GALECTIN THERAPEUTICS INC
Form 10-Q
August 10, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2015

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission File No. 001-31791

GALECTIN THERAPEUTICS INC.

Nevada	**04-3562325**
(State or other jurisdiction	**(I.R.S. Employer**

of incorporation)	**Identification No.)**
4960 Peachtree Industrial Blvd., Suite 240, Norcross, GA	**30071**
(Address of Principal Executive Offices)	**(Zip Code)**

(678) 620-3186

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.05 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

The number of shares outstanding of the registrant s common stock as of August 7, 2015 was 22,788,913.

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FOR THE QUARTER ENDED JUNE 30, 2015

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GALECTIN THERAPEUTICS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2015	December 31, 2014
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,362	$ 29,128
Prepaid expenses and other current assets	305	533
Total current assets	26,667	29,661
Property and equipment, net		1
Intangible assets, net	12	15
Total assets	$ 26,679	$ 29,677
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 775	$ 906
Accrued expenses	1,065	729
Accrued dividends payable	68	68
Total liabilities	1,908	1,703
Commitments and contingencies (Note 8)		
Series B-1 12% redeemable convertible preferred stock; 900,000 shares authorized, issued and outstanding at June 30, 2015 and December 31, 2014, redemption and liquidation value $1,800,000 at June 30, 2015	1,740	1,731
Series B-2 12% redeemable convertible preferred stock; 2,100,000 shares authorized, issued and outstanding at June 30, 2015 and December 31, 2014, redemption and liquidation value $4,200,000 at June 30, 2015	3,431	3,325
Series C super dividend convertible preferred stock; 1,000 shares authorized, 176 and 176 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively, redemption value: $5,660,000, liquidation value: $1,760,000 at June 30, 2015	1,723	1,723
Stockholders equity:		
Undesignated stock, $0.01 par value; 20,000,000 shares authorized, 8,001,000 designated at June 30, 2015 and December 31, 2014		

Series A 12% convertible preferred stock; 5,000,000 shares authorized, 1,402,500 issued and outstanding at June 30, 2015 and December 31, 2014, liquidation value $1,402,500 at June 30, 2015	567	567
Common stock, $0.001 par value; 50,000,000 shares authorized at June 30, 2015 and December 31, 2014, 23,788,913 and 22,277,283 issued and outstanding at June 30, 2015 and December 31, 2014, respectively	23	22
Additional paid-in capital	146,217	139,531
Retained deficit	(128,930)	(118,925)
Total stockholders equity	17,877	21,195
Total liabilities, redeemable convertible preferred stock and stockholders equity	$ 26,679	$ 29,677

See notes to unaudited condensed consolidated financial statements.

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GALECTIN THERAPEUTICS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands, except per share amounts)			
Operating expenses:				
Research and development	$ 2,600	$ 1,594	$ 5,736	$ 4,366
General and administrative	2,057	1,781	3,761	3,853
Total operating expenses	4,657	3,375	9,497	8,219
Total operating loss	(4,657)	(3,375)	(9,497)	(8,219)
Other income (expense):				
Interest income	14	13	28	17
Loss from equity method investment in Galectin Sciences, LLC		(67)		(337)
Total other income (expense)	14	(54)	28	(320)
Net loss	$ (4,643)	$ (3,429)	$ (9,469)	$ (8,539)
Preferred stock dividends	(230)	(245)	(421)	(485)
Preferred stock accretion	(58)	(57)	(115)	(115)
Net loss applicable to common stockholders	$ (4,931)	$ (3,731)	$ (10,005)	$ (9,139)
Net loss per common share basic and diluted	$ (0.21)	$ (0.17)	$ (0.43)	$ (0.42)
Weighted average common shares outstanding basic and diluted	23,731	21,983	23,398	21,570

See notes to unaudited condensed consolidated financial statements.

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GALECTIN THERAPEUTICS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
	2015	2014
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (9,469)	$ (8,539)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4	5
Stock-based compensation expense	1,734	2,394
Loss from equity method investment in Galectin Sciences LLC		337
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	228	111
Accounts payable and accrued expenses	205	(339)
Net cash used in operating activities	(7,298)	(6,031)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equity method investment in Galectin Sciences LLC		(400)
Net cash used in investing activities		(400)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock and warrants	4,532	28,178
Proceeds from exercise of common stock warrants and options		2,187
Net cash provided by financing activities	4,532	30,365
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,766)	23,934
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	29,128	10,489
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 26,362	$ 34,423
NONCASH FINANCING ACTIVITIES:		
Payment of preferred stock dividends in common stock	$ 421	$ 488

See notes to unaudited condensed consolidated financial statements.

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GALECTIN THERAPEUTICS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Galectin Therapeutics Inc. (the Company) is a clinical stage biopharmaceutical company that is applying its leadership in galectin science and drug development to create new therapies for fibrotic disease and cancer. These candidates are based on the Company s targeting of galectin proteins which are key mediators of biologic and pathologic function. These compounds also may have application for drugs to treat other diseases and chronic health conditions.

The unaudited condensed consolidated financial statements as reported in this Quarterly Report on Form 10-Q reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position of the Company as of June 30, 2015 and the results of its operations for the three and six months ended June 30, 2015 and 2014 and its cash flows for the six months ended June 30, 2015 and 2014. All adjustments made to the interim financial statements include all those of a normal and recurring nature. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through the date these financial statements are available to be issued. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year. The unaudited condensed consolidated financial statements of the Company should be read in conjunction with its Annual Report on Form 10-K for the year ended December 31, 2014.

The Company has operated at a loss since its inception and has had no significant revenues. The Company anticipates that losses will continue for the foreseeable future. At June 30, 2015, the Company had $26.4 million of unrestricted cash and cash equivalents available to fund future operations. The Company believes that with the cash on hand at June 30, 2015, there is sufficient cash to fund currently planned operations through September 30, 2016. The Company s ability to fund operations after its current cash resources are exhausted depends on its ability to obtain additional financing or achieve profitable operations, as to which no assurances can be given. Accordingly, based on the forecasts and estimates underlying the Company s current operating plan, the financial statements do not currently include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company was founded in July 2000, was incorporated in the State of Nevada in January 2001 under the name Pro-Pharmaceuticals, Inc., and changed its name to Galectin Therapeutics Inc. on May 26, 2011. On March 23, 2012, the Company began trading on The NASDAQ Capital Market under the symbol GALT. Immediately prior to March 23, 2012, the Company was traded on the Over-the Counter Bulletin Board (OTCBB) under the symbol GALT.OB.

2. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2015	December 31, 2014

	(in thousands)	
Legal and accounting fees	$ 255	$ 118
Accrued compensation	377	604
Accrued clinical trial costs	426	
Other	7	7
Total	$ 1,065	$ 729

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3. Stock-Based Compensation

Following is the stock-based compensation expense related to common stock options, common stock, restricted common stock and common stock warrants:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Research and development	$ 226	$ 221	$ 543	$ 860
General and administrative	574	524	1,191	1,534
Total stock-based compensation expense	$ 800	$ 745	$ 1,734	$ 2,394

The following table summarizes the stock option activity in the Company s equity incentive plans from December 31, 2014 through June 30, 2015:

	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2014	3,332,617	$ 5.79
Granted	304,000	3.45
Exercised	(95,574)	1.80
Options forfeited/cancelled	(348,718)	4.42
Outstanding, June 30, 2015	3,192,325	$ 5.83

As of June 30, 2015, there was $3,492,000 of unrecognized compensation related to 828,596 unvested options, which is expected to be recognized over a weighted average period of approximately 1.67 years. The weighted-average grant date fair value for options granted during the six months ended June 30, 2015 and 2014 was $2.78 and $11.38, respectively. The Company granted 304,000 stock options in January 2015, of which 76,000 options vested upon grant with the remaining 228,000 options vesting over 3 years. Approximately $173,000 of non-cash, stock-based compensation expense was recorded during the six months ended June 30, 2015 related to the options granted in January 2015 that were vested upon the grant date.

The fair value of all other options granted is determined using the Black-Scholes option-pricing model. The following weighted average assumptions were used:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014

Risk-free interest rate	1.64%	1.58%
Expected life of the options	6.0 years	6.0 years
Expected volatility of the underlying stock	104%	114%
Expected dividend rate	0%	0%

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The following table summarizes the restricted stock grant activity in the Company s equity incentive plans from December 31, 2014 through June 30, 2015:

	Shares
Outstanding, December 31, 2014	416,670
Granted	337,935
Exercised	
Options forfeited/cancelled	
Outstanding, March 31, 2015	754,605

On March 12, 2015, the Company granted 81,352 shares of restricted stock to non-employee directors as a component of their compensation. A total of 77,784 shares were issued to seven directors representing non-cash compensation cost of $280,000 which will be recognized on a straight-line basis from the grant date through May 20, 2016, when the restricted shares will vest in full. A total of 3,568 shares were issued to two directors, who were not nominated for reelection, representing non-cash compensation cost of $12,845 that will be recognized on a straight-line basis from the grant date through May 21, 2015, when the restricted shares will vest in full.

On April 8, 2015, the Company granted 177,618 shares of restricted stock to non-employee directors in exchange for cancelation of 222,615 stock options. As the exchange was made at fair value, there was no additional non-cash compensation expense recorded in accordance with FASB ASC 718-20. Additionally, on April 8, 2015, the Company granted 71,378 shares of restricted stock to one non-employee director representing $236,975 of non-cash compensation expense which will be recorded on a straight-line basis from grant date to May 20, 2016, when the restricted shares will vest in full. Also, in April and May 2015, the Company granted a total of 7,587 shares of restricted stock to four non-employee directors for service as committee chairs or lead independent director representing $23,500 of non-cash compensation expense which will be recorded on a straight-line basis from grant date to May 20, 2016, when the restricted shares will vest in full.

In January 2014, the Company entered into an agreement with a consultant that provided for the grant of 3,000 shares of common stock. The Company recognized an expense of $25,000, representing the fair value of the common stock, during the three months ended March 31, 2014.

4. Common Stock Warrants

The following table summarizes the common stock warrant activity from December 31, 2014 through June 30, 2015:

	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2014	5,470,995	$ 3.67
Granted		
Exercised		
Forfeited/cancelled	(100,000)	4.26

Outstanding, March 31, 2015	5,370,995	$	3.64

5. Fair Value of Financial Instruments

The Company has certain financial assets and liabilities recorded at fair value. Fair values determined by Level 1 inputs utilize observable data such as quoted prices in active markets. Fair values determined by Level 2 inputs utilize data points other than quoted prices in active markets that are observable either directly or indirectly. Fair values determined by Level 3 inputs utilize unobservable data points in which there is little or no market data, which require the reporting entity to develop its own assumptions. The carrying amounts reflected in the consolidated balance sheets for cash equivalents, accounts payable and accrued expenses approximates their carrying value due to their short-term nature. There were no level 2 or level 3 assets held at fair value at June 30, 2015 or December 31, 2014.

6. Loss Per Share

Basic net loss per common share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares and other potential common shares then outstanding. Potential common shares consist of common shares issuable upon the assumed exercise of in-the-money stock options and warrants and potential common shares related to the conversion of the preferred stock. The computation of diluted net loss per share does not assume the issuance of common shares that have an anti-dilutive effect on net loss per share.

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Dilutive shares which could exist pursuant to the exercise of outstanding stock instruments and which were not included in the calculation because their affect would have been anti-dilutive are as follows:

	June 30, 2015 (shares)	June 30, 2014 (shares)
Warrants to purchase shares of common stock	5,370,995	5,450,995
Options to purchase shares of common stock	3,192,325	3,311,029
Unvested shares of restricted common stock	337,935	
Shares of common stock issuable upon conversion of preferred stock	2,527,103	2,537,103
	11,428,358	11,299,127

7. Common Stock

2014 At Market Issuance of Common Stock

On March 30, 2014, the Company entered into an At Market Issuance Sales Agreement (the 2014 At Market Agreement) with a sales agent under which the Company may issue and sell shares of its common stock having an aggregate offering price of up to $30.0 million from time to time through the sales agent. Sales of the Company s common stock through the sales agent, if any, will be made by any method that is deemed an at the market offering as defined by the U.S. Securities and Exchange Commission. The Company will pay to the sales agent a commission rate equal to 3.0% of the gross proceeds from the sale of any shares of common stock sold through the sales agent under the 2014 At Market Agreement. As of December 31, 2014, the Company had issued 217,622 shares of its common stock through its 2014 At Market Agreement at an average price of $5.49 per share resulting in gross proceeds of approximately $1,196,000. The Company incurred commissions of approximately $36,000 resulting in net proceeds of approximately $1,159,000 as of December 31, 2014. In three months ended March 31, 2015, the Company issued 1,279,416 shares of common stock for net proceeds of approximately $4,532,000 under the 2014 At Market Agreement. There were no ATM transactions in the three months ended June 30, 2015.

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8. Commitments and Contingencies

Shareholder Class Actions and Derivative Lawsuits

Between July 30, 2014, and August 6, 2014, three putative class action complaints were filed in the United States District Court for the District of Nevada (the Nevada District Court) against the Company and certain of its officers and directors on behalf of all persons who purchased or otherwise acquired the Company s stock between January 6, 2014 and July 28, 2014. By order entered August 22, 2014, the Nevada District Court consolidated the three cases, relieved the defendants of any obligation to respond to the complaints then on file, and provided that defendants may respond to a consolidated amended complaint to be filed following appointment of a lead plaintiff(s) pursuant to the Private Securities Litigation Reform Act of 1995. By order dated January 5, 2015, the Nevada District Court granted the defendants motion to transfer the consolidated action to the United States District Court for the Northern District of Georgia (the Court). On March 24, 2015, the Court appointed Glyn Hotz as the lead plaintiff (Plaintiff). Plaintiff filed his Consolidated Class Action Complaint (the Complaint) on May 8, 2015. The Complaint asserts claims on behalf of a putative class of all persons who purchased or otherwise acquired the Company s common stock between October 25, 2013 and July 28, 2014. The Complaint alleges that the Company and certain of its officers and directors (the Class Action Individual Defendants) violated Section 10(b) of the Securities Exchange Act of 1934 (the Exchange Act) and SEC Rule 10b-5 through allegedly false or misleading statements in certain SEC filings, press releases and other public statements. The Complaint further alleges that the Class Action Individual Defendants and one of the Company s shareholders face liability for the alleged Section 10(b) and Rule 10b-5 violations pursuant to Section 20(a) of the Exchange Act. The Complaint seeks class certification, unspecified monetary damages, costs, and attorneys fees. The Company disputes the allegations and filed a motion to dismiss the Complaint on June 26, 2015.

On August 1 and 25, 2014, persons claiming to be Galectin shareholders filed putative shareholder derivative complaints in the Nevada District Court, seeking recovery on behalf of the Company against certain of the Company s directors and officers. On September 10, 2014, the Nevada District Court entered an order consolidating the two cases, relieving the defendants of any obligation to respond to the initial complaints, and providing that defendants may respond to a consolidated complaint to be filed by the plaintiffs. On January 5, 2015, the Nevada District Court granted Defendants motion to transfer the consolidated putative derivative litigation to the United States District Court for the Northern District of Georgia. The plaintiffs filed a consolidated complaint on February 27, 2015. On April 6, 2015, the Company and defendants filed motions to dismiss the consolidated complaint. Rather than respond to those motions, the plaintiffs sought and obtained leave to file an amended complaint. Plaintiffs filed their amended complaint (the Complaint) on May 26, 2015. The Complaint alleges that certain of the Company s directors and officers (the Derivative Action Individual Defendants) breached their fiduciary duties to the Company s shareholders by causing or permitting the Company to make allegedly false and misleading public statements concerning the Company s financial and business prospects. The Complaint also alleges that the Derivative Action Individual Defendants violated the federal securities laws by allegedly making false or misleading statements of material fact in the Company s proxy filings, committed waste of corporate assets, were unjustly enriched, and that certain defendants breached their fiduciary duties through allegedly improper sales of Galectin stock. In addition, the Complaint alleges that the Derivative Action Individual Defendants and one of the Company s shareholders aided and abetted the alleged breaches of fiduciary duties. The Complaint seeks unspecified monetary damages on behalf of the Company, corporate governance reforms, disgorgement of profits, benefits and compensation by the defendants, costs, and attorneys and experts fees. The Company and defendants filed motions to dismiss the Complaint on July 8, 2015.

On August 29, 2014, another alleged Galectin shareholder filed a putative shareholder derivative complaint in state court in Las Vegas, Nevada, seeking recovery on behalf of the Company against the same Galectin directors and officers who are named as defendants in the derivative litigation pending in the United States District Court for the Northern District of Georgia (the Georgia Federal Action). The plaintiff in the Nevada action subsequently filed first and second amended complaints. The second amended complaint alleges claims for breach of fiduciary duties, unjust

enrichment, and waste of corporate assets, based on allegations that are substantially similar to those asserted in the Georgia Federal Action (except that the Nevada action does not allege violations of the federal securities laws and does not assert any claim against the Galectin shareholder named as a defendant in the Georgia Federal Action), and seeks unspecified monetary damages on behalf of the Company, corporate governance reforms, disgorgement of profits, benefits and compensation by the defendants, costs, and attorneys and experts fees. The Company and defendants filed motions to dismiss the second amended complaint on April 22, 2015. On April 29, 2015, the plaintiffs in the Georgia Federal Action filed a motion to intervene in the Nevada action which, among other things, raised questions regarding the Nevada plaintiff s standing. Thereafter, the Nevada plaintiff filed a motion to join additional plaintiffs. At a hearing held on June 11, 2015, the Nevada court: (i) granted the Georgia Federal Action plaintiffs motion to intervene; (ii) directed the Georgia Federal Action plaintiffs to file a complaint in intervention; (iii) directed the Nevada plaintiff to file a motion for leave to file a further amended complaint to add additional plaintiffs; (iv) stated that the defendants motions to dismiss the second amended complaint were denied at this point; (v) ordered the Nevada action stayed until December 11, 2015; and (vi) directed the parties to submit a status report on December 11, 2015, updating the court on the progress and status of the Georgia Federal Action.

Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, are in the early stages of the proceedings, and are subject to appeal. In addition, because most legal proceedings are resolved over extended periods of time, potential losses are subject to change due to, among other things, new developments, changes in legal strategy, the outcome of intermediate procedural and substantive rulings and other parties settlement posture and their evaluation of the strength or weakness of their case against us. For these reasons, we are currently unable to predict the ultimate timing or outcome of, or reasonably estimate the possible losses or a range of possible losses resulting from, the matters described above. Based on information currently available, the Company does not believe that any reasonably possible losses arising from currently pending legal matters will be material to the Company s results of operations or financial condition. However, in light of the inherent uncertainties involved in such matters, an adverse outcome in one or more of these matters could materially and adversely affect the Company s financial condition, results of operations or cash flows in any particular reporting period.

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Other Legal Proceedings

The Company records accruals for such contingencies to the extent that the Company concludes that their occurrence is probable and the related damages are estimable. There are no other pending legal proceedings except as noted above.

9. Galectin Sciences LLC

In January 2014, we created Galectin Sciences, LLC (the LLC or Investee), a collaborative joint venture co-owned by SBH Sciences, Inc. (SBH), to research and develop small organic molecule inhibitors of galectin-3 for oral administration. The LLC was initially capitalized with a $400,000 cash investment to fund future research and development activities, which was provided by the Company, and specific in-process research and development (IPR&D) contributed by SBH. The estimated fair value of the IPR&D contributed by SBH, on the date of contribution, was $400,000. Initially, the Company and SBH had a 50% equity ownership interest in the LLC, with neither party having control over the LLC. Accordingly, from inception through the fourth quarter of 2014, the Company accounted for its investment in the LLC using the equity method of accounting. Under the equity method of accounting, the Company s investment was initially recorded at cost with subsequent adjustments to the carrying value to recognize additional investments in or distributions from the Investee, as wells the Company s share of the Investee s earnings, losses and/or changes in capital. The estimated fair value of the IPR&D contributed to the LLC was immediately expensed upon contribution as there was no alternative future use available at the point of contribution. The operating agreement provides that if either party does not desire to contribute its equal share of funding required after the initial capitalization, then the other party, providing all of the funding, will have its ownership share increased in proportion to the total amount contributed from inception. In the fourth quarter of 2014, after the LLC had expended the $400,000 in cash, SBH decided not to contribute its share of the funding required. As a result, the Company contributed the $93,000, $159,000 and $172,000 needed for the fourth quarter of 2014, first quarter of 2015 and the second quarter of 2015 expenses of the LLC, respectively. As a result, the Company s ownership percentage in the LLC is 67.3% at June 30, 2015. The Company accounts for the interest in the LLC as a consolidated, less than wholly owned subsidiary. The Company s portion of the LLC s net loss for the year ended December 31, 2014, prior to the change in accounting discussed previously, was $400,000, which includes the Company s proportionate share of the non-cash charge associated with the contributed IPR&D of $200,000.

10. Subsequent Events

The Company has evaluated all events or transactions that occurred through the date on which the financial statements were issued, with no items noted for disclosure or recording in the consolidated financial statements as of June 30, 2015.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, the following Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements as defined under Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the safe harbor created therein for forward-looking statements. Such statements include, but are not limited to, statements concerning our anticipated operating results, research and development, clinical trials, regulatory proceedings, and financial resources, and can be identified by use of words such as, for example, anticipate, estimate, expect, project, intend, plan, believe and would, should, statements, other than statements of historical facts, included herein that address activities, events, or developments that the Company expects or anticipates will or may occur in the future, are forward-looking statements, including statements regarding: plans and expectations regarding clinical trials; plans and expectations regarding regulatory approvals; our strategy and expectations for clinical development and commercialization of our products; potential strategic partnerships; expectations regarding the effectiveness of our products; plans for research and development and related costs; statements about accounting assumptions and estimates; expectations regarding liquidity and the sufficiency of cash to fund currently planned operations through September 30, 2016; our commitments and contingencies; and our market risk exposure. Forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which Galectin Therapeutics operates, and management s beliefs and assumptions. These statements are not guarantees of future performance and involve certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties are related to and include, without limitation,

our early stage of development,

we have incurred significant operating losses since our inception and cannot assure you that we will generate revenue or profit,

our dependence on outside capital,

we may be unable to enter into strategic partnerships for the development, commercialization, manufacturing and distribution of our proposed product candidates,

uncertainties related to any litigation, including shareholder class actions and derivative lawsuits filed,

uncertainties related to our technology and clinical trials,

we may be unable to demonstrate the efficacy and safety of our developmental product candidates in human trials,

we may be unable to improve upon, protect and/or enforce our intellectual property,

we are subject to extensive and costly regulation by the U.S. Food and Drug Administration (FDA) and by foreign regulatory authorities, which must approve our product candidates in development and could restrict the sales and marketing and pricing of such products,

competition and stock price volatility in the biotechnology industry,

limited trading volume for our stock, concentration of ownership of our stock, and other risks detailed herein and from time to time in our SEC reports, and

other risks detailed herein and from time to time in our SEC reports, including our Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2014, and our subsequent SEC filings.

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto of Galectin Therapeutics appearing elsewhere herein.

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Overview

We are a clinical stage biopharmaceutical company engaged in drug research and development to create new therapies for fibrotic disease and cancer. Our drug candidates are based on our method of targeting galectin proteins, which are key mediators of biologic and pathologic functions. We use naturally occurring, readily-available plant materials as starting material in manufacturing processes to create proprietary complex carbohydrates with specific molecular weights and other pharmaceutical properties. These complex carbohydrate molecules are appropriately formulated into acceptable pharmaceutical formulations. Using these unique carbohydrate-based candidate compounds that largely bind and inhibit galectin proteins, particularly galectin-3, we are undertaking the focused pursuit of therapies for indications where galectins have a demonstrated role in the pathogenesis of a given disease. We focus on diseases with serious, life-threatening consequences to patients and those where current treatment options are limited. Our strategy is to establish and implement clinical development programs that add value to our business in the shortest period of time possible and to seek strategic partners when a program becomes advanced and requires additional resources.

We endeavor to leverage our scientific and product development expertise as well as established relationships with outside sources to achieve cost-effective and efficient development. These outside sources, amongst others, provide us with expertise in preclinical models, pharmaceutical development, toxicology, clinical development, pharmaceutical manufacturing, sophisticated physical and chemical characterization, and commercial development. We also have established several collaborative scientific discovery programs with leading experts in carbohydrate chemistry and characterization. These discovery programs are generally aimed at the targeted development of new carbohydrate molecules which bind galectin proteins and offer alternative options to larger market segments in our primary disease indications, such as subcutaneous or oral administration. We also have established a discovery program aimed at the targeted development of small molecules (non-carbohydrate) which bind galectin proteins and may afford options for alternative means of drug delivery (e.g., oral) and as a result expand the potential uses of our compounds. We are pursuing a development pathway to clinical enhancement and commercialization for our lead compounds in immune enhancement for cancer therapy as well as in both liver fibrosis and fatty liver disease. All of our proposed products are presently in development, including pre-clinical and clinical trials.

Our Drug Development Programs

Galectins are a class of proteins that are made by many cells in the body. As a group, these proteins are able to bind to sugar molecules that are part of other proteins in and on the cells of our body. Galectin proteins act as a kind of molecular glue, bringing together molecules that have sugars on them. Galectin proteins, in particular galectin-3, are known to be markedly increased in a number of important diseases including scarring of organs (e.g. liver, lung, kidney, and heart) and cancers of many kinds. The increase in galectin protein promotes the disease and is detrimental to the patient. Published data show that mice lacking the galectin-3 gene, and thus unable to produce galectin-3, are incapable of developing liver fibrosis in response to toxic insult to the liver and in fatty liver disease.

We have two compounds in development, GR-MD-02 and GM-CT-01, both of which have shown promise in preclinical studies in treatment of fibrosis and in cancer therapy. However, we are currently focusing on development of GR-MD-02 intended to be used in the treatment of liver fibrosis associated with fatty liver disease (nonalcoholic steatohepatitis or NASH) and in cancer therapy in combination with immune-system modifying agent(s). Both of our proprietary, patented compounds are derived from completely different, natural, readily available, starting materials, which, following chemical processing, both exhibit the property of binding to and inhibiting galectin proteins.

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Our product pipeline is shown below:

Indication	Drug	Status
Fibrosis		
NASH with Advanced Fibrosis and NASH cirrhosis	GR-MD-02	IND submitted January 2013, FDA indicated on March 1, 2013 that we could proceed with a Phase 1 US clinical trial. Phase 1 clinical trial started Q2-2013. Results from the three cohorts of the Phase 1 clinical trial were reported in 2014, with final results reported in January 2015. End of Phase 1 meeting held with FDA in 2014 and Phase 2 clinical program began in Q2 2015.
Lung Fibrosis	GR-MD-02	In pre-clinical development
Kidney Fibrosis	GR-MD-02	In pre-clinical development
Cardiac Fibrosis	GR-MD-02 and GM-CT-01	In pre-clinical development
Cancer Immunotherapy		
Melanoma	GR-MD-02	Investigator IND filed in December 2013. Phase 1B study in process.

We believe the mechanism of action for GM-CT-01 and GR-MD-02 is based upon interaction with, and inhibition of, galectin proteins, particularly galectin-3, which are expressed at high levels in certain pathological states including inflammation, fibrosis and cancer. While GM-CT-01 and GR-MD-02 are capable of binding to multiple galectin proteins, we believe that they have the greatest affinity for galectin-3, the most prominent galectin implicated in pathological processes. Blocking galectin in cancer and liver fibrosis has specific salutary effects on the disease process.

Fibrosis. GR-MD-02 is our lead product candidate for treatment of fibrotic disease. Our preclinical data show that GR-MD-02 has a powerful therapeutic effect on liver fibrosis as shown in several relevant animal models. In addition, in NASH animal models GR-MD-02 is able to reduce liver fat, inflammation, and ballooning degeneration or death of liver cells. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with non-alcoholic steatohepatitis (NASH, or fatty liver disease). In January 2013, an Investigational New Drug (IND) was submitted to the FDA with the goal of initiating a Phase 1 study in patients with NASH and advanced liver fibrosis to evaluate the human safety of GR-MD-02 and pharmacodynamics biomarkers of disease. On March 1, 2013, the FDA indicated we could proceed with a US Phase 1 clinical trial for GR-MD-02 with a development program aimed at obtaining support for a proposed indication of GR-MD-02 for treatment of NASH with advanced fibrosis. The Phase 1 trial was completed and demonstrated that GR-MD-02 up to 8 mg/Kg, i.v. was safe and well tolerated and the human pharmacokinetic data defined a drug dose for use in the planned Phase 2 trials. Additionally, there was evidence of a pharmacodynamic effect of GR-MD-02 at the 8 mg/kg dose with a decrease in alpha 2 macroglobulin, a serum marker of fibrotic activity, and a reduction in liver stiffness. An End of Phase 1 Meeting was held with FDA which, amongst other items, provided guidance on the primary endpoint for the Phase 2 clinical trial.

Additionally, an open label drug-drug interaction study was completed during the second quarter of 2015 with GR-MD-02 and it showed that with 8 mg/kg dose of GR-MD-02 and 2 mg/kg dose of midazolam there was no drug-drug interaction and no serious adverse events or drug-related adverse events were observed. This study was required by the U.S. Food and Drug Administration (FDA) and the primary objective was to determine if single or multiple intravenous (IV) doses of GR-MD-02 affect the pharmacokinetics (PK) of midazolam. The secondary objective was to assess the safety and tolerability of GR-MD-02 when administered concomitantly with midazolam. The lack of a drug interaction in this study will permit Galectin to expand the number of patients eligible for its Phase 2 clinical trial. In addition, should GR-MD-02 be approved for marketing, the success of this study supports a broader patient population for the drug label.

Our Phase 2 program in fibrotic disease consists of two separate human clinical trials. The first clinical trial is the NASH-CX study for patients with NASH with cirrhosis, which began enrolling in June 2015. This study is a randomized, placebo-controlled, double-blind, parallel-group Phase 2 trial to evaluate the safety and efficacy of GR-MD-02 for the treatment of liver fibrosis and resultant portal hypertension in patients with NASH cirrhosis. A total of 156 patients at between 45 and 60 sites will be randomized to receive either 2 mg/kg of GR-MD-02, 8 mg/kg of GR-MD-02 or placebo, with 52 patients in each arm. The primary endpoint is a reduction in change in hepatic venous pressure gradient (HVPG). Patients will receive an infusion every other week for one year, total of 26 infusions, and will be evaluated to determine the change in HVPG as compared with placebo. HVPG will be correlated with secondary endpoints of fibrosis on liver biopsy as well as with measurement of liver stiffness (FibroScan$^{(R)}$) and assessment of liver metabolism (^{13}C-methacetin breath test, Exalenz), which are non-invasive measures of the liver that may be used in future studies. Data readout is expected in the fourth quarter of 2017.

The second clinical trial is the NASH-FX for patients with NASH advanced fibrosis. This 30 patient study is expected to begin enrolling in August 2015, with 15 patients receiving 8 mg/kg of GR-MD-02 and 15 receiving placebo. That study will evaluate the safety and efficacy of GR-MD-02 for a four month treatment period of bi - weekly infusions on liver stiffness as assessed by magnetic resonance-elastography and FibroScan score, and on imaging of liver fibrosis using multi-parametric magnetic resonance imaging (LiverMultiScan$^{(R)}$, Perspectum Diagnostics). Top-line data is expected to be available in mid-2016.

Our drug candidate provides a promising new approach for the therapy of fibrotic diseases, and liver fibrosis in particular. Fibrosis is the formation of excess connective tissue (collagen and other proteins plus cellular elements such as myofibroblasts) in response to damage, inflammation or repair. When the fibrotic tissue becomes confluent, it obliterates the cellular architecture, leading to scarring and dysfunction of the underlying organ. The goal of the therapeutic program is to stop the progression of and reverse the fibrosis in the liver and, thereby improve liver function and prevent the development of complications of fibrosis/cirrhosis and liver-related mortality.

Cancer Immunotherapy. We believe there is potential for galectin inhibition to play a key role in the burgeoning area of cancer immunotherapy. For example, there have been several recent approvals of drugs that enhance a patient s immune system to fight cancer. With many additional vaccines and immune stimulatory agents in development, industry analysts forecast that this market could generate over $35 billion in sales over the next 10 years. It is our goal to use a galectin inhibitor to enhance the immune system function to fight cancer in a way that complements other approaches to this type of therapy. Our drug candidates provide a promising new therapeutic approach to enhance the activity of the immune system against cancer cells. Preclinical studies have indicated that GR-MD-02 enhances the immune response to and more specifically increased tumor shrinkage and enhanced survival in immune competent mice with prostate, breast, melanoma and sarcoma cancers when combined with one of the immune checkpoint inhibitors, anti-CTLA-4 or anti-PD-1. These preclinical data have led to the filing of an Investigator-sponsored IND and the initiation of a study of GR-MD-02 in combination with Yervoy ® (ipilimumab) in a Phase 1B study of patients with metastatic melanoma. This study is being conducted under the sponsorship of Providence Portland Medical Center s Earle A. Chiles Research Institute (EACRI). A study with Keytruda and GRMD-02 is currently being planned by EACRI.

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Results of Operations

Three and Six Months Ended June 30, 2015 Compared to Three and Six Months Ended June 30, 2014

Research and Development Expense.

	Three Months Ended June 30,		Six Months Ended June 30,		2015 as Compared to 2014 Three Months		2015 as Compared to 2014 Six Months	
	2015	2014	2015	2014	$ Change	% Change	$ Change	% Change
	(In thousands, except %)							
Research and development	$ 2,600	$ 1,594	$ 5,736	$ 4,366	$ 1,006	63%	$ 1,370	31%

We generally categorize research and development expenses as either direct external expenses, comprised of amounts paid to third party vendors for services, or all other research and development expenses, comprised of employee payroll and general overhead allocable to research and development. We consider a clinical program to have begun upon acceptance by the FDA, or similar agency outside of the United States, to commence a clinical trial in humans, at which time we begin tracking expenditures by the product candidate. Clinical program expenses comprise payments to vendors related to preparation for, and conduct of, all phases of the clinical trial, including costs for drug manufacture, patient dosing and monitoring, data collection and management, oversight of the trials and reports of results. Pre-clinical expenses comprise all research and development amounts incurred before human trials begin, including payments to vendors for services related to product experiments and discovery, toxicology, pharmacology, metabolism and efficacy studies, as well as manufacturing process development for a drug candidate.

We have two product candidates, GR-MD-02 and GM-CT-01; however only GR-MD-02 is in active development. We filed for an IND for GR-MD-02 in January 2013 and in February 2013 we entered into an agreement with CTI to conduct a Phase 1 clinical trial of GR-MD-02. In March 2013, the FDA indicated we could proceed with a Phase 1 human clinical trial of GR-MD-02, and we began enrolling patients in the third quarter of 2013. In January 2014, we completed the enrollment of the first cohort of patients in the Phase 1 trial with no serious adverse events being reported. We reported initial safety and tolerability results from the first cohort of patients on March 31, 2014. The second cohort of this Phase 1 trial began and enrollment was completed in April 2014. In July 2014, we reported the results from the second cohort of patients. Enrollment of the third cohort of Phase 1 began in July 2014 with interim results presented in November 2014 with the final report on cohort 3 presented in January 2015. The results of the Phase 1 study demonstrate that (i) GR-MD-02 was safe and well tolerated by patients with advanced NASH liver fibrosis after IV administration of four doses of 2 mg/kg, 4 mg/kg and 8mg/kg lean body weight, (ii) Pharmacokinetics revealed drug exposure in humans at the 8 mg/kg dose that was equivalent to the upper range of the targeted therapeutic dose determined from effective doses in NASH animal models, (iii) Disease Serum Marker Effect showed there was a statistically significant, dose-dependent reduction in FibroTest ® scores due to a statistically significant reduction in alpha-2 macroglobulin serum levels, and (iv) Liver Stiffness Effect, as measured by FibroScan ® showed that there was a signal of reduced liver stiffness in patients receiving GR-MD-02. The reduction seen in A2M does *not* necessarily mean fibrosis got better in this short study, but does suggest changes in the fibrogenic process that might lead to an improvement in fibrosis with longer-term therapy. These Phase 1 results in NASH patients with advanced fibrosis provide a firm foundation for entry into a Phase 2 development program.

The company held an End of Phase 1 meeting with the FDA and, amongst other things, received guidance on the primary endpoints for a Phase 2 trials. In Phase 2 we plan to explore two indications, NASH cirrhosis and NASH with advanced fibrosis. The NASH-CX trial is designed to target a patient population with cirrhosis due to NASH. The

study endpoints will include those that are closely associated with outcomes in patients with cirrhosis with the primary endpoint: chosen as hepatic venous pressure gradient (HVPG). HVPG is reflective of portal pressure and portal hypertension is responsible for most of the complications resulting from cirrhosis; a reduction in HVPG is associated with a reduction in complications of cirrhosis and reduced mortality. Planned secondary endpoints include: morphometric analysis of collagen on liver biopsies, a change in histopathological stage, and other secondary endpoints will include non-invasive tests to evaluate for correlation with HVPG and liver collagen. We have awarded the contract for the NASH-CX trial to a CRO and enrollment began in June 2015 to assess the efficacy of GR-MD-02 in patients with NASH cirrhosis. The timing of initial results from the NASH-CX are dependent upon the trial design, and, amongst other factors, the rate of patient enrollment, but we anticipate top line results by the end of 2017. In the indication of NASH with advanced fibrosis, we are initiating a single site, placebo controlled, randomized clinical trial (NASH-FX) to evaluate 4 months of treatment on patients with stage 3 bridging fibrosis. We anticipate this trial to initiate in August 2015 with top line results available by the mid- 2016. Our Phase 2 clinical program is designed to position the Company for a strong Phase 3 clinical trial program.

Additionally, during the Phase 1 clinical trial, there appeared to be a potential beneficial effect on at least one patient s moderate to severe psoriasis. As a result, we are planning a single site, 10 patient, open label clinical trial with GR-MD-02 to determine whether more extensive studies in this indication are warranted.

Additionally, an open label drug-drug interaction study was completed with GR-MD-02 and it showed that with 8 mg/kg dose of GR-MD-02 and 2 mg/kg dose of midazolam there was no drug-drug interaction and no serious adverse events or drug-related adverse events were observed. This study was required by the FDA and the primary objective was to determine if single or multiple intravenous (IV) doses of GR-MD-02 affect the pharmacokinetics (PK) of midazolam. The secondary objective was to assess the safety and tolerability of GR-MD-02 when administered concomitantly with midazolam. The lack of a drug interaction in this study will permit Galectin to expand the number of patients eligible for its Phase 2 clinical trial. In addition, should GR-MD-02 be approved for marketing, the success of this study supports a broader patient population for the drug label.

Based on guidance from FDA and in furtherance of its understanding of the GR-MD-02 molecule, we continue to enhance its chemistry, manufacturing and control procedures on GR-MD-02 active pharmaceutical ingredient (API) as well as on the finished, sterile, pharmaceutical dosage form. Various state of the art and cutting-edge analytical technologies are being utilized, for example, to characterize and quantify the backbone vs. side-chain constituents and their quantitation, use of sophisticated linkage analysis with 2-D NMR to provide both qualitative and quantitative information on the proportion of oligomers, degree of methylation, and other monoclonal specific antibody techniques to map GR oligomer integrity and distribution. The Company has also characterized how the GR molecule behaves under conditions of forced degradation.

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Our research and development expenses were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Direct external expenses:				
Clinical programs	$ 1,708	$ 651	$ 3,781	$ 1,813
Pre-clinical activities	350	477	791	1,252
All other research and development expenses	542	466	1,164	1,301
	$ 2,600	$ 1,594	$ 5,736	$ 4,366

Clinical programs expenses increased primarily due to costs related to our Phase 2 clinical trials during the three and six months ended June 30, 2015 as compared to the same period in 2014. As we enroll patients in the Phase 2 trial we expect our clinical activities costs will increase and may fluctuate from quarter to quarter as the trial progresses. Pre-clinical activities decreased primarily because we are nearing completion of pre-clinical work directly related preparation for our anticipated Phase 2 clinical trial program. Other research and development expense decreased primarily due to decreased stock-based compensation expense.

Both the time required and costs we may incur in order to commercialize a drug candidate that would result in material net cash inflow are subject to numerous variables, and therefore we are unable at this stage of our development to forecast useful estimates. Variables that make estimates difficult include the number of clinical trials we may undertake, the number of patients needed to participate in the clinical trial, patient recruitment uncertainties, trial results as to the safety and efficacy of our product, and uncertainties as to the regulatory agency response to our trial data prior to receipt of marketing approval. Moreover, the FDA or other regulatory agencies may suspend clinical trials if we or an agency believes patients in the trial are subject to unacceptable risks, or find deficiencies in the conduct of the clinical trial. Delays or rejections may also occur if governmental regulation or policy changes during our clinical trials or in the course of review of our clinical data. Due to these uncertainties, accurate and meaningful estimates of the ultimate cost to bring a product to market, the timing of costs and completion of our program and the period during which material net cash inflows will commence are unavailable at this time.

General and Administrative Expense.

	Three Months Ended June 30,		Six Months Ended June 30,		2015 as Compared to 2014			
					Three Months		Six Months	
	2015	2014	2015	2014	$ Change	% Change	$ Change	% Change
	(In thousands, except %)							
General and administrative	$ 2,057	$ 1,781	$ 3,761	$ 3,853	$ 276	15%	$ (92)	(2)%

General and administrative expenses consist primarily of salaries including stock based compensation, legal and accounting fees, insurance, investor relations, business development and other office related expenses. The primary reason for the increase in general and administrative expenses in the three months ended June 30, 2015 compared to the same period in 2014 is timing of certain expenses in 2015 compared to 2014. The primary reason for the decrease

in general and administrative expenses for the six months ended June 30, 2015 as compared to the same period in 2014 is due to a decrease in stock-based compensation expense of $344,000 offset somewhat by smaller increases in certain other general and administrative expenses.

Liquidity and Capital Resources

Since our inception on July 10, 2000, we have financed our operations from proceeds of public and private offerings of debt and equity. As of June 30, 2015, we raised a net total of $112 million from these offerings. We have operated at a loss since our inception and have had no significant revenues. We anticipate that losses will continue for the foreseeable future. At June 30, 2015, we had $26.4 million of unrestricted cash and cash equivalents available to fund future operations. We believe that with the cash on hand at June 30, 2015, there is sufficient cash to fund currently planned operations through September 30, 2016. Our ability to fund operations after our current cash resources are exhausted depends on our ability to obtain additional financing or achieve profitable operations, as to which no assurances can be given. Accordingly, based on the forecasts and estimates underlying our current operating plan, the financial statements do not currently include any adjustments that might be necessary if we are unable to continue as a going concern.

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Net cash used in operations increased by $1,267,000 to $7,298,000 for the six months ended June 30, 2015, as compared to $6,031,000 for the six months ended June 30, 2014. Cash operating expenses increased principally due to increased research and development activities related to our clinical trial activity with GR-MD-02.

Net cash provided by financing activities for the six months ended June 30, 2015, of $4,532,000 represents net proceeds from the sale of common stock. Net cash provided by financing activities was $30,365,000 for the six months ending June 30, 2014, consisting of $28,178,000 in net proceeds from sale of common stock and $2,187,000 from the proceeds from the exercise of stock options and warrants.

Other.

We have engaged outside vendors for certain services associated with our clinical trials. These services are generally available from several providers and, accordingly, our arrangements are typically cancellable on 30 days notice.

Off-Balance Sheet Arrangements

We have not created, and are not a party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

Application of Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to intangible assets, accrued expenses, stock-based compensation, contingencies and litigation. We base our estimates on historical experience, terms of existing contracts, our observance of trends in the industry, information available from other outside sources and on various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those policies that affect our more significant judgments and estimates used in preparation of our consolidated financial statements. We believe our critical accounting policies include our policies regarding stock-based compensation, accrued expenses and income taxes. For a more detailed discussion of our critical accounting policies, please refer to our 2014 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to changes in the U.S. interest rates. The primary objective of our investment activities is to preserve cash until it is required to fund operations. To minimize risk, we maintain our portfolio of cash and cash equivalents in operating bank accounts and money market funds. Since our investments are short-term in duration, we believe that we are not subject to any material market risk exposure.

Item 4. Controls and Procedures

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934) and concluded that, as of June 30, 2015, our disclosure controls and procedures were effective at a reasonable assurance level. During the quarter ended June 30, 2015, no change in our internal control over financial reporting has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

None except as discussed in Note 8 to our condensed consolidated financial statements included in this report.

Item 1A. Risk Factors

The information set forth in this report should be read in conjunction with the risk factors set forth in Item 1A, Risk Factors, of Part I of our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially impact our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

Exhibit Number	Description of Document	Note Reference
31.1*	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	
31.2*	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*

* Filed herewith.

** Furnished herewith and not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 10, 2015.

GALECTIN THERAPEUTICS INC.

By: /s/ Peter G. Traber
Name: Peter G. Traber, M.D.
Title: Chief Executive Officer and President

(principal executive officer)

/s/ Jack W. Callicutt
Name: Jack W. Callicutt
Title: Chief Financial Officer

(principal financial and accounting officer)

:0px; padding-left:56px; text-indent:-2px" align=justify>Establishing on an annual basis performance goals and objectives for purposes of determining the compensation of our Chief Executive Officer and other senior executive officers, evaluating the performance of such officers in light of those goals and objectives, and setting the compensation level for those officers based on this evaluation.

.

Recommending to the Board the compensation for Board members (including retainer, committee and committee chair’s fees, stock options and other similar items as appropriate).

.

Reviewing the competitive position of, and making recommendations to the Board with respect to, the cash-based and equity-based compensation plans and other programs relating to compensation and benefits.

.

Reviewing our financial performance and operations as well as our major benefit plans.

.

Overseeing the administration of our stock option and other executive compensation plans, including recommending to the Board of Directors the granting of options and awards under the plans, and the approval or disapproval of the participation of individual employees in those plans.

.

Reviewing and approving for our Chief Executive Officer and other senior executive officers: (a) employment agreements; (b) severance agreements; (c) change in control agreements/provisions; and (d) any other material perquisites or other in-kind benefits.

Additional information regarding the Compensation Committee s responsibilities is set forth in its Charter, which is posted on our website at *www.heatbio.com*.

Use of Compensation Consultant

As noted above, the Compensation Committee retained Hay Group, a nationally-recognized global human resources consulting firm, as its independent compensation advisor for 2017. Hay Group principally provides analysis, advice and recommendations regarding Named Executive Officer and non-employee director compensation as well as guidance and considerations on our long-term incentive program for all eligible employees. Hay Group reports to the Chairman of the Compensation Committee and has direct access to the other members of the Compensation Committee. Hay Group does not provide any other services to the Company other than in its role as the Compensation Committee s independent advisor.

Competitive Considerations

In making compensation decisions with respect to each element of compensation for our Named Executive Officers, the Compensation Committee considers the competitive market pay data from both other similarly situated public companies and a premier compensation survey which is specific to our size and industry.

The Compensation Committee generally targets total executive compensation within a competitive range of market median (+/- 15% of median) for executives in similar positions and with similar responsibilities and experience at similarly-situated companies. The Compensation Committee s desired competitive positioning and its pay program decision-making (in terms of both compensation levels and overall mix of pay which is focused on variable or at risk compensation) is reflective of our pay for performance philosophy and provides alignment of executive and stockholder interests.

We believe that, given the industry in which we operate and our compensation philosophy and objectives, our approach to executive compensation is sufficient to retain our current executive officers and to hire new executive officers when and as required.

Role of the Chief Executive Officer

Our Chief Executive Officer, Mr. Wolf, makes recommendations to the Compensation Committee regarding the compensation of our other Named Executive Officers. Mr. Wolf does not participate in any discussions or processes concerning his own compensation, and participates in a non-voting capacity in discussions or processes concerning the compensation of our Principal Financial Officer and other members of management.

1. Base Salaries

We provide our Named Executive Officers a base salary commensurate with their position, responsibilities and experience. In setting the base salary, the Compensation Committee considers the scope and accountability associated with each Named Executive Officer s position and such factors as performance and experience of each Named Executive Officer. We design base pay to provide the essential reward for an employee s work and are required to be competitive in attracting talent. Once base pay levels are initially determined, increases in base pay may be provided to recognize an employee s specific performance achievements. The base salaries are targeted to be competitive with other similar biotechnology companies. Base salaries for the Named Executive Officers are set by their respective employment contracts and are reviewed annually by the Compensation Committee. Our Chief Executive Officer, Vice President of Finance and Chief Scientific Officer/ Chief Operating Officer typically make performance assessments of our other employees throughout the year, and provide ongoing feedback to employees, provide resources and maximize individual and team performance levels. Based on the analysis of the study data provide to us by Hay Group and other comparative research performed by the Committee, the Committee was able to compare the compensation for the Chief Executive Officer, Vice President of Finance and Chief Scientific Officer/ Chief Operating Officer, including base salary, long-term incentives and bonuses. It was determined that our Chief Executive s Officer s and Chief Scientific Officer s/ Chief Operating Officer s salary were within a competitive range of market relative to similarly situated positions of similar companies. It was determined that due to the fact that we do not have a Chief Financial Officer that the Vice President of Finance assumes many of the responsibilities of a Chief Financial Officer and therefore based upon her added responsibilities, the Vice President of Finance s base salary was slightly below the competitive range of market relative to similarly situated positions of similar companies and therefore, the base salary for our Vice President of Finance was increased to $260,000 in January 2018, to keep her salary competitive with those of similarly situated executives in the peer group. The current base salaries for our Named Executive Officers are:

Named Executive Officer	**Base Salary**
Jeff Wolf, *Chief Executive Officer*	$417,150
Ann Rosar, *Vice President of Finance*	$260,000
Jeff Hutchins, *Chief Scientific Officer and Chief Operating Officer*	$335,000

2. Bonuses

The Compensation Committee also makes recommendations to the full Board of Directors for determining bonuses. The Compensation Committee also used information from the report and analysis discussed above in determining bonuses as well as its own research of peer company compensation. For the year ended December 31, 2017, the Compensation Committee approved a $208,575 cash bonus for Jeff Wolf (50% of pro-rated gross base salary), a $77,361 cash bonus for Jeff Hutchins (25% of pro-rated gross base salary) and a $53,125 cash bonus for Ann Rosar (25% of pro-rated gross base salary). Mr. Wolf agreed to accept 26,072 restricted stock units in lieu of $52,144 of his 2017 cash bonus (25% of his cash bonus). The restricted stock units received in lieu of the cash bonus had a value at the time of grant of $104,288. Each restricted stock units represents a contingent right to receive one share of common stock.

The employment agreement with each of Jeff Wolf and Jeff Hutchins that was in effect during 2017 provided that each was eligible for a cash performance bonus of up to fifty percent and twenty five percent, respectively of each of their base as well an equity bonus in the sole discretion of the board of directors, with the actual amount of any such bonus increased or decreased in the sole discretion of the board of directors. Ann Rosar s employment agreement provides that she is eligible for an annual bonus, payable in cash and/or equity, in the discretion of the board of directors. The bonuses are to be rewarded based on whether, in the discretion of the Compensation Committee and the board of directors, our company and the Named Executive Officer met certain objectives established by the Compensation Committee. The Compensation Committee believes that the granting of a bonus is appropriate to motivate the Named Executive Officers. The Compensation Committee focuses on individual performance, which enables the Compensation Committee to differentiate among executives and emphasize the link between personal performance and compensation. Although the Compensation Committee does not use any fixed formula in determining bonuses, it does link them to financial objectives of importance to it.

3. Long-Term Incentives

The Compensation Committee believes that a substantial portion of the Named Executive Officer s compensation should be awarded in equity-based compensation since equity-based compensation is directly linked to the interests of stockholders. The Compensation Committee has elected to grant stock options and restricted stock units to the Named Executive Officers and other key employees as the primary long-term incentive vehicle. In making this determination, the Compensation Committee considered a number of factors including: the accounting impact, potential value of stock option grants versus other equity instruments and cash incentives, and the alignment of equity participants with stockholders. The Compensation Committee determined to grant stock options to:

- enhance the link between the creation of stockholder value and executive compensation;
- provide an opportunity for equity ownership;
- act as a retention tool; and
- provide competitive levels of total compensation.

Each of Jeff Wolf, Jeff Hutchins and Ann Rosar were granted options exercisable for 59,999, 29,647 and 6,618 shares of common stock, respectively, as part of their bonus for the year ended December 31, 2017. In addition, Jeff Wolf and Ann Rosar were issued 66,572 and 4,500 restricted stock units, respectively in January 2018. The stock options granted vest in equal monthly installments over a four-year term and are subject to the recipient s continued employment, therefore acting as a significant retention incentive. Of the 66,572 restricted stock units granted to Jeff Wolf, 26,072 were issued to Mr. Wolf, at his option, in lieu of a part of his cash bonus and vested immediately but may not be sold for a one year period from the grant date. The remaining restricted stock units vested 25% on the grant date with the remaining units vesting on the second, third and fourth anniversary of the date of grant.

The Compensation Committee reviews the performance, potential burn rates and dilution levels to create an option pool that may be awarded to employee participants. Grants to the Named Executive Officers were determined by the Compensation Committee after reviewing market data, including the reports and analysis discussed above and after considering each executive s performance, role and responsibilities.

The Compensation Committee does not seek to time equity grants to take advantage of information, either positive or negative, about our company that has not been publicly disclosed. The exercise price of options is the closing market price of our common stock on the business day of the grant or, if the grant is made on a weekend or holiday, on the prior business day.

COMPENSATION OF EXECUTIVE OFFICERS

Set forth below is the compensation paid or accrued to our named executive officers during the years ended December 31, 2017 and December 31, 2016 that exceeded $100,000.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards (7)	Options (7)	Other	Total
Jeffrey Wolf *Chairman and Chief Executive Officer*	2017	$ 417,150	$ 208,575(1)	$ 213,038(2)	$ 125,000	$	$ 963,763
	2016	$ 404,583	$ 202,500(3)	$ 64,500	$ 198,396	$	$ 869,979
Jeff T. Hutchins *Chief Scientific Officer and Chief Operating officer*	2017	$ 309,442	$ 77,361(4)	$	$ 94,583	$ 66,000(5)	$ 547,386
Ann A. Rosar *Vice President of Finance*	2017	$ 212,500	$ 53,125(4)	$ 60,900	$ 52,975	$	$ 379,500
	2016	$ 152,386	$ 40,000(3)	$	$ 18,834	$ 40,000(6)	$ 251,220

(1)

Mr. Wolf agreed to accept 26,072 restricted stock units in lieu of $52,144 of his cash bonus (25% of his cash bonus). The restricted stock units received in lieu of the cash bonus had a value at the time of grant of $104,288.

(2)

Includes the value of the restricted stock units ($52,144) that exceed the value of the bonus foregone. The restricted stock units vest immediately but may not be sold until the one year anniversary of their grant date. Each restricted stock units represents a contingent right to receive one share of common stock.

(3)

This bonus was accrued in 2016 and paid in 2017.

(4)

This bonus was accrued in 2017 and paid in 2018.

(5)

This is the sign-on bonus per Dr. Hutchins January 2017 employment agreement.

(6)

Represents payment for 2016 Retention bonus paid in 2017.

(7)

For all stock options and stock awards, the values reflect the aggregate grant date fair value computed in accordance with FASB ASC 718. Assumptions made in the calculation of these amounts are described in Note 8 to the Company s audited consolidated financial statements for the years ended December 31, 2017 and 2016.

Outstanding Equity Awards at Fiscal Year-End (December 31, 2017)

	Option Awards				Stock Awards	
Name and Principal Position	**Number of securities underlying unexercised options/ exercisable**	**Number of securities underlying unexercised options/ unexercisable**	**Option exercise price**	**Option expiration date**	**Number of shares or units of stock that have not vested**	**Market value of shares or units of stock that have not vested**
Jeffrey Wolf	1,097(1)		$ 23.00	12/18/2019		
Chairman and	10,000(2)		$ 86.20	6/11/2024		
	938(3)	313	$ 45.30	1/12/2025		

Chief Executive Officer							
	4,703(4)	4,703	$ 24.70	1/11/2026			
	1,719(5)	5,782	$ 8.60	12/30/2026	3,750(6)	$	14,250
	2,865(7)	9,636	$ 8.70	1/03/2027	9,375(8)	$	35,625
Jeff T. Hutchins	4,583(9)	15,417	$ 8.70	1/03/2017			
Chief Scientific Officer and Chief Operating Officer	1,459(10)	8,542	$ 6.60	6/28/2027			
Ann A. Rosar	729(11)	271	$ 45.30	1/12/2025			
Vice President of Finance, Controller and Secretary	309(12)	309	$ 24.70	1/11/2026			
	875(13)	1,125	$ 6.60	4/5/2026			
	1,604(14)	5,396	$ 8.70	1/03/2017	5,250(15)	$	19,950
	364(16)	2,136	$ 6.60	6/28/2027			

(1)

All shares are fully vested as of December 2013.

(2)

All shares as full vested as of January 2016.

(3)

Issued on January 12, 2015, these options vest over a four-year period and will be fully vested in December 2018.

(4)

Issued on January 11, 2016, these options vest over a four-year period and will be fully vested in December 2019.

(5)

Issued on December 30, 2016, these options vest over a four-year period and will be fully vested in January 2020.

(6)

Issued on December 30, 2016, 3,750 restricted stock units vested as of December 30, 2017; 1,875 will vest December 30, 2018; and 1,875 will vest December 30, 2019. Amount represents the value of shares at December 29, 2017.

(7)

Issued on January 3, 2017, these shares vest over a 46-month period and will be fully vested in January 2021.

(8)

Issued on January 3, 2017, 3,125 restricted stock units vested January 3, 2017; 3,125 will vest January 3, 2018; 3,125 will vest January 3, 2019; and 3,125 will vest January 3, 2020. Amount represents the value of shares at December 29, 2017.

(9)

Issued on January 3, 2017, these shares vest over a 46-month period and will be fully vested in January 2021.

(10)

Issued on June 28, 2017, these shares vest over a 46-month period and will be fully vested in May 2021.

(11)

Issued January 12, 2015, these shares vest over a four-year period and will be fully vested in January 2019.

(12)

Issued on January 11, 2016, these options vest over a four-year period and will be fully vested in January 2019.

(13)

Issued on April 5, 2016, these options vest over a four-year period and will be fully vested in March 2020.

(14)

Issued on January 3, 2017, these shares vest over a 46-month period and will be fully vested in January 2021.

(15)

Issued on January 3, 2017, 1,750 restricted stock units vested January 3, 2017; 1,750 will vest January 3, 2018; 1,750 will vest January 3, 2019; and 1,750 will vest January 3, 2020. Amount represents the value of shares at December 29, 2017.

(16)

Issued on June 28, 2017, these shares vest over a 46-month period and will be fully vested in May 2021.

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The chart above does not include the grant on January 8, 2018 of (i) options exercisable for 59,559, 29,647, and 6,618 shares of common stock issued to each of Mr. Wolf, Dr. Hutchins, and Mrs. Rosar, respectively; and (ii) 40,500 and 4,500 restricted stock units that were issued to Mr. Wolf and Ms. Rosar, respectively, which vest 25% on grant date, and 25% on each anniversary of grant date thereafter; and (iii) 26,072 restricted stock units were issued to Mr. Wolf in lieu of $52,144 of his cash bonus (25% of his cash bonus), which had a value at the time of grant of $104,288 and vest immediately but may not be sold until the one year anniversary of their grant date.

Employment Agreements

On December 18, 2009, we entered into an employment agreement with Jeffrey Wolf to act as our Chief Executive Officer, which agreement was amended on November 22, 2011, and further amended on each of January 20, 2014, January 11, 2016 and January 1, 2017. Mr. Wolf receives an annual base salary of $417,150 per year. He also may receive, at the sole discretion of the board, an additional cash performance-based bonuses equal to up to 50% of his then outstanding base salary at the end of each year and a discretionary equity award, with the actual amount of his bonus to be increased or decreased in the sole discretion of the Board of Directors. Upon execution of the agreement, Mr. Wolf was issued options exercisable for 119,661 shares of our common stock. In addition, he is to receive certain options to purchase 2% of our fully diluted equity at an exercise price equal to the then current market price if our stock is traded on a nationally recognized exchange or NASDAQ and our market capitalization is at least $250 million for at least 5 days. If Mr. Wolf s employment contract is terminated for death or disability (as defined in the agreement), he (or his estate in the event of death) will receive six month s severance. If Mr. Wolf s employment is terminated by us other than for cause, he will receive 12 month s severance. In addition, if Mr. Wolf s employment is terminated by us other than for cause all Restricted Shares, common stock and options to purchase common stock that would have vested shall immediately vest. Mr. Wolf will not be entitled to any additional severance in the event he is terminated for cause or voluntarily resigns. Under his employment agreement, Mr. Wolf has also agreed to non-competition provisions.

On January 2, 2017, we approved the entry into of a four-year employment agreement, effective as of January 1, 2017, with Jeff T. Hutchins, Ph.D., which agreement was amended on June 29, 2017 and January 1, 2018 (collectively, the Hutchins Employment Agreement), who was initially appointed to serve as the Chief Scientific Officer and Senior Vice President of Pre-Clinical Development of the Company. Pursuant to the Hutchins Employment Agreement that was amended on June 29, 2017, Dr. Hutchins was appointed to serve as both Chief Scientific Officer and Chief Operating Officer. Pursuant to the Hutchins Employment Agreement, as amended, Dr. Hutchins is entitled to an annual base salary of $335,000 and will be eligible for a cash performance bonus equal to approximately 25% of his then outstanding base salary at the end of each year in addition to an equity bonus in the sole discretion of Board, with the actual amount of any such bonus increased or decreased in the sole discretion of the Board. Additionally, in connection with the execution of the initial Hutchins Employment Agreement, we granted Dr. Hutchins an option to purchase 200,000 shares of our common stock (20,000 shares on a split-adjusted basis), with an exercise price equal to $0.87 per share (or $8.70 per share on a split-adjusted basis). These options will vest pro rata, on a monthly basis, over forty-eight months.

If Dr. Hutchins employment is terminated for any reason, he or his estate as the case may be, is entitled to receive the accrued base salary, vacation pay, expense reimbursement and any other entitlements accrued by him to the extent not previously paid (the Hutchins Accrued Obligations); provided, however, that if his employment is terminated by us without Just Cause (as defined in the Hutchins Employment Agreement) then in addition to paying the Hutchins Accrued Obligations, (i) we will shall continue to pay his then current base salary for a period of six (6) months; and (ii) the vesting on all unvested options shall be accelerated so that all options shall become fully vested. If his employment is terminated within one year of a Change of Control (as defined in our Amended and Restated 2014 Stock Incentive Plan), he will be paid his then current base salary for a period of nine (9) months.

On April 5, 2016, we entered into a four-year employment agreement with Ann Rosar to serve as our Vice President of Finance, Controller and Corporate Secretary, which agreement was amended on January 1, 2017, June 29, 2017 and January 1, 2018 (collectively, the Rosar Employment Agreement). Pursuant to the Rosar Employment Agreement, as amended, Ms. Rosar receives an annual base salary of $260,000 and is eligible for a discretionary performance bonus. Additionally, in connection with the execution of the initial Rosar Employment Agreement, we granted Ms. Rosar was a ten-year option exercisable for 20,000 shares of our common stock (which is 2,000 shares on a split-adjusted basis), vesting pro rata on a monthly basis over a four-year period. In addition, if Ms. Rosar s employment is terminated for any reason, she or her estate as the case may be, are entitled to receive the accrued base salary, vacation pay, expense reimbursement and any other entitlements accrued by her to the extent not previously paid (Rosar Accrued Obligations); provided, however, that if her employment is terminated by the Company without Just Cause (as defined in the employment agreement) or by Ms. Rosar for Good Reason (defined as a material breach of the terms of the employment agreement by us, which breach is not cured within thirty (30) days) then in addition to paying the Accrued Obligations, we will continue to pay her then current base salary for a period of four (4) months.

Effective July 23, 2015, Taylor Schreiber, M.D., Ph.D., was appointed to serve as our Chief Scientific Officer and from March 3, 2014 until July 23, 2015, Dr. Schreiber served as our Vice President of Research and Development. In connection with his appointment, Dr. Schreiber entered into a four-year employment agreement with us, which was amended January 12, 2015 and further amended on July 23, 2015 and January 11, 2016. Pursuant to the employment agreement, Dr. Schreiber received an annual base salary of $300,000 and was eligible for discretionary cash performance bonus payment of thirty-five percent (35%) of his base salary and a discretionary equity award with the actual amount of his bonus to be increased or decreased in the sole discretion of the Board of Directors. Dr. Schreiber resigned his position as Chief Scientific Officer effective January 1, 2017 and ceased to serve as the Chairman of our Scientific Advisory Board in October 2017.

Effective November 30, 2015, we appointed Timothy Creech as our Chief Financial Officer. In connection with his appointment, Mr. Creech entered into a four-year employment agreement with us, which was amended on January 11, 2016. Pursuant to his agreement, Mr. Creech received an annual base salary of $285,000 and was eligible for a discretionary cash performance bonus payment of thirty five percent (35%) of his base salary and a discretionary equity award with the actual amount of his bonus to be increased or decreased in the sole discretion of the Board of Directors. Effective April 5, 2016, we entered into a severance agreement with Mr. Creech in accordance with the terms of his employment agreement. Pursuant to the agreement, Mr. Creech s received $142,500, which equaled six month s severance pay upon termination not for cause (as defined in the agreement). The severance agreement also contained additional provisions that are customary for agreements of this type, including confidentiality, non-competition and non-solicitation provisions

Effective December 16, 2013, we appointed Anil K. Goyal, Ph.D. as our Vice President of Business Development. In connection with his appointment, Dr. Goyal entered into a four-year employment agreement with us (the Goyal Employment Agreement), which was amended January 12, 2015 and further amended on January 11, 2016. Pursuant to the Goyal Employment Agreement, Dr. Goyal received an annual base salary of $255,000 and was eligible for a discretionary cash performance bonus payment of thirty percent (30%) of his base salary and a discretionary equity award with the actual amount of his bonus to be increased or decreased in the sole discretion of the Board of Directors. Effective April 5, 2016, we entered into a severance agreement with Dr. Goyal in accordance with the terms of his employment agreement. Pursuant to the agreement, Dr. Goyal received $85,000, which equaled four months severance.

Effective October 1, 2013, we appointed Melissa Price, Ph.D. as our Vice President of Clinical and Regulatory Affairs. In connection with her appointment, Dr. Price entered into a four-year employment agreement with us (the Price Employment Agreement), which was amended on January 20, 2014 and further amended on January 12, 2015, July 23, 2015 and January 11, 2016. On July 23, 2015, Dr. Price was appointed our Vice President of Product Development. Pursuant to the Price Employment Agreement, Dr. Price receives an annual base salary of $250,000 and will be eligible for a discretionary cash performance bonus payment of thirty percent (30%) of her base salary and a discretionary equity award with the actual amount of her bonus to be increased or decreased in the sole discretion of the Board of Directors. Dr. Price resigned as our Vice President of Clinical and Regulatory Affairs effective July 29, 2016.

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OTHER INFORMATION REGARDING THE COMPANY

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, as of August 16, 2018, or as otherwise set forth below, with respect to the beneficial ownership of our common stock (i) all persons know to us to be the beneficial owners of more than 5% of the outstanding shares of our common stock, (ii) each of our directors and our executive officer named in the Summary Compensation Table, and (iii) all of our directors and our executive officer as a group. As of August 16, 2018, we had 23,127,284 shares of common stock outstanding.

Principal Stockholders Table

Unless otherwise indicated the mailing address of each of the stockholders below is c/o Heat Biologics, Inc., 801 Capitola Drive, Suite 12, Durham, North Carolina 27713. Except as otherwise indicated, and subject to applicable community property laws, except to the extent authority is shared by both spouses under applicable law, the Company believes the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them.

Name of Beneficial Owner	Common Stock	Shares subject to Options (1)	Total Number of Shares Beneficially Owned	Percentage Ownership
Executive Officers & Directors				
Jeff T. Hutchins (Chief Scientific Officer and Chief Operating Officer)		17,642	17,642	*
John Monahan, Ph.D. (Director)	516	15,488	16,004	*
John K.A. Prendergast, Ph.D. (Director)		20,499	20,499	*
Ann A. Rosar (Vice President of Finance, Controller and Secretary)	3,949	7,779	11,728	*
Edward Smith (Director) (2)	104,305	14,727	119,032	*
	197,109	38,657	235,766	1.0%

Jeffrey Wolf (Chairman of the Board of Directors, Chief Executive Officer and President) (3)				
All Executive Officers and Directors, as a group (6 persons)	305,879	114,792	420,671	1.8%

* less than 1%

(1)

Represents shares subject to options that are currently vested and options that will vest and become exercisable within 60 days of August 16, 2018.

(2)

Information obtained from a Schedule 13D/A filed on February 14, 2017 with the Securities and Exchange Commission filed on behalf of Aristar Capital Management, LLC of which Mr. Smith disclaims beneficial ownership of 697,303 shares (post-split 69,730 shares) of common stock, except to the extent of any pecuniary interest (as defined in Rule 16a 1(a)(2) promulgated under the Exchange Act) that he may have in such entities.

(3)

Includes 77,172 shares of common stock held by Orion Holdings V, LLC and 71,620 shares of common stock held by Seed-One Holdings VI, LLC, entities for which Mr. Wolf serves as the managing member. Mr. Wolf is deemed to beneficially own the shares held by such entities as in his role as the managing member he has the control over the voting and disposition of any shares held by these entities. Does not include 26,468 shares of common stock beneficially owned by Mr. Wolf s children s trust of which Mr. Wolf is not the trustee. Mr. Wolf disclaims beneficial ownership of these shares except to the extent of any pecuniary interest (as defined in Rule 16a 1(a)(2) promulgated under the Exchange Act) that he may have in such entities. In addition, if our company is traded on a recognized national exchange or NASDAQ while Mr. Wolf is employed by us and the market capitalization of our company is in excess of $250 million for at least five consecutive trading days, then Mr. Wolf will be entitled to receive an additional stock option equal to 2% of the then outstanding shares of our common stock, at an exercise price equal to the then current market price as determined in good faith by the board.

NO DISSENTERS RIGHTS

The corporate action described in this Proxy Statement will not afford stockholders the opportunity to dissent from the actions described herein or to receive an agreed or judicially appraised value for their shares.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

Pursuant to our charter, our Audit Committee shall review on an on-going basis for potential conflicts of interest, and approve if appropriate, all our Related Party Transactions as required by of NASDAQ Rule 4350(h). For purposes of the Audit Committee Charter, Related Party Transactions shall mean those transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404. The Company had a related party receivable balance of $0 and $103,017 as of December 31, 2017 and 2016, respectively. This related party receivable in 2016 reflects a percent of labor that our former Chief Scientific Officer, Dr. Schreiber performed at the time Pelican was our former subsidiary.

The following is a summary of transactions since January 1, 2016 to which we have been a party in which the amount involved exceeded $120,000 and in which any of our executive officers, directors or beneficial holders of more than five percent of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements which are described under the sections 2017 Director Compensation and Executive Compensation

On March 8, 2017, Heat entered into a Stock Purchase Agreement with Pelican, and the majority of the stockholders of Pelican to purchase outstanding capital stock of Pelican. On April 28, 2017, Heat completed the acquisition of 80% of Pelican s common stock. Pelican is a biotechnology company focused on the development and commercialization of monoclonal antibody and fusion protein-based therapies that are designed to activate the immune system. Pelican has been awarded a $15.2 million grant to fund preclinical and some clinical activities from CPRIT. Jeff Wolf, through one or more of his affiliated entities, and Edward B. Smith, III and entities controlled by Mr. Smith sold approximately 84.7% of their shares of the capital stock of Pelican. Mr. Wolf was the managing member of a limited liability company (the LLC) that at the time of the Pelican Acquisition owned 60.1% of the outstanding capital stock of Pelican and Mr. Wolf directly and through entities owned by him owned 31.6% of the membership interests of the LLC. Mr. Smith directly and through entities that he controlled held approximately 10.2% of Pelican s outstanding capital stock at the time of the Pelican Acquisition and Mr. Smith directly and indirectly through an entity he controlled at the time of the Pelican Acquisition owned an aggregate of 23.1% of the membership interests of the LLC. Taylor Schreiber, M.D., Ph.D. our former Chief Scientific Officer, held less than 1% of Pelican s total outstanding capital stock at the time of the Pelican Acquisition and indirectly through an entity he controlled, at the time of the Pelican Acquisition owned 5% of the limited liability company at the time of the Pelican Acquisition. Dr. Schreiber also sold approximately 84.7% of his shares of the capital stock of Pelican in order to meet the 80% closing condition, on the same terms as the other participating Pelican stockholders. John Monahan, Ph.D. owned 0.46% of the LLC. In addition, a trust for which Mr. Wolf does not serve as the trustee for the benefit of Mr. Wolf s children

directly owned 2.2% of Pelican s total outstanding capital stock and at the time of the Pelican Acquisition owned 10% of the membership interests of the LLC. Mr. Wolf disclaims beneficial ownership of all shares held by the trust.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors of Heat knows of no other matters to be presented for stockholder action at the Annual Meeting. However, other matters may properly come before the 2018 Annual Meeting or any adjournment or postponement thereof. If any other matter is properly brought before the 2018 Annual Meeting for action by the stockholders, proxies in the enclosed form returned to Heat will be voted in accordance with the recommendation of the Board of Directors.

ANNUAL REPORT/FORM 10-K

Heat s 2017 Annual Report to its stockholders is being mailed to certain stockholders concurrently with this Proxy Statement. Copies of the Company s Annual Report on Form 10-K as filed with the SEC and any amendments thereto may be obtained without charge by writing to Heat Biologics, Inc., 801 Capitola Drive, Suite 12, Durham, North Carolina 27713, Attention: Corporate Secretary. A complimentary copy may also be obtained at the internet website maintained by the SEC at *www.sec.gov*, and by visiting our internet website at *www.heatbio.com*.

NOTICE REGARDING DELIVERY OF STOCKHOLDER DOCUMENTS (HOUSEHOLDING INFORMATION)

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports by delivering a single copy of these materials to an address shared by two or more Heat stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies and intermediaries. A number of brokers and other intermediaries with account holders who are our stockholders may be householding our stockholder materials, including this proxy statement. In that event, a single proxy statement, as the case may be, will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or other intermediary that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent, which is deemed to be given unless you inform the broker or other intermediary otherwise when you receive or received the original notice of householding. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, please notify your broker or other intermediary to discontinue householding and direct your written request to receive a separate proxy statement to us at: Heat Biologics, Inc., Attention: Corporate Secretary, 801 Capitola Drive, Suite 12, Durham, North Carolina 27713 or by calling us at (919) 240-7133. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker or other intermediary.

STOCKHOLDER PROPOSALS FOR THE 2019 ANNUAL MEETING

Stockholders who intend to present proposals at the 2019 Annual Meeting of Stockholders under SEC Rule 14a-8 must ensure that such proposals are received by the Corporate Secretary of the Company not later than April 23, 2019. Such proposals must meet the requirements of the SEC to be eligible for inclusion in the Company s 2019 proxy materials.

The Company s Bylaws provide that the nomination of persons for election to the Board and the proposal of business to be considered by stockholders may be made at the annual meeting as set out in the Company s notice of such meeting, by or at the direction of the Board or by any stockholder of the Company who is entitled to vote at the meeting on such nomination or other proposal, and who, in the case of a holder of common stock, complies with certain notice procedures. Any holder of common stock proposing to nominate an individual for election to the Board or proposing business to be considered by the Company s stockholders at an annual meeting must give written notice and certain information to the Corporate Secretary of the Company generally not less than 90 days nor more than 120 days before the first anniversary of the preceding year s annual meeting (however, if we hold the 2019 Annual Meeting of Stockholders on a date that is not within 30 days before or 70 days after such anniversary date, we must receive the notice no earlier than 120 days prior to such annual meeting and no later than 90 days prior to such annual meeting or

10 days after the day on which public announcement of the date of such meeting is first made by us we announce it publicly). As a result, stockholders who intend to present proposals at the 2019 Annual Meeting of Stockholders under these provisions must give written notice to the Corporate Secretary, and otherwise comply with the Bylaw requirements, no earlier than June 4, 2019, and no later than July 4, 2019.

All proposals should be addressed to the Corporate Secretary, Heat Biologics, Inc., 801 Capitola Drive, Suite 12, Durham, North Carolina 27713.

By order of the Board of Directors,

Jeffrey Wolf
Chairman, Chief Executive Officer and President

Durham, North Carolina

August 21, 2018

APPENDIX A

HEAT BIOLOGICS, INC.

2018 STOCK INCENTIVE PLAN

1. Establishment and Purpose.

The purpose of the Heat Biologics, Inc. 2018 Stock Incentive Plan (the Plan) is to promote the interests of Heat Biologics, Inc. (the Company) and the stockholders of the Company by providing directors, officers, employees and consultants of the Company with appropriate incentives and rewards to encourage them to enter into and continue in the employ or service of the Company, to acquire a proprietary interest in the long-term success of the Company and to reward the performance of individuals in fulfilling long-term corporate objectives.

2. Administration of the Plan.

The Plan shall be administered by a Committee appointed by the Board of Directors. The Committee shall have the authority, in its sole discretion, subject to and not inconsistent with the express terms and provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the type and number of Awards to be granted (including whether an Option granted is an Incentive Stock Option or a Nonqualified Stock Option); to determine the number of shares of stock to which an Award may relate and the terms, conditions, restrictions and performance criteria, if any, relating to any Award; to determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, exchanged or surrendered; to make adjustments in the performance goals that may be required for any award in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles; to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Agreements; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee may, in its absolute discretion, without amendment to the Plan, (a) accelerate the date on which any Option granted under the Plan becomes exercisable, waive or amend the operation of Plan provisions respecting exercise after termination of employment or otherwise adjust any of the terms of such Option, and (b) accelerate the vesting date, or waive any condition imposed hereunder, with respect to any share of Restricted Stock, or other Award or otherwise adjust any of the terms applicable to any such Award. Notwithstanding the foregoing, and subject to Sections 4(c) and 4(d), neither the Board of Directors, the Committee nor their respective delegates shall have the authority to re-price (or cancel and/or re-grant) any Option, Stock Appreciation Right or, if applicable, other Award at a lower exercise, base or purchase price without first obtaining the approval of the Company s stockholders.

Except as required by Rule 16b-3 with respect to grants of Awards to individuals who are subject to Section 16 of the Exchange Act, or as otherwise required for compliance with Rule 16b-3 or other applicable law, the Committee may delegate all or any part of its authority under the Plan to an employee, employees or committee of employees.

Subject to Section 16 of the Exchange Act, to the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practices and to further the purpose of the Plan, the Committee may, without amending this Plan, establish special rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in the Plan, and grant Awards to such Participants in accordance with those rules.

All decisions, determinations and interpretations of the Committee or the Board of Directors shall be final and binding on all persons with any interest in an Award, including the Company and the Participant (or any person claiming any rights under the Plan from or through any Participant). No member of the Committee or the Board of Directors shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award.

3. Definitions. For purposes of the Plan, the following terms shall be defined as set forth below.

(a) Agreement shall mean the written agreement between the Company and a Participant evidencing an Award.

(b) Annual Incentive Award shall mean an Award described in Section 6(g) hereof that is based upon a period of one year or less.

(c) Award shall mean any Option, Restricted Stock, Restricted Stock Units, Stock Bonus award, Stock Appreciation Right, Performance Award, Other Stock-Based Award or Other Cash-Based Award granted pursuant to the terms of the Plan.

(d) Board of Directors shall mean the Board of Directors of the Company.

(e) Cause shall mean a termination of a Participant s employment by the Company or any of its Subsidiaries due to (i) the continued failure, after written notice, by such Participant substantially to perform his or her duties with the Company or any of its Subsidiaries (other than any such failure resulting from incapacity due to reasonably documented physical illness or injury or mental illness), (ii) the engagement by such Participant in serious misconduct that causes, or in the good faith judgment of the Board of Directors may cause, harm (financial or otherwise) to the Company or any of its Subsidiaries including, without limitation, the disclosure of material secret or confidential information of the Company or any of its Subsidiaries or (iii) the material breach by the Participant of any agreement between such Participant, on the one hand, and the Company, on the other hand. Notwithstanding the above, with respect to any Participant who is a party to an employment agreement with the Company, Cause shall have the meaning set forth in such employment agreement.

(f) A Change in Control shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company) representing 30% or more of the Company s then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board of Directors or nomination for election by the Company s stockholders was approved or recommended by a vote of at least a two-thirds of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company with any other corporation other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a re-capitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company) representing 30% or more of the combined voting power of the Company s then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company s assets, other than a sale or disposition by the Company of all or substantially all of the Company s assets to an entity at least 75% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(g) Code shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder. References in the Plan to specific sections of the Code shall be deemed to include any successor provisions thereto.

(h) Committee shall mean, at the discretion of the Board of Directors, a Committee of the Board of Directors, which shall consist of two or more persons, each of whom, unless otherwise determined by the Board of Directors, is a nonemployee director within the meaning of Rule 16b-3.

(i) Company shall mean Heat Biologics, Inc., a Delaware corporation, and, where appropriate, each of its Subsidiaries.

(j) Company Stock shall mean the common stock of the Company, par value $0.0002 per share.

(k) Disability shall mean permanent disability as determined pursuant to the Company s long-term disability plan or policy, in effect at the time of such disability.

(l) Effective Date shall mean May 10, 2018, the date on which this Plan was adopted by the Board of Directors.

(m) Exchange Act shall mean the Securities Exchange Act of 1934, as amended from time to time.

(n) The Fair Market Value of a share of Company Stock, as of a date of determination, shall mean (1) the closing sales price per share of Company Stock on the national securities exchange on which such stock is principally traded on the date of the grant of such Award, or (2) if the shares of Company Stock are not listed or admitted to trading on any such exchange, the closing price as reported by the Nasdaq Stock Market for the last preceding date on which there was a sale of such stock on such exchange, or (3) if the shares of Company Stock are not then listed on a national securities exchange or traded in an over-the-counter market or the value of such shares is not otherwise determinable, such value as determined by the Committee in good faith upon the advice of a qualified valuation expert. In no event shall the fair market value of any share of Company Stock, the Option exercise price of any Option, the appreciation base per share of Company Stock under any Stock Appreciation Right, or the amount payable per share of Company Stock under any other Award, be less than the par value per share of Company Stock.

(o) Incentive Stock Option shall mean an Option that is an incentive stock option within the meaning of Section 422 of the Code, or any successor provision, and that is designated by the Committee as an Incentive Stock Option.

(p) Long Term Incentive Award shall mean an Award described in Section 6(g) hereof that is based upon a period in excess of one year.

(q) Nonemployee Director shall mean a member of the Board of Directors who is not an employee of the Company.

(r) Nonqualified Stock Option shall mean an Option other than an Incentive Stock Option.

(s) Option shall mean an option to purchase shares of Company Stock granted pursuant to Section 6(b).

(t) Other Cash-Based Award shall mean a right or other interest granted to a Participant pursuant to Section 6(g) hereof other than an Other Stock-Based Award.

(u) Other Stock-Based Award shall mean a right or other interest granted to a Participant, valued in whole or in part by reference to, or otherwise based on, or related to, Company Stock pursuant to Section 6(g) hereof, including but not limited to (i) unrestricted Company Stock awarded as a bonus or upon the attainment of performance goals or otherwise as permitted under the Plan, and (ii) a right granted to a Participant to acquire Company Stock from the Company containing terms and conditions prescribed by the Committee.

(v) Participant shall mean an employee, consultant or director of the Company to whom an Award is granted pursuant to the Plan, and, upon the death of the employee, consultant or director, his or her successors, heirs, executors and administrators, as the case may be.

(w) Performance Award shall mean an Award granted to a Participant pursuant to Section 6(f) hereof.

(x) Person shall have the meaning set forth in Section 3(a)(9) of the Exchange Act, except that such term shall not include (1) the Company, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(y) Restricted Stock shall mean a share of Company Stock which is granted pursuant to the terms of Section 6(e) hereof.

(z) Restricted Stock Unit shall mean a restricted stock unit of the Company that is granted pursuant to the terms of Section 6(g) hereof.

(aa) Retirement shall mean, in the case of employees, the termination of employment with the Company (other than for Cause) during or after the calendar year in which a Participant has or will reach (i) age 55 with ten years of service with the Company, or (ii) age 60 with five years of service with the Company. Retirement shall mean, in the case of directors, the termination of service with the Company (other than for Cause) during or after the calendar year in which a Participant has or will reach age 75 with five years of service with the Company.

(bb) Rule 16b-3 shall mean the Rule 16b-3 promulgated under the Exchange Act, as amended from time to time.

(cc) Securities Act shall mean the Securities Act of 1933, as amended from time to time.

(dd) Stock Appreciation Right shall mean the right, granted to a Participant under Section 6(d), to be paid an amount measured by the appreciation in the Fair Market Value of a share of Company Stock from the date of grant to the date of exercise of the right, with payment to be made in cash and/or a share of Company Stock, as specified in the Award or determined by the Committee.

(ee) Stock Bonus shall mean a bonus payable in shares of Company Stock granted pursuant to Section 6(e) hereof.

(ff) Subsidiary shall mean a subsidiary corporation within the meaning of Section 424(f) of the Code.

4. Stock Subject to the Plan.

(a) Shares Available for Awards. The maximum aggregate number of shares of Company Stock reserved for issuance under the Plan (all of which may be granted as Incentive Stock Options) shall be Four Million (4,000,000) shares. Shares reserved under the Plan may be authorized but unissued Company Stock or authorized and issued Company Stock held in the Company s treasury. The Committee may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares pursuant to the Plan.

(b) Adjustment for Change in Capitalization. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Company Stock, or other property), recapitalization, Company Stock split, reverse Company Stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event has occurred, then the Committee shall make such equitable changes or adjustments as it deems necessary or appropriate to any or all of (1) the number and kind of shares of Company Stock which may thereafter be issued in connection with Awards, (2) the number and kind of shares of Company Stock, securities or other property (including cash) issued or issuable in respect of outstanding Awards, (3) the exercise price, grant price or purchase price relating to any Award, and (4) the maximum number of shares subject to Awards which may be awarded to any employee during any tax year of the Company; provided that, with respect to Incentive Stock Options, any such adjustment shall be made in accordance with Section 424 of the Code; and provided further that, no such adjustment shall cause any Award hereunder which is or could be subject to Section 409A of the Code to fail to comply with the requirements of such section.

(c) Reuse of Shares. Except as set forth below, if any shares subject to an Award are forfeited, cancelled, exchanged or surrendered, or if an Award terminates or expires without a distribution of shares to the Participant, the shares of stock with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, withholding, termination or expiration, again be available for Awards under the Plan. Notwithstanding the foregoing, upon the exercise of any Award granted in tandem with any other Awards, such related Awards shall be cancelled to the extent of the number of shares of Company Stock as to which the Award is exercised and such number of shares shall no longer be available for Awards under the Plan. In addition, notwithstanding the forgoing, the shares of stock surrendered or withheld as payment of either the exercise price of an Option (including shares of stock otherwise underlying an Award of a Stock Appreciation Right that are retained by the Company to account for the appreciation base of such Stock Appreciation Right) and/or withholding taxes in respect of an Award shall no longer be available for Awards under the Plan.

5. Eligibility.

The persons who shall be eligible to receive Awards pursuant to the Plan shall be the individuals the Committee shall select from time to time, who are employees (including officers of the Company and its Subsidiaries, whether or not they are directors of the Company or its Subsidiaries), Nonemployee Directors, and consultants of the Company and its Subsidiaries; provided, that Incentive Stock Options shall be granted only to employees (including officers and directors who are also employees) of the Company or its Subsidiaries.

6. Awards Under the Plan.

(a) Agreement. The Committee may grant Awards in such amounts and with such terms and conditions as the Committee shall determine in its sole discretion, subject to the terms and provisions of the Plan. Each Award granted under the Plan (except an unconditional Stock Bonus) shall be evidenced by an Agreement as the Committee may in its sole discretion deem necessary or desirable and unless the Committee determines otherwise, such Agreement must be signed, acknowledged and returned by the Participant to the Company. Unless the Committee determines otherwise, any failure by the Participant to sign and return the Agreement within such period of time following the granting of the Award as the Committee shall prescribe shall cause such Award to the Participant to be null and void. By accepting an Award or other benefits under the Plan (including participation in the Plan), each Participant, shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, all provisions of the Plan and the Agreement.

(b) Stock Options.

(i) Grant of Stock Options. The Committee may grant Options under the Plan to purchase shares of Company Stock in such amounts and subject to such terms and conditions as the Committee shall from time to time determine in its sole discretion, subject to the terms and provisions of the Plan. The exercise price of the share purchasable under an Option shall be determined by the Committee, but in no event shall the exercise price be less than the Fair Market Value per share on the grant date of such Option. The date as of which the Committee adopts a resolution granting an Option shall be considered the day on which such Option is granted unless such resolution specifies a later date.

(ii) Identification. Each Option shall be clearly identified in the applicable Agreement as either an Incentive Stock Option or a Nonqualified Stock Option and shall state the number of shares of Company Stock to which the Option (and/or each type of Option) relates.

(c) Special Requirements for Incentive Stock Options.

(i) To the extent that the aggregate Fair Market Value of shares of Company Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under the Plan and any other stock option plan of the Company shall exceed $100,000, such Options shall be treated as Nonqualified Stock Options. Such Fair Market Value shall be determined as of the date on which each such Incentive Stock Option is granted.

(ii) No Incentive Stock Option may be granted to an individual if, at the time of the proposed grant, such individual owns (or is deemed to own under the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company unless (A) the exercise price of such Incentive Stock Option is at least 110% of the Fair Market Value of a share of Company Stock at the time such Incentive Stock Option is granted and (B) such Incentive Stock Option is not exercisable after the expiration of five years from the date such Incentive Stock Option is granted.

(d) Stock Appreciation Rights.

(i) The Committee may grant a related Stock Appreciation Right in connection with all or any part of an Option granted under the Plan, either at the time such Option is granted or at any time thereafter prior to the exercise, termination or cancellation of such Option, and subject to such terms and conditions as the Committee shall from time to time determine in its sole discretion, consistent with the terms and provisions of the Plan, provided, however, that in no event shall the appreciation base of the shares of Company Stock subject to the Stock Appreciation Right be less than the Fair Market Value per share on the grant date of such Stock Appreciation Right. The holder of a related Stock Appreciation Right shall, subject to the terms and conditions of the Plan and the applicable Agreement, have the right by exercise thereof to surrender to the Company for cancellation all or a portion of such related Stock Appreciation Right, but only to the extent that the related Option is then exercisable, and to be paid therefor an amount equal to the excess (if any) of (i) the aggregate Fair Market Value of the shares of Company Stock subject to the related Stock Appreciation Right or portion thereof surrendered (determined as of the exercise date), over (ii) the aggregate appreciation base of the shares of Company Stock subject to the Stock Appreciation Right or portion thereof surrendered. Upon any exercise of a related Stock Appreciation Right or any portion thereof, the number of shares of Company Stock subject to the related Option shall be reduced by the number of shares of Company Stock in respect of which such Stock Appreciation Right shall have been exercised.

(ii) The Committee may grant unrelated Stock Appreciation Rights in such amount and subject to such terms and conditions, as the Committee shall from time to time determine in its sole discretion, subject to the terms and provisions of the Plan, provided, however, that in no event shall the appreciation base of the shares of Company Stock subject to the Stock Appreciation Right be less than the Fair Market Value per share on the grant date of such Stock Appreciation Right. The holder of an unrelated Stock Appreciation Right shall, subject to the terms and conditions of the Plan and the applicable Agreement, have the right to surrender to the Company for cancellation all or a portion of such Stock Appreciation Right, but only to the extent that such Stock Appreciation Right is then exercisable, and to be paid therefor an amount equal to the excess (if any) of (x) the aggregate Fair Market Value of the shares of Company Stock subject to the Stock Appreciation Right or portion thereof surrendered (determined as of the exercise date), over (y) the aggregate appreciation base of the shares of Company Stock subject to the Stock Appreciation Right or portion thereof surrendered.

(iii) The grant or exercisability of any Stock Appreciation Right shall be subject to such conditions as the Committee, in its sole discretion, shall determine.

(e) Restricted Stock and Stock Bonus.

(i) The Committee may grant Restricted Stock awards, alone or in tandem with other Awards under the Plan, subject to such restrictions, terms and conditions, as the Committee shall determine in its sole discretion and as shall be

evidenced by the applicable Agreements. The vesting of a Restricted Stock award granted under the Plan may be conditioned upon the completion of a specified period of employment or service with the Company or any Subsidiary, upon the attainment of specified performance goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

(ii) Each Agreement with respect to a Restricted Stock award shall set forth the amount (if any) to be paid by the Participant with respect to such Award and when and under what circumstances such payment is required to be made.

(iii) The Committee may, upon such terms and conditions as the Committee determines in its sole discretion, provide that a certificate or certificates representing the shares underlying a Restricted Stock award shall be registered in the Participant s name and bear an appropriate legend specifying that such shares are not transferable and are subject to the provisions of the Plan and the restrictions, terms and conditions set forth in the applicable Agreement, or that such certificate or certificates shall be held in escrow by the Company on behalf of the Participant until such shares become vested or are forfeited. Except as provided in the applicable Agreement, no shares underlying a Restricted Stock award may be assigned, transferred, or otherwise encumbered or disposed of by the Participant until such shares have vested in accordance with the terms of such Award.

(iv) If and to the extent that the applicable Agreement may so provide, a Participant shall have the right to vote and receive dividends on the shares underlying a Restricted Stock award granted under the Plan. Unless otherwise provided in the applicable Agreement, any stock received as a dividend on or in connection with a stock split of the shares underlying a Restricted Stock award shall be subject to the same restrictions as the shares underlying such Restricted Stock award.

(v) The Committee may grant Stock Bonus awards, alone or in tandem with other Awards under the Plan, subject to such terms and conditions as the Committee shall determine in its sole discretion and as may be evidenced by the applicable Agreement.

(f) Performance Awards.

(i) The Committee may grant Performance Awards, alone or in tandem with other Awards under the Plan, to acquire shares of Company Stock in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine, subject to the terms of the Plan. To the extent necessary to satisfy the short-term deferral exception to Section 409A of the Code, unless the Committee shall determine otherwise, the Performance Awards shall provide that payment shall be made within 2 1/2 months after the end of the year in which the Participant has a legally binding vested right to such award.

(g) Other Stock-Based Award; Cash-Based Award; Restricted Stock Units.

(i) Other Stock-Based Awards; Cash-Based Awards. The Committee is authorized to grant Awards to Participants in the form of Other Stock-Based Awards or Other Cash-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. To the extent necessary to satisfy the short-term deferral exception to Section 409A of the Code, unless the Committee shall determine otherwise, the awards shall provide that payment shall be made within 2½ months after the end of the year in which the Participant has a legally binding vested right to such award. The maximum value of the aggregate payment that any Participant may receive with respect to any such Other Cash-Based Award and Other Stock Based Awards is $6,000,000.

(ii) Grant of Restricted Stock Units. A restricted stock unit (Restricted Stock Unit) represents the right to receive from the Company on the respective scheduled vesting or payment date for such Restricted Stock Unit, one share of Common Stock. An Award of a Restricted Stock Unit may be subject to the attainment of specified performance goals or targets, forfeitability provisions and such other terms and conditions as the Committee may determine, subject to the provisions of this Plan. At the time an Award of Restricted Stock Units is made, the Committee shall establish a period of time during which the restricted stock units shall vest and the timing for settlement of the Restricted Stock Unit, which shall be set forth in the applicable Restricted Stock Unit award agreement.

(iii) Dividend Equivalent Accounts Restricted Stock Units. Subject to the terms and conditions of this Plan and the applicable Restricted Stock Unit award agreement, as well as any procedures established by the Committee, prior to the expiration of the applicable vesting period of an Restricted Stock Unit, the Committee may determine to pay dividend equivalent rights with respect to Restricted Stock Units, in which case, the Company shall establish an

account for the participant and reflect in that account any securities, cash or other property comprising any dividend or property distribution with respect to the shares of Common Stock underlying each Restricted Stock Unit. Each amount or other property credited to any such account shall be subject to the same vesting conditions as the Restricted Stock Unit to which it relates. The participant shall have the right to be paid the amounts or other property credited to such account upon vesting of the subject Restricted Stock Unit.

(iv) Rights as a Stockholder Restricted Stock Units. Subject to the restrictions imposed under the terms and conditions of this Plan and the applicable Restricted Stock Unit award agreement, each participant receiving Restricted Stock Units shall have no rights as a stockholder with respect to such Restricted Stock Units until such time as shares of Common Stock are issued to the participant. No shares of Common Stock shall be issued at the time a Restricted Stock Unit is granted, and the Company will not be required to set aside a fund for the payment of any such award. Except as otherwise provided in the applicable award agreement, shares of Common Stock issuable under an Restricted Stock Unit shall be treated as issued on the first date that the holder of the Restricted Stock Unit is no longer subject to a substantial risk of forfeiture as determined for purposes of Section 409A of the Code, and the holder shall be the owner of such shares of Common Stock on such date. An award agreement may provide that issuance of shares of Common Stock under an Restricted Stock Unit may be deferred beyond the first date that the Restricted Stock Unit is no longer subject to a substantial risk of forfeiture, provided that such deferral is structured in a manner that is intended to comply with the requirements of Section 409A of the Code.

(h) Exercisability of Awards; Cancellation of Awards in Certain Cases.

(i) Except as hereinafter provided, each Agreement with respect to an Option or Stock Appreciation Right shall set forth the period during which and the conditions subject to which the Option or Stock Appreciation Right evidenced thereby shall be exercisable, and each Agreement with respect to a Restricted Stock award, Stock Bonus award, Performance Award or other Award shall set forth the period after which and the conditions subject to which amounts underlying such Award shall vest or be deliverable, all such periods and conditions to be determined by the Committee in its sole discretion.

(ii) Except as provided in Section 7(d) hereof, no Option or Stock Appreciation Right may be exercised and no shares of Company Stock underlying any other Award under the Plan may vest or become deliverable more than ten years after the date of grant (the Stated Expiration Date).

(iii) Except as provided in Section 7 hereof, no Option or Stock Appreciation Right may be exercised and no shares of Common Stock underlying any other Award under the Plan may vest or become deliverable unless the Participant is at such time in the employ (for Participants who are employees) or service (for Participants who are Nonemployee Directors or consultants) of the Company or a Subsidiary (or a company, or a parent or subsidiary company of such company, issuing or assuming the relevant right or award in a Change in Control) and has remained continuously so employed or in service since the relevant date of grant of the Award.

(iv) An Option or Stock Appreciation Right shall be exercisable by the filing of a written notice of exercise or a notice of exercise in such other manner with the Company, on such form and in such manner as the Committee shall in its sole discretion prescribe, and by payment in accordance with Section 6(i) hereof.

(v) Unless the applicable Agreement provides otherwise, the Option exercise date and the Stock Appreciation Right exercise date shall be the date that the written notice of exercise, together with payment, are received by the Company.

(i) Payment of Award Price.

(i) Unless the applicable Agreement provides otherwise or the Committee in its sole discretion otherwise determines, any written notice of exercise of an Option or Stock Appreciation Right must be accompanied by payment of the full Option or Stock Appreciation Right exercise price.

(ii) Payment of the Option exercise price and of any other payment required by the Agreement to be made pursuant to any other Award shall be made in any combination of the following: (a) by certified or official bank check payable to the Company (or the equivalent thereof acceptable to the Committee), (b) with the consent of the Committee in its sole discretion, by personal check (subject to collection) which may in the Committee s discretion be deemed conditional, (c) unless otherwise provided in the applicable Agreement, and as permitted by the Committee, by delivery of previously-acquired shares of Common Stock owned by the Participant having a Fair Market Value (determined as of the Option exercise date, in the case of Options, or other relevant payment date as determined by the Committee, in the case of other Awards) equal to the portion of the exercise price being paid thereby; and/or (d) unless otherwise provided in applicable agreement, and as permitted by the Committee, on a net-settlement basis with the Company withholding the amount of Common Stock sufficient to cover the exercise price and tax withholding obligation. Payment in accordance with clause (a) of this Section 6(i)(ii) may be deemed to be satisfied, if and to the extent that the applicable Agreement so provides or the Committee permits, by delivery to the Company of an assignment of a sufficient amount of the proceeds from the sale of Company Stock to be acquired pursuant to the Award to pay for all of the Company Stock to be acquired pursuant to the Award and an authorization to the broker or selling agent to pay that amount to the Company and to effect such sale at the time of exercise or other delivery of shares of Company Stock.

7. Termination of Employment.

(a) Unless the applicable Agreement provides otherwise or the Committee in its sole discretion determines otherwise, upon termination of a Participant s employment or service with the Company and its Subsidiaries by the Company or its Subsidiary for Cause (or in the case of a Nonemployee Director upon such Nonemployee Director s failure to be renominated as Nonemployee Director of the Company), the portions of outstanding Options and Stock Appreciation Rights granted to such Participant that are exercisable as of the date of such termination of employment or service shall remain exercisable, and any payment or notice provided for under the terms of any other outstanding Award as respects the portion thereof that is vested as of the date of such termination of employment or service, may be given, for a period of thirty (30) days from and including the date of termination of employment or service (and shall thereafter terminate). All portions of outstanding Options or Stock Appreciation Rights granted to such Participant which are not exercisable as of the date of such termination of employment or service, and any other outstanding Award which is not vested as of the date of such termination of employment or service shall terminate upon the date of such termination of employment or service.

(b) Unless the applicable Agreement provides otherwise or the Committee in its sole discretion determines otherwise, upon termination of the Participant s employment or service with the Company and its Subsidiaries for any reason other than as described in subsection (a), (c), (d) or (e) hereof, the portions of outstanding Options and Stock Appreciation Rights granted to such Participant that are exercisable as of the date of such termination of employment or service shall remain exercisable for a period of ninety (90) days (and shall terminate thereafter), and any payment or notice provided for under the terms of any other outstanding Award as respects the portion thereof vested as of the date of termination of employment or service may be given, for a period of ninety (90) days from and including the date of termination of employment or service (and shall terminate thereafter). All additional portions of outstanding Options or Stock Appreciation Rights granted to such Participant which are not exercisable as of the date of such termination of employment or service, and any other outstanding Award which is not vested as of the date of such termination of employment or service shall terminate upon the date of such termination of employment or service.

(c) Unless the applicable Agreement provides otherwise or the Committee in its sole discretion determines otherwise, if the Participant voluntarily Retires with the consent of the Company or the Participant s employment or service terminates due to Disability, all outstanding Options, Stock Appreciation Rights and all other outstanding Awards granted to such Participant shall continue to vest in accordance with the terms of the applicable Agreements. The Participant shall be entitled to exercise each such Option or Stock Appreciation Right and to make any payment, give any notice or to satisfy other condition under each such other Award, in each case, for a period of one year from and including the later of (i) date such entire Award becomes vested or exercisable in accordance with the terms of such Award and (ii) the date of Retirement, and thereafter such Awards or parts thereof shall be canceled. Notwithstanding the foregoing, the Committee may in its sole discretion provide for a longer or shorter period for exercise of an Option or Stock Appreciation Right or may permit a Participant to continue vesting under an Option, Stock Appreciation Right or Restricted Stock award or to make any payment, give any notice or to satisfy other condition under any other Award. The Committee may in its sole discretion, and in accordance with Section 409A of the Code, determine (i) for purposes of the Plan, whether any termination of employment or service is a voluntary Retirement with the Company s consent or is due to Disability for purposes of the Plan, (ii) whether any leave of absence (including any short-term or

long-term Disability or medical leave) constitutes a termination of employment or service, or a failure to have remained continuously employed or in service, for purposes of the Plan (regardless of whether such leave or status would constitute such a termination or failure for purposes of employment law), (iii) the applicable date of any such termination of employment or service, and (iv) the impact, if any, of any of the foregoing on Awards under the Plan.

(d) Unless the applicable Agreement provides otherwise or the Committee in its sole discretion determines otherwise, if the Participant s employment or service terminates by reason of death, or if the Participant s employment or service terminates under circumstances providing for continued rights under subsection (b), (c) or (e) of this Section 7 and during the period of continued rights described in subsection (b), (c) or (e) the Participant dies, all outstanding Options, Restricted Stock and Stock Appreciation Rights granted to such Participant shall vest and become fully exercisable, and any payment or notice provided for under the terms of any other outstanding Award may be immediately paid or given and any condition may be satisfied, by the person to whom such rights have passed under the Participant s will (or if applicable, pursuant to the laws of descent and distribution) for a period of one year from and including the date of the Participant s death and thereafter all such Awards or parts thereof shall be canceled.

(e) Unless the applicable Agreement provides otherwise or the Committee in its sole discretion determines otherwise, upon termination of a Participant s employment or service with the Company and its Subsidiaries (i) by the Company or its Subsidiaries without Cause (including, in case of a Nonemployee Director, the failure to be elected as a Nonemployee Director) or (ii) by the Participant for good reason or any like term as defined under any employment agreement with the Company or a Subsidiary to which a Participant may be a party to, the portions of outstanding Options and Stock Appreciation Rights granted to such Participant which are exercisable as of the date of termination of employment or service of such Participant shall remain exercisable, and any payment or notice provided for under the terms of any other outstanding Award as respects the portion thereof vested as of the date of termination of employment or service may be given, for a period of one year from and including the date of termination of employment or service and shall terminate thereafter. Unless the applicable Agreement provides otherwise or the Committee in its sole discretion determines otherwise, any other outstanding Award shall terminate as of the date of such termination of employment or service.

(f) Notwithstanding anything in this Section 7 to the contrary, no Option or Stock Appreciation Right may be exercised and no shares of Company Stock underlying any other Award under the Plan may vest or become deliverable past the Stated Expiration Date.

8. Effect of Change in Control.

Unless otherwise determined in an Award Agreement, in the event of a Change in Control:

(a) With respect to each outstanding Award that is assumed or substituted in connection with a Change in Control, in the event of a termination of a Participant s employment or service by the Company without Cause during the 24-month period following such Change in Control, on the date of such termination (i) such Award shall become fully vested and, if applicable, exercisable, (ii) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (iii) any performance conditions imposed with respect to Awards shall be deemed to be fully achieved at target levels.

(b) With respect to each outstanding Award that is not assumed or substituted in connection with a Change in Control, immediately upon the occurrence of the Change in Control, (i) such Award shall become fully vested and, if applicable, exercisable, (ii) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (iii) any performance conditions imposed with respect to Awards shall be deemed to be fully achieved at target levels.

(c) For purposes of this Section 8, an Award shall be considered assumed or substituted for if, following the Change in Control, the Award remains subject to the same terms and conditions that were applicable to the Award immediately prior to the Change in Control except that, if the Award related to Shares, the Award instead confers the right to receive Common Stock of the acquiring entity.

(d) Notwithstanding any other provision of the Plan: (i) in the event of a Change in Control, except as would otherwise result in adverse tax consequences under Section 409A of the Code, the Board may, in its sole discretion, provide that each Award shall, immediately upon the occurrence of a Change in Control, be cancelled in exchange for a payment in cash or securities in an amount equal to (x) the excess of the consideration paid per Share in the Change in Control over the exercise or purchase price (if any) per Share subject to the Award multiplied by (y) the number of Shares granted under the Award and (ii) with respect to any Award that constitutes a deferral of compensation subject to Section 409A of the Code, in the event of a Change in Control that does not constitute a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company under Section 409A(a)(2)(A)(v) of the Code and regulations thereunder, such Award shall be settled in accordance with its original terms or at such earlier time as permitted by Section 409A of the Code.

9. Miscellaneous.

(a) Agreements evidencing Awards under the Plan shall contain such other terms and conditions, not inconsistent with the Plan, as the Committee may determine in its sole discretion, including penalties for the commission of competitive acts or other actions detrimental to the Company. Notwithstanding any other provision hereof, the Committee shall have the right at any time to deny or delay a Participant s exercise of Options if such Participant is reasonably believed by the Committee (i) to be engaged in material conduct adversely affecting the Company or (ii) to be contemplating such conduct, unless and until the Committee shall have received reasonable assurance that the Participant is not engaged in, and is not contemplating, such material conduct adverse to the interests of the Company.

(b) Participants are and at all times shall remain subject to the trading window policies adopted by the Company from time to time throughout the period of time during which they may exercise Options, Stock Appreciation Rights or sell shares of Company Stock acquired pursuant to the Plan.

10. No Special Employment Rights, No Right to Award.

(a) Nothing contained in the Plan or any Agreement shall confer upon any Participant any right with respect to the continuation of employment or service by the Company or interfere in any way with the right of the Company, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or service or to increase or decrease the compensation of the Participant.

(b) No person shall have any claim or right to receive an Award hereunder. The Committee s granting of an Award to a Participant at any time shall neither require the Committee to grant any other Award to such Participant or other person at any time or preclude the Committee from making subsequent grants to such Participant or any other person.

11. Securities Matters.

(a) The Company shall be under no obligation to effect the registration pursuant to the Securities Act of any interests in the Plan or any shares of Company Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, the Company shall not be obligated to cause to be issued or delivered any certificates evidencing shares of Company Stock pursuant to the Plan unless and until the Company is advised by its counsel that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Company Stock are traded. The Committee may require, as a condition of the issuance and delivery of certificates evidencing shares of Company Stock pursuant to the terms hereof, that the recipient of such shares make such agreements and representations, and that such certificates bear such legends, as the Committee, in its sole discretion, deems necessary or desirable.

(b) The transfer of any shares of Company Stock hereunder shall be effective only at such time as counsel to the Company shall have determined that the issuance and delivery of such shares is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Company Stock are traded. The Committee may, in its sole discretion, defer the effectiveness of any transfer of shares of Company Stock hereunder in order to allow the issuance of such shares to be made pursuant to registration or an exemption from registration or other methods for compliance available under federal or state securities laws. The Committee shall inform the Participant in writing of its decision to defer the effectiveness of a transfer. During the period of such deferral in connection with the exercise of an Award, the Participant may, by written notice, withdraw such exercise and obtain the refund of any amount paid with respect thereto.

12. Withholding Taxes.

(a) Whenever cash is to be paid pursuant to an Award, the Company shall have the right to deduct therefrom an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto.

(b) Whenever shares of Company Stock are to be delivered pursuant to an Award, the Company shall have the right to require the Participant to remit to the Company in cash an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto. With the approval of the Committee, a Participant may satisfy the foregoing requirement by electing to have the Company withhold from delivery shares of Company Stock having a value equal to the minimum amount of tax required to be withheld. Such shares shall be valued at their Fair Market Value on the date of which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such a withholding election may be made with respect to all or any portion of the shares to be delivered pursuant to an Award.

13. Non-Competition and Confidentiality.

By accepting Awards and as a condition to the exercise of Awards and the enjoyment of any benefits of the Plan, including participation therein, each Participant agrees to be bound by and subject to non-competition, confidentiality and invention ownership agreements acceptable to the Committee or any officer or director to whom the Committee elects to delegate such authority.

14. Notification of Election Under Section 83(b) of the Code.

If any Participant shall, in connection with the acquisition of shares of Company Stock under the Plan, make the election permitted under Section 83(b) of the Code, such Participant shall notify the Company of such election within 10 days of filing notice of the election with the Internal Revenue Service.

15. Amendment or Termination of the Plan.

The Board of Directors or the Committee may, at any time, suspend or terminate the Plan or revise or amend it in any respect whatsoever; provided, however, that the requisite stockholder approval shall be required if and to the extent the Board of Directors or Committee determines that such approval is appropriate or necessary for purposes of satisfying any section of the Code or Rule 16b-3 or other applicable law. Awards may be granted under the Plan prior to the receipt of such stockholder approval of the Plan but each such grant shall be subject in its entirety to such approval and no Award may be exercised, vested or otherwise satisfied prior to the receipt of such approval. No amendment or termination of the Plan may, without the consent of a Participant, adversely affect the Participant s rights under any outstanding Award.

16. Transfers Upon Death; Nonassignability.

(a) A Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, upon the death of a Participant, outstanding Awards granted to such Participant may be exercised only by the executor or administrator of the Participant s estate or by a person who shall have acquired the right to such exercise by will or by the laws of descent and distribution. No transfer of an Award by will or the laws of descent and distribution shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and with a copy of the will and/or such evidence as the Committee may deem necessary to establish the validity of the transfer and an agreement by the transferee to comply with all the terms and conditions of the Award that are or would have been applicable to the Participant and to be bound by the acknowledgments made by the Participant in connection with the grant of the Award.

(b) During a Participant s lifetime, the Committee may, in its discretion, pursuant to the provisions set forth in this clause (b), permit the transfer, assignment or other encumbrance of an outstanding Option unless such Option is an Incentive Stock Option and the Committee and the Participant intends that it shall retain such status. Subject to the approval of the Committee and to any conditions that the Committee may prescribe, a Participant may, upon providing written notice to the General Counsel of the Company, elect to transfer any or all Options granted to such Participant

pursuant to the Plan to members of his or her immediate family, including, but not limited to, children, grandchildren and spouse or to trusts for the benefit of such immediate family members or to partnerships in which such family members are the only partners; provided, however, that no such transfer by any Participant may be made in exchange for consideration. Any such transferee must agree, in writing, to be bound by all provisions of the Plan.

17. Effective Date and Term of Plan.

The Plan shall become effective on the Effective Date, but the Plan shall be subject to the requisite approval of the stockholders of the Company at the Company s next annual meeting of its shareholders. In the absence of such approval, such Awards shall be null and void. Unless earlier terminated by the Board of Directors, the right to grant Awards under the Plan shall terminate on the tenth anniversary of the Effective Date, which is May 10, 2018. Awards outstanding at Plan termination shall remain in effect according to their terms and the provisions of the Plan.

18. Applicable Law.

Except to the extent preempted by any applicable federal law, the Plan shall be construed and administered in accordance with the laws of the State of Delaware, without reference to its principles of conflicts of law.

19. Participant Rights.

(a) No Participant shall have any claim to be granted any award under the Plan, and there is no obligation for uniformity of treatment for Participants. Except as provided specifically herein, a Participant or a transferee of an Award shall have no rights as a stockholder with respect to any shares covered by any award until the date of the issuance of a Company Stock certificate to him or her for such shares.

(b) Determinations by the Committee under the Plan relating to the form, amount and terms and conditions of grants and Awards need not be uniform, and may be made selectively among persons who receive or are eligible to receive grants and awards under the Plan, whether or not such persons are similarly situated.

20. Unfunded Status of Awards.

The Plan is intended to constitute an unfunded plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Agreement shall give any such Participant any rights that are greater than those of a general creditor of the Company.

21. No Fractional Shares.

No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

22. Interpretation.

The Plan is designed and intended to the extent applicable, to comply with the Code, and to provide for grants and other transactions which are exempt under Rule 16b-3, and all provisions hereof shall be construed in a manner to so comply. Awards under the Plan are intended to comply with Code Section 409A to the extent subject thereto and the Plan and all Awards shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date of the Plan. Notwithstanding any provision in the Plan to the contrary, no payment or distribution under this Plan that constitutes an item of deferred compensation under Code Section 409A and becomes payable by reason of a Participant s termination of employment or service with the Company will be made to such Participant until such Participant s termination of employment or service constitutes a separation from service (as defined in Code Section 409A). For purposes of this Plan, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Code Section 409A. If a participant is a specified employee (as defined in Code Section 409A), then to the extent necessary to avoid the imposition of taxes under Code Section 409A, such Participant shall not be entitled to any payments upon a termination of his or her employment or service until the earlier of: (i) the expiration of the six (6)-month period measured from the date of such Participant s separation from service or (ii) the date of such Participant s death. Upon the expiration of the applicable waiting period set forth in the preceding sentence, all payments and benefits deferred pursuant to this Section 22 (whether they would have otherwise been payable in a single lump sum or in installments

in the absence of such deferral) shall be paid to such Participant in a lump sum as soon as practicable, but in no event later than sixty (60) calendar days, following such expired period, and any remaining payments due under this Plan will be paid in accordance with the normal payment dates specified for them herein.

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This Plan was approved and adopted by the Board of Directors on the 10th day of May, 2018.

HEAT BIOLOGICS, INC.

801 CAPITOLA DRIVE, SUITE 12

DURHAM, NC 27713

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on October 1, 2018. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: ý

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

The Board of Directors recommends you vote FOR the following:	**For All**	**Withhold All**	**For All Except**
1. Election of Directors	¨	¨	¨

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

Nominees:

01 Jeffrey Wolf	02 John Monahan, Ph.D.	03 Edward B. Smith, III	04 John Prendergast, Ph.D.

The Board of Directors recommends you vote FOR the proposals 2 and 3.	**For**	**Against**	**Abstain**
2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for our fiscal year ending on December 31, 2018.	¨	¨	¨
3. To approve the 2018 Stock Incentive Plan.	¨	¨	¨

NOTE: To transact such other business as may properly come before the meeting or any adjournments or postponements of the meeting.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, and Form 10-K are available at www.proxyvote.com

HEAT BIOLOGICS, INC.

2018 Annual Meeting of Stockholders

October 2, 2018 1:00 P.M. Local Time

This proxy is solicited by the Board of Directors

The undersigned stockholder hereby appoints Jeffrey Wolf and Ann Rosar, or either of them, as proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of HEAT BIOLOGICS, INC. that the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held at 1:00 P.M., local time, on October 2, 2018, at the New York City office of Gracin & Marlow, LLP, at The Chrysler Building, 405 Lexington Avenue, 26th Floor, New York, New York 10174, and any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side