

Biostage, Inc.  
Form PRE 14A  
April 05, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**  
**(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

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

Biostage, Inc.

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

BIOSTAGE, INC.  
84 October Hill Road, Suite 11  
Holliston, Massachusetts 01746-1371

April 15, 2016

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Biostage, Inc. (the “Annual Meeting”) to be held on Thursday, May 26, 2016 at 11:00 a.m. Eastern Time at the offices of Burns & Levinson LLP, 125 Summer Street, Boston, Massachusetts 02110. At the meeting, we will be voting on the matters described in this Proxy Statement.

We are using the Internet as our primary means of furnishing the proxy materials to our shareholders. This process expedites the delivery of proxy materials, materials remain easily accessible to shareholders, and shareholders receive clear instructions for receiving materials and voting.

We are mailing the Notice of Internet Availability of Proxy Materials to shareholders on or about April 15, 2016. The Proxy Statement and the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 are available at [www.proxyvote.com](http://www.proxyvote.com).

The Notice of Internet Availability of Proxy Materials contains instructions for our shareholders’ use of this process, including how to access our Proxy Statement and 2015 Annual Report and how to vote, including online or by mail. To the extent you receive a proxy card, such proxy card will also contain instructions on how you may also vote by telephone. In addition, the Notice of Internet Availability of Proxy Materials contains instructions on how you may (i) receive a paper copy of the Proxy Statement and the Company’s Annual Report on Form 10-K, if you received only a Notice of Internet Availability of Proxy Materials this year, or (ii) elect to receive your Proxy Statement and Annual Report only over the Internet, if you received them by mail this year.

If you are unable to attend the meeting, it is still important that your shares be represented and voted. Therefore, regardless of the number of shares you own, **PLEASE VOTE THROUGH THE INTERNET, BY TELEPHONE OR BY MAIL**. Any shareholder who attends the meeting may vote in person, even if he or she has voted through the Internet, by telephone or by mail.

The Board of Directors has fixed the close of business on April 5, 2016 as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE CAST YOUR VOTE ONLINE, BY TELEPHONE OR BY COMPLETING, DATING, SIGNING AND PROMPTLY RETURNING YOUR PROXY CARD OR VOTING INSTRUCTIONS CARD IN THE POSTAGE-PAID ENVELOPE (WHICH WILL BE PROVIDED TO THOSE STOCKHOLDERS WHO REQUEST TO RECEIVE PAPER COPIES OF THESE MATERIALS BY MAIL) BEFORE THE ANNUAL MEETING SO THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING. INSTRUCTIONS REGARDING THE METHODS OF VOTING ARE CONTAINED IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS.**

Sincerely,

James McGorry  
*President and Chief Executive Officer*

BIOSTAGE, INC.  
84 October Hill Road, Suite 11  
Holliston, Massachusetts 01746-1371  
(774) 233-7300

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on May 26, 2016

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Biostage, Inc. (the “Company”) will be held on Thursday, May 26, 2016, at 11:00 a.m. Eastern Time at the offices of Burns & Levinson LLP, 125 Summer Street, Boston, Massachusetts 02110 for the following purposes:

1. The election of the Director Nominees as Class III Directors, nominated by the Board of Directors, for a three-year term, such term to continue until the annual meeting of stockholders in 2019 or until such Directors’ successors are duly elected and qualified or until their earlier resignation or removal;
2. The ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016;
3. To approve the amendment of the Company’s Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 100,000,000 and to increase the number of authorized shares of preferred stock to 5,000,000;
4. To approve the amendment of the Company’s 2013 Equity Incentive Plan (the “2013 Plan”) to (i) increase the number of shares of the Company’s common stock available for issuance pursuant to the 2013 Plan by 2,000,000 shares, (ii) remove the “evergreen” provision from the 2013 Plan that increased the number of shares available for issuance under the 2013 Plan each year by a specified amount; and (iii) remove a provision from the 2013 Plan that gives the Company’s Board of Directors authority to increase the maximum number of shares available for issuance under the 2013 Plan in connection with certain adjustment awards; and
5. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

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The Board of Directors has fixed the close of business on April 5, 2016 as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Only holders of record of our Common Stock at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Each of the items of business listed above is more fully described in the proxy statement that accompanies this notice.

In the event there are not sufficient shares to be voted in favor of any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies.

The Board of Directors of Biostage, Inc. recommends that you vote “FOR” the election of the nominees of the Board of Directors as Directors of Biostage, Inc., “FOR” the proposal to ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm, “FOR” the proposal to approve the amendment of the Company’s Charter and “FOR” the proposal to approve the amendment of the 2013 Plan.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on Thursday, May 26, 2016: The Proxy Statement and 2015 Annual Report to Stockholders, which includes the Annual Report on Form 10-K for the year ended December 31, 2015, are available at [www.proxyvote.com](http://www.proxyvote.com). The Annual Report, however, is not part of the proxy solicitation material.**

By Order of the Board of Directors,

James McGorry  
*President and Chief Executive Officer*

Holliston, Massachusetts  
April \_\_, 2016

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE CAST YOUR VOTE ONLINE, BY TELEPHONE OR BY COMPLETING, DATING, SIGNING AND PROMPTLY RETURNING YOUR PROXY CARD OR VOTING INSTRUCTIONS CARD IN THE POSTAGE-PAID ENVELOPE (WHICH WILL BE PROVIDED TO THOSE STOCKHOLDERS WHO REQUEST TO RECEIVE PAPER COPIES OF THESE MATERIALS BY MAIL) BEFORE THE ANNUAL MEETING SO THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING.**



Biostage, Inc.

Notice of 2016 Annual Meeting of Stockholders,  
Proxy Statement and Other Information

Contents

	<b>Page</b>
<u>Proxy Statement</u>	1
<u>Proposal 1: Election of Directors</u>	4
<u>Information Regarding Directors</u>	4
<u>Information Regarding the Board of Directors and its Committees</u>	7
<u>Code of Business Conduct and Ethics</u>	10
<u>Report of the Audit Committee</u>	11
<u>Executive Compensation</u>	12
<u>Summary Compensation Table</u>	12
<u>Director Compensation</u>	19
<u>Outstanding Equity Awards at Fiscal Year-End-2015</u>	21
<u>Security Ownership of Certain Beneficial Owners and Management</u>	23
<u>Equity Compensation Plan Information</u>	24
<u>Transactions With Related Persons</u>	25
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	26
<u>Expenses of Solicitation</u>	26
<u>Submission of Stockholder Proposals for the 2017 Annual Meeting</u>	26
<u>Submission of Securityholder Recommendations for Director Candidates</u>	26
<u>Stockholder Communications with the Board of Directors</u>	27
<u>Independent Registered Public Accounting Firm</u>	27
<u>Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm</u>	28
<u>Proposal 3: Approval of the Amendment of the Amended and Restated Certificate of Incorporation</u>	29
<u>Proposal 4: Approval of the Amendment of the 2013 Equity Incentive Plan</u>	31
<u>Multiple Stockholders Sharing the Same Address</u>	37
<u>Other Matters</u>	38

i

BIOSTAGE, INC.  
84 October Hill Road, Suite 11  
Holliston, Massachusetts 01746-1371  
(774) 233-7300

## PROXY STATEMENT

### **Annual Meeting of Stockholders to Be Held on Thursday, May 26, 2016**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Biostage, Inc. (the “Company” or “we”) for use at the Annual Meeting of Stockholders of the Company to be held on May 26, 2016, at 11:00 a.m. Eastern Time at the offices of Burns & Levinson LLP, 125 Summer Street, Boston, Massachusetts 02110, and any adjournments or postponements thereof. You may obtain directions to the Annual Meeting at [www.proxyvote.com](http://www.proxyvote.com). At the Annual Meeting, the stockholders of the Company will be asked to consider and vote upon:

1. The election of the Director Nominees as Class III Directors, nominated by the Board of Directors (or the “Board”), for a three-year term, such term to continue until the annual meeting of stockholders in 2019 or until such Directors’ successors are duly elected and qualified or until their earlier resignation or removal;
2. The ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016;  
To approve the amendment of the Company’s Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 100,000,000 and to increase the number of authorized shares of preferred stock to 5,000,000;
3. To approve the amendment of the Company’s 2013 Equity Incentive Plan (the “2013 Plan”) to (i) increase the number of shares of the Company’s common stock available for issuance pursuant to the 2013 Plan by 2,000,000 shares, (ii) remove the “evergreen” provision from the 2013 Plan that increased the number of shares available for issuance under the 2013 Plan each year by a specified amount; and (iii) remove a provision from the 2013 Plan that gives the Company’s Board of Directors authority to increase the maximum number of shares available for issuance under the 2013 Plan in connection with certain adjustment awards; and
- 4.
- 5.

Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Under rules and regulations of Securities and Exchange Commission, or SEC, instead of mailing a printed copy of our proxy materials to each shareholder of record or beneficial owner of our common stock, we are now furnishing proxy materials, which include our Proxy Statement and Annual Report, to our shareholders over the Internet and providing a Notice of Internet Availability of Proxy Materials by mail. The Notice of Internet Availability of Proxy Materials is first being mailed to stockholders of the Company on or about April 15, 2016, in connection with the solicitation of proxies for the Annual Meeting. The Board of Directors has fixed the close of business on April 5, 2016 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting (the "Record Date"). Only holders of record of Common Stock, par value \$.01 per share, of the Company (the "Common Stock") at the close of business on the Record Date will be entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, there were 14,110,540 shares of Common Stock outstanding and entitled to vote at the Annual Meeting. As of the Record Date, there were approximately 178 stockholders of record. Each holder of a share of Common Stock outstanding as of the close of business on the Record Date will be entitled to one vote for each share held of record with respect to each matter properly submitted at the Annual Meeting. As of the Record Date, there were no longer any shares of our Series B Convertible Preferred Stock outstanding and as such, there are no holders of the Series B Convertible Preferred Stock entitled to vote at the Annual Meeting.

The presence, in person or by proxy, of holders of at least a majority of the total number of outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Shares held of record by stockholders or their nominees who do not return a signed and dated proxy, properly deliver proxies via the Internet or telephone, or attend the Annual Meeting in person will not be considered present or represented at the Annual Meeting and will not be counted in determining the presence of a quorum. Consistent with applicable law, we intend to count abstentions and broker non-votes only for the purpose of determining the presence or absence of a quorum for the transaction of business. A broker “non-vote” refers to shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter. Applicable rules no longer permit brokers to vote in the election of Directors if the broker has not received instructions from the beneficial owner. Accordingly, it is important that beneficial owners instruct their brokers how they wish to vote their shares.

With respect to the election of Class III Directors in Proposal 1, such Directors are elected by a plurality of the votes cast if a quorum is present. Votes may be cast for the Directors or withheld. In a plurality election, votes may only be cast in favor of or withheld from the nominee; votes that are withheld will be excluded entirely from the vote and will have no effect. This means that the persons receiving the highest number of “FOR” votes will be elected as a Director. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have no impact on the election of Directors, except to the extent that the failure to vote for an individual results in another individual receiving a larger percentage of votes.

Approval of Proposal No. 2 regarding the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016 requires the affirmative vote of a majority of the votes cast at the Annual Meeting in person or by proxy. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have no impact on this Proposal No. 2.

Approval of Proposal No. 3 regarding the approval of the proposed amendment of the Company’s Amended and Restated Certificate of Incorporation requires the affirmative vote of the majority of the outstanding shares of Common Stock entitled to vote on such amendment. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have the same effect as a vote against this Proposal No. 3. Accordingly, it is important that beneficial owners instruct their brokers how they wish to vote their shares on this Proposal No 3.

Approval of Proposal No. 4 regarding the approval of the proposed amendment of the Company’s 2013 Equity Incentive Plan requires the affirmative vote of a majority of the votes cast at the Annual Meeting in person or by proxy. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have no impact on this Proposal No. 4.

The corporate actions 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.

You will not receive a printed copy of the proxy materials unless you request to receive these materials in hard copy by following the instructions provided in the Notice of Internet Availability of Proxy Materials. Instead, the Notice of Internet Availability of Proxy Materials will instruct you how you may access and review all of the important information contained in the proxy materials. The Notice of Internet Availability of Proxy Materials also instructs you how you may submit your proxy via the Internet or mail. To the extent you receive a proxy card, such proxy card will also contain instructions on how you may also vote by telephone. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

We encourage you to vote either online, by telephone or by completing, signing, dating and returning a proxy card or if you hold your shares through a brokerage firm, bank or other financial institution, by completing and returning a voting instruction form. This ensures that your shares will be voted at the Annual Meeting and reduces the likelihood that we will be forced to incur additional expenses soliciting proxies for the Annual Meeting.

Voting over the Internet, by telephone or mailing a proxy card will not limit your right to vote in person or to attend the Annual Meeting. Any record holder as of the Record Date may attend the Annual Meeting in person and may revoke a previously provided proxy at any time by: (i) executing and delivering a later-dated proxy to the corporate secretary at Biostage, Inc., 84 October Hill Road, Suite 11, Holliston, Massachusetts 01746-1371; (ii) delivering a written revocation to the corporate secretary at the address above before the meeting; or (iii) voting in person at the Annual Meeting.

Beneficial holders who wish to change or revoke their voting instructions should contact their brokerage firm, bank or other financial institution for information on how to do so. Beneficial holders who wish to attend the Annual Meeting and vote in person should contact their brokerage firm, bank or other financial institution holding shares of Common Stock on their behalf in order to obtain a “legal proxy”, which will allow them to vote in person at the meeting. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

Our Board of Directors recommends an affirmative vote on all proposals specified in the notice for the Annual Meeting. Proxies will be voted as specified. If your proxy is properly submitted, it will be voted in the manner you direct. **If you do not specify instructions with respect to any particular matter to be acted upon at the meeting, proxies will be voted in favor of the Board of Directors’ recommendations.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on Thursday, May 26, 2016: The Proxy Statement and the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, are available at [www.proxyvote.com](http://www.proxyvote.com). The Annual Report, however, is not part of the proxy solicitation material.**

## **PROPOSAL 1**

### **ELECTION OF DIRECTORS**

The Board of Directors of the Company currently consists of six members and is divided into three classes of Directors, with one Director in Class I, two Directors in Class II and three Directors in Class III. Directors serve for three-year terms with one class of Directors being elected by our stockholders at each annual meeting to succeed the Directors of the same class whose terms are then expiring.

At the Annual Meeting, two Class III Directors, nominated by the Board of Directors, will stand for re-election to serve until the 2019 annual meeting of stockholders or until their successors are duly elected and qualified or until their earlier resignation or removal. In addition to providing the required third independent director for our Audit Committee to ensure compliance with the applicable NASDAQ rules, Mr. Blaine H. McKee, Ph.D. was elected to the Board as a Class III Director to succeed David Green, who will not stand for re-election at the Annual Meeting. The Board of Directors has approved a reduction in the size of the Board of Directors from six members to five members, to become effective as of May 26, 2016.

At the recommendation of the Governance Committee, the Board of Directors has nominated Mr. John F. Kennedy and Mr. Blaine H. McKee, Ph.D. for election as the Class III Directors of the Company. Unless otherwise specified in the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy "FOR" the election of Mr. John F. Kennedy and Mr. Blaine H. McKee, Ph.D. The nominees have agreed to stand for re-election and, if re-elected, to serve as a Directors. However, if any such person nominated by the Board of Directors is unable to serve or will not serve, the proxies will be voted for the election of such other person or persons as the Governance Committee and the Board of Directors may recommend.

#### **Vote Required**

The affirmative vote of a plurality of the votes cast by holders of shares of Common Stock present or represented by proxy and entitled to vote on the matter at the Annual Meeting is required for the election of each of the nominees as a Class III Director of the Company.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF THE FOLLOWING NOMINEES OF THE BOARD OF DIRECTORS: MR. JOHN F. KENNEDY AND MR.**

**BLAINE H. MCKEE, PH.D. PROPERLY AUTHORIZED PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED “FOR” THE NOMINEES UNLESS INSTRUCTIONS TO WITHHOLD OR TO THE CONTRARY ARE GIVEN.**

#### INFORMATION REGARDING DIRECTORS

Set forth below is certain information regarding the Directors of the Company, including the Class III Directors who have been nominated for election at the Annual Meeting, based on information furnished to the Company by each Director. The biographical description below for each Director includes his age, all positions he holds with the Company, his principal occupation and business experience over the past five years, and the names of other publicly-held companies for which he currently serves as a director or has served as a director during the past five years. The biographical description below for each Director also includes the specific experience, qualifications, attributes and skills that led to the conclusion by the Board of Directors that such person should serve as a director of the Company. In addition to such specific information, we also believe that all of our Directors have a reputation for integrity, honesty and adherence to high ethical standards. Further, they have each demonstrated business acumen and an ability to exercise sound judgment as well as a commitment of service to the Company and our Board.

The Board of Directors has determined that the Director nominees and all the incumbent Directors listed below are “independent” as such term is currently defined by applicable NASDAQ rules. Our director John F. Kennedy is currently a director of Harvard Bioscience, Inc. (“Harvard Bioscience”), our former parent company.



The following information is current as of April 1, 2016, based on information furnished to the Company by each Director:

Directors of Biostage, Inc.

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>	<b>Director Since</b>
<b>Class III Directors – Term expires 2016</b>			
<b>Nominated to Serve a Term Expiring 2019</b>			
<i>John F. Kennedy</i> *(1)(2)	67	Chairman	2012
<i>Blaine H. McKee, Ph.D.</i> *(1)	51	Director	2016
<b>Class III Director – Term expires 2016</b>			
<i>David Green</i>	51	Director	2012
<b>Class I Director – Term expires 2017</b>			
<i>James J. McGorry</i>	60	President, CEO and Director	2013
<b>Class II Directors – Term expires 2018</b>			
<i>Thomas H. Robinson</i> (2)(3)	57	Director	2012
<i>John J. Canepa</i> (1)(3)	60	Director	2013

\*Nominee for election

(1)Member of the Audit Committee

(2)Member of the Compensation Committee

(3)Member of the Governance Committee

*Nominee for Election as Class III Directors — Nominated to Serve a Term Expiring in 2019*

*John F. Kennedy — Chairman*

Mr. Kennedy has served as a member of our Board of Directors since December 3, 2012. From June 2006 until his retirement in October 2008, Mr. Kennedy served as President and Chief Financial Officer of Nova Ventures Corporation, the management company providing executive management services to the operating companies of Nova Holdings LLC, Nova Analytics Corporation and Nova Technologies Corporation. From 2002 to 2006, Mr. Kennedy

served as the President and Chief Financial Officer of Nova Analytics Corporation, a worldwide supplier and integrator of analytical instruments. From 1999 to 2002, Mr. Kennedy served as the Senior Vice President, Finance, Chief Financial Officer and Treasurer of RSA Security Inc., an e-business security company. Prior to joining RSA Security, Mr. Kennedy was Chief Financial Officer of Decalog, NV, a developer of enterprise investment management software, from 1998 to 1999. From 1993 to 1998, Mr. Kennedy served as Vice President of Finance, Chief Financial Officer and Treasurer of Natural MicroSystems Corporation, a telecommunications company. Mr. Kennedy, a former CPA, also practiced as a public accountant at KPMG for six years. Mr. Kennedy currently serves on the Boards of Directors of Harvard Bioscience and Datacom Systems, Inc. Mr. Kennedy holds a B.S. in Mathematics from Lowell Technological Institute, now the University of Massachusetts Lowell, and an M.S.B.A. in Accounting from the University of Massachusetts Amherst. We believe Mr. Kennedy's qualifications to sit on our Board of Directors include his executive leadership experience, his significant operating, accounting and financial management expertise and the knowledge and understanding of our Company and industry that he has acquired over 13 years of service on the Board of Directors of Harvard Bioscience.

*Blaine H. McKee, Ph.D. — Director*

Dr. McKee served as a member of our Board of Directors since March 10, 2016. Dr. McKee is the Senior Vice President, Head of Transactions at Shire PLC, a position he has held since July 2014. Prior to joining Shire, Dr. McKee served as Executive Vice President and Chief Business Officer of 480 Biomedical from 2011 to 2014, following 15 years at Genzyme Corporation from 1996 to 2011, where he most recently served as Senior Vice President of Strategic Development, leading global business development for the Organ Transplant, Oncology and Multiple Sclerosis business units. Dr. McKee currently serves on the Boards of ArmaGen, Inc., OrbiMed Israel and the New York Pharma Forum. Dr. McKee holds a B.S. in Chemistry with distinction from Colorado State University, a M.B.A. in Finance from MIT Sloan School of Management and a Ph.D. from Massachusetts Institute of Technology. We believe Dr. McKee's qualifications to sit on our Board of Directors include his extensive background in science, finance and strategy functions, including with respect to the life sciences industry.

*Class III Director — Term expires 2016*

*David Green — Director*

Mr. Green served as our President, Chief Executive Officer, and Chairman of our Board of Directors from May 3, 2012 until his resignation in April 2015, after which he remained a member of our Board of Directors. Mr. Green was also the President and a member of the Board of Directors of Harvard Bioscience from March 1996 and its CEO from May 2013, until the spin-off of our Company from Harvard Bioscience on November 1, 2013. Mr. Green remains a director of Harvard Bioscience but no longer holds an executive position at Harvard Bioscience. Mr. Green's previous experiences include working as a strategy consultant with Monitor Company, a strategy consulting company, in Cambridge, Massachusetts and Johannesburg, South Africa from June 1991 until September 1995 and a brand manager for household products with Unilever PLC, a packaged consumer goods company, in London from September 1985 to February 1989. Mr. Green currently sits on the Advisory Board of the Harvard Business School Healthcare Initiative. Mr. Green graduated from Oxford University with a B.A. Honors degree in physics and holds a M.B.A. degree with distinction from Harvard Business School. We believe Mr. Green's qualifications to sit on our Board of Directors include his executive leadership experience, his experience founding the regenerative medicine business at Harvard Bioscience, his significant operating and management expertise and the knowledge and understanding of our Company that he has acquired over 17 years of service as the President and a director of Harvard Bioscience.

*Incumbent Class I Director — Term expires 2017*

*James J. McGorry – President, Chief Executive Officer and Director*

Mr. McGorry has served as a member of our Board of Directors since February 25, 2013 and as our President and Chief Executive Officer since July 6, 2015. Mr. McGorry is a seasoned life science executive with over thirty years of leadership experience in both medical technology and biotechnology businesses. From September 2013 to July 2015, Mr. McGorry served as Executive Vice-President and General Manager of the Translational Oncology Solutions business of Champions Oncology, a personalized oncology firm. From 2011 to 2012, Mr. McGorry was Executive Vice-President of Accellent, a medical device contract-manufacturing firm. From 1998 to 2010, Mr. McGorry worked at Genzyme Corporation as a Senior Vice President in both BioSurgery and Oncology. At Genzyme Corporation, he was responsible for commercial operations resulting in global expansion, product extensions and profitable growth. From 1985 to 1996, Mr. McGorry worked at American Hospital Supply Corporation, which merged to form Baxter Healthcare. Mr. McGorry currently serves on the Board of Directors of ISTO Technologies, Inc. Mr. McGorry graduated from the United States Military Academy at West Point with a B.A. degree and holds an M.B.A degree from Duke University Fuqua School of Business. We believe Mr. McGorry's qualifications to sit on our Board of Directors include his significant executive leadership, operating and management experience in, and knowledge of, the life sciences, medical technology and biotechnology industries.

*Incumbent Class II Directors — Term expires 2018*

*Thomas H. Robinson — Director*

Mr. Robinson has served as a member of our Board of Directors since December 3, 2012. Since September 2011, Mr. Robinson has served as a partner with RobinsonButler, an executive search firm. In 2010, Mr. Robinson served as managing director at Russell Reynolds Associates. From 1998 to 2010, Mr. Robinson served as managing partner of the North American medical technology practice, which includes the medical device, hospital supply/distribution and medical software areas, of Spencer Stuart, Inc., a global executive search firm. From 2002 to 2010, Mr. Robinson was a member of Spencer Stuart's board services practice, which assists corporations to identify and recruit outside directors. From 1998 to 2000, Mr. Robinson headed Spencer Stuart's North American biotechnology specialty practice. From 1993 to 1997, Mr. Robinson served as president of the emerging markets business at Boston Scientific Corporation, a global medical devices manufacturer. From 1991 to 1993, Mr. Robinson also served as president and chief operating officer of Brunswick Biomedical, a cardiology medical device company. Mr. Robinson currently serves on the Board of Directors of Cynosure, Inc. He graduated from Brown University with a B.A. degree in mathematics and economics and holds an M.B.A. degree from Harvard Business School. We believe Mr. Robinson's qualifications to sit on our Board of Directors include his executive leadership experience in, and knowledge of, the medical device and regenerative medicine industries, and his significant expertise in the areas of public company corporate governance and operations.

*John J. Canepa — Director*

Mr. Canepa has served as a member of our Board of Directors since August 14, 2013. Mr. Canepa is the Chief Operating Officer and Chief Financial Officer of Asterand Bioscience, Inc. (formerly known as Stemgent, Inc.) a leading global provider of high quality, well characterized human tissue and human tissue-based research solutions to drug discovery scientists. From August 2005, Mr. Canepa served as the President and Chief Executive Officer of PathoGenetix, Inc., a venture capital backed life science company focused on commercializing proprietary DNA optical mapping technology for pathogen detection and strain identification. From 2001 to 2003, Mr. Canepa served as the Chief Financial Officer at Winphoria Networks. From 1978 to 2001, Mr. Canepa was a Senior Audit Partner in Arthur Andersen's Boston Office Technology Practice with worldwide responsibility for Life Sciences Practice. Currently, Mr. Canepa is Co-Chairman of the Board of Trustees at Mt. Auburn Hospital and a member of the Board of Trustees and the Audit Committee at CareGroup. He graduated from Denison University with a B.A. degree and holds a Masters Degree in Finance from Michigan State University. We believe Mr. Canepa's qualifications to sit on our Board of Directors include his executive leadership experience, his significant operating, accounting and financial management expertise, including with respect to the life sciences, medical technology and biotechnology industries.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND ITS COMMITTEES

During the year ended December 31, 2015, our Board of Directors held fifteen meetings. Each of the Directors attended at least 80% of the total number of meetings of the Board of Directors and of the committees of which he was a member. The Board of Directors encourages Directors to attend in person the Annual Meeting of Stockholders of the Company, or Special Meeting in lieu thereof, or, if unable to attend in person, to participate by other means, if practicable. In recognition of this policy, the Board of Directors typically schedules a regular meeting of the Board of Directors to be held on the date of, and immediately following, the Annual Meeting of Stockholders. Four of the five Directors in office at the time attended, in person or by telephone, the 2015 Annual Meeting of Stockholders held on May 21, 2015.

The non-employee Directors meet regularly in executive sessions outside the presence of management. Following the resignation of Mr. Green, our former Chairman, President and Chief Executive Officer, the Board of Directors appointed Mr. Kennedy as the Chairman of the Board in April 2015. Among other things, the Chairman provides feedback to the Chief Executive Officer on executive sessions and facilitates discussion among the independent directors outside of meetings of the Board of Directors. The Chief Executive Officer is responsible for the day-to-day management of our Company and the development and implementation of our Company's strategy. Our Board of Directors currently believes that separating the roles of Chief Executive Officer and Chairman contributes to an efficient and effective board. Our Board of Directors does not have a current requirement that the roles of Chief Executive Officer and Chairman of the Board be either combined or separated, because the Board currently believes it is in the best interests of our Company to make this determination based on the position and direction of our Company and the constitution of the Board and management team. From time to time, the Board will evaluate whether the roles of Chief Executive Officer and Chairman of the Board should be combined or separated. The Board has determined that having separate roles of our Company's Chief Executive Officer and Chairman is in the best interest of our stockholders at this time.

The Board of Directors has established an Audit Committee (the “Audit Committee”), a Compensation Committee (the “Compensation Committee”) and a Governance Committee (the “Governance Committee”).

#### *Audit Committee*

The Audit Committee currently consists of Messrs. Kennedy, Canepa and McKee. Mr. Kennedy serves as the Chairman. Dr. McKee was appointed to the Audit Committee in March 2016, as successor to Mr. McGorry who no longer could serve on the Audit Committee following his July 2015 appointment as our President and Chief Executive Officer. The Audit Committee is comprised entirely of independent Directors and it operates under a Board-approved charter that sets forth its duties and responsibilities. The Audit Committee met eight times during 2015.

Under its charter, the Audit Committee is responsible for, among other things:

- reviewing with the independent registered public accounting firm and management the adequacy and effectiveness of internal controls over financial reporting and related matters;
- reviewing and consulting with management and the independent registered public accounting firm on matters related to the annual audit, the annual and quarterly financial statements and related disclosures, earnings releases and related accounting principles, policies, practices and judgments;
- making a recommendation to the Board as to whether our audited financial statements should be included in our Annual Report on Form 10-K;
- appointing, retaining and terminating, and determining compensation of, the Company’s independent auditors;
- assurance of the regular rotation of audit partners, including any lead and concurring partners, in accordance with applicable laws and regulations;
- preparation of the Audit Committee report required to be included in our annual proxy statement;
- reporting matters that arise relating to quality or integrity of our financial statements, legal compliance, performance of the independent auditors and other matters, to the Board and reviewing such matters with the Board; and
- the oversight of the Company’s independent auditors and the evaluation of the independent auditors’ qualifications, performance and independence, including performance of the lead audit partner, and reporting of such evaluation to the Board.

The Audit Committee is responsible for reviewing and discussing with management our policies with respect to risk assessment and risk management. The Board and the Audit Committee discuss matters relating to risks that arise or may arise.

The Audit Committee is also responsible for, and has established policies and procedures with respect to, the pre-approval of all services provided by the independent auditors. When assessing the independence of our auditors, the Audit Committee considers the independent registered public accounting firm’s provision of non-audit services to the Company.

The Audit Committee has also established procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by the Company. The Board of Directors and the Audit Committee adopted a Code of Business Conduct and Ethics, a current copy of which is available on the Corporate Governance page in the Investor section of our website at [www.biostage.com](http://www.biostage.com).

With respect to the Company's independent registered public accounting firm, currently KPMG, in accordance with SEC rules and KPMG policies, audit partners are subject to rotation requirements to limit the number of consecutive years an individual partner may provide service to our Company. For lead and concurring audit partners, the maximum number of consecutive years of service in that capacity is five years. Our Audit Committee is involved in the selection of the lead audit partner. The process for selection of our lead audit partner pursuant to this rotation policy involves a meeting between the Chairman of the Audit Committee and the candidate for the role, as well as discussion by the full Audit Committee and with management.



The Board of Directors has determined that all members of the Audit Committee are “independent” as such term is currently defined by NASDAQ rules, meet the criteria for independence set forth under the rules of the Securities and Exchange Commission, and are able to read and understand fundamental financial statements. The Board of Directors has also determined that each of Messrs. Kennedy and Canepa qualifies as an “audit committee financial expert” under the rules of the Securities and Exchange Commission.

The Audit Committee Charter is available on the Corporate Governance page in the Investors section of our website at [www.biostage.com](http://www.biostage.com). Please note that the information contained on the Company website is not incorporated by reference in, or considered to be a part of, this Proxy Statement.

#### *Compensation Committee*

The Compensation Committee currently consists of Messrs. Kennedy and Robinson. Mr. Robinson serves as the Chairman. The Compensation Committee is comprised entirely of independent Directors and it operates under a Board-approved charter that sets forth its duties and responsibilities. The Compensation Committee met three times during 2015.

The Compensation Committee determines and oversees the execution of our compensation philosophy and oversees the administration of our executive compensation programs. Its responsibilities also include overseeing the Company’s compensation and benefit plans and policies, retaining or terminating committee advisors, independence evaluation of compensation advisors, administering its stock plans (including reviewing and approving equity grants) and reviewing and approving annually all compensation decisions for the Company’s executive officers, including the President and Chief Executive Officer and the Chief Financial Officer.

The Board of Directors has determined that all members of the Compensation Committee are “independent” as such term is currently defined by NASDAQ rules.

The Compensation Committee Charter is available on the Corporate Governance page in the Investors section of our website at [www.biostage.com](http://www.biostage.com). Please note that the information contained on the website is not incorporated by reference in, or considered to be a part of, this Proxy Statement.

#### *Governance Committee*

The current members of the Governance Committee are Messrs. Robinson and Canepa. Mr. Canepa replaced Mr. McGorry as Chairman of the Governance Committee in July 2015, in connection with Mr. McGorry's appointment as our President and Chief Executive Officer. The Governance Committee is comprised entirely of independent directors and it operates under a Board-approved charter that sets forth its duties and responsibilities. The Governance Committee met one time during 2015.

Under the terms of its charter, the Governance Committee is responsible for identifying individuals qualified to become Board members, consistent with criteria recommended by the Governance Committee and approved by the Board of Directors, and recommending that the Board of Directors select the director nominees for election at each annual meeting of stockholders. Its responsibilities also include recommending to the Board of Directors the criteria for membership on Board Committees. The Governance Committee is also responsible for reviewing all stockholder nominations and proposals submitted to the Company, determining whether such nominations or proposals were timely submitted and assisting the Board of Directors with such corporate governance matters as the Board of Directors may request.

In identifying and evaluating nominees for the Board of Directors, the Governance Committee may solicit recommendations from any or all of the following sources: non-management Directors, including our Chairman, the Chief Executive Officer, other executive officers, third-party search firms or any other source it deems appropriate. In addition, the Governance Committee has established a policy that it will review and consider any Director candidates who have been recommended by securityholders in compliance with certain procedures established by the Governance Committee. The procedures to be followed by securityholders in submitting such recommendations are described in the section entitled "Submission of Securityholder Recommendations for Director Candidates" included in this Proxy Statement. The Governance Committee will review and evaluate the qualifications of any such proposed Director candidate and conduct inquiries it deems appropriate.

The Governance Committee will evaluate all such proposed Director candidates, including those recommended by securityholders in compliance with the procedures established by the Governance Committee, in the same manner, with no regard to the source of the initial recommendation of such proposed Director candidate. When considering a potential candidate for membership on the Board of Directors, the Governance Committee may consider, in addition to the minimum qualifications and other criteria for Board membership approved by the Board of Directors, all facts and circumstances that the Governance Committee deems appropriate or advisable, including, among other things, the skills of the proposed Director candidate, his or her availability, depth and breadth of business experience or other background characteristics, his or her independence and the needs of the Board of Directors. At a minimum, each nominee must have high personal and professional integrity, have demonstrated ability and judgment, and be effective, in conjunction with the other Directors and nominees, in collectively serving the long-term interests of the stockholders. In addition, the Governance Committee will recommend that the Board select persons for nomination to help ensure that a majority of the Board shall be “independent” in accordance with NASDAQ rules and each of its Audit, Compensation and Governance Committees shall be comprised entirely of independent directors; provided, however, in accordance with NASDAQ rules, under exceptional and limited circumstances, if a committee has at least three members, the Board may appoint one individual to such committee who does not satisfy the independence standards. Although there is no specific policy regarding the consideration of diversity in identifying director nominees, the Governance Committee may consider whether the nominee, if elected, assists in achieving a mix of Board members that represents a diversity of background and experience. The Governance Committee also may consider whether the nominee has direct experience in the biotechnology, pharmaceutical and/or life sciences industries or in the markets in which the Company operates.

The Board of Directors has determined that all members of the Governance Committee are “independent” as such term is currently defined by NASDAQ rules.

The Governance Committee Charter is available on the Corporate Governance page in the Investor section of our website at [www.biostage.com](http://www.biostage.com). Please note that the information contained on the website is not incorporated by reference in, or considered to be a part of, this Proxy Statement.

#### *The Board’s Role in Risk Oversight*

Risks to the Company are discussed by the Board of Directors during the year. Management is responsible for the day-to-day management of risks we face, while the Board, as a whole and through its Committees, oversees risk management. The Audit Committee is responsible for reviewing and discussing with management our policies with respect to risk assessment and risk management. The Board of Directors and the Audit Committee review and discuss, including with management, risks that arise or may arise. For example, the Audit Committee discusses financial risk, including with respect to financial reporting and internal controls, with management and our independent registered public accounting firm and the steps management has taken to minimize those risks. Our Board of Directors also administers its risk oversight function through the required approval by the Board (or a Committee of the Board) of significant transactions and other material decisions.

## CODE OF BUSINESS CONDUCT AND ETHICS

The Board of Directors has adopted a Code of Business Conduct and Ethics, which applies to all Directors, officers and employees of our Company and its subsidiaries including, without limitation, the Chairman of the Board, the President and Chief Executive Officer, and the Chief Financial Officer. The Code of Business Conduct and Ethics is available on the Corporate Governance page in the Investor section of our website at [www.biostage.com](http://www.biostage.com). We intend to post any amendments to or waivers from this Code of Business Conduct and Ethics at this location on its website. Please note, however, that the information contained on the website is not incorporated by reference in, or considered a part of, this Proxy Statement.

REPORT OF THE AUDIT COMMITTEE

*Notwithstanding anything to the contrary set forth in any of the Company's previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate this Proxy Statement or any future filing with the Securities and Exchange Commission, in whole or in part, the following report shall not be deemed incorporated by reference into any such filing.*

The undersigned members of the Audit Committee of the Board of Directors of the Company submit this report in connection with the committee's review of the financial reports of the Company for the fiscal year ended December 31, 2015 as follows:

1. The Audit Committee has reviewed and discussed with management the audited financial statements of the Company for the fiscal year ended December 31, 2015.
2. The Audit Committee has discussed with representatives of KPMG LLP the matters required to be discussed with them by applicable requirements of Public Company Accounting Oversight Board Auditing Standard No. 16. The Audit Committee has received the written disclosures and the letter from the independent accountant required by the Public Company Accounting Oversight Board regarding the independent accountant's communications with
3. the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee:

John Kennedy, Chairman  
John Canepa  
James McGorry\*

Blaine McKee, Ph.D.\*\*

\*Mr. McGorry resigned from the Audit Committee as of July 2015

\*\*Dr. McKee joined the Audit Committee as of March 2016



## EXECUTIVE COMPENSATION

We are an “emerging growth company” within the meaning of the Jumpstart Our Business Startups Act of 2012. As a result, we have elected to comply with the reduced disclosure requirements applicable to emerging growth companies in accordance with SEC rules. We have only three executive officers. James McGorry, our President and Chief Executive Officer, Thomas McNaughton, our Chief Financial Officer and Saverio LaFrancesca, M.D., our Chief Medical Officer, are named executive officers. David Green, our former President and Chief Executive Officer, was a named executive officer for portions of 2015.

## SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation paid or earned by each of the named executive officers for services rendered in all capacities during the fiscal years ended December 31, 2014 and December 31, 2015, excluding the compensation Messrs. McGorry and Green received in 2015 as an independent directors as disclosed in the Director Compensation Table in this proxy statement.

Name and Principal Position	Year	Salary	Option Awards <sup>(1)</sup>	All Other Compensation	Total
James McGorry	2015	\$173,077	615,204	\$ 4,327	(2) \$792,608
President and Chief Executive Officer	2014	\$—	\$—	\$—	\$—
Thomas McNaughton	2015	\$309,000	201,790	\$ 15,450	(3) \$526,240
Chief Financial Officer	2014	\$309,000	\$—	\$ 16,072	(4) \$325,072
Saverio LaFrancesca, M.D.	2015	\$400,000	489,292	\$—	\$889,292
Chief Medical Officer	2014	\$276,923	573,220	\$—	\$850,143
David Green	2015	\$171,120	—	\$ 1,172,072	(5) \$1,343,192
Former President and Chief Executive Officer	2014	\$504,700	\$—	\$ 29,806	(6) \$534,506

Based on the aggregate grant date fair value computed in accordance with the provisions of FASB ASC 718, “Compensation — Stock Compensation”, excluding the impact of estimated forfeitures. Assumptions used in the calculation of this amount are set forth under 2013 Plan Valuation and Expense Information under

(1) Stock-Based-Payment Accounting in Note 13 to our audited financial statements for the fiscal year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016.

(2)

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- Amount represents \$4,327 for matching contributions made by the Company to Mr. McGorry's tax-qualified 401(k) Savings Plan account.
- (3) Amount represents \$15,450 for matching contributions made by the Company to Mr. McNaughton's tax-qualified 401(k) Savings Plan.
- (4) Amount represents \$15,450 for matching contributions made by the Company to Mr. McNaughton's tax-qualified 401(k) Savings Plan account and premiums in the amount of \$622 for a life insurance policy.  
Includes the following amounts received in connection with Mr. Green's resignation: \$14,406 of cash severance, and \$1,157,665 of fair value attributable to the extension of the exercise period on certain stock options as described in more detail in the description of employment agreements section of this proxy statement. The fair
- (5) value was determined on the grant date of the respective options in accordance with ASC Topic 718 and, therefore, is not indicative of the value that would be ultimately realized upon exercise of these options. Excludes the accelerated vesting of options to purchase 290,252 shares and 2,377 restricted stock units that accelerated pursuant to their terms upon Mr. Green's resignation.  
Includes \$10,980 for an automobile allowance (as calculated in accordance with Internal Revenue Service guidelines and included as compensation on the W-2), \$17,664 in matching contributions made by the Company to
- (6) Mr. Green's tax-qualified 401(k) Savings Plan account and premiums in the amount of \$1,162 for life insurance policies.



Discussion of Summary Compensation Table and Related Matters

*2015 Executive Compensation*

*Salary and Bonus*

In the first quarter of 2015, the Compensation Committee reviewed the overall executive compensation of the Company's named executive officers. Based on a variety of factors, including the circumstances of the recent spin-off from Harvard Bioscience and limited operating history of the Company, with respect to the named executive officers, the Compensation Committee elected to not approve any salary increases or cash incentive compensation for 2015.

*Long-Term Equity Incentive Compensation*

In 2015, the Compensation Committee approved grants of long-term equity incentive awards in the form of stock options to executives as part of our total compensation package. The long-term equity incentive awards were granted in an effort to achieve certain key objectives, including (i) to attract and retain high performing and experienced executives, (ii) motivate and reward executives whose knowledge, skills and performance are critical to our success, and (iii) to align the interests of our executives and our stockholders by providing our executives with strong incentives to increase stockholder value and a significant reward for doing so. Our decisions regarding the amount and type of long-term equity incentive compensation and relative weighting of these awards among total executive compensation have also been based on our understanding of market practices of our peers and take into account additional factors such as level of individual responsibility, experience and performance. The long term incentive grant to Mr. McGorry in July 2015 was made in connection with our hiring of him as our President and Chief Executive Officer. The long term incentive grants made to our named executive officers during fiscal 2015 are described in the table below and exclude the option grants Mr. McGorry received in 2015 as an independent director prior to becoming our President and Chief Executive Officer:

	<b>Stock Option  Awards (#)</b>
James McGorry <i>President and Chief Executive Officer</i>	671,400(1)

Thomas McNaughton <i>Chief Financial Officer</i>	185,000(2)
Saverio LaFrancesca, Ph.D. <i>Chief Medical Officer</i>	300,000(3)

(1) These options vest in four equal installments on each of January 1, 2016, 2017, 2018 and 2019 and have a term of ten years from the date of grant, being July 6, 2015.

(2) These options vest in four equal installments on each of the first four anniversaries of the respective grant date and have a term of ten years from the respective date of grant, and are comprised of options to acquire (i) 85,000 shares granted on May 29, 2015, the fifth business day following our 2015 Annual Meeting of Stockholders, and (ii) 100,000 shares granted on August 31, 2015.

(3) These options vest in four equal installments on each of the first four anniversaries of the respective grant date and have a term of ten years from the respective date of grant, and are comprised of options to acquire (i) 100,000 shares granted on March 4, 2015, (ii) 40,000 shares granted on May 29, 2015, the fifth business day following our 2015 Annual Meeting of Stockholders, and (iii) 160,000 shares granted on August 31, 2015.

*Employment Agreements and Severance and Change in Control Benefits*

**Current Named Executive Officers**

*James McGorry*

We entered into an employment agreement with Mr. McGorry dated as of June 23, 2015 and effective as of July 6, 2015, appointing Mr. McGorry as our President and Chief Executive Officer. Mr. McGorry's employment agreement has a term of three years, but will automatically renew for successive one year periods unless either party provides 90 days' notice that it does not wish to extend the agreement. Mr. McGorry's employment agreement provides for an annual base salary in the amount of three hundred seventy-five thousand dollars (\$375,000) which will be reevaluated on an annual basis by the Board of Directors or the compensation committee. Mr. McGorry also received an option to purchase 671,400 shares of our common stock upon the commencement of his employment, which vests in four equal installments on January 1 of 2016, 2017, 2018 and 2019. Mr. McGorry is eligible to receive cash incentive compensation as determined by the Board of Directors or the compensation committee, and is also eligible to participate in all of our employee benefit plans, including without limitation, retirement plans, stock option plans, stock purchase plans and medical insurance plans.

Mr. McGorry's employment agreement also provides for payments to be made to Mr. McGorry in the event of his termination under certain circumstances. If Mr. McGorry's employment is terminated by us without "cause" (as such term is defined in Mr. McGorry's employment agreement) or by Mr. McGorry for "good reason" (as such term is defined in Mr. McGorry's employment agreement), we are obligated to pay Mr. McGorry the sum of his average annual base salary for the prior three fiscal years or annual salary for the prior fiscal year, whichever is higher, and his average annual cash incentive compensation for the prior three fiscal years or annual cash incentive compensation for the prior fiscal year, whichever is higher. Such payment is conditioned upon Mr. McGorry's execution of a general release of claims against us. In addition, all of Mr. McGorry's stock options or stock-based awards that would otherwise vest within the 12 month period following such termination shall accelerate and become immediately exercisable. We shall continue to pay health insurance premiums for health insurance coverage for Mr. McGorry and his immediate family for a period of one year following his termination without cause or for good reason.

Mr. McGorry may also be entitled to certain payments in the event of a change in control of our Company. If Mr. McGorry's employment is terminated by us without cause or by Mr. McGorry for good reason within 18 months of a change in control of our Company, Mr. McGorry is entitled to receive a lump sum cash payment in an amount equal to the sum of Mr. McGorry's current or most recent annual salary and his most recent cash incentive compensation. In addition, in the event of a change in control, all of Mr. McGorry's stock options or stock-based awards shall accelerate and become immediately exercisable. We will continue to pay health insurance premiums for health insurance coverage for Mr. McGorry and his immediate family for a period of one year following his termination as a result of a

change in control.

Mr. McGorry will not be entitled to severance payments unless mutually agreed upon in writing if Mr. McGorry is terminated for cause, due to death or disability, or he terminates his employment without good reason. In the event Mr. McGorry is terminated due to death or disability, we will continue to pay health insurance premiums for health insurance coverage for Mr. McGorry and his immediate family for a period of one year following his termination.

Pursuant to the terms of his employment agreement, Mr. McGorry is also subject to certain confidentiality, non-solicitation and non-competition obligations. The non-solicitation and non-competition obligations survive during the term of his agreement and for a period of 12 months thereafter.

For purposes of Mr. McGorry's employment agreement, "cause" means: (A) conduct by Mr. McGorry constituting a material act of willful misconduct in connection with the performance of his duties; (B) criminal or civil conviction of Mr. McGorry, a plea of nolo contendere by Mr. McGorry or conduct by Mr. McGorry that would reasonably be expected to result in material injury to our reputation if he were retained in his position with us; (C) continued, willful and deliberate non-performance by Mr. McGorry of his duties; (D) a breach by Mr. McGorry of his confidentiality, non-solicitation and non-competition obligations to us; or (E) a material violation by Mr. McGorry of our employment policies.

For purposes of Mr. McGorry's employment agreement, "good reason" means the occurrence of any of the following events: (A) a substantial diminution or other substantive adverse change, not consented to by Mr. McGorry, in his responsibilities, authorities, powers, functions or duties; (B) any removal of Mr. McGorry's title of President and/or Chief Executive Officer; (C) an involuntary reduction in Mr. McGorry's annual salary except for across-the-board reductions similarly affecting substantially all management employees; (D) a breach by us of any of our other material obligations under Mr. McGorry's employment agreement; (E) the involuntary relocation of our offices at which Mr. McGorry is principally employed to a location more than 30 miles from our current offices; or (F) our failure to obtain the agreement from any successor company to us to assume and agree to perform Mr. McGorry's employment agreement.

*Thomas McNaughton*

On October 31, 2013, we entered into an Employment Agreement with Mr. McNaughton. The term of this agreement commenced on November 1, 2013. Mr. McNaughton's employment agreement has a term of two years, but will automatically renew for successive two year periods unless either party provides 90 days' notice that it does not wish to extend the agreement. Mr. McNaughton's employment agreement provides for an annual base salary in the amount of three hundred nine thousand dollars (\$309,000) which will be reevaluated on an annual basis by the Board of Directors or the compensation committee. Mr. McNaughton is eligible to receive cash incentive compensation as determined by the Board of Directors or the compensation committee, and is also eligible to participate in all of our employee benefit plans, including without limitation, retirement plans, stock option plans, stock purchase plans and medical insurance plans.

Mr. McNaughton's employment agreement also provides for payments to be made to Mr. McNaughton in the event of his termination under certain circumstances. If Mr. McNaughton's employment is terminated by us without "cause" (as such term is defined in Mr. McNaughton's employment agreement) or by Mr. McNaughton for "good reason" (as such term is defined in Mr. McNaughton's employment agreement), we are obligated to pay Mr. McNaughton the sum of his average annual base salary for the prior three fiscal years or annual salary for the prior fiscal year, whichever is higher, and his average annual cash incentive compensation for the prior three fiscal years or annual cash incentive compensation for the prior fiscal year, whichever is higher. Such payment is conditioned upon Mr. McNaughton's execution of a general release of claims against us. In addition, all of Mr. McNaughton's stock options or stock-based awards that would otherwise vest within the 18 month period following such termination shall accelerate and become immediately exercisable. We shall continue to pay health insurance premiums for health insurance coverage for Mr. McNaughton and his immediate family for a period of one year following his termination without cause or for good reason.

Mr. McNaughton may also be entitled to certain payments in the event of a change in control of our Company. If Mr. McNaughton's employment is terminated by us without cause or by Mr. McNaughton for good reason within 18 months of a change in control of our Company, Mr. McNaughton is entitled to receive a lump sum cash payment in an amount equal to the sum of Mr. McNaughton's most recent annual salary and his most recent cash incentive

compensation. In addition, in the event of a change in control, all of Mr. McNaughton's stock options or stock-based awards shall accelerate and become immediately exercisable. We will continue to pay health insurance premiums for health insurance coverage for Mr. McNaughton and his immediate family for a period of one year following his termination as a result of a change in control.

Mr. McNaughton will not be entitled to severance payments unless mutually agreed upon in writing if Mr. McNaughton is terminated for cause, due to death or disability, or he terminates his employment without good reason. In the event Mr. McNaughton is terminated due to death or disability, we will continue to pay health insurance premiums for health insurance coverage for Mr. McNaughton and his immediate family for a period of one year following his termination.

Mr. McNaughton is also eligible to receive a gross up payment in the event that any amounts received pursuant to the terms of his employment agreement are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties on such excise tax are incurred by Mr. McNaughton. Such payment will be equal to the amount of (i) the excise tax, (ii) any federal, state or local tax resulting from the gross up payment and (iii) any interest and/or penalties assessed with respect to such excise tax. Pursuant to the terms of his employment agreement, Mr. McNaughton is also subject to certain confidentiality, non-solicitation and non-competition obligations. The non-solicitation and non-competition obligations survive during the term of his agreement and for a period of 12 months thereafter.

For purposes of Mr. McNaughton's employment agreement, "cause" means: (A) conduct by Mr. McNaughton constituting a material act of willful misconduct in connection with the performance of his duties; (B) criminal or civil conviction of Mr. McNaughton, a plea of nolo contendere by Mr. McNaughton or conduct by Mr. McNaughton that would reasonably be expected to result in material injury to our reputation if he were retained in his position with us; (C) continued, willful and deliberate non-performance by Mr. McNaughton of his duties; (D) a breach by Mr. McNaughton of his confidentiality, non-solicitation and non-competition obligations to us; or (E) a violation by Mr. McNaughton of our employment policies.

For purposes of Mr. McNaughton's employment agreement, "good reason" means the occurrence of any of the following events: (A) a substantial diminution or other substantive adverse change, not consented to by Mr. McNaughton, in his responsibilities, powers, or duties; (B) any removal of Mr. McNaughton's title of Chief Financial Officer; (C) an involuntary reduction in Mr. McNaughton's annual salary except for across-the-board reductions similarly affecting substantially all management employees; (D) a breach by us of any of our other material obligations under Mr. McNaughton's employment agreement; (E) the involuntary relocation of our offices at which Mr. McNaughton is principally employed to a location more than 30 miles from our current offices; or (F) our failure to obtain the agreement from any successor company to us to assume and agree to perform Mr. McNaughton's employment agreement.

*Saverio LaFrancesca, M.D.*

We entered into an employment agreement with Dr. LaFrancesca dated as of April 8, 2014 effective as of April 14, 2014, appointing Dr. LaFrancesca as our Chief Medical Officer. We entered into an amendment to Dr. LaFrancesca's employment agreement on March 24, 2016. Dr. LaFrancesca's employment agreement has a term of one year, but will automatically renew for successive one year periods unless either party provides 90 days' notice that it does not wish to extend the agreement. Dr. LaFrancesca's employment agreement provides for an annual base salary in the amount of four hundred thousand dollars (\$400,000) which will be reevaluated on an annual basis by the Board of Directors or the compensation committee. Dr. LaFrancesca also received an option to purchase 100,000 shares of our common stock upon the commencement of his employment, which vests in four equal installments on January 1 of 2015, 2016, 2017 and 2018. Dr. LaFrancesca is eligible to receive cash incentive compensation as determined by the Board of Directors or the compensation committee, and is also eligible to participate in all of our employee benefit plans, including without limitation, retirement plans, stock option plans, stock purchase plans and medical insurance plans.

Dr. LaFrancesca's employment agreement also provides for payments to be made to Dr. LaFrancesca in the event of his termination under certain circumstances. If Dr. LaFrancesca's employment is terminated by us without "cause" (as such term is defined in Dr. LaFrancesca's employment agreement) or by Dr. LaFrancesca for "good reason" (as such term is defined in Dr. LaFrancesca's employment agreement), we are obligated to pay Dr. LaFrancesca the sum of his average annual base salary for the prior three fiscal years or annual salary for the prior fiscal year, whichever is higher, and his average annual cash incentive compensation for the prior three fiscal years or annual cash incentive compensation for the prior fiscal year, whichever is higher. Such payment is conditioned upon Dr. LaFrancesca's

execution of a general release of claims against us. In addition, all of Dr. LaFrancesca's stock options or stock-based awards that would otherwise vest within the 12 month period following such termination shall accelerate and become immediately exercisable. We shall continue to pay health insurance premiums for health insurance coverage for Dr. LaFrancesca and his immediate family for a period of one year following his termination without cause or for good reason.

Dr. LaFrancesca may also be entitled to certain payments in the event of a change in control of our Company. If Dr. LaFrancesca's employment is terminated by us without cause or by Dr. LaFrancesca for good reason within 18 months of a change in control of our Company, Dr. LaFrancesca is entitled to receive a lump sum cash payment in an amount equal to the sum of Mr. Dr. LaFrancesca's current or most recent annual salary and his most recent cash incentive compensation. In addition, in the event of a change in control, all of Dr. LaFrancesca's stock options or stock-based awards shall accelerate and become immediately exercisable. We will continue to pay health insurance premiums for health insurance coverage for Dr. LaFrancesca and his immediate family for a period of one year following his termination as a result of a change in control.

Dr. LaFrancesca will not be entitled to severance payments unless mutually agreed upon in writing if Dr. LaFrancesca is terminated for cause, due to death or disability, or he terminates his employment without good reason. In the event Dr. LaFrancesca is terminated due to death or disability, we will continue to pay health insurance premiums for health insurance coverage for Dr. LaFrancesca and his immediate family for a period of one year following his termination.



Pursuant to the terms of his employment agreement, Dr. LaFrancesca is also subject to certain confidentiality, non-solicitation and non-competition obligations. The non-solicitation and non-competition obligations survive during the term of his agreement and for a period of 12 months thereafter.

For purposes of Dr. LaFrancesca's employment agreement, "cause" means: (A) conduct by Dr. LaFrancesca constituting a material act of willful misconduct in connection with the performance of his duties; (B) criminal or civil conviction of Dr. LaFrancesca, a plea of nolo contendere by Dr. LaFrancesca or conduct by Dr. LaFrancesca that would reasonably be expected to result in material injury to our reputation if he were retained in his position with us; (C) continued, willful and deliberate non-performance by Dr. LaFrancesca of his duties; (D) a breach by Dr. LaFrancesca of his confidentiality, non-solicitation and non-competition obligations to us; or (E) a violation by Dr. LaFrancesca of our employment policies.

For purposes of Dr. LaFrancesca's employment agreement, "good reason" means the occurrence of any of the following events: (A) a substantial diminution or other substantive adverse change, not consented to by Dr. LaFrancesca, in his responsibilities, authorities, powers, functions or duties; (B) any removal of Dr. LaFrancesca's title of Chief Medical Officer; (C) an involuntary reduction in Dr. LaFrancesca's annual salary except for across-the-board reductions similarly affecting substantially all management employees; (D) a breach by us of any of our other material obligations under Dr. LaFrancesca's employment agreement; (E) the involuntary relocation of our offices at which Dr. LaFrancesca is principally employed to a location more than 30 miles from our current offices; or (F) our failure to obtain the agreement from any successor company to us to assume and agree to perform Dr. LaFrancesca's employment agreement.

**Former Named Executive Officer**

*David Green*

On October 31, 2013, we entered into an Employment Agreement with Mr. Green. Mr. Green resigned from his position as our Chairman, Chief Executive Officer and President effective as of April 17, 2015. His employment agreement and related matters are described below. Mr. Green's employment agreement had a term of two years, with a provision to automatically renew for successive two year periods unless either party provides 90 days' notice that it did not wish to extend the agreement. Mr. Green's employment agreement provided for an annual base salary in the amount of five hundred four thousand seven hundred dollars (\$504,700) which would be reevaluated on an annual basis by the Board of Directors or the Compensation Committee. Mr. Green was eligible to receive cash incentive compensation as determined by the Board of Directors or the Compensation Committee, and was also eligible to participate in all of our employee benefit plans, including without limitation, retirement plans, stock option plans, and medical insurance plans. Mr. Green was also entitled to a car allowance.

Mr. Green's employment agreement also provided for payments to be made to Mr. Green in the event of his termination under certain circumstances. If Mr. Green's employment was terminated by us without "cause" (as such term was defined in Mr. Green's employment agreement) or by Mr. Green for "good reason" (as such term was defined in Mr. Green's employment agreement), we would be obligated to pay Mr. Green two times the sum of his average annual base salary for the prior three fiscal years or annual salary for the prior fiscal year, whichever is higher, and his average annual cash incentive compensation for the prior three fiscal years or annual cash incentive compensation for the prior fiscal year, whichever is higher. Such payment would be conditioned upon Mr. Green's execution of a general release of claims against us. In addition, all of Mr. Green's stock options or stock-based awards that would otherwise vest within the 24 month period following such termination would accelerate and become immediately exercisable. We would continue to pay health insurance premiums for health insurance coverage for Mr. Green and his immediate family for a period of one year following his termination without cause or for good reason.

Mr. Green would have also been entitled to certain payments in the event of a change in control of our Company. If Mr. Green's employment was terminated by us without cause or by Mr. Green for good reason within 18 months of a change in control of our Company, Mr. Green would have been entitled to receive a lump sum cash payment in an amount equal to three times the sum of Mr. Green's most recent annual salary and his most recent cash incentive compensation. In addition, in the event of a change in control, all of Mr. Green's stock options or stock-based awards would accelerate and become immediately exercisable. We would continue to pay health insurance premiums for health insurance coverage for Mr. Green and his immediate family for a period of one year following his termination as a result of a change in control. Mr. Green would not be entitled to severance payments unless mutually agreed upon in writing if Mr. Green is terminated for cause, due to death or disability, or he terminated his employment without good reason. In the event Mr. Green was terminated due to death or disability, we would continue to pay health insurance premiums for health insurance coverage for Mr. Green and his immediate family for a period of one year following his termination. Mr. Green was also eligible to receive a gross up payment in the event that any amounts received pursuant to the terms of his employment agreement are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties on such excise tax were incurred by Mr. Green. Such payment would be equal to the amount of (i) the excise tax, (ii) any federal, state or local tax resulting from the gross up payment and (iii) any interest and/or penalties assessed with respect to such excise tax. Pursuant to the terms of his employment agreement, Mr. Green was also subject to certain confidentiality, non-solicitation and non-competition obligations. The non-solicitation and non-competition obligations survive during the term of his agreement and for a period of 12 months thereafter.

For purposes of Mr. Green's employment agreement, "cause" meant: (A) conduct by Mr. Green constituting a material act of willful misconduct in connection with the performance of his duties; (B) criminal or civil conviction of Mr. Green, a plea of nolo contendere by Mr. Green or conduct by Mr. Green that would reasonably be expected to result in material injury to our reputation if he were retained in his position with us; (C) continued, willful and deliberate non-performance by Mr. Green of his duties; (D) a breach by Mr. Green of his confidentiality, non-solicitation and non-competition obligations to us; or (E) a violation by Mr. Green of our employment policies. For purposes of Mr. Green's employment agreement, "good reason" shall mean the occurrence of any of the following events: (A) a substantial diminution or other substantive adverse change, not consented to by Mr. Green, in his responsibilities, powers, or duties; (B) any removal of Mr. Green's title of President and Chief Executive Officer; (C) an involuntary reduction in Mr. Green's annual salary except for across-the-board reductions similarly affecting substantially all management employees; (D) a breach by us of any of our other material obligations under Mr. Green's employment agreement; (E) the involuntary relocation of our offices at which Mr. Green is principally employed to a location more than 30 miles from our current offices; or (F) our failure to obtain the agreement from any successor company to us to assume and agree to perform Mr. Green's employment agreement.

As of Mr. Green's resignation in April 2015, we and Mr. Green agreed to terminate his employment agreement with us. In connection with his resignation, we and Mr. Green agreed that in lieu of any severance that may have been required in connection with the termination of Mr. Green's employment agreement with us: (A) the vesting of Mr. Green's (i) unvested restricted stock units (2,377 shares); (ii) unvested options relating to his adjustment grants (4,572 shares) issued in connection with the spin-off of our Company from Harvard Bioscience; (iii) unvested options relating to his time-based separation option grant (290,252 shares) issued in connection with the spin-off of our Company from Harvard Bioscience and (iv) one half of the second tranche of unvested options related to his milestone-based option grant (48,375 shares) issued in connection with the Spin-Off, would be accelerated and

deemed fully vested as of his resignation; (B) the accelerated options described in (iii) and (iv) above and the portions of such options that were already vested prior to such resignation would be exercisable for seven years following his resignation; and (C) the accelerated options described in (ii) above and the portions of such options that were already vested prior to such resignation would be exercisable until the earlier that Mr. Green no longer provides service to Harvard Bioscience or the respective scheduled expiration date of such options. The third tranche, and one half of the second tranche, of Mr. Green's unvested options related to his milestone-based option grant (145,126 shares) issued in connection with the spin-off of our Company from Harvard Bioscience expired and were forfeited following the resignation.

## Retirement and Other Benefits

We have established a 401(k) tax-deferred savings plan, which permits participants, including our named executive officers, to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code. We are responsible for administrative costs of the 401(k) plan. We may, in our discretion, make matching contributions to the 401(k) plan. In addition, all full-time employees, including our named executive officers, may participate in our health and welfare benefit programs, including medical coverage, vision coverage, dental coverage, disability insurance, and life insurance.

## REPORT OF THE COMPENSATION COMMITTEE

Under rules of the Securities and Exchange Commission, as a Smaller Reporting Company, we are not required to provide a report of the Compensation Committee.

## DIRECTOR COMPENSATION

We use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on our Board. In setting director compensation, the Board of Directors and the Compensation Committee consider the significant amount of time that Directors expend in fulfilling their duties to the Company as well as the skill-level required by the Company of members of the Board.

Directors who are also employees of the Company receive no additional compensation for service as a Director.

Each non-employee director that is elected to our Board of Directors will receive a non-qualified stock option to purchase 25,000 shares of our Common Stock vesting one year from the date of grant and granted on the fifth business day following his or her initial election to the Board of Directors. On March 15, 2016, upon the recommendation of the Compensation Committee, our Board of Directors voted to grant the annual option awards to non-employee directors on the third business day following the issuance of our earnings release for year-end results, starting in 2016. Each non-employee director also receives an annual retainer of \$30,000 paid in four equal quarterly installments. Each non-employee director is also entitled to receive a non-qualified stock option to purchase 25,000 shares of our Common Stock vesting one year from the date of grant and granted on the fifth business day following our annual meeting of stockholders.

Non-employee Directors continue to be reimbursed for their expenses incurred in connection with attending Board and committee meetings.

## Director Compensation Table

The following table presents the compensation provided by us to the non-employee Directors who served during the fiscal year ended December 31, 2015.

Name <sup>(1)</sup>	Fees earned or paid in cash (\$)	Option awards (\$) <sup>(1)(2)</sup>	Total (\$)
John J. Canepa	\$ 30,000	28,695	\$58,695
John F. Kennedy	\$ 30,000	28,695	\$58,695
James J. McGorry <sup>(3)</sup>	\$ 15,000	28,695	\$43,695
Thomas H. Robinson	\$ 30,000	28,695	\$58,695
David Green <sup>(4)</sup>	\$ 21,429	28,695	\$50,124

Based on the aggregate grant date fair value computed awards in accordance with the provisions of FASB ASC 718, "Compensation — Stock Compensation" excluding the impact of estimated forfeitures. Assumptions used in the calculation of this amount are included under 2013 Plan Valuation and Expense Information under

(1) Share-Based-Payment Accounting in Note 13 to our audited financial statements for the fiscal year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016.

The aggregate number of option awards outstanding at our 2015 fiscal year end and held by the non-employee Directors were as follows: 50,000 for Mr. Canepa; 55,303 for Mr. Kennedy; 50,000 for Mr. Robinson; and 750,627 for Mr. Green. With respect to Mr. Kennedy, these holdings include grants of options to purchase 5,303 shares that

(2) were issued by our Company in connection with the required adjustment to the similar outstanding equity awards held by him and issued by Harvard Bioscience resulting from the impact of the spin-off of our Company by Harvard Bioscience.

James McGorry, our President and Chief Executive Officer and a Director, is included in this table as he was appointed as President and Chief Executive Officer effective as of July 6, 2015, and was eligible to receive

(3) compensation as a non-employee director prior to that date. The compensation received by Mr. Green as an employee of the Company following his appointment as our President and Chief Executive Officer is shown in the Summary Compensation Table later in the proxy statement.

David Green, our former Chairman of the Board, President and Chief Executive Officer, is included in this table as

(4) he resigned from his employment effective as of April 17, 2015 and was eligible to receive compensation as a non-employee director starting on that date. The compensation received by Mr. Green as an employee of the Company prior to April 17, 2015 is shown in the Summary Compensation Table later in the proxy statement.





## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END — 2015

The following table sets forth information concerning the number and value of exercisable and unexercisable options to purchase Common Stock, and the number of restricted stock units held by our named executive officers as of December 31, 2015.

	Option Awards				Restricted Stock Units	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Securities Underlying Restricted Stock Units	
James McGorry	25,000	—	\$ 4.29	11/18/2023	—	
	—	25,000	(1) \$ 1.84	5/29/2025	—	
	—	671,400	(2) \$ 1.38	7/6/2025	—	
Thomas McNaughton		100,000	(3) 1.40	9/1/2025		
		85,000	(4) 1.84	5/29/2025		
	72,563	72,563	(5) \$ 4.29	11/18/2023	—	
	24,187	48,376	(6) \$ 4.29	11/18/2023	—	
	1,031	1030	(7) \$ 5.22	5/31/2023	535	(9)
	3,287	1,096	(8) \$ 3.67	6/1/2022	570	(10)
	2,769	—	\$ 5.79	6/2/2021	—	
	11,108	—	\$ 3.27	5/21/2019	—	
	5,544	—	\$ 2.90	11/14/2018	—	
Saverio LaFrancesca, M.D.	25,000	75,000	(11) \$ 8.66	5/1/2024	—	
	—	100,000	(12) \$ 4.08	3/4/2025	—	
	—	40,000	(13) \$ 1.84	5/29/2025	—	
	—	160,000	(14) \$ 1.40	8/31/2025	—	
David Green	725,627	—	\$ 4.29	4/17/2022	—	
	—	25,000	(1) \$ 1.84	5/30/2025	—	

(1) The option was granted on May 29, 2015 and, assuming continued service as a director with our Company, the unvested shares become exercisable on May 29, 2016.

(2)

- The option was granted on July 6, 2015 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on January 1 of each of 2016, 2017, 2018 and 2019.
- (3) The option was granted on August 31, 2015 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on August 31 of each of 2016, 2017, 2018 and 2019.
- (4) The option was granted on May 29, 2015 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on May 29 of each of 2016, 2017, 2018 and 2019.
- (5) The option was granted on November 1, 2013 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on January 1, of each of 2016 and 2017.
- The option was granted on November 18, 2013 and, assuming continued employment with our Company, the
- (6) unvested shares become exercisable in two equal increments subject to the achievement of certain milestone targets determined by our Board of Directors.
- (7) The option was granted on November 1, 2013 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on January 1, of each of 2016 and 2017.
- (8) The option was granted on November 1, 2013 and, assuming continued employment with our Company, the unvested shares become fully exercisable on January 1, 2016.
- (9) The restricted stock units were granted on November 1, 2013 and, assuming continued employment with our Company, these restricted stock units vest in equal installments on January 1 of each of 2016 and 2017.
- (10) The restricted stock units were granted on November 1, 2013 and, assuming continued employment with our Company, these restricted stock units fully vest on January 1, 2016.

- (11) The option was granted on May 1, 2014 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on May 1 of each of 2015, 2016, 2017 and 2018.
- (12) The option was granted on March 4, 2015 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on March 4 of each of 2016, 2017, 2018 and 2019.
- (13) The option was granted on May 29, 2015 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on May 29 of each of 2016, 2017, 2018 and 2019.
- (14) The option was granted on August 31, 2015 and, assuming continued employment with our Company, the unvested shares become exercisable in equal installments on August 31 of each of 2016, 2017, 2018 and 2019.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our Common Stock as of March 30, 2016 by: (i) all persons known by us to own beneficially more than 5% of our voting securities; (ii) each of our Directors and nominees for Director; (iii) each of the named executive officers; and (iv) all of our Directors and executive officers as a group.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC and includes voting or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days after March 30, 2016 through the exercise of any warrant, stock option or other right. The inclusion in this Proxy Statement of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of such shares. Common stock subject to options currently exercisable, or exercisable within 60 days after March 30, 2016, are deemed outstanding for the purpose of computing the percentage ownership of the person holding those options, but are not deemed outstanding for computing the percentage ownership of any other person.

Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of Common Stock, except to the extent spouses share authority under community property laws.

Name and Address of Beneficial Owner <sup>(1)</sup>	Common Stock		
	Beneficially Owned Shares	Percent <sup>(2)</sup>	
James J. McGorry	289,150	2.0	% <sup>(3)</sup>
Thomas W. McNaughton	380,492	2.7	% <sup>(4)</sup>
Saverio LaFrancesca, M.D.	128,998		* <sup>(5)</sup>
John J. Canepa	50,000		* <sup>(6)</sup>
David Green	1,288,886	8.7	% <sup>(7)</sup>
John F. Kennedy	90,750		* <sup>(8)</sup>
Thomas H. Robinson	50,000		* <sup>(6)</sup>
Blaine H. McKee	-		*
All Executive Officers and Directors, as a group (8 persons)	2,278,276	14.7	% <sup>(9)</sup>

\* Represents less than 1% of all of the outstanding shares of Common Stock.

(1) Unless otherwise indicated, the address for all persons shown is c/o Biostage, Inc., 84 October Hill Road, Suite 11, Holliston, Massachusetts 01746.

(2) Based on 14,110,540 shares of Common Stock outstanding on March 30, 2016, together with the applicable options for each stockholder that become exercisable within 60 days.

(3) Includes options to acquire 217,850 shares exercisable within 60 days of March 30, 2016, and 71,300 shares.

(4) Includes options to acquire 179,631 shares exercisable within 60 days of March 30, 2016, and 200,861 shares.

(5) Includes options to acquire 85,000 shares exercisable within 60 days of March 30, 2016, and 43,998 shares.

(6) Includes options to acquire 50,000 shares exercisable within 60 days of March 30, 2016.

(7) Includes options to acquire 750,627 shares that are exercisable within 60 days of March 30, 2016, and 538,259 shares.

(8) Includes options to acquire 55,026 shares that are exercisable within 60 days of March 30, 2016, and 35,724 shares.

(9) Includes options to acquire 1,388,134 shares that are exercisable within 60 days of March 30, 2016.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information as of December 31, 2015 concerning the number of shares of Common Stock issuable under our existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Restricted Stock Units, Warrants and Rights	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)) (c)	
	(a)	(b)	(c)	
Equity compensation plans approved by security holders <sup>(1)</sup>	3,254,223	\$ 3.29	338,681	(2)
Equity compensation plans not approved by security holders	—	—	—	
Total	3,254,223	\$ 3.29	338,681	

(1) Consists of our 2013 Equity Incentive Plan, or 2013 Plan, and our Employee Stock Purchase Plan.

(2) Includes 235,771 shares available for future issuance under our 2013 Plan and 102,910 shares available for future issuance under our Employee Stock Purchase Plan.

## TRANSACTIONS WITH RELATED PERSONS

The Audit Committee charter sets forth the standards, policies and procedures that we follow for the review, approval or ratification of any related person transaction that we are required to report pursuant to Item 404(a) of Regulation S-K promulgated by the Securities and Exchange Commission. Under the Audit Committee charter, which is in writing, the Audit Committee must conduct an appropriate review of these related person transactions on an ongoing basis, and the approval of the Audit Committee is required for all such transactions. The Audit Committee relies on management to identify related person transactions and bring them to the attention of the Audit Committee. We do not have any formal policies and procedures regarding the identification by management of related person transactions.

During the 2014 and 2015 fiscal years, we were not a participant in any related person transactions that required disclosure under this heading except as it relates to (i) our engagement of, and payment during 2014 of \$99,165 to, RobinsonButler, an executive recruiting consultancy firm where Thomas Robinson, a Member of our Board of Directors, is a partner, to complete the search for our Chief Medical Officer, (ii) our engagement of, and payment during 2015 of \$166,645 to, RobinsonButler to complete the search for our President and Chief Executive Officer, and (iii) our commercial agreements with Harvard Bioscience that were entered into in connection with the spin-off of our Company. Harvard Bioscience remained a related party during a portion of 2015, due in part to Mr. Green, our former Chairman and CEO, also being a director of Harvard Bioscience. Since Mr. Green resigned from the positions of Chairman and CEO of HART on April 17, 2015, Harvard Bioscience is no longer considered a related party. These commercial agreements with Harvard Bioscience include: (i) a Separation and Distribution Agreement to effect the separation and spin-off distribution and provide other agreements to govern our relationship with Harvard Bioscience after the spin-off; (ii) an Intellectual Property Matters Agreement, which governs various intellectual property related arrangements between our Company and Harvard Bioscience, including the separation of intellectual property rights between us and Harvard Bioscience, as well as certain related cross-licenses between the two companies; (iii) a Product Distribution Agreement, which provides that each company will become the exclusive distributor for the other party for products such other party develops for sale in the markets served by the other; (iv) a Tax Sharing Agreement, which governs the parties respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes for periods before, during and after the spin-off; (v) a Transition Services Agreement, which provided for certain services to be performed on a transitional basis by Harvard Bioscience to facilitate our transition into a separate public reporting company for time frames of limited length, which expired in 2014; and (vi) a Sublease of approximately 17,000 square feet of mixed use space of the facility located at 84 October Hill Road, Suite 11, Holliston, Massachusetts, which is our corporate headquarters.

As part of the Transition Services Agreement, and for up to one year following the spin-off date, Harvard Bioscience provided certain support services to us, including, among others, accounting, payroll, human resources and information technology services, with the charges for the transition services generally intended to allow Harvard Bioscience to fully recover the costs directly associated with providing the services, plus all out-of-pocket costs and expenses. In connection with the spin-off and in accordance with these agreements, Harvard Bioscience contributed capital of approximately \$15.0 million to us to fund our operations, and transferred to us approximately \$0.8 million in assets, made up primarily of property, plant and equipment. As these agreements evidence ongoing commercial

arrangements which may involve varying amounts over time, we are unable to provide an approximate dollar value of the amount involved in the transaction. In fiscal 2014 and fiscal 2015, we paid approximately \$0.3 million and \$0.2 million, respectively, to Harvard Bioscience with respect to the Transition Services Agreement, Sublease and related cost, and research and development supplies. With respect to such approximate amount paid during fiscal 2015, approximately \$50,000 was paid during the period that Harvard Bioscience continued to be a related party. Neither Mr. Green nor Mr. McNaughton receive any amounts from the transactions with Harvard Bioscience relating to their roles as current or former executive officers, and a Director as to Mr. Green, of our Company, and it is our understanding that neither Mr. Green nor Mr. McNaughton receive any direct amounts from such agreements and the transactions in relation to their former roles as executive officers of Harvard Bioscience, and Mr. Green's continued role as a director of such company, and their interest is limited to benefits they may receive solely relating to their ongoing roles as executive officer, as to Mr. McNaughton, and Director, as to Mr. Green, and stockholders of our Company. As a non-employee Director of Harvard Bioscience, Mr. Green also is entitled to receive Director compensation that all non-employee Directors are entitled to receive under Harvard Bioscience's director compensation programs.



## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Our executive officers, Directors and beneficial owners of more than 10% of our Common Stock are required under Section 16(a) of the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of those reports must also be furnished to us.

Based solely on a review of the copies of the reports furnished to us, and written representations from certain reporting persons that no other reports were required, we believe that during the year ended December 31, 2015, the reporting persons complied on a timely basis with all Section 16(a) filing requirements applicable to them, except for Mr. Kennedy, one of our Directors, who had one late filing of a Form 4 related to one option exercise, and Dr. LaFrancesca, our Chief Medical Officer, who had one late filing of a Form 4 related to one acquisition of shares under our Employee Stock Purchase Plan.

## EXPENSES OF SOLICITATION

We will pay the entire expense of soliciting proxies for the Annual Meeting. In addition to solicitations by mail, certain of our Directors, officers and employees (who will receive no compensation for their services other than their regular compensation) may solicit proxies by telephone, telegram, personal interview, facsimile, e-mail or other means of electronic communication. Banks, brokerage houses, custodians, nominees and other fiduciaries have been requested to forward proxy materials to the beneficial owners of shares of Common Stock held of record by them as of the Record Date, and such custodians will be reimbursed for their expenses.

## SUBMISSION OF STOCKHOLDER PROPOSALS FOR THE 2017 ANNUAL MEETING

Stockholder proposals intended to be presented at our 2017 annual meeting of stockholders must be received by us on or before December 16, 2016 in order to be considered for inclusion in our proxy statement and form of proxy for that meeting. These proposals must also comply with the rules of the Securities and Exchange Commission governing the form and content of proposals in order to be included in our proxy statement and form of proxy and should be mailed to: Secretary, Biostage, Inc., 84 October Hill Road, Suite 11, Holliston, Massachusetts 01746.

Our By-laws provide that any stockholder of record wishing to have a stockholder proposal that is not included in our proxy statement considered at an annual meeting must provide written notice of such proposal and appropriate supporting documentation, as set forth in the By-laws, to our Secretary at our principal executive office not less than

90 days or not more than 120 days prior to the first anniversary of the date of the preceding year's annual meeting. In the event, however, that the annual meeting is scheduled to be held more than 30 days before such anniversary date or more than 60 days after such anniversary date, notice must be delivered not earlier than 120 days prior to the date of such meeting and not later than the later of (i) 10 days fol