

InspireMD, Inc.  
Form PRE 14A  
August 08, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement

[ ] **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

[ ] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to §240.14a-12

**INSPIREMD, INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**InspireMD, Inc.**

321 Columbus Avenue

Boston, Massachusetts 02116

Telephone: (857) 305-2410

August 18, 2016

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of InspireMD, Inc. to be held at 11:30 a.m., New York time, on September 20, 2016, at the offices of Haynes and Boone, LLP, located at 30 Rockefeller Plaza, 26th Floor, New York, New York 10112.

Please note that in order to gain admission to the site of our special meeting, all attendees will need to present a photo identification card and have their name previously provided to building security. As such, in order to facilitate your attendance at the special meeting, we strongly encourage you to advise Craig Shore by email at [craigs@inspiremd.com](mailto:craigs@inspiremd.com) or phone at 972-3-6917691 if you plan to attend the meeting prior to 5:00 p.m., New York time, on September 19, 2016, so that we can timely provide your name to building security. In the event that you do not advise us ahead of time that you will be attending the special meeting, we encourage you to arrive at the meeting no later than 11:00 a.m., New York time, in order to ensure that you are able to pass through security prior to the start of the meeting.

Your vote is very important, regardless of the number of shares of our voting securities that you own. I encourage you to vote by telephone, over the Internet, or by marking, signing, dating and returning your proxy card so that your shares will be represented and voted at the special meeting, whether or not you plan to attend. If you attend the special meeting, you will, of course, have the right to revoke the proxy and vote your shares in person.

If your shares are held in the name of a broker, trust, bank or other nominee, and you receive notice of the special meeting through your broker or through another intermediary, please vote or return the materials in accordance with the instructions provided to you by such broker or other intermediary or contact your broker directly in order to obtain a proxy issued to you by your nominee holder to attend the meeting and vote in person. Failure to do so may result in your shares not being eligible to be voted by proxy at the meeting.

On behalf of the board of directors, I urge you to submit your proxy as soon as possible, even if you currently plan to attend the meeting in person.

Thank you for your support of our company. I look forward to seeing you at the special meeting.

Sincerely,

*/s/ Sol J. Barer, Ph.D.*

Sol J. Barer, Ph.D.

*Chairman*

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON SEPTEMBER 20, 2016:**

**Our official Notice of Special Meeting of Stockholders, Proxy Statement and Proxy Card are available at:**

***[www.proxyvote.com](http://www.proxyvote.com)***

**InspireMD, Inc.**

321 Columbus Avenue

Boston, Massachusetts 02116

Telephone: (857) 305-2410

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held September 20, 2016**

The 2016 Special Meeting of Stockholders of InspireMD, Inc., a Delaware corporation (the “Company”), will be held at 11:30 a.m., New York time, on September 20, 2016 at the offices of Haynes and Boone, LLP, located at 30 Rockefeller Plaza, 26th Floor, New York, New York 10112. We will consider and act on the following items of business at the special meeting:

Approval of the Third Amendment to the InspireMD, Inc. 2013 Long-Term Incentive Plan to increase the number (1) of shares of common stock available for issuance pursuant to awards under such plan by 6,300,000 shares, to a total of 17,270,000 shares of common stock.

Authorization of the board of directors, in its discretion but prior to the annual meeting of our stockholders in (2) 2017, to amend the Amended and Restated Certificate of Incorporation of the Company to effect a reverse stock split of the Company’s common stock at a ratio in the range of 1-for-10 to 1-for-25, such ratio to be determined by the board of directors.

(3) Such other business as may properly come before the Special Meeting.

Stockholders are referred to the Proxy Statement accompanying this notice for more detailed information with respect to the matters to be considered at the Special Meeting. After careful consideration, **the board of directors recommends a vote FOR the approval of the Third Amendment to the InspireMD, Inc. 2013 Long-Term Incentive Plan (Proposal 1) and FOR the approval of the amendment to the Amended and Restated Certificate of Incorporation of the Company to effect the reverse stock split (Proposal 2).**

The board of directors has fixed the close of business on August 11, 2016, as the record date (the “Record Date”). Only holders of record of shares of our common stock are entitled to receive notice of the Special Meeting and to vote at the Special Meeting or at any postponement(s) or adjournment(s) of the Special Meeting. A complete list of registered stockholders entitled to vote at the Special Meeting will be available for inspection at the office of the Company during regular business hours for the 10 calendar days prior to and during the Special Meeting.

Please note that in order to gain admission to the site of our Special Meeting, all attendees will need to present a photo identification card and have their name previously provided to building security. As such, in order to facilitate your attendance at the Special Meeting, we strongly encourage you to advise Craig Shore by email at [craigs@inspiremd.com](mailto:craigs@inspiremd.com) or phone at 972-3-6917691 if you plan to attend the meeting prior to 5:00 p.m., New York time, on April 19, 2016 so that we can timely provide your name to building security. In the event that you do not advise us ahead of time that you will be attending the special meeting, we encourage you to arrive at the meeting no later than 11:00 a.m., New York time, in order to ensure that you are able to pass through security prior to the start of the meeting.

**YOUR VOTE AND PARTICIPATION IN THE COMPANY'S AFFAIRS ARE IMPORTANT.**

*If your shares are registered in your name*, even if you plan to attend the Special Meeting or any postponement or adjournment of the Special Meeting in person, we request that you vote by telephone, over the Internet, or complete, sign and mail your proxy card to ensure that your shares will be represented at the Special Meeting.

*If your shares are held in the name of a broker, trust, bank or other nominee*, and you receive notice of the Special Meeting through your broker or through another intermediary, please vote or complete and return the materials in accordance with the instructions provided to you by such broker or other intermediary or contact your broker directly in order to obtain a proxy issued to you by your nominee holder to attend the Special Meeting and vote in person. Failure to do so may result in your shares not being eligible to be voted by proxy at the Special Meeting.

By Order of The Board of Directors,

*/s/ Sol J. Barer*  
Sol J. Barer, Ph.D.  
*Chairman*

August 18, 2016

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**InspireMD, Inc.**

321 Columbus Avenue

Boston, Massachusetts 02116

Telephone: (857) 305-2410

**PROXY STATEMENT**

**FOR**

**SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held September 20, 2016**

*Unless the context otherwise requires, references in this Proxy Statement to “we,” “us,” “our,” the “Company,” or “InspireMD” refer to InspireMD, Inc., a Delaware corporation, and its direct and indirect subsidiaries. In addition, unless the context otherwise requires, references to “stockholders” are to the holders of our voting securities, which consist of our common stock, par value \$0.0001 per share.*

*All amounts set forth in this proxy statement are adjusted for the 1-for-10 reverse stock split of our common stock that occurred on October 1, 2015.*

The accompanying proxy is solicited by the board of directors on behalf of InspireMD, Inc., a Delaware corporation, to be voted at the special meeting of stockholders of the Company (the “Special Meeting”) to be held on September 20, 2016, at the time and place and for the purposes set forth in the accompanying Notice of Special Meeting of Stockholders (the “Notice”) and at any adjournment(s) or postponement(s) of the Special Meeting. This Proxy Statement and accompanying form of proxy are expected to be first sent or given to stockholders on or about August 18, 2016.

The executive offices of the Company are located at, and the mailing address of the Company is, 321 Columbus Avenue, Boston, Massachusetts 02116.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON September 20, 2016:**

**Our official Notice of Special Meeting of Stockholders and Proxy Statement are available at:**

**[www.proxyvote.com](http://www.proxyvote.com)**

## **ABOUT THE SPECIAL MEETING**

### **What is a proxy?**

A proxy is another person that you legally designate to vote your stock. If you designate someone as your proxy in a written document, that document is also called a “proxy” or a “proxy card.” If you are a street name holder, you must obtain a proxy from your broker or nominee in order to vote your shares in person at the Special Meeting.

### **What is a proxy statement?**

A proxy statement is a document that regulations of the Securities and Exchange Commission require that we give to you when we ask you to sign a proxy card to vote your stock at the Special Meeting.

### **What is the purpose of the Special Meeting?**

At our Special Meeting, stockholders will act upon the matters outlined in the Notice, including the following:

Approval of the Third Amendment to the InspireMD, Inc. 2013 Long-Term Incentive Plan (the “2013 Plan”) to  
(1) increase the number of shares of common stock available for issuance pursuant to awards under such plan by 6,300,000 shares, to a total of 17,270,000 shares of common stock.

Authorization of the board of directors, in its discretion but prior to the annual meeting of our stockholders in  
(2) 2017, to amend the Amended and Restated Certificate of Incorporation of the Company (the “Certificate of Incorporation”) to effect a reverse stock split of the Company’s common stock at a ratio of 1-for-10 to 1-for-25, such ratio to be determined by the board of directors (the “Reverse Stock Split”).

(3) Such other business as may properly come before the Special Meeting.

### **What is “householding” and how does it affect me?**

With respect to eligible stockholders who share a single address, we may send only one Proxy Statement to that address unless we receive instructions to the contrary from any stockholder at that address. This practice, known as “householding,” is designed to reduce our printing and postage costs. However, if a stockholder of record residing at such address wishes to receive a separate Proxy Statement in the future, he or she may contact InspireMD, Inc., 321 Columbus Avenue, Boston, Massachusetts 02116, Attn: Investor Relations or call (857) 305-2410 and ask for Investor Relations. Eligible stockholders of record receiving multiple copies of our Notice or Proxy Statement can request householding by contacting us in the same manner. Stockholders who own shares through a bank, broker or other nominee can request householding by contacting the nominee.

We hereby undertake to deliver promptly, upon written or oral request, a copy of the Notice or Proxy Statement to a stockholder at a shared address to which a single copy of the document was delivered. Requests should be directed to Investor Relations at the address or phone number set forth above.

**What should I do if I receive more than one set of voting materials?**

You may receive more than one set of voting materials, including multiple copies of the Notice or this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate notice or voting instruction card for each brokerage account in which you hold shares. Similarly, if you are a stockholder of record and hold shares in a brokerage account, you will receive a Notice for shares held in your name and a notice or voting instruction card for shares held in street name. Please follow the directions provided in the Notice and each additional notice or voting instruction card you receive to ensure that all your shares are voted.

**What is the record date and what does it mean?**

The record date to determine the stockholders entitled to notice of and to vote at the Special Meeting is the close of business on August 11, 2016 (the “Record Date”). The Record Date is established by the board of directors as required by Delaware law. On the Record Date, [ ] shares of common stock were issued and outstanding.

**Who is entitled to vote at the Special Meeting?**

Holders of common stock at the close of business on the Record Date may vote at the Special Meeting.

**What are the voting rights of the stockholders?**

Each holder of common stock is entitled to one vote per share of common stock on all matters to be acted upon at the Special Meeting.

The presence, in person or by proxy, of the holders of a majority of the shares of the stock entitled to vote at the Special Meeting is necessary to constitute a quorum to transact business. If a quorum is not present or represented at the Special Meeting, the stockholders entitled to vote at the Special Meeting, present in person or by proxy, may adjourn the Special Meeting from time to time without notice or other announcement until a quorum is present or represented.

**What is the difference between a stockholder of record and a “street name” holder?**

If your shares are registered directly in your name with Action Stock Transfer Corporation, our stock transfer agent, you are considered the stockholder of record with respect to those shares. The Notice has been sent directly to you by us.

If your shares are held in a stock brokerage account or by a bank or other nominee, the nominee is considered the record holder of those shares. You are considered the beneficial owner of those shares, and your shares are held in “street name.” A notice or Proxy Statement and voting instruction card have been forwarded to you by your nominee. As

the beneficial owner, you have the right to direct your nominee concerning how to vote your shares by using the voting instructions they included in the mailing or by following their instructions for voting.

### **What is a broker non-vote?**

A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. Your broker does not have discretionary authority to vote your shares with respect to the approval of the Third Amendment to the 2013 Plan (Proposal 1) in the absence of specific instructions from you

With respect to the proposal to approve the amendment to our Certificate of Incorporation to effect the Reverse Stock Split (Proposal 2), your broker will have the discretion to vote your shares and, therefore, will be able to vote your shares with respect to such proposals even if you do not provide your broker with instructions on the proposal.

### **How do I vote my shares?**

Your vote is very important to us and we hope that you will attend the Special Meeting. However, whether or not you plan to attend the Special Meeting, please vote by proxy in accordance with the instructions on your proxy card or voting instruction card (from your broker or other intermediary). There are three convenient ways of submitting your vote:

***By Telephone or Internet*** - All record holders can vote by touchtone telephone from the U.S. using the toll free telephone number on the proxy card, or over the Internet, using the procedures and instructions described on the proxy card. "Street name" holders may vote by telephone or Internet if their broker or other intermediary makes those methods available, in which case the broker or other intermediary will enclose the instructions with the proxy materials. The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to vote their shares, and to confirm that their instructions have been recorded properly.

***In Person*** - All record holders may vote in person at the Special Meeting. “Street name” holders may vote in person at the Special Meeting if their broker or other intermediary has furnished a legal proxy. If you are a “street name” holder and would like to vote your shares by proxy, you will need to ask your broker or other intermediary to furnish you with a nominee issued proxy. You will need to bring the nominee issued proxy with you to the Special Meeting and hand it in with a signed ballot that will be provided to you at the Special Meeting. You will not be able to vote your shares without a nominee issued proxy. Note that a broker letter that identifies you as a stockholder is not the same as a nominee issued proxy.

***By Written Proxy*** - All record holders can vote by written proxy card, if they have requested to receive printed proxy materials. If you are a “street name” holder and you request to receive printed proxy materials, you will receive a written proxy card and a voting instruction card from your broker or other intermediary.

The board of directors has appointed James Barry, Ph.D., president, chief executive officer and director, and Craig Shore, chief financial officer, chief administrative officer, treasurer and secretary, to serve as the proxies for the Special Meeting.

If you complete all of the proxy card except one or more of the voting instructions, then the designated proxies will vote your shares as to which you provide no voting instructions in the manner described under “What if I do not specify how I want my shares voted?” below. We do not anticipate that any other matters will come before the Special Meeting, but if any other matters properly come before the meeting, then the designated proxies will vote your shares in accordance with applicable law and their judgment.

If you hold your shares in “street name,” and complete the voting instruction card provided by your broker or other intermediary except with respect to one or more of the voting instructions, then your broker may be unable to vote your shares with respect to the proposal as to which you provide no voting instructions. See “What is a broker non-vote?”

Even if you currently plan to attend the Special Meeting, we recommend that you vote by telephone or Internet or return your proxy card or voting instructions as described above so that your votes will be counted if you later decide not to attend the Special Meeting or are unable to attend.

#### **Who counts the votes?**

All votes will be tabulated by James Barry, Ph.D., the inspector of election appointed for the Special Meeting. Each proposal will be tabulated separately.

**What are my choices when voting?**

Stockholders may vote for the proposal, against the proposal, or abstain from voting on the proposal.

**What are the board of directors' recommendations on how I should vote my shares?**

The board of directors recommends that you vote your shares as follows:

Proposal 1—**FOR** the approval of the Third Amendment to the 2013 Plan.

Proposal 2—**FOR** the approval of the amendment to our Certificate of Incorporation to effect the Reverse Stock Split.

**What if I do not specify how I want my shares voted?**

If you are a record holder who returns a completed proxy card that does not specify how you want to vote your shares on one or more proposals, the proxies will vote your shares for each proposal as to which you provide no voting instructions, and such shares will be voted in the following manner:

Proposal 1—**FOR** the approval of the Third Amendment to the 2013 Plan.

Proposal 2—**FOR** the approval of the amendment to our Certificate of Incorporation to effect the Reverse Stock Split.

If you are a street name holder and do not provide voting instructions on one or more proposals, your bank, broker or other nominee may be unable to vote those shares. See “What is a broker non-vote?”

**Can I change my vote?**

Yes. If you are a record holder, you may revoke your proxy at any time by any of the following means:

Attending the Special Meeting and voting in person. Your attendance at the Special Meeting will not by itself revoke a proxy. You must vote your shares by ballot at the Special Meeting to revoke your proxy.

Voting again by telephone or over the Internet (only your latest telephone or Internet vote submitted prior to the Special Meeting will be counted).

Completing and submitting a new valid proxy bearing a later date.

Giving written notice of revocation to the Company addressed to Craig Shore, chief financial officer, chief administrative officer, treasurer and secretary, at the Company’s address above, which notice must be received before noon, New York time on September 19, 2016.

If you are a street name holder, your bank, broker or other nominee should provide instructions explaining how you may change or revoke your voting instructions.

**What percentage of the vote is required to approve each proposal?**

Pursuant to Section 711 of the NYSE MKT Company Guide, approval of the Third Amendment to the 2013 Plan (Proposal 1) will require approval by a majority of votes cast, including abstentions.

Approval of the amendment to our Certificate of Incorporation to effect the Reverse Stock Split (Proposal 2) will require the affirmative vote of the holders of a majority of the shares of our issued and outstanding common stock entitled to vote on such proposal at the Special Meeting.

**How are abstentions and broker non-votes treated?**

Abstentions are included in the determination of the number of shares present at the Special Meeting for determining a quorum at the meeting. Abstentions will have the same effect as a vote against the Third Amendment to the 2013 Plan (Proposal 1) and the amendment to our Certificate of Incorporation to effect the Reverse Stock Split (Proposal 2).

Broker non-votes are included in the determination of the number of shares present at the Special Meeting for determining a quorum at the meeting. Broker non-votes will have no effect upon the approval of the Third Amendment to the 2013 Plan (Proposal 1). With respect to the proposal to approve the amendment to our Certificate of Incorporation to effect the Reverse Stock Split (Proposal 2), broker-non-votes are not applicable because such proposal is considered as a routine matter, and, therefore, a broker holding shares for a beneficial owner will have discretionary authority to vote those shares for such proposal in the absence of voting instructions from the beneficial owner.

**Do I have any dissenters' or appraisal rights with respect to any of the matters to be voted on at the Special Meeting?**

No. None of our stockholders has any dissenters' or appraisal rights with respect to the matters to be voted on at the Special Meeting.

**What are the solicitation expenses and who pays the cost of this proxy solicitation?**

Our board of directors is asking for your proxy and we will pay all of the costs of asking for stockholder proxies. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of common stock and collecting voting instructions. We may use officers and employees of the Company, as well as a proxy solicitation firm hired by the Company, to ask for proxies, as described below.

**Is this Proxy Statement the only way that proxies are being solicited?**

No. In addition to the solicitation of proxies by use of the mail, officers and employees of the Company, as well as any proxy solicitation firm hired by the Company, may solicit the return of proxies, either by mail, telephone, fax, e-mail or through personal contact. These officers and employees will not receive additional compensation for their efforts but will be reimbursed for out-of-pocket expenses. Brokerage houses and other custodians, nominees and fiduciaries, in connection with shares of the common stock registered in their names, will be requested to forward solicitation material to the beneficial owners of shares of common stock.

**Are there any other matters to be acted upon at the Special Meeting?**

Management does not intend to present any business at the Special Meeting for a vote other than the matters set forth in the Notice and has no information that others will do so. If other matters requiring a vote of the stockholders properly come before the Special Meeting, it is the intention of the persons named in the accompanying form of proxy to vote the shares represented by the proxies held by them in accordance with applicable law and their judgment on such matters.

**Where can I find voting results?**

The Company expects to publish the voting results in a Current Report on Form 8-K, which it expects to file with the Securities and Exchange Commission within four business days following the Special Meeting.

**Who can help answer my questions?**

The information provided above in this “Question and Answer” format is for your convenience only and is merely a summary of the information contained in this Proxy Statement. We urge you to carefully read this entire Proxy Statement, including the documents we refer to in this Proxy Statement. If you have any questions, or need additional material, please feel free to contact Craig Shore by email at [craigs@inspiremd.com](mailto:craigs@inspiremd.com) or phone at 972-3-6917691.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of our common stock as of August 5, 2016 by:

each person known by us to beneficially own more than 5.0% of our common stock;

each of our directors;

each of the named executive officers; and

all of our directors and executive officers as a group.

The percentages of common stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of beneficial ownership of securities. Under the rules of the Securities and Exchange Commission, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. Except as indicated in the footnotes to this table, each beneficial owner named in the table below has sole voting and sole investment power with respect to all shares beneficially owned and each person's address is c/o InspireMD, Inc., 321 Columbus Avenue, Boston, MA 02116. As of August 5, 2016, we had 29,596,393 shares outstanding.

Name of Beneficial Owner	Number of Shares Beneficially Owned <sup>(1)</sup>	Percentage Beneficially Owned <sup>(1)</sup>		
<i>Officers and Directors</i>				
Alan W. Milinazzo	150,527	(2)	*	
Craig Shore	455,981	(3)	1.54	%
Sol J. Barer, Ph.D.	5,540,628	(4)	16.38	%
James Barry, Ph.D.	1,784,460	(5)	6.03	%
Michael Berman	130,811	(6)	*	
Campbell Rogers, M.D.	120,553	(7)	*	
Paul Stuka	1,003,389	(8)	3.31	%
Isaac Blech	585,000	(9)	1.94	%
All directors and executive officers as a group (8 persons)	9,771,349		27.60	%

\*Represents ownership of less than one percent.

(1)

Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assumes the exercise of all options, warrants and other securities convertible into common stock beneficially owned by such person or entity currently exercisable or exercisable within 60 days of June 30, 2016. Shares issuable pursuant to the exercise of stock options and warrants exercisable within 60 days are deemed outstanding and held by the holder of such options or warrants for computing the percentage of outstanding common stock beneficially owned by such person, but are not deemed outstanding for computing the percentage of outstanding common stock beneficially owned by any other person.

(2) Includes warrants to purchase 13,462 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016. Mr. Milinazzo served as our president, chief executive officer and director until his resignation from such positions on June 6, 2016.

(3) Consists of shares of common stock.

(4) Includes options to purchase 212,293 shares of common stock and warrants to purchase 4,016,645 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016.

(5) Includes warrants to purchase 962 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016.

(6) Includes options to purchase 127,810 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016.

(7) Includes options to purchase 107,841 shares of common stock and warrants to purchase 4,237 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016.

(8) Paul Stuka is the principal and managing member of Osiris Investment Partners, L.P., and, as such, has beneficial ownership of the (i) 267,060 shares of common stock and (ii) currently exercisable warrants to purchase 215,060 shares of common stock held by Osiris Investment Partners, L.P., in addition to personally holding options to purchase 155,769 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016 and warrants to purchase 365,500 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016.

(9) Consists of options to purchase 585,000 shares of common stock that are currently exercisable or exercisable within 60 days of August 5, 2016.

## **EXECUTIVE COMPENSATION**

### **Compensation Philosophy and Process**

The responsibility for establishing, administering and interpreting our policies governing the compensation and benefits for our executive officers lies with our compensation committee and our board of directors. During the review of named executive officer compensation for 2015, the compensation committee did not retain the services of any compensation consultants.

The goals of our compensation policy are to ensure that executive compensation rewards management for helping us achieve our financial goals (increased sales, profitability, etc.) and meet our clinical trial milestones and aligns management's overall goals and objectives with those of our stockholders. In 2015, we designed our executive compensation program to achieve the following objectives:

provide a competitive compensation package that enables us to attract and retain superior management personnel;

provide incentives that reward the achievement of performance goals that directly correlate to the enhancement of stockholder value and facilitate executive retention;

reward our officers fairly for their role in our achievements; and

align executives' interests with those of stockholders through long-term incentives linked to specific performance.

We have determined that in order to best meet these objectives, our executive compensation program should balance fixed and bonus compensation, as well as cash and equity compensation. Historically, there has been no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation for our executive officers.

### **Summary Compensation Table**

The table below sets forth the compensation earned by our named executive officers for the twelve month period ended December 31, 2015 and 2014.

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Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Restricted Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	All Other Compensation (\$)	Total (\$)
Alan Milinazzo President and Chief Executive Officer <sup>(2)</sup>	2015	225,000 <sup>(3)</sup>	45,833 <sup>(4)</sup>	428,826 <sup>(3)</sup>	131,221	20,462	<sup>(5)</sup> 851,342
	2014	450,000	69,105 <sup>(6)</sup>	553,916	736,482	20,460	<sup>(5)</sup> 1,829,963
Craig Shore Chief Financial Officer, Secretary and Treasurer	2015	224,481 <sup>(7)</sup>	17,349 <sup>(4)(7)</sup>	33,750	33,479	74,318	<sup>(7)(8)</sup> 383,377 <sup>(7)</sup>
	2014	214,525	22,331 <sup>(6)</sup>	327,013	322,817	59,276	<sup>(8)</sup> 945,962
James Barry, Ph.D. Executive Vice President and Chief Operating Officer	2015	300,333 <sup>(9)</sup>	37,500 <sup>(4)</sup>	127,167 <sup>(10)</sup>	16,740	19,936	<sup>(11)</sup> 532,093
	2014	183,812 <sup>(12)</sup>	25,914 <sup>(6)</sup>	391,500	802,545 <sup>(13)</sup>	123,748	<sup>(14)</sup> 1,527,519

The amounts reflect the dollar amounts recognized for financial statement reporting purposes with respect to the twelve month periods ended December 31, 2015 and 2014 in accordance with FASB ASC Topic 718. Fair value is based on the Black-Scholes option pricing model using the fair value of the underlying shares at the measurement date. For additional discussion of the valuation assumptions used in determining stock-based compensation and the grant date fair value for stock options, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Share-based compensation” and Note 2 — “Significant Accounting Policies” and Note 10 — “Equity” of the Notes to the Consolidated Financial Statements for the Twelve Months Ended December 31, 2015 included in our Annual Report on Form 10-K.

Mr. Milinazzo served as our president, chief executive officer and director until his resignation from such positions on June 6, 2016. Mr. Milinazzo served as our director during the twelve months ended December 31, 2015 and 2014, but did not receive any additional compensation for his services as director.

Pursuant to amendments to employment agreement with Mr. Milinazzo, dated January 5, 2016, and June 29, 2015, Mr. Milinazzo received 50% of his base salary for January 2015 through December 31, 2015, or \$225,000, in 31,250 shares of restricted common stock, which was issued on January 26, 2015, and 63,825 shares of restricted common stock, which was issued on December 31, 2015. See “— Agreements with Executive Officers — Alan Milinazzo.”

Bonuses for the 2015 calendar year were approved by the Compensation Committee in July 2015.

Mr. Milinazzo’s other compensation consisted solely of benefits related to health insurance.

Bonuses for the 2014 calendar year were approved by the Compensation Committee in January 2015.

The change in salary from 2014 to 2015 is exclusively due to the difference in the exchange rate for the applicable period. Compensation amounts received in non-U.S. currency have been converted into U.S. dollars using the average exchange rate for the applicable period, except for bonus amounts which have been converted into U.S. dollars using 3.769 NIS per dollar and 3.889 NIS per dollar, which were the exchange rates as of June 30, 2015 and December 31, 2014. The average exchange rate for the twelve month period ended December 31, 2015 and 2014 were 3.884 NIS per dollar and 3.58 NIS per dollar, respectively.

Mr. Shore’s other compensation consisted solely of benefits in the twelve months ended December 31, 2015 and 2014. In each of the periods reported, Mr. Shore’s benefits included our contributions to his severance, pension, vocational studies and disability funds, an annual recreation payment, a company car or car allowance and cell phone, and a daily food allowance.

Includes \$26,583 of salary forgone at the election of Dr. Barry, representing 50% of his salary from March 10, 2015 through April 30, 2015 in exchange for 3,692 shares of restricted common stock. See “— Agreements with Executive Officers — James Barry.”

Includes 4,757 shares of restricted common stock we issued to Dr. Barry in lieu of 50% of his base salary pursuant to amendments to employment agreement with Dr. Barry, dated January 5, 2016, and dated February 22, 2015. See “— Agreements with Executive Officers — James Barry.”

Dr. Barry’s other compensation consisted solely of benefits related to health insurance.

- (12) Dr. Barry's salary compensation includes \$15,000 of fees earned as a director during the twelve months ended December 31, 2014.
- (13) Includes the fair value of options granted to Dr. Barry as a director of \$94,909 during the twelve months ended December 31, 2014.
- (14) Dr. Barry's other compensation in the twelve months ended December 31, 2014 consisted of \$115,000 of consulting fees and \$8,748 of benefits related to health insurance

## Agreements with Executive Officers

### *Alan Milinazzo*

On January 3, 2013, we entered into an employment agreement with Alan Milinazzo to serve as our president, chief executive officer and a director, which was first amended on April 24, 2013, and further amended on January 5, 2015, June 29, 2015, and January 21, 2016. On June 6, 2016, Mr. Milinazzo resigned from his positions as our president, chief executive officer and director, and his employment agreement, as amended, was terminated.

Under the employment agreement, as amended, Mr. Milinazzo was entitled to an annual base salary of at least \$450,000. Such amount may be reduced only as part of an overall cost reduction program that affects all of our senior executives and does not disproportionately affect Mr. Milinazzo, so long as such reductions do not reduce the base salary to a rate that is less than 90% of the amount set forth above (or 90% of the amount to which it has been increased). The base salary was to be reviewed annually by the board for increase as part of its annual compensation review. Mr. Milinazzo was also eligible to receive an annual bonus of at least \$275,000 upon the achievement of reasonable target objectives and performance goals, to be determined by the board of directors in consultation with Mr. Milinazzo on or before the end of the first quarter of the fiscal year to which the bonus relates and, in the event actual performance exceeds the goals, the board may, in its sole discretion, pay Mr. Milinazzo bonus compensation of more than \$275,000. The annual bonus amount was to be less than \$275,000 if the target objectives and performance goals are not met. In addition, Mr. Milinazzo was eligible to receive such additional bonus or incentive compensation as the board may establish from time to time in its sole discretion.

On January 5, 2015, we amended Mr. Milinazzo's employment agreement to provide that, for a limited period of time to be mutually agreed to by us and Mr. Milinazzo, Mr. Milinazzo would receive 50% of his base salary in cash payments, with the remaining 50% to be paid in an equivalent amount of shares of restricted common stock, payable and granted in equal installments in accordance with our normal payroll practices. These shares of restricted stock were to vest immediately and be valued as of the closing price of our common stock on the date of grant. Notwithstanding the foregoing agreement, at Mr. Milinazzo's request, no shares of restricted common stock were granted to Mr. Milinazzo pursuant to this amendment. Rather, we and Mr. Milinazzo determined that it would be in our mutual best interest to make a single grant of shares of restricted common stock to Mr. Milinazzo having a fair market value, as of the date of grant, equal to 50% of his annual base salary, with such shares vesting on the first anniversary of the date of grant, as opposed to making bi-weekly grants of restricted common stock to Mr. Milinazzo. As such, on January 26, 2015, we issued 31,250 shares of restricted common stock valued at \$7.20 per share, representing the fair market value of our common stock as of the market close on January 26, 2015, in lieu of 50% of his base salary for his employment in 2015, to vest on January 26, 2016.

On June 29, 2015, we further amended Mr. Milinazzo's employment agreement to memorialize the payroll adjustment that was made to Mr. Milinazzo's manner of salary payment on January 26, 2015, and to provide certain additional

changes. Specifically, this amendment provided that, until we raise an aggregate of \$5 million from investors, Mr. Milinazzo would receive (A) with respect to his employment in 2015, 50% of his base salary in cash payments, with the remaining 50% having been paid to Mr. Milinazzo on January 26, 2015, through the issuance of 31,250 shares of restricted common stock as discussed above, which would be subsequently adjusted based upon the volume-weighted average price of our common stock during the calendar year ended December 31, 2015 (or during the period from January 2, 2015 through his termination date if Mr. Milinazzo's employment is terminated upon his death or disability, by Mr. Milinazzo for good reason, or by us without cause prior to December 31, 2015) to represent the equivalent of 50% of Mr. Milinazzo's base salary in 2015. On December 31, 2015, we issued an additional 63,825 shares of restricted common stock as an adjustment pursuant to such amendment, as the value of our common stock declined following the grant to Mr. Milinazzo on January 26, 2015.

On January 21, 2016, we further amended Mr. Milinazzo's employment agreement to provide that, during the remaining term of his employment, Mr. Milinazzo would receive (A) 50% of his base salary in cash payments, for all days that Mr. Milinazzo works during the remaining term of his employment, at the monthly rate of \$18,750, payable in accordance with our regular payroll practices, and (B) a lump-sum payment equivalent to 50% of Mr. Milinazzo's base salary through June 30, 2016, at the monthly rate of \$18,750, payable within 20 business days from the earlier of (x) us raising an aggregate of \$5 million from investors, or (y) June 30, 2016.

In accordance with Mr. Milinazzo's employment agreement, on January 3, 2013, we granted Mr. Milinazzo a nonqualified stock option to purchase 52,593 shares of our common stock, made pursuant to a nonqualified stock option agreement, an incentive stock option to purchase 7,408 shares of our common stock, made pursuant to an incentive stock option agreement, and 40,000 shares of restricted stock, which are subject to forfeiture until the vesting of such shares, made pursuant to a restricted stock award agreement. The options have an exercise price of \$40.50, which was the fair market value of our common stock on the date of grant. The options are subject to a three-year vesting period subject to Mr. Milinazzo's continued service with us, with one-thirty-sixth ( $1/36^{\text{th}}$ ) of such awards vesting each month. The shares of restricted stock initially vested monthly over thirty-six months, with  $1/36$  vesting on February 3, 2013, March 3, 2013 and April 3, 2013. The grant was then amended to vest annually over three years, with  $9/36$  vesting on January 3, 2014, and one-third vesting on January 3, 2015 and January 3, 2016. On or before December 31 of each calendar year, Mr. Milinazzo will be eligible to receive an additional grant of equity awards equal, in the aggregate, to up to 0.5% of actual outstanding shares of our common stock on the date of grant, provided that the actual amount of the grant will be based on his achievement of certain performance objectives as established by the board, in its reasonable discretion, for each such calendar year. Each additional grant will, with respect to any awards that are options, have an exercise price equal to the fair market value of our common stock, and will be subject to a three-year vesting period subject to Mr. Milinazzo's continued service with us, with one-third of each additional grant vesting equally on the first, second, and third anniversary of the date of grant for such awards. In connection with the equity compensation related to 2013 achievements, on January 29, 2014, Mr. Milinazzo was granted stock options to purchase 8,633 shares of common stock and 8,633 restricted shares. In connection with the equity compensation related to 2014 achievements, on January 26, 2015, Mr. Milinazzo was granted stock options to purchase 5,300 shares of common stock and 5,300 restricted shares.

Mr. Milinazzo's employment agreement, as amended, also contains certain noncompetition, no solicitation, confidentiality, and assignment of inventions requirements for Mr. Milinazzo.

Pursuant to Mr. Milinazzo's employment agreement, as amended, if Mr. Milinazzo's employment had been terminated upon his death or disability, by Mr. Milinazzo for good reason (as such term is defined in Mr. Milinazzo's employment agreement, as amended), or by us without cause (as such term is defined in Mr. Milinazzo's employment agreement, as amended), Mr. Milinazzo was entitled to receive, in addition to other unpaid amounts owed to him (e.g., for base salary and accrued vacation): (i) any unpaid incentive compensation (as such term is defined in the employment agreement, as amended) actually earned or owing as of the termination date; (ii) vesting of 100% of all unvested stock options, restricted stock, stock appreciation rights or similar stock based rights granted to Mr. Milinazzo, and lapse of any forfeiture included in such restricted or other stock grants; (iii) an extension of the exercise period of any outstanding stock options or stock appreciation rights until the earlier of (a) two (2) years from the date of termination, or (b) the latest date that each stock option or stock appreciation right would otherwise expire by its original terms; and (v) to the fullest extent permitted by our then-current benefit plans, continuation of benefits coverage for the lesser of 12 months after termination or until Mr. Milinazzo obtains coverage from a new employer. If, during the term of the employment agreement, as amended, we terminate Mr. Milinazzo's employment for cause or Mr. Milinazzo voluntarily terminates his employment, Mr. Milinazzo would only be entitled to unpaid amounts owed to him and whatever rights, if any, are available to him pursuant to our stock-based compensation plans or any award documents related to any stock-based compensation.

Mr. Milinazzo had no specific right to terminate the employment agreement or right to any severance payments or other benefits solely as a result of a change in control. However, if within 24 months following a change in control, (a) Mr. Milinazzo terminated his employment for good reason, or (b) we terminated his employment without cause, the lump sum severance payment to which he would have been entitled to would have been equal to 200% of his base salary, and all stock options, restricted stock, stock appreciation rights or similar stock-based rights granted to him would have vested in full and be immediately exercisable and any risk of forfeiture included in restricted or other stock grants previously made to him would have immediately lapsed.

Pursuant to an option cancellation and release agreement, dated January 26, 2016, between us and Mr. Milinazzo, Mr. Milinazzo agreed to cancel options to purchase 160,488 shares of our common stock at exercise prices ranging from \$7.20 to \$40.50 previously granted to him. In exchange for the cancellation of Mr. Milinazzo's options, we granted to Mr. Milinazzo, pursuant to the 2013 Plan and the 2013 Employee Stock Incentive Plan, which is a sub-plan to the 2013 Plan, one share of our common stock as of January 26, 2016.

*Craig Shore*

We have been a party to an employment agreement with Craig Shore since November 28, 2010. On May 5, 2014, we entered into an amended and restated employment agreement with Mr. Shore, which was amended on January 5, 2015 and on July 25, 2016. The employment agreement, as amended, has an initial term that ends on April 20, 2020 and will automatically renew for additional one-year periods on April 21, 2020 and on each April 21<sup>st</sup> thereafter unless either party gives the other party written notice of its election not to extend such employment at least six months prior to the next April 21<sup>st</sup> renewal date. If a change in control occurs when less than two full years remain in the initial term or during any renewal term, the employment agreement will automatically be extended for two years from the change in control date and will terminate on the second anniversary of the change in control date.

Mr. Shore was initially entitled to a monthly gross salary of \$8,750, which amount had increased to \$10,620 by 2012. In addition, Mr. Shore's annual base salary was increased to \$175,000 on April 22, 2013, retroactive to January 1, 2013, and to \$220,200 in May 2014, retroactive to January 1, 2014. Under the terms of the employment agreement, as amended by the second amendment to the amended and restated employment agreement, dated July 25, 2016, Mr. Shore is entitled to an annual base salary of at least \$250,000. Such amount may be reduced only as part of an overall cost reduction program that affects all of our senior executives and does not disproportionately affect Mr. Shore, so long as such reduction does not reduce the base salary to a rate that is less than 90% of the amount set forth above (or 90% of the amount to which it has been increased). The base salary will be reviewed annually by our chief executive officer for increase (but not decrease, except as permitted as part of an overall cost reduction program) as part of our annual compensation review. Mr. Shore is also eligible to receive an annual bonus in an amount equal to 60% of his then-annual salary upon the achievement of reasonable target objectives and performance goals, to be determined by the board of directors in consultation with Mr. Shore. On January 5, 2015, we amended Mr. Shore's amended and restated employment agreement to remove from the amended and restated employment agreement the provision disallowing payment of annual bonus compensation if Mr. Shore achieved less than 70% of the target objectives and performance goals determined by our board of directors in consultation with him. Pursuant to such amendment, Mr. Shore is eligible to receive the percentage of his annual bonus corresponding to the percentage of his achievement of such target objectives and performance goals. The annual bonus will be reviewed annually by our chief executive officer for increase in the amount of the percentage of his then-base salary (but not decrease), as well as the criteria and the goals, as part of our annual compensation review. In addition, Mr. Shore is eligible to receive such additional bonus or incentive compensation as the board may establish from time to time in its sole discretion. Mr. Shore will also be considered for grants of equity awards each year as part of the board's annual compensation review, which will be made at the sole discretion of the board of directors. Each grant will, with respect to any awards that are options, have an exercise price equal to the fair market value of our common stock as of the date of grant, and will be subject to a three-year vesting period subject to Mr. Shore's continued service with us, with one-third of each additional grant vesting equally on the first, second, and third anniversary of the date of grant for such awards.

The second amendment to the amended and restated employment agreement provides a grant of equity awards to Mr. Shore on or within 10 business days of July 25, 2016 (the "Date of Grant"), with respect to an aggregate number of shares of our common stock equal to 1% of our outstanding common stock and common stock issuable upon the conversion of our outstanding Series B Convertible Preferred Stock on the Date of Grant, 50% of which shall be granted as restricted stock and 50% of which shall be granted as nonqualified stock options, which will be subject to

the terms and conditions of the 2013 Plan and a nonqualified stock option agreement and a restricted stock award agreement to be entered into by us and Mr. Shore and a one-time lump-sum cash bonus in an amount equal to \$50,000, payable on or before September 1, 2016.

If during the term of the employment agreement, Mr. Shore's employment is terminated upon his death or disability, by us without cause (as such term is defined in Mr. Shore's employment agreement), or upon his resignation for "good reason" (as such term is defined in Mr. Shore's employment agreement), Mr. Shore will be entitled to receive, in addition to any amounts he is entitled to receive under the manager's insurance policy: (i) any unpaid base salary and accrued unpaid vacation or earned incentive compensation and the pro rata amount of any bonus plan incentive compensation for the fiscal year of such termination (based on the number of business days he was actually employed by us during the fiscal year of such termination and based on the percentage of the goals that he actually achieved under the bonus plan) that he would have received had his employment not been terminated; (ii) a one-time lump sum severance payment equal to 100% of his base salary, provided that he executes a release relating to employment matters and the circumstances surrounding his termination in favor of us, our subsidiaries and our officers, directors and related parties and agents, in a form reasonably acceptable to us at the time of such termination; (iii) vesting of all unvested stock options, stock appreciation rights or similar stock-based rights granted to him and immediate lapse of any risk of forfeiture included in restricted or other stock grants previously made to Mr. Shore; (iv) an extension of the exercise period of all vested stock options granted to Mr. Shore until the earlier of (a) two years from the date of termination or (b) the latest date that each stock option would otherwise expire by its original terms; (v) to the fullest extent permitted by our then-current benefit plans, continuation of health, dental, vision and life insurance coverage for the lesser of 12 months after termination or until Mr. Shore obtains coverage from a new employer; and (vi) reimbursement of up to \$30,000 for executive outplacement services, subject to certain restrictions. The severance payment described in (ii) of the foregoing sentence upon Mr. Shore's death or disability will be reduced by any payments received by Mr. Shore pursuant to any of our employee welfare benefit plans providing for payments in the event of death or disability. If, during or after the term of his employment agreement, Mr. Shore's employment is terminated by us for cause or by Mr. Shore voluntarily, Mr. Shore will only be entitled to unpaid amounts owed to him (e.g., base salary, accrued vacation and earned incentive compensation through the date of such termination) and whatever rights, if any, are available to him pursuant to our stock-based compensation plan or any award documents related to any stock-based compensation.

Mr. Shore may terminate his employment for good reason by delivering a notice of termination to us 30 days in advance of the date of termination; provided, however, that Mr. Shore agreed to not terminate his employment for good reason until he has given us at least 30 days' in which to cure the circumstances set forth in the notice of termination constituting good reason, and if such circumstances are not cured by the 30th day, Mr. Shore's employment shall terminate on such date.

Pursuant to terms contained in Mr. Shore's stock option and restricted stock award agreements, in the event of a change of control of our company, the stock options and restricted stock granted to Mr. Shore that were unvested will vest immediately upon such change of control, in the case of stock options, if such stock options are not assumed or substituted by the surviving company.

If we terminate Mr. Shore's employment without cause, Mr. Shore will be entitled, under Israeli law, to severance payments equal to his last month's salary multiplied by the number of years Mr. Shore has been employed with us. In order to finance this obligation, we make monthly contributions equal to 8.33% of Mr. Shore's salary to a severance payment fund. The total amount accumulated in Mr. Shore's severance payment fund as of December 31, 2014 was \$51,615, as adjusted for conversion from New Israeli Shekels to U.S. Dollars. However, if Mr. Shore's employment is terminated without cause, on account of a disability or upon his death, as of December 31, 2014, Mr. Shore would have been entitled to receive \$67,564 in severance under Israeli law, thereby requiring us to pay Mr. Shore \$15,949, in addition to releasing the \$51,615 in Mr. Shore's severance payment fund. On the other hand, pursuant to his employment agreement, Mr. Shore is entitled to the total amount contributed to and accumulated in his severance payment fund in the event of the termination of his employment as a result of his voluntary resignation. In addition, Mr. Shore would be entitled to receive his full severance payment under Israeli law, including the total amount contributed to and accumulated in his severance payment fund, if he retires from our company at or after age 67.

We are entitled to terminate Mr. Shore's employment immediately at any time for "cause" (as such term is defined in the agreement and the Israeli Severance Payment Act 1963), upon which, after meeting certain requirements under the applicable law and recent Israeli Labor court requirements, we believe we will have no further obligation to compensate Mr. Shore.

Also, upon termination of Mr. Shore's employment for any reason, we will compensate him for all unused vacation days accrued.

The employment agreement also contains certain standard noncompetition, no solicitation, confidentiality, and assignment of inventions requirements for Mr. Shore.

Mr. Shore is also entitled to participate in or receive benefits under our social insurance and benefits plans, including but not limited to our manager's insurance policy and education fund, which are customary benefits provided to executive employees in Israel. A management insurance policy is a combination of severance savings (in accordance with Israeli law), defined contribution tax-qualified pension savings and disability pension payments. An education fund is a savings fund of pre-tax contributions to be used after a specified period of time for advanced educational training and other permitted purposes, as set forth in the by-laws of the education fund. We will make periodic contributions to these insurance and social benefits plans based on certain percentages of Mr. Shore's base salary, including (i) 7.5% to the education fund and (ii) 15.83% to the manager's insurance policy, of which 8.33% will be allocated to severance pay, 5% to pension fund payments and 2.5% to disability pension payments. Upon the termination of Mr. Shore's employment for any reason other than for cause, Mr. Shore will be entitled to receive the total amount contributed to and accumulated in his manager insurance policy fund.

Pursuant to an option cancellation and release agreement, dated January 26, 2016, between us and Mr. Shore, Mr. Shore agreed to cancel options to purchase 44,350 shares of our common stock at exercise prices ranging from \$7.20 to \$49.29 previously granted to him. In exchange for the cancellation of Mr. Shore's options, we granted to Mr. Shore, pursuant to the 2013 Plan and the 2013 Employee Stock Incentive Plan, which is a sub-plan to the 2013 Plan, one share of our common stock as of January 26, 2016.

### *James Barry*

On July 14, 2014, we entered into an employment agreement with James Barry to serve as our executive vice president and chief operating officer, which was first amended on January 5, 2015, and further amended on February 22, 2015 and on March 28, 2016, and on June 6, 2016, our board of directors appointed Dr. Barry as our president and chief executive officer, and further amended the employment agreement. Dr. Barry was previously a director and continues his role as a director. The term of Dr. Barry's employment will continue until May 31, 2017, with Dr. Barry resigning as a member of the board of directors at the end of such term if requested by us, and in the event that the term is not extended beyond May 31, 2017 by mutual agreement of the parties and we do not offer Dr. Barry a position as chief executive officer and/or chief operating officer on the same or more favorable terms with a base salary that is at least 10% greater than his current base salary, Dr. Barry's termination will be deemed a termination without cause.

Under the employment agreement, as amended, Dr. Barry is entitled to an annual base salary of at least \$365,000. Such amount may be reduced only as part of an overall cost reduction program that affects all of our senior executives and does not disproportionately affect Dr. Barry, so long as such reductions do not reduce the base salary to a rate that is less than 90% of the amount set forth above (or 90% of the amount to which it has been increased). The base salary will be reviewed annually by the board for increase as part of its annual compensation review.

Prior to his appointment as our president and chief executive officer, Dr. Barry was also eligible to receive an annual bonus of \$225,000 upon the achievement of reasonable target objectives and performance goals, to be determined by the board of directors in consultation with Dr. Barry on or before the end of the first quarter of the fiscal year to which the bonus relates and, in the event actual performance exceeds the goals, the board may, in its sole discretion, pay Dr. Barry bonus compensation of more than \$225,000. Pursuant to the amendment to Dr. Barry's employment agreement upon his appointment as our president and chief executive director, effective as of June 6, 2016, Dr. Barry is eligible to receive annual bonus compensation in an amount equal to 100% of his base salary upon the achievement of reasonable target objectives and performance goals as may be determined by the board of directors in consultation with Dr. Barry and (ii) on the first to occur of (a) the first payroll period that is on or after the 20th business day following closing of a transaction with investors where we raise an aggregate of \$5 million or (b) March 15, 2017, Dr. Barry will receive a lump-sum retention bonus in an amount equal to \$106,458, subject to Dr. Barry's continued employment through such date. In addition, Dr. Barry is eligible to receive such additional bonus or incentive compensation as the board may establish from time to time in its sole discretion.

On January 5, 2015, we amended Dr. Barry's employment agreement to provide that, for a limited period of time to be mutually agreed to by us and Dr. Barry, Dr. Barry will receive 50% of his base salary in cash payments, with the remaining 50% to be paid in an equivalent amount of shares of restricted common stock, payable and granted in equal installments in accordance with our normal payroll practices. These shares of restricted stock were to vest immediately and be valued as of the closing price of our common stock on the date of grant. Notwithstanding the foregoing agreement, at Dr. Barry's request, no shares of restricted common stock were granted to Dr. Barry pursuant to this amendment. Rather, we and Dr. Barry determined that it would be in our mutual best interest to make a single grant of shares of restricted common stock to Dr. Barry having a fair market value, as of the date of grant, equal to 50% of his annual base salary, with such shares vesting on the first anniversary of the date of grant, as opposed to making bi-weekly grants of restricted common stock to Dr. Barry. As such, , on January 26, 2015, we issued 19,011 shares of restricted common stock valued at \$7.20 per share, representing the fair market value of our common stock as of the market close on January 26, 2015, in lieu of 50% of his base salary for his employment in 2015, to vest on January 26, 2016.

On February 22, 2015, we further amended Dr. Barry's employment agreement to memorialize the payroll adjustment that was made to Dr. Barry's manner of salary payment on January 26, 2015 and to provide certain additional changes. Specifically, this amendment provided that, until the earlier of (1) September 30, 2015 and (2) we raise an aggregate of \$5 million from investors, Dr. Barry shall receive 50% of his base salary in cash payments, with the remaining 50% having been paid to Dr. Barry on January 26, 2015, through the issuance of 19,011 shares of restricted stock as discussed above. Notwithstanding the foregoing, with Dr. Barry's consent, Dr. Barry continued to receive only 50% of his base salary in cash from March 9, 2015, the date of the closing of our offering from which we received gross proceeds of approximately \$13.7 million, until April 30, 2015. As we commenced full cash payment of Dr. Barry's salary on April 30, 2015, Dr. Barry forfeited 10,562 shares of restricted stock on May 1, 2015, which represented the shares of restricted common stock previously granted to Dr. Barry to cover 50% of his base salary from May 1, 2015 through December 31, 2015. The remaining such shares of restricted stock issued to Dr. Barry on January 26, 2015 in lieu of cash base salary fully vested on January 26, 2016.

In November 2015, due to our efforts to preserve cash, Dr. Barry agreed to temporarily forego, in exchange for a corresponding reduced time commitment to us, 50% of his base salary. We formalized such voluntarily agreement by entering into an amendment to Dr. Barry's employment agreement, dated March 28, 2016. The foregoing amendment to Dr. Barry's employment agreement provides that, until the earlier of (1) the end of the term of his employment, and (2) we raise an aggregate of \$5 million from investors, Dr. Barry shall receive 50% of his base salary and shall be eligible for 50% of any annual bonus or other incentive compensation, during which period Dr. Barry shall devote 50% less business time than he ordinarily has devoted or would devote to us for the performance of his services under his employment agreement.

On June 6, 2016, in connection with Dr. Barry's appointment as our president and chief executive officer, we further amended Dr. Barry's employment agreement to provide that, for the period beginning on June 1, 2016 and ending on the earlier of (i) the closing of a transaction with investors where we raise an aggregate of \$5 million and (ii) March 15, 2017, Dr. Barry will receive 50% of his base salary in cash payments, payable in accordance with our regular payroll practices, with the remaining 50% of his base salary paid in a lump-sum payment on the first to occur of (a) the first payroll period that is on or after the 20th business day following such transaction or (b) March 15, 2017. In addition, within 20 business days of the closing of the transaction with investors where we raise an aggregate of \$5 million, Dr. Barry will be granted, subject to the board's approval and Dr. Barry's continued employment through the applicable grant date, (i) a nonqualified stock option relating to the number of shares of our common stock equal to 2% of outstanding common stock on the date of the closing of such transaction and (ii) an award of a number of restricted shares of our common stock equal to 2% of outstanding common stock on the date of the closing of such transaction, in each case, subject to the terms and conditions of the 2013 Plan and a nonqualified stock option agreement and a restricted stock award agreement to be entered into by us and Dr. Barry.

Pursuant to Dr. Barry's employment agreement, if Dr. Barry's employment is terminated upon his death or disability, by Dr. Barry for good reason (as such term is defined in Dr. Barry's employment agreement), or by us without cause (as such term is defined in Dr. Barry's employment agreement), Dr. Barry will be entitled to receive, in addition to other unpaid amounts owed to him (e.g., for base salary and accrued vacation): (i) the pro rata amount of any bonus for the fiscal year of such termination (assuming full achievement of all applicable goals under the bonus plan) that he would have received had his employment not been terminated; (ii) a one-time lump sum severance payment equal to

150% of his base salary, provided that he executes a release relating to employment matters and the circumstances surrounding his termination in favor of us, our subsidiaries and our officers, directors and related parties and agents, in a form reasonably acceptable to us at the time of such termination; (iii) vesting of 50% of all unvested stock options, restricted stock, stock appreciation rights or similar stock based rights granted to Dr. Barry, and lapse of any forfeiture included in such restricted or other stock grants; (iv) an extension of the term of any outstanding stock options or stock appreciation rights until the earlier of (a) eighteen months from the date of termination, or (b) the latest date that each stock option or stock appreciation right would otherwise expire by its original terms; (v) to the fullest extent permitted by our then-current benefit plans, continuation of health, dental, vision and life insurance coverage for the lesser of 18 months after termination or until Dr. Barry obtains coverage from a new employer; and (vi) a cash payment of \$25,000, which Dr. Barry may use for executive outplacement services or an education program. The payments described above will be reduced by any payments received by Dr. Barry pursuant to any of our employee welfare benefit plans providing for payments in the event of death or disability. If Dr. Barry continues to be employed by us after the term of his employment agreement, unless otherwise agreed by the parties in writing, and Dr. Barry's employment is terminated upon his death or disability, by Dr. Barry for good reason, or by us without cause, Dr. Barry will be entitled to receive, in addition to other unpaid amounts owed to him, the payments set forth in (i), (ii) and (iv) above. If, during the term of his employment agreement, we terminate Dr. Barry's employment for cause, Dr. Barry will only be entitled to unpaid amounts owed to him and whatever rights, if any, are available to him pursuant to our stock-based compensation plans or any award documents related to any stock-based compensation.

Dr. Barry has no specific right to terminate the employment agreement or right to any severance payments or other benefits solely as a result of a change in control. However, if within 24 months following a change in control, (a) Dr. Barry terminates his employment for good reason, or (b) we terminate his employment without cause, the lump sum severance payment to which he is entitled will be increased from 150% of his base salary to 250% of his base salary and all stock options, restricted stock units, stock appreciation rights or similar stock-based rights granted to him will vest in full and be immediately exercisable and any risk of forfeiture included in restricted or other stock grants previously made to him will immediately lapse.

Dr. Barry's employment agreement also contains certain noncompetition, no solicitation, confidentiality, and assignment of inventions requirements for Dr. Barry.

Pursuant to an option cancellation and release agreement, dated January 26, 2016, between us and Dr. Barry, Dr. Barry agreed to cancel options to purchase 67,677 shares of our common stock at exercise prices ranging from \$7.20 to \$78.00 previously granted to him. In exchange for the cancellation of Dr. Barry's options, we granted to Dr. Barry, pursuant to the 2013 Plan and the 2013 Employee Stock Incentive Plan, which is a sub-plan to the 2013 Plan, one share of our common stock as of January 26, 2016.

## 2015 Grants of Plan-Based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(2)</sup>	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
Alan Milinazzo <sup>(1)</sup> President and Chief Executive Officer	01/26/2015	15,209			109,500
	01/26/2015	5,300			38,159
	01/26/2015	31,250			225,000
	01/26/2015		5,300	7.2	22,599
	01/26/2015		25,474	7.2	108,622
	12/31/2015	63,825			56,166
Craig Shore Chief Financial Officer, Secretary and Treasurer	01/26/2015	4,688			33,750
	01/26/2015		7,852	7.2	33,479

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James Barry, Ph.D.	01/26/2015	3,926	7.2	16,740
Executive Vice President and Chief Operating Officer	01/26/2015	10,793		77,708



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	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable <sup>(15)</sup>	Option exercise price (\$)	Option expiration date	Number of shares of stock that have not vested (#)	Market value of shares of stock that have not vested(\$)
Craig Shore	9,131	—	49.285	2/27/2021		
	7,500	—	32.0	5/24/2022		
	1,667	833	(13) 29.5	5/7/2023		
	2,567	5,133	(5) 31.0	1/27/2024	5,133	(6) 4,517
	3,222	6,445	(7) 29.7	1/29/2024	1,982	(8) 1,744
	—	7,852	(9) 7.2	1/25/2025	4,688	(10) 4,125
James Barry	2,500	—	78.0	1/30/2022		
	1,250	—	31.6	6/17/2022		
	6,667	3,333	(12) 27.5	5/7/2023		
	1,667	3,333	(5) 31.0	1/27/2024	10,000	(13) 8,800
	15,000	30,001	(14) 26.1	7/11/2024	2,344	(10) 2,063
	—	3,926	(9) 7.2	1/25/2025	8,449	(11) 7,435

- (1) These options vested on January 3, 2016.
- (2) These restricted shares vested on January 3, 2016.
- (3) These options vested on April 25, 2016.
- (4) These restricted shares vested on April 25, 2016.
- (5) These options vest annually, with one-half vesting on each of January 29, 2016 and January 29, 2017.
- (6) These restricted shares vest annually, with one-half vesting on each of January 29, 2016 and January 29, 2017.
- (7) These options vest annually, with one-half vesting on each of January 31, 2016 and January 31, 2017.
- (8) These restricted shares vest annually, with one-half vesting on each of January 31, 2016 and January 31, 2017.
- (9) These options vest annually, with one-third vesting on each of January 26, 2016, January 26, 2017 and January 26, 2018.
- (10) These restricted shares vest annually, with one-third vesting on each of January 26, 2016, January 26, 2017 and January 26, 2018.
- (11) These restricted shares vested on January 26, 2016.
- (12) These restricted shares vested on May 9, 2016.
- (13) These restricted shares vest annually, with one-half vesting on each of July 14, 2016 and July 14, 2017.
- (14) These options vest annually, with one-half vesting on each of July 14, 2016 and July 14, 2017.
- (15) On January 26, 2016, we entered into an option cancellation and release agreement with each of the named executive officers included in the table above, pursuant to which the parties agreed to cancel options which their exercise prices is ranging from \$7.20 to \$78.00 previously granted to each of the named executive officers included in the table above.

### **Option Exercises and Stock Vested**

There were no stock options exercised by our named executive officers during the twelve months ended December 31, 2015.

## **2011 UMBRELLA Option Plan**

On March 28, 2011, our board of directors and stockholders adopted and approved the InspireMD, Inc. 2011 UMBRELLA Option Plan, which was subsequently amended on October 31, 2011 and December 21, 2012. Under the InspireMD, Inc. 2011 UMBRELLA Option Plan, we have reserved 500,000 shares of our common stock as awards to the employees, consultants, and service providers to InspireMD, Inc. and its subsidiaries and affiliates worldwide.

The InspireMD, Inc. 2011 UMBRELLA Option Plan currently consists of three components, the primary plan document that governs all awards granted under the InspireMD, Inc. 2011 UMBRELLA Option Plan, and two appendices: (i) Appendix A, designated for the purpose of grants of stock options and restricted stock awards to Israeli employees, consultants, officers and other service providers and other non-U.S. employees, consultants, and service providers, and (ii) Appendix B, which is the 2011 U.S. Equity Incentive Plan, designated for the purpose of grants of stock options and restricted stock awards to U.S. employees, consultants, and service providers who are subject to the U.S. income tax. On December 21, 2012, the stockholders approved the awarding of “incentive stock options” pursuant to the U.S. portion of the plan.

The purpose of the InspireMD, Inc. 2011 UMBRELLA Option Plan is to provide an incentive to attract and retain employees, officers, consultants, directors, and service providers whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial success. The InspireMD, Inc. 2011 UMBRELLA Option Plan is administered by our compensation committee. Unless terminated earlier by the board of directors, the InspireMD, Inc. 2011 UMBRELLA Option Plan will expire on March 27, 2021.

### **2013 Long-Term Incentive Plan**

On December 16, 2013, our stockholders approved the 2013 Plan, which was adopted by our board of directors on October 25, 2013.

The purpose of the 2013 Plan is to provide an incentive to attract and retain employees, officers, consultants, directors, and service providers whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial success. The 2013 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly, in combination, or in tandem. The 2013 Plan is administered by our compensation committee. A total of 500,000 shares of common stock were initially reserved for awards under the 2013 Plan.

The 2013 Plan is intended serve as an “umbrella” plan for us and our subsidiaries worldwide. Therefore, if so required, appendices may be added to the 2013 Plan in order to accommodate local regulations that do not correspond to the scope of the 2013 Plan. Attached as Appendix A to the 2013 Plan is the InspireMD, Inc. 2013 Employee Stock Incentive Plan, for the purpose of making grants of stock options, restricted stock, and other stock incentive awards pursuant to Sections 102 and 3(i) of the Israeli Income Tax Ordinance (New Version), 1961 to Israeli employees and officers and any other service providers or control holders of us who are subject to Israeli Income Tax.

On September 9, 2015, our stockholders approved an amendment to the 2013 Plan to increase the number of shares of common stock available for issuance pursuant to awards under the 2013 Plan by 470,000 shares of common stock, to a total of 970,000 shares of common stock.

On May 24, 2016, our stockholders approved the second amendment to the 2013 Plan to increase the number of shares of common stock available for issuance pursuant to awards under the 2013 Plan by 10,000,000 shares of common stock, to a total of 10,970,000 shares of common stock.

**Equity Compensation Plan Information**

The following table provides certain information as of December 31, 2015 with respect to our equity compensation plans under which our equity securities are authorized for issuance:

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	677,762	24.2	458,533
Equity compensation plans not approved by security holders	87,722	(1) 68.42	—
Total	765,484	29.26	

- (1) Comprised of awards made to individuals outside the InspireMD, Inc. 2011 UMBRELLA Option Plan and 2013 Long Term Incentive Plan, as described below:

In April 2008, we issued options to purchase 147 shares of common stock to a provider of finder services who assisted InspireMD Ltd. in raising funds in 2008. The exercise price of these options is \$49.285 per share. These options are fully vested and expire in June 2016.

Options issued to current director: in November 2011, we issued options to purchase an aggregate of 72,500 shares of common stock to Dr. Barer, the chairman of our board of directors. The exercise price of these options is \$78 per share. An option to purchase 18,125 shares of common stock vested on April 11, 2013, when our common stock was first listed on a national securities exchange. An option to purchase 18,125 shares of common stock vested on May 10, 2013, after we received research coverage from a second investment bank that ranked in the top twenty investment banks in terms of life science underwritings. The option to purchase 36,250 shares of common stock vests in substantially equal monthly installments (with any fractional shares vesting on the last vesting date) on the last business day of each calendar month over a two year period from the date of grant, with the first installment vesting on November 30, 2011, provided that Dr. Barer is still providing services to us in some capacity as of each such vesting date.

Options issued to current vice president of global marketing and strategy: in September 2013, we issued options to purchase 15,000 shares of common stock to David Blossom. The exercise price of these options was \$22.3 per share. The options vest annually with one-third vesting on September 16, 2014, September 16, 2015 and September 16, 2016. The options expire on September 16, 2023.

## **Change of Control Agreements**

We do not currently have any plans providing for the payment of retirement benefits to our officers or directors, other than as described under “Agreements with Executive Officers” above.

We do not currently have any change-of-control or severance agreements with any of our executive officers or directors, other than as described under “Agreements with Executive Officers” above. In the event of the termination of employment of the named executive officers, any and all unexercised stock options shall expire and no longer be exercisable after a specified time following the date of the termination, other than as described under “Agreements with Executive Officers” above.

## **Director Compensation**

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The following table shows information concerning our directors, other than Alan Milinazzo and James Barry, Ph.D., during the twelve months ended December 31, 2015.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	<b>Option Awards<sup>(1)</sup></b> (\$)		All Other Compensation (\$)	Total (\$)
Sol J. Barer, Ph.D.	8,750	—	80,629	(2)	—	89,379
Paul Stuka	9,750	—	69,385	(3)	—	79,134
James J. Loughlin	10,250	—	71,760	(4)	—	82,010
Michael Berman	8,000	—	61,070	(5)	—	69,070
Campbell Rogers, M.D.	6,750	—	55,132	(6)	—	61,882

(1) The amounts in this column reflect the dollar amounts recognized for financial statement reporting purposes with respect to the twelve months ended December 31, 2015, in accordance with FASB ASC Topic 718. Fair value is based on the Black-Scholes option pricing model using the fair value of the underlying shares at the measurement date. For additional discussion of the valuation assumptions used in determining stock-based compensation and the grant date fair value for stock options, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Share-based compensation” and Note 2 — “Significant Accounting Policies” and Note 9 — “Equity” of the Notes to the Consolidated Financial Statements for the Year Ended December 31, 2015 included in our Annual Report on Form 10-K.

(2) As of December 31, 2015, Dr. Barer had outstanding options to purchase up to 135,584 shares of our common stock.

(3) As of December 31, 2015, Mr. Stuka had outstanding options to purchase up to 45,808 shares of our common stock.

(4) As of December 31, 2015, Mr. Loughlin had outstanding options to purchase up to 45,797 shares of our common stock. Mr. Loughlin ceased serving as a director following our 2016 annual meeting of stockholders held on May 24, 2016.

(5) As of December 31, 2015, Mr. Berman had outstanding options to purchase up to 42,666 shares of our common stock.

(6) As of December 31, 2015, Dr. Rogers had outstanding options to purchase up to 39,628 shares of our common stock.

Name	Shares Subject to Options	Grant Date	Exercise Price	Vesting Schedule	Expiration	Fair Market Value on Grant Date
Sol J. Barer, Ph.D.	4,162	(1)(6) January 5, 2015	\$ 7.8	Fully vested as of grant date	January 5, 2025	\$ 17,380
	9,161	(2)(6) January 26, 2015	\$ 7.2	One-third annually in 2016, 2017 and 2018 on the anniversary of the date of grant, provided that Dr. Barer is providing services to us or our subsidiaries or affiliates on the applicable vesting date.	January 26, 2025	\$ 39,059
	4,389	(3) March 31, 2015	\$ 3.2	Fully vested as of grant date	March 31, 2025	\$ 7,971
	4,967	(4) June 30, 2015	\$ 2.8	Fully vested as of grant date	June 30, 2025	\$ 8,060
	8,155	(5) September 30, 2015	\$ 1.7	Fully vested as of grant date	September 30, 2025	\$ 8,159
Paul Stuka	4,637	(1)(6) January 5, 2015	\$ 7.8	Fully vested as of grant date	January 5, 2025	\$ 19,366
	5,409	(2)(6)	\$ 7.2			\$ 23,064

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		January 26, 2015		One-third annually in 2016, 2017 and 2018 on the anniversary of the date of grant, provided that Mr. Stuka is providing services to us or our subsidiaries or affiliates on the applicable vesting date.	January 26, 2025	
4,891	(3)	March 31, 2015	\$ 3.2	Fully vested as of grant date	March 31, 2025	\$ 8,882
5,534	(4)	June 30, 2015	\$ 2.8	Fully vested as of grant date	June 30, 2025	\$ 8,981
9,087	(5)	September 30, 2015	\$ 1.7	Fully vested as of grant date	September 30, 2025	\$ 9,091
James J. Loughlin	4,875	(1)(6)				