route of administration or combination, or for a new use, the approval of which was required to be supported by new clinical trials conducted by or for the sponsor, during which FDA cannot grant effective approval of an ANDA based on that listed drug.

Section 505(b)(2) New Drug Applications

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

To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is subject to existing exclusivity for the reference product and is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would. Thus approval of a Section 505(b)(2) NDA can be stalled until all the listed patents claiming the referenced product have expired, until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired, and, in the case of a Paragraph IV certification and

subsequent patent infringement suit, until the earlier of 30 months, settlement of the lawsuit or a decision in the infringement case that is favorable to the Section 505(b)(2) applicant.

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Fast Track Designation

The FDA s fast track program is intended to facilitate the development and to expedite the review of drugs and biological drugs that are intended for the treatment of a serious or life-threatening condition for which there is no effective treatment and which demonstrate the potential to address unmet medical needs for the condition. Under the fast track program, the sponsor of a new drug or biological drug candidate may request the FDA to designate the drug candidate for a specific indication as a fast track drug concurrent with or any time after the filing of the IND for the drug or biological drug candidate. The FDA must determine if the candidate qualifies for fast track designation within 60 days of receipt of the sponsor s request.

If fast track designation is obtained, the FDA may initiate review of sections of an NDA or BLA before the application is complete. This rolling review is available if the applicant provides and the FDA approves a schedule for the submission of the remaining information and the applicant pays applicable user fees. However, the time period specified in PDUFA, which governs the time period goals the FDA has committed to reviewing an application, does not begin until the complete application is submitted. Additionally, the fast track designation may be withdrawn by the FDA if the FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

In some cases, a fast track designated candidate may also qualify for one or more of the following programs:

Priority Review. Under FDA policies, a drug or biological drug candidate is eligible for priority review, or review within a six-month time frame from the time a complete NDA or BLA is accepted for filing, if the candidate provides a significant improvement compared to marketed drugs or biological drugs in the treatment, diagnosis or prevention of a disease. A fast track designated drug or biological drug candidate would ordinarily meet the FDA s criteria for priority review, however, fast track designation is not required to be eligible for priority review.

Accelerated Approval. Under the FDA s accelerated approval regulations, the FDA is authorized to approve drug and biological drug candidates that have been studied for their safety and efficacy in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit to patients over existing treatments based upon either an endpoint that is reasonably likely to predict clinical benefit or on the basis of an effect on a clinical endpoint other than patient survival. In clinical trials, surrogate endpoints are alternative measurements of the symptoms of a disease or condition that are substituted for measurements of observable clinical symptoms. A candidate approved on the basis of a surrogate endpoint is subject to rigorous post-marketing compliance requirements, including the completion of Phase IV or post-approval clinical trials to validate the surrogate endpoint or confirm the effect of the drug candidate on the clinical endpoint. Failure to conduct required post-approval studies, or to validate a surrogate endpoint or confirm a clinical benefit during post-marketing studies, will result in the FDA withdrawing the drug or biological drug from the market on an expedited basis. All promotional materials for drug and biological drug candidates approved under accelerated regulations are subject to prior review by the FDA.

When appropriate, Adamis intends to seek fast track designation, accelerated approval or priority review for its biological drug candidates.

Satisfaction of FDA regulations and approval requirements or similar requirements of foreign regulatory agencies typically takes several years and the actual time required may vary substantially based upon the type, complexity and novelty of the product or disease. Typically, if a drug or biological drug candidate is intended to treat a chronic disease, safety and efficacy data must be gathered over an extended period of time. Government regulation may delay or prevent marketing of drug or biological drug candidates for a considerable period of time and impose costly procedures upon our activities. The FDA or any other regulatory agency may not grant approvals for new indications

for our drug and biological drug candidates on a timely basis, or at all. Even if a drug or biological drug candidate receives regulatory approval, the approval may be significantly limited to specific disease states, patient populations and dosages. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a drug or biological drug may result in restrictions on the product or even complete withdrawal of the drug or biological drug from the market. Delays in obtaining, or failures to obtain, regulatory approvals for any of

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Adamis drug or biological drug candidates would harm Adamis business. In addition, Adamis cannot predict what adverse governmental regulations may arise from future U.S. or foreign governmental action.

Citizen Petitions

FDA regulations set forth procedures under which parties can petition the FDA to take or refrain from taking certain actions. NDA applicants occasionally submit such citizen petitions requesting that the FDA deny or delay approval of an ANDA, or impose specific additional requirements for approval on ANDAs for a particular drug product. Many such petitions are eventually denied by the FDA, but the submission of such petitions, especially when submitted near the end of an ANDA review, has often delayed the approval of an ANDA while the FDA considers and responds to the issues presented. Congress included provisions to address this practice in the recently enacted FDA Amendments Act of 2007, or FDAAA. The FDAAA prohibits the FDA from delaying approval of an ANDA due to the submission of a citizen petition unless the delay is necessary to protect the public health, and requires that the FDA take final action on any such petition within 180 days of its submission. In addition, the FDAAA requires that petitioners certify, among other things, the date upon which the petitioner first became aware of the information that forms the basis of the request and the name of the person or entity funding the petition.

Post-Approval Requirements

Once an NDA is approved, a product will be subject to certain post-approval requirements. For instance, the FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the internet.

Drugs may be marketed only for the approved indications and in accordance with the provisions of the approved labeling. Changes to some of the conditions established in an approved application, including changes in indications, labeling, or manufacturing processes or facilities, require submission and FDA approval of a new NDA or BLA or NDA or BLA supplement before the change can be implemented. An NDA or BLA supplement for a new indication typically requires clinical data similar to that in the original application, and the FDA uses the same procedures and actions in reviewing NDA or BLA supplements as it does in reviewing NDAs or BLAs.

Adverse event reporting and submission of periodic reports is required following FDA approval of an NDA or BLA. The FDA also may require post-marketing testing, known as Phase IV testing, risk minimization action plans and surveillance to monitor the effects of an approved product or place conditions on an approval that could restrict the distribution or use of the product. In addition, quality control as well as drug manufacture, packaging, and labeling procedures must continue to conform to cGMP after approval. Drug manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA during which the agency inspects manufacturing facilities to assess compliance with cGMP. Accordingly, manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with cGMP. Regulatory authorities may withdraw product approvals or request product recalls if a company fails to comply with regulatory standards, if it encounters problems following initial marketing, or if previously unrecognized problems are subsequently discovered.

The distribution of prescription pharmaceutical products is also subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution.

Anti-Kickback, False Claims Laws & The Prescription Drug Marketing Act

In addition to FDA restrictions on marketing of pharmaceutical products, several other types of state and federal laws have been applied to restrict certain marketing practices in the pharmaceutical industry in recent years. These laws include anti-kickback statutes and false claims statutes. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare

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item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Violations of the anti-kickback statute are punishable by imprisonment, criminal fines, civil monetary penalties and exclusion from participation in federal healthcare programs. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws. The majority of states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

New Legislation

On September 27, 2007, the President of the United States signed into law the Food and Drug Administration Amendments Act of 2007, or FDAAA. The legislation grants significant new powers to the FDA, many of which are aimed at improving drug safety and assuring the safety of drug products after approval. In particular, the new law authorizes the FDA to, among other things, require post-approval studies and clinical trials, mandate changes to drug labeling to reflect new safety information, and require risk evaluation and mitigation strategies for certain drugs, including certain currently approved drugs. In addition, it significantly expands the federal government s clinical trial registry and results databank and creates new restrictions on the advertising and promotion of drug products. Under the FDAAA, companies that violate these and other provisions of the new law are subject to substantial civil monetary penalties.

While the above provisions of the FDAAA, among others, will undoubtedly have a significant effect on the pharmaceutical industry, the extent of that effect is not yet known. As regulations, guidance and interpretations are issued by the FDA relating to the new legislation, its impact on the industry, as well as our business, will become clearer. The changes and new requirements it imposes on the drug review and approval process and post-approval activities could make it more difficult, and certainly more costly, to obtain approval for new pharmaceutical products, or to produce, market, and distribute existing products.

Approval Outside the United States

In order to market any product outside of the United States, Adamis must comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales and distribution of our products. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from and be longer than that required to obtain FDA approval. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory process in others.

To date, Adamis has not initiated any discussions with the European Medicines Agency, or EMEA, or any other foreign regulatory authorities with respect to seeking regulatory approval for any indication in Europe or in any other country outside the United States. As in the United States, the regulatory approval process in Europe and i