

# ENTREMED, INC.

## Notice of Annual Meeting of Stockholders

- Date:** Thursday, June 9, 2011
- Time:** 10:00 a.m., local time
- Place:** Gaithersburg Marriott Washingtonian Center  
Salon C  
9751 Washingtonian Boulevard  
Gaithersburg, MD 20878
- Purposes:**
1. To elect two directors to the Board of Directors of EntreMed, Inc. to a term of three years expiring at the later of the annual meeting of stockholders in 2014, or upon his or her successor being elected and qualified;
  2. To approve the Company's 2011 Long-Term Incentive Plan;
  3. To ratify the appointment of Reznick Group, P.C. as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2011;
  4. To approve an advisory resolution on executive compensation;
  5. To conduct an advisory vote on the frequency of future advisory votes on executive compensation; and
  6. To consider and take action upon such other matters as may properly come before the Annual Meeting or any postponement or adjournment thereof.
- Who Can Vote:** Stockholders at the close of business on April 15, 2011.

The Board of Directors has fixed April 15, 2011 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. Only stockholders of record at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting.

Details regarding the matters to be acted upon at the Annual Meeting appear in the accompanying Proxy Statement. Please give this material your careful attention.

You are cordially invited to attend the Annual Meeting. Whether or not you expect to attend, you are respectfully requested by the Board of Directors to sign, date and return the enclosed proxy promptly. Stockholders who execute proxies retain the right to revoke them at any time prior to the voting thereof. A return envelope, which requires no postage if mailed in the United States, is enclosed for your convenience.

By Order of the Board of Directors,

Michael M. Tarnow  
Executive Chairman

April 28, 2011

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 9, 2011**

**This Proxy Statement relating to the 2011 Annual Meeting of Stockholders and the Annual Report to Stockholders on Form 10-K for the year ended December 31, 2010 are available for viewing, printing and downloading at [www.entremed.com](http://www.entremed.com).**



# **ENTREMED, INC.**

**9640 Medical Center Drive  
Rockville, Maryland 20850  
(240) 864-2600**

## **PROXY STATEMENT**

### **ANNUAL MEETING OF STOCKHOLDERS**

**To be held on Thursday, June 9, 2011**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Entremed, Inc., a Delaware corporation (the “Company”), the principal executive offices of which are located at 9640 Medical Center Drive, Rockville, Maryland 20850, for the Annual Meeting of Stockholders. The Annual Meeting will be held at Gaithersburg Marriott Washingtonian Center, Salon C, 9751 Washingtonian Boulevard, Gaithersburg, MD 20878 on Thursday, June 9, 2011, at 10:00 a.m. (local time) and for any postponement, or adjournments thereof (the “Annual Meeting”), for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Any stockholder giving a proxy has the power to revoke it at any time before it is voted. Written notice of such revocation should be forwarded directly to the Secretary of the Company at the Company’s executive offices. Attendance at the Annual Meeting will not have the effect of revoking the proxy unless written notice is given or the stockholder votes by ballot at the Annual Meeting.

If the enclosed proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the specified directions and otherwise in accordance with the judgment of the persons designated as proxies. Any proxy returned on which no direction is specified will be voted in favor of the actions described in this Proxy Statement, including the election of the two director nominees set forth under the caption “Election of Directors,” the approval of the Company’s 2011 Long-Term Incentive Plan, the ratification of the appointment of Reznick Group, P.C. as the independent registered public accounting firm of the Company; the approval of the advisory vote on executive compensation and “three years” for proposal 5.

The approximate date on which this Proxy Statement and the accompanying form of proxy will first be mailed or given to the Company’s stockholders is May 9, 2011. Pursuant to rules promulgated by the U.S. Securities and Exchange Commission, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by posting our proxy materials on the Internet. This proxy statement and our 2010 Annual Report to Stockholders on Form 10-K are available at [www.entremed.com](http://www.entremed.com).

### **Your vote is important.**

**Whether or not you plan to attend the Annual Meeting, please sign and return the accompanying proxy card so that we can be assured of having a quorum present at the meeting and so that your shares may be voted in accordance with your wishes.**

## Common Questions Regarding Proxies

**Q: Why am I receiving this Proxy Statement and proxy card?**

**A:** You are receiving a Proxy Statement and proxy card from us because you own shares of Common Stock of the Company as of the record date. This Proxy Statement describes issues on which we would like you, as a stockholder, to vote. It also gives you information on these issues so that you can make an informed decision.

Michael M. Tarnow, the Executive Chairman of the Board of Directors, and Cynthia W. Hu, the Company's Chief Operating Officer & General Counsel, were named by the Board of Directors as proxy holders. Mr. Tarnow and Ms. Hu will vote all proxies, or record an abstention or withheld vote, in accordance with the directions on the proxy. This way, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the meeting, please complete, sign and return your proxy card in advance of the meeting just in case you are unable to attend. You can always decide to vote in person. If no contrary direction is given, the shares will be voted as recommended by the Board of Directors.

**Q: What is the record date?**

**A:** The record date is April 15, 2011. Only holders of record of Common Stock and the Series A Convertible Preferred Stock (which votes on an as-converted basis with the Common Stock) as of the close of business on this date will be entitled to vote at the Annual Meeting.

**Q: How many shares are outstanding?**

**A:** As of the record date, the Company had 11,578,973 shares of Common Stock outstanding.

In addition, as discussed in greater detail in the Proxy Statement, Celgene Corporation owns 3,350,000 shares of our Series A Convertible Preferred Stock (the "Convertible Preferred Stock"). Celgene has the right to vote its Convertible Preferred Stock with the Common Stock on an "as converted" basis, currently equal to 1,522,727 shares of Common Stock. Celgene Corporation also holds an aggregate of 942,260 shares of Common Stock acquired through the exercise of warrants and pursuant to previous financing transactions with the Company. This means that at the Annual Meeting, Celgene will be allowed to vote as if it owned 2,464,987 shares of our Common Stock. On a pro-forma basis (assuming the conversion of the Convertible Preferred Stock), this represents approximately 19% of the shares of our Common Stock entitled to vote at the meeting. Therefore, we expect that Celgene's vote may affect the outcome of the vote on each proposal.

**Q: What am I voting on?**

**A:** You are being asked to vote on the election of two directors to the term described in the Proxy Statement, approval of the Company's 2011 Long-Term Incentive Plan, the ratification of Reznick Group, P.C. as the independent registered public accounting firm of the Company, approval of advisory vote on executive compensation, an advisory vote on the frequency of future advisory votes on executive compensation and to transact such other business as may properly come before the Annual Meeting or any postponement or adjournment.

**Q: How does the Board of Directors recommend I vote?**

**A:** Please see the information included in the proxy statement relating to the proposals to be voted on. Our Board of Directors unanimously recommends that you vote:

1. **"FOR"**the nominees to the Board of Directors;
2. **"FOR"**the approval of the Company's 2011 Long-Term Incentive Plan;
3. **"FOR"**ratification of Reznick Group, P.C. as our independent registered public accounting firm;
4. **"FOR"** the advisory vote on executive compensation; and
5. **"THREE YEARS"** for the advisory vote on the frequency of future advisory votes on executive compensation.

**Q: What happens if additional matters are presented at the Annual Meeting?**

**A:** Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxy holders will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting in accordance with Delaware law and our Bylaws.

**Q: How do I vote?**

**A:** You may either vote by mail or in person at the Annual Meeting. To vote by mail, please sign your proxy card and mail it in the enclosed, prepaid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted in accordance with your instructions. If you return a signed card but do not provide voting instructions, your shares will be voted based on the recommendations of the Board of Directors. We will pass out written ballots to anyone who wants to vote at the Annual Meeting. If you hold your shares through a brokerage account and do not have a physical shares certificate, you must request a legal proxy from your stockbroker in order to vote at the Annual Meeting.

**Q: What does it mean if I receive more than one proxy card?**

**A:** It means that you have multiple accounts at the transfer agent and/or with stockbrokers. Please sign and return all proxy cards to ensure that all your shares are voted.

**Q: How many votes do you need to hold the meeting?**

**A:** A majority of the Company's outstanding shares of Common Stock (on an as-converted basis) as of the record date must be present at the meeting, in person or in proxy, in order to hold the Annual Meeting and conduct business. This is called a quorum. Proxies received but marked as abstentions, if any, will be included in the calculation of the number of shares considered to be present at the meeting for quorum purposes.

**Q: What if I abstain from voting?**

**A:** Because abstentions represent shares entitled to vote, the effect of an abstention will be the same as a vote against a proposal. However, abstentions will have no effect on the election of the director nominee or the vote on the frequency of the advisory vote on executive compensation. Accordingly, if a quorum is present, abstentions have no effect on the outcome of the vote for the directors of the Company, but will count as a vote against, the Company's 2011 Long-Term Incentive Plan, the ratification of the Company's independent registered public accounting firm and the advisory vote on executive compensation.

**Q: What are broker non-votes? If my shares are held in street name by my broker, will my broker vote my shares for me?**

**A:** Generally, broker non-votes occur when shares held by a broker, bank, or other nominee in "street name" for a beneficial owner are not voted with respect to a particular proposal because the broker, bank, or other nominee (1) has not received voting instructions from the beneficial owner and (2) lacks discretionary voting power to vote those shares with respect to that particular proposal.

A broker is entitled to vote shares held for a beneficial owner on "routine" matters, such as the ratification of the appointment of Reznick Group, P.C. as our independent registered public accounting firm (Proposal 3), without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on certain "non-routine" matters, such as the election of our director nominees (Proposal 1), the approval of the 2011 Long-Term Incentive Award Plan (Proposal 2), the advisory vote on executive compensation (Proposal 4) or the advisory vote on the frequency of future advisory votes on executive compensation.

If you hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of the director nominees (Proposal 1). In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank, broker, or other nominee was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Recent regulatory changes were made to take away the ability of your bank, broker, or other nominee to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank, broker, or other nominee how to vote in the election of directors, no votes will be cast on your behalf. Broker non-votes are counted for purposes of determining whether or not a quorum exists for the transaction of business, but will not be counted for purposes of determining the number of shares represented and voted with respect to an individual proposal, and therefore will have no effect on the outcome of the vote on an individual proposal. Thus, if you do not give your broker specific voting instructions, your shares may not be voted on these "non-routine" matters and will not be counted in determining the number of shares necessary for approval.

**Q: How many votes must a nominee have to be elected?**

**A:** In order for a director to be elected, he or she must receive the affirmative vote of a plurality of the shares voted. In other words, the nominee to receive the greatest number of votes cast will be elected.

**Q: Can I change my vote after I have delivered my proxy?**

**A:** Yes. You may revoke your proxy at any time before its exercise. You may also revoke your proxy by voting in person at the Annual Meeting. If your shares are held in street name, you must contact your brokerage firm or bank to change your vote or obtain a proxy to vote your shares if you wish to cast your vote in person at the meeting.

**Q: How are votes counted?**

**A:** Voting results will be tabulated and certified by our transfer agent, American Stock Transfer & Trust Company.

**Q: Where can I find the voting results of the Annual Meeting?**

**A:** Preliminary voting results will be announced at the annual meeting. We will report final voting results in a Current Report on Form 8-K, which we expect to file with the Securities and Exchange Commission (the "SEC") within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

You can obtain a copy, at no charge, of such Current Report on Form 8-K or any of our SEC reports:

- by contacting EntreMed corporate offices via phone at (240) 864-2600 or by email at [ginnyd@entremed.com](mailto:ginnyd@entremed.com); or
- at [www.sec.gov](http://www.sec.gov) or by contacting the SEC's public reference room at (202) 551-8090.

## VOTING SECURITIES

Holders of record of shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), and of the Company's Series A convertible preferred stock, \$1.00 par value per share (the "Convertible Preferred Stock," and together with Common Stock, the "Shares") as of the close of business on April 15, 2011 (the "Record Date"), are entitled to notice of and to vote at the Annual Meeting on all matters. On the Record Date, the Company had outstanding 11,578,973 shares of Common Stock and 3,350,000 shares of Convertible Preferred Stock. Each outstanding share of Common Stock is entitled to one vote upon all matters to be acted upon at the Annual Meeting. Each outstanding share of Convertible Preferred Stock is entitled to one vote for each share of Common Stock into which the Convertible Preferred Stock is convertible, which is currently five, but adjusted for the Company's 1:11 reverse split effected in July 2010. The 3,350,000 shares of Convertible Preferred Stock are currently convertible into 1,522,727 shares of Common Stock. A majority of the outstanding shares of Common Stock, assuming the conversion of the Convertible Preferred Stock, entitled to vote on any matter and represented at the Annual Meeting, in person or by proxy, shall constitute a quorum.

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting. Assuming a quorum is present, the affirmative vote of a plurality of the Shares cast in person or represented by proxy at the Annual Meeting and entitled to vote is required to elect the director nominees. Broker non-votes will not affect the outcome of the election of the director nominees.

The affirmative vote of a majority of the Shares cast in person or represented by proxy at the Annual Meeting is necessary to approve the Company's 2011 Long-Term Incentive Plan, to ratify the appointment of Reznick Group, P.C. as the independent registered public accounting firm of the Company and to approve the advisory vote on executive compensation. An abstention from voting on any of these proposals will have the same legal effect as a vote "against" the proposal, even though the stockholder may interpret such action differently. With respect to the vote on the frequency of the advisory vote on executive compensation, if none of the frequency options receive a majority of the votes cast, the option receiving the greatest number of votes will be considered the frequency recommended by the Company's shareholders. Broker non-votes will not be counted for any purpose in determining whether these proposals have been approved and will not affect the outcome of the vote on these proposals.

Celgene Corporation owns all of the 3,350,000 outstanding shares of our Convertible Preferred Stock. Celgene has the right to vote its Convertible Preferred Stock with the Common Stock on an "as converted" basis, currently equal to 1,522,727 shares of Common Stock. Celgene Corporation also holds an aggregate of 942,260 shares of Common Stock acquired through the exercise of warrants and pursuant to previous financing transactions with the Company. This means that at the Annual Meeting, Celgene will be permitted

to vote as if it owned 2,464,987 shares of our Common Stock. On a pro-forma basis (assuming the conversion of the Convertible Preferred Stock), this represents approximately 19% of the shares of our Common Stock entitled to vote at the meeting. Therefore, Celgene's vote may affect the outcome of each proposal.

The Company is not currently aware of any matters that will be brought before the Annual Meeting (other than procedural matters) that are not referred to in the enclosed Notice of Annual Meeting.

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

The following table sets forth the beneficial ownership of the Company's Common Stock as of March 31, 2011 for (i) each Director (including nominees), (ii) each named executive officer named in the Summary Compensation Table, (iii) all Directors (including nominees) and executive officers of the Company as a group, and (iv) each person or group known by us to beneficially own more than 5% of our outstanding stock.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage of Common Stock Outstanding
<b>Directors:</b>		
Michael M. Tarnow, Executive Chairman	84,096 <sup>(2)</sup>	*
Dwight L. Bush, Vice Chairman	63,185 <sup>(2)</sup>	*
Jennie C. Hunter-Cevera, PhD, Director	60,186 <sup>(2)</sup>	*
Donald S. Brooks, Director	50,460 <sup>(2)</sup>	*
Mark C.M. Randall, Director	54,729 <sup>(2)</sup>	*
<b>Named Executive Officers:</b>		
Cynthia W. Hu, JD, COO & General Counsel	36,097 <sup>(2)</sup>	*
Carolyn F. Sidor, MD, MBA, Chief Medical Officer	58,490 <sup>(2)</sup>	*
Mark Bray, PhD, Vice President, Research	19,316 <sup>(2)</sup>	*
Kathy R. Wehmeir-Davis, Former Principal Accounting Officer <sup>(3)</sup>	2,452 <sup>(2)</sup>	*
<b>All executive officers and directors as a group (10 persons)<sup>(2) (4)</sup></b>	431,511 <sup>(2)</sup>	3.63% <sup>(2)</sup>
<b>More than 5% Beneficial Owners:</b>		
Celgene Corporation 86 Morris Avenue Summit, NJ07901	2,504,300 <sup>(5)</sup>	19.2% <sup>(5)</sup>

(1)	Beneficial ownership is defined in accordance with the rules of the SEC and the information does not necessarily indicate beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the person or entity has sole or shared voting power or investment power and also any shares that the person or entity can acquire within 60 days of March 31, 2011 through the exercise of any stock option or other right. For purpose of computing the percentage of outstanding shares of common stock held by each person or entity, any shares that the person or entity has the right to acquire within 60 days after March 31, 2011 are deemed to be outstanding with respect to such person or entity but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person or entity. Unless otherwise noted, each individual has sole voting and investment power with respect to the shares shown in the table above. The address for each person set forth above, unless otherwise noted, is 9640 Medical Center Drive, Rockville, Maryland 20850.
(2)	Includes shares issuable upon exercise of options which are exercisable within 60 days of March 31, 2011, in the following amounts: Michael M. Tarnow, 73,178; Dwight L. Bush, 52,722; Jennie C. Hunter-Cevera, 51,541; Donald S. Brooks, 41,815; Mark C.M. Randall, 46,084; Cynthia W. Hu, 35,112; Carolyn F. Sidor, 58,490; Mark Bray, 19,316; Kathy R. Wehmeir-Davis, 2,452; Sara B. Capitelli, 2,500; and all officers and directors as a group, 383,210.
(3)	Ms. Wehmeir-Davis' employment with the Company terminated as of as of January 15, 2011 and her beneficial ownership is estimated based on the Company's records as of January 15, 2011 and subsequent stock option exercises known to the Company.
(4)	Includes beneficial ownership of Sara B. Capitelli, who commenced employment with the Company on January 10, 2011 as the Company's Vice President, Finance & Principal Accounting Officer.
(5)	Includes 3,350,000 shares of the Company's Series A convertible preferred stock convertible, as adjusted, into 1,522,727 shares of common stock, and 39,312 shares exercisable under a warrant which the reporting person has a right to acquire within 60 days.

## PROPOSAL 1

### ELECTION OF DIRECTORS

Our Board of Directors currently consists of five members and is divided into three classes, as nearly equal in number as reasonably possible, with terms currently expiring at the Annual Meeting and the annual meetings of stockholders to be held in 2012 and 2013, respectively. At the Annual Meeting, two directors will be elected by the stockholders to serve a three-year term. Upon the recommendation of the Nominating and Corporate Governance Committee, the Board recommends that Jennie C. Hunter-Cevera, PhD and Mark C.M. Randall be elected as directors of the Company, and it is intended that the accompanying proxy will be voted **FOR** the election Dr. Hunter-Cevera and Mr. Randall as directors, unless the proxy contains contrary instructions. The Company has no reason to believe that the nominees will not be a candidate or will be unable to serve. However, in the event that the nominees should become unable or unwilling to serve as a director, the persons named in the proxy have advised that they will vote (unless authority has been withdrawn) for the election of such person as shall be designated by management.

The nominees currently serve as directors of the Company and have consented to being named in this Proxy Statement and to serve if elected.

The following table sets forth the nominees to be elected at the Annual Meeting, our other current directors, the year each such nominee or director was first elected a director, the positions with the Company currently held by the nominee or director and the year the nominee's or director's current term will expire:

<u>Nominee's or Director's Name and Year First Became a Director</u>	<u>Position(s) with the Company</u>	<u>Year Current Term will Expire</u>
<b><u>Nominees for Election:</u></b>		
Jennie C. Hunter-Cevera, PhD — 2001	Director	2011
Mark C. M. Randall — 1996	Director	2011
<b><u>Continuing Directors:</u></b>		
Michael. M. Tarnow — 2003	Executive Chairman	2012
Dwight L. Bush — 2004	Vice Chairman	2012
Donald S. Brooks — 1996	Director	2013

#### **Vote Required**

Election of a director requires the affirmative vote of a plurality of the shares of common stock present or represented and entitled to vote at the meeting. This means the nominee will be elected if he or she receives more affirmative votes than votes withheld for such director. Broker non-votes will not affect the outcome of the election.

#### **Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINATED DIRECTORS AND SIGNED PROXIES THAT ARE RETURNED WILL BE SO VOTED UNLESS OTHERWISE INSTRUCTED ON THE PROXY CARD.**

## MANAGEMENT

### Directors and Executive Officers

The following table sets forth the director nominee to be elected at the Annual Meeting, the continuing directors and the executive officers of the Company, their ages, and the positions currently held by each such person with the Company immediately prior to the Annual Meeting, as of March 31, 2011.

<u>Name</u>	<u>Age</u>	<u>Position</u>
<b>Director Nominees for Election:</b>		
Jennie C. Hunter-Cevera, PhD <sup>(1)(5)</sup>	63	Director
Mark C. M. Randall <sup>(2)(6)</sup>	48	Director
<b>Continuing Directors:</b>		
Michael M. Tarnow	66	Director, Executive Chairman
Dwight L. Bush <sup>(3)</sup>	54	Director, Vice Chairman
Donald S. Brooks <sup>(4)(5)(6)</sup>	75	Director
<b>Executive Officers:</b>		
Cynthia W. Hu, JD	41	Chief Operating Officer & General Counsel
Carolyn F. Sidor, MD, MBA	63	Vice President & Chief Medical Officer
Sara B. Capitelli	44	Vice President, Finance and Principal Accounting Officer
Mark R. Bray, PhD	45	Vice President, Research

- (1) Chairman of Nominating and Corporate Governance Committee
- (2) Chairman of Compensation Committee
- (3) Chairman of Audit Committee
- (4) Member of Nominating and Corporate Governance Committee
- (5) Member of Compensation Committee
- (6) Member of Audit Committee

Set forth below is a brief description of the principal occupation and business experience of each nominee and continuing director, as well as the summary of our views as to the qualifications of each nominee and continuing director to serve on the Board and each board committee of which he or she is a member. Our views are informed not only by the current and prior employment and educational background of our directors, but also by the Board's experience in working with their fellow directors. Each director has served on the Board for at least seven years; accordingly, the Board has had significant experience with the incumbent directors and has had the opportunity to assess the contributions that the directors have made to the board as well as their industry knowledge, judgment and leadership capabilities.

### Nominees for Election

**Jennie C. Hunter-Cevera, PhD.** Dr. Hunter-Cevera has been a Director of the Company since June 2001. Dr. Hunter-Cevera is currently the Executive Vice President for Discovery and Analytical Sciences, Government Affairs & Corporate Development at RTI International in Durham, NC and currently chairs the NAS standing committee on translational medicine. From 1999 to July 2009, Dr. Hunter-Cevera was the President of the University of Maryland Biotechnology Institute and from November 1994 to October 1999 was the head of the Center for Environmental Biotechnology at Lawrence Berkeley National Laboratory. She was co-founder of The Biotic Network and Blue Sky Laboratories in Sonora, CA. Dr. Hunter-Cevera was elected to the American Academy of Microbiology in 1995, the recipient of the 1996 SIM Charles Porter Award, elected as a SIM Fellow in 1997 and the 1999 Nath Lecturer at West Virginia University. She is the 2004 recipient of the ASM Porter Award for achievement in biodiversity research and was elected as a AAAS fellow in 2007. The Company believes Dr. Hunter-Cevera's long-standing experience with the Company, together with scientific and regulatory expertise developed over her career, provides valuable insight in helping the Board of Directors formulate corporate strategies impacting the Company's science, research and clinical development. Dr. Hunter-Cevera's experience leading the University of Maryland Biotechnology Institute and co-founding a drug development company provide the Board with ethical, decisive and effective leadership as Chair of our Nominating and Corporate Governance Committee as well as serving on our Compensation Committee.

**Mark C. M. Randall.** Mr. Randall has been a Director of the Company since April 1996. He has been CEO of Commander Asset Management Ltd. since May 2002. Prior to this appointment, he was associated with Sarasin International Securities Limited, a wholly owned subsidiary of Bank Sarasin and Cie, a private bank based in Switzerland, where he was a director and later a managing director. The Company believes Mr. Randall's deep industry knowledge of the biotech sector, including in areas of raising capital and strategic planning and oversight, in both corporate and entrepreneurial environments, provides the Board with significant insight across a broad range of issues critical to our business. Mr. Randall's management experience adds significant value to his service as Chair of our Compensation Committee, including advising on executive compensation policies and enhancing shareholder value, as well as serving on our Audit Committee.

### **Continuing Directors**

**Michael M. Tarnow.** Mr. Tarnow was appointed Chairman of our Board in February 2003 and was appointed Executive Chairman on February 2, 2009. Since 1995, Mr. Tarnow has been an advisor to and member of the boards of directors of several healthcare-related organizations in the U.S., Canada and Europe. He also serves on the Boards of the University of Illinois College of Law, Massachusetts College of Art Foundation and the Food Drug Law Institute. From 1995-2000, he was President and CEO of Boston-based Creative BioMolecules, Inc. Prior to that, he spent 22 years at Merck & Co., Inc., where he served in a wide variety of positions including heading corporate development, President and CEO of Merck Frosst Canada and Executive Vice President of Merck-Medco. We believe that as a seasoned leader in the healthcare and biotechnology industry, Mr. Tarnow adds valuable insight and expertise to the Board of Directors. Mr. Tarnow's deep experience with the Company and his knowledge of the drug development process provide valuable insight to the Board of Directors. His leadership skills, strategic analysis, industry knowledge and substantial experience in the biotech sector, including heading the corporate development division of a major pharmaceutical company, give him the qualifications and skills to serve as a Director and the Executive Chairman of the Company.

**Dwight L. Bush.** Mr. Bush has been a Director of the Company since June 2004 and was appointed Vice Chairman in January 2010. Mr. Bush is currently President of D.L. Bush & Associates, a Washington, DC-based financial advisory and business consulting firm. Mr. Bush was previously President & CEO of Urban Trust Bank, Urban Trust Holdings and President of UTB Education Finance, LLC from 2006 through 2008. From 2002-2006, Mr. Bush served in capacities as a principal at Stuart Mill Capital, an Arlington-based investment firm, and as a private investor, and prior to that served in various financial and management roles in financial institutions, including Chase Manhattan Bank and Sallie Mae. Mr. Bush currently serves on the Board of Trustees of The GAVI Alliance and Xavier University of New Orleans and is an Emeritus Trustee of Cornell University. Mr. Bush has 30 years of banking, financial analysis and accounting experience. Mr. Bush's strong financial background, including his investment advisory work, also provides financial expertise to the Board, including an understanding of financial statements, corporate finance, accounting and capital markets. The Company believes Mr. Bush's business acumen and financial expertise give him the qualifications and skills to serve as a Director and the Chair of the Audit Committee.

**Donald S. Brooks.** Mr. Brooks has been a Director of the Company since April 1996 and was Vice President, Legal Affairs of the Company from 1998 until August 2001. Between 2001 and 2004, Mr. Brooks served as a consultant to the Company. Prior to that, Mr. Brooks was a practicing attorney and was previously employed by Merck & Co., Inc. for 27 years in various business and legal capacities. He currently serves as a member of the Board of Directors of BioDiem, Ltd., an Australian biotechnology company. In addition, he served as a director of Xenon Pharmaceuticals, Inc., a Canadian biotechnology firm, and currently acts as a consultant to that company. The Company believes that Mr. Brooks' substantial experience in the pharmaceutical industry, particularly in the area of business development strategy, licensing and collaborations, provides the Board with valuable insight, leadership experience and management experience, and give him the qualifications and skills to serve as a director. We also believe that his experience with various pharmaceutical and biotech companies provides the Compensation Committee with experience regarding motivating our executive team through our various compensation plans and policies, as well as serving on our Audit Committee and Nominating and Corporate Governance Committee.

### **Executive Officers**

**Cynthia W. Hu, JD.** Ms. Hu joined EntreMed in June 2006 as Vice President, General Counsel & Secretary and was appointed Chief Operating Officer in December 2008. Prior to joining EntreMed, from January 2000 to May 2006, Ms. Hu served as senior attorney for the corporate and finance practice group at Powell Goldstein LLP in Washington, DC, where she advised clients on all corporate matters, including complex public and private financings, mergers and acquisitions, SEC and regulatory compliance, and corporate governance and compliance. Before that, Ms. Hu served as counsel for ING Annuities (formerly Golden American Life Insurance Company) and an attorney with the law firms of Klehr, Harrison, Harvey & Branzburg, LLP and Littman & Krooks, LLP focusing on corporate transactions and compliance with corporate and securities laws.

**Carolyn F. Sidor, MD.** Dr. Sidor joined EntreMed in 2001 as Vice President, Clinical & Regulatory Affairs and was appointed Chief Medical Officer in September 2004. Dr. Sidor is a board-certified hematologist/medical oncologist. Prior to joining EntreMed,

Dr. Sidor held various leadership positions at Cato Research Ltd., a prominent Clinical Research Organization (CRO), including Vice President, Scientific and Medical Development; Medical Director; Senior Clinical Research Physician; and Project Director.

**Sara B. Capitelli.** Ms. Capitelli joined EntreMed in January 2011 as Vice President, Finance and Principal Accounting Officer. Prior to joining EntreMed, from May 2010 to January 2011, Ms. Capitelli served as Controller for the Association for Financial Professionals in Bethesda, Maryland. From 1999-2008, Ms. Capitelli served as Senior Manager with Ernst & Young LLP, where she provided audit and consulting services for small and large public and private companies. Prior to that, she served as Director, Financial Planning and Reporting of Cable & Wireless USA, a wholly-owned subsidiary of Cable & Wireless plc. Ms. Capitelli holds a CPA license in both Maryland and Virginia. Ms. Capitelli received her Bachelor of Science, Business Administration – Accounting, from Bucknell University.

**Mark R. Bray, PhD.** Dr. Bray joined EntreMed in January 2006 as Senior Director, Research and in November 2007, Dr. Bray was promoted to Vice President, Research. Dr. Bray has spent his scientific career working towards the development of drugs for oncology and inflammatory diseases. Dr. Bray joined EntreMed in 2006 following the acquisition of Miikana Therapeutics, Inc., a biopharmaceutical company co-founded by Dr. Bray and others, which was focused on the development of targeted therapeutics for the treatment of cancer. Prior to the founding of Miikana in November 2002, Dr. Bray was Head of Quantitative Biology at the Amgen Research Institute in Toronto, Canada, and acted as Project Team Leader for multiple drug discovery efforts at Amgen, Thousand Oaks, CA.

All executive officers of the Company are elected by the Board of Directors on an annual basis and serve until their successors have been duly elected and qualified.

## CORPORATE GOVERNANCE

### Director Independence

Our Board of Directors consists of five members and is divided into three classes, as nearly equal in number as reasonably possible.

On February 24, 2011, the Board affirmatively determined that each of the directors, with the exception of Michael M. Tarnow, our Executive Chairman, qualify as “independent” as defined by applicable NASDAQ and SEC rules. In making this determination, the Board concluded that none of these members has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Mr. Tarnow does not serve on any independent committees.

### Board Meetings

The Board of Directors of the Company held 8 meetings and took action by written consent 5 times during the fiscal year ended December 31, 2010 (“fiscal 2010”). Each director attended 75% or more of the meetings of the Board of Directors and committees of which they were members. The Company encourages, but does not require, Board members to attend the Company’s annual meeting of stockholders. All of the Company’s current directors attended the Annual Meeting of Stockholders in 2010.

### Board Committees

The Board of Directors has three standing committees. These are the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each member of these committees is independent as defined under applicable NASDAQ and SEC rules. Each of the Audit, Compensation and Nominating and Corporate Governance committees has a written charter approved by the Board. The current members of each of the committees are identified below:

<u>Director</u>	<u>Audit</u>	<u>Compensation</u>	<u>Nominating and Corporate Governance</u>
Donald S. Brooks	X	X	X
Dwight L. Bush, Vice Chairman	X (chairman and financial expert)		
Jennie Hunter-Cevera		X	X (chairman)
Mark C.M. Randall	X	X (chairman)	
Michael M. Tarnow, Executive Chairman			

### Audit Committee

The primary purpose of the Audit Committee is to oversee: (a) management’s preparation of the financial statements and management’s conduct of the Company’s accounting and financial reporting process, (b) management’s maintenance of the Company’s internal control over financial reporting, (c) the Company’s compliance with legal and regulatory requirements, and (d) the qualifications, independence and performance of the Company’s independent registered public accounting firm. The Audit Committee held 7 meetings during fiscal 2010.

The Company’s independent registered public accounting firm is ultimately accountable to the Audit Committee in its capacity as a committee of the Board. The Audit Committee has sole authority and responsibility to appoint, compensate, oversee, evaluate, and, where appropriate, replace the Company’s independent registered public accounting firm. In addition, the Audit Committee must approve any audit and permitted non-audit services to be provided by the Company’s independent registered public accounting firm.

The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available on our website at [www.entremed.com](http://www.entremed.com). All members of the Audit Committee meet the independence and financial literacy requirements as defined by applicable NASDAQ and SEC rules. During fiscal 2010 and prior to the 2010 annual meeting, the Audit Committee consisted of Dwight L. Bush, Mark C.M. Randall and Peter S. Knight. Donald S. Brooks was appointed to the Audit Committee in June 2010 to fill the vacancy resulting from the decision by former Director Peter S. Knight not to stand for re-election at the 2010 annual meeting. The Board of Directors has determined that Dwight L. Bush, Chairman of the Audit Committee, is an “audit committee financial expert” as defined by the rules and regulations of the SEC.

## **Compensation Committee**

The Compensation Committee develops and recommends to the Board of Directors the compensation and benefits of all officers (Vice Presidents and above) of the Company, reviews general policy matters relating to compensation and benefits of employees of the Company and administers the Company's stock option plans. Additional information regarding the Compensation Committee's policies, processes and procedures for the consideration of executive compensation is addressed in the Compensation Discussion and Analysis section below. The Compensation Committee held 4 meetings during fiscal 2010.

The Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is available on our website at [www.entremed.com](http://www.entremed.com). During fiscal 2010 and prior to the 2010 annual meeting, the Compensation Committee consisted of Mark C.M. Randall, Donald S. Brooks and Peter S. Knight. Jennie Hunter-Cevera was appointed to the Compensation Committee in June 2010 to fill the seat vacated by former Director Peter S. Knight. All members of the Compensation Committee are "independent" as defined by applicable NASDAQ rules.

## **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee (the "Nominating Committee") is responsible for recommending to the Board the slate of director nominees to be elected at the Company's Annual Meetings of Stockholders, recommending to the Board persons to fill vacancies on the Board and the members of all standing Board committees and making other determinations relating to the Board and appropriate standards for its members. The Nominating Committee did not separately meet during fiscal 2010, as all committee related matters were discussed at meetings of the entire Board of Directors.

The Board has adopted a Charter for the Nominating and Corporate Governance Committee, a copy of which is available on our website at [www.entremed.com](http://www.entremed.com). During fiscal 2010 and prior to the 2010 annual meeting, the Nominating Committee consisted of Jennie Hunter-Cevera and Peter S. Knight. Donald S. Brooks was appointed to the Nominating and Corporate Governance Committee in June 2010 annual meeting to fill the seat vacated by former Director Peter S. Knight. Each member of the Nominating Committee is "independent" as defined by applicable NASDAQ rules.

## **Board Leadership Structure and Role in Risk Oversight**

In connection with our corporate restructuring in December 2008, the Board of Directors eliminated the office of President and Chief Executive Officer and appointed Michael M. Tarnow as Executive Chairman. We have not appointed a President and Chief Executive Officer to date. Our Board of Directors and Executive Chairman are responsible for setting our goals and, together with senior management, steer our day to day operations. This structure allows our senior management to focus on the execution of our business plans, while maintaining an important role for the independent directors in the review and oversight of these activities. Our Executive Chairman meets regularly with, and has frequent discussions involving, management regarding our financial condition, operations, clinical trial progress and strategic activities, and updates the full Board at regularly scheduled meetings of the Board. We believe that the Board, the Board committees as presently constituted, and the leadership structure of the Board enables the Board to fulfill its role in overseeing and monitoring the management and operations of the Company and protecting the interests of the Company and its stockholders.

The Board of Directors takes an active role in risk oversight related to the Company. The Board of Directors does not have a standing risk committee, but primarily administers its oversight role during Board and committee meetings. During regular meetings of the Board of Directors, members of the Board discuss the operating results for the current fiscal quarter and the status of our product candidates with senior management. These discussions allow the members of the Board of Directors to analyze any significant financial, operational, competitive, economic, regulatory and legal risks of our business model, as well as how effectively we implement our strategic and budgetary goals.

## **Director Candidates**

The Nominating Committee identifies potential nominees from various sources, including personal contacts and the recommendations of current directors and executive officers. In the past, the Company has used third party consultants to assist in identifying and evaluating potential nominees and the Nominating Committee may do so in the future.

The Nominating Committee will consider nominees for director recommended by a stockholder. Stockholders who wish to recommend a director nominee for consideration by the Nominating and Corporate Governance Committee should submit a nomination in accordance with the procedures outlined in the Company's Bylaws, if any, or other procedures adopted by the

Nominating and Corporate Governance Committee. Currently, the Committee's procedures require stockholders to provide written notice of a proposed nominee to: EntreMed, Inc., Attn: Secretary, 9640 Medical Center Drive, Rockville, Maryland 20850, not later than 90 days before the date on which the previous year's proxy was mailed. Such notice must include all information relating to such proposed nominee that would be required to be disclosed in solicitations of proxies for the election of directors, including such proposed nominee's: (i) name, age and business or home address; (ii) business experience, including principal occupation or employment; and (iii) beneficial ownership of Company securities, including class and the number of shares. The nomination should also include the name and home or business address of the stockholder making such recommendation, the number of shares beneficially owned by such person and the manner in which such shares are held (i.e. directly or in street name). Additionally, if applicable, the notice must include a description of all arrangements or understands between or among the stockholder giving the notice, the beneficial owner on whose behalf the notice is given, each nominee and any other person pursuant to which the nominations are being made by the stockholder, as well as any other information required to be included in the proxy statement with respect to the nominee if such nominee had been nominated by the Board of Directors. Any such recommendation must also be accompanied by a written consent of the proposed nominee to stand for election if nominated by the Board of Directors and to serve if elected by the stockholders.

The Nominating Committee does not have specific, minimum qualifications for nominees and has not established specific qualities or skills that it regards as necessary for one or more of the Company's directors to possess. In evaluating potential director candidates, the Committee may take into account all factors and criteria it considers appropriate, which shall include, among others:

- Whether the director/potential director possesses personal and professional integrity, sound judgment and forthrightness;
- The director/potential director's educational, business or scientific experience and other directorship experience;
- Whether the director/potential director assists in achieving a mix of Board members that represents a diversity of background and experience;
- Whether the director/potential director, by virtue of particular business, professional or technical expertise, experience or specialized skill relevant to the Company's current or future business, will add specific value as a Board member;
- Whether the director/potential director meets the independence requirements of NASDAQ listing standards; and
- Whether the director/potential director is free from conflicts of interest with the Company.

The Nominating Committee does not have a formal policy with respect to diversity. To carry out its obligations with respect to the proper composition and functioning of the Board, the Committee reviews the qualifications of all directors, evaluating skills and talents to assure a complementary balance of disciplines and perspectives. The Nominating Committee also seeks to further enhance the Board through diversity of experience, as well as gender and ethnic diversity. Through these and other activities, the Nominating Committee seeks to assemble a Board that can responsibly, critically and collegially work through major decisions based on each Director's experience, talent, skills and knowledge.

There are no differences in the manner in which the Nominating Committee evaluates potential director nominees based on whether the potential nominee was recommended by a stockholder or through any other source.

### **Executive Sessions of Independent Directors**

The independent members of the Board typically meet in executive sessions following regularly scheduled meetings of the Board of Directors. The Board continues to meet in closed sessions (without the presence of management) following each regularly scheduled meeting. In February 2009, the Company's chairman, Michael M. Tarnow, was appointed Executive Chairman of the Company, and in so being, the Board determined that he was not considered "independent" under the independence requirements promulgated by NASDAQ. The Board holds executive sessions of the independent directors without the presence of our Executive Chairman, and Dwight L. Bush, chairman of our Audit Committee, is responsible for leading these executive sessions.

## **Compensation Committee Interlocks and Insider Participation**

During fiscal 2010, Mark C.M. Randall, Donald S. Brooks and, prior to his decision not to stand for re-election at the 2010 annual meeting, Peter S. Knight, served as members of the Compensation Committee. Jennie Hunter-Cevera replaced Mr. Knight as a member of the Compensation Committee immediately following the 2010 annual meeting.

During fiscal 2010, no executive officer of the Company served as: (i) a member of the Compensation Committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on the Compensation Committee of the Company; (ii) a director of another entity, one of whose executive officers served on the Compensation Committee of the Company; or (iii) a member of the Compensation Committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served as a director of the Company.

## **Code of Ethics**

The Company has adopted a Code of Ethics, as defined in applicable SEC and NASDAQ rules, which applies to the Company's directors, officers and employees, including the Company's principal executive officer and principal financial and accounting officer. The Company intends to disclose any amendment to or waiver of a provision of the Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on its website available at [www.entremed.com](http://www.entremed.com). The Code of Ethics is available on the Company's website.

## **Communications with the Board**

Any stockholder who wishes to send any communications to the Board or to individual directors should deliver such communications to the Company's executive offices, 9640 Medical Center Drive, Rockville, Maryland 20850, Attn: Associate Director, Corporate Communications & Investor Relations. Any such communication should indicate whether the communication is intended to be directed to the entire Board or to a particular director(s), and must indicate the number of shares of Company stock beneficially owned by the stockholder. The Associate Director, Corporate Communications & Investor Relations will forward appropriate communications to the Board and/or the appropriate director(s). Inappropriate communications include correspondence that does not relate to the business or affairs of the Company or the functioning of the Board or its committees, advertisements or other commercial solicitations or communications, and communications that are frivolous, threatening, illegal or otherwise not appropriate for delivery to directors.

## **Celgene's Rights with Respect to the Board of Directors**

Pursuant to the Securities Purchase Agreement whereby Celgene Corporation purchased shares of our Convertible Preferred Stock, Celgene has the right to designate up to two directors to our Board of Directors, subject to the Company's approval and election. In lieu of the board designees, Celgene may instead elect, at its option, to designate an observer to participate in Board meetings, although the observer does not vote. Celgene has not designated any directors for election to our Board, but it has designated an observer who receives notices and may attend Board of Directors' meetings.

## **Selected Value Therapeutics' Rights with Respect to the Board of Directors**

Pursuant to the Securities Purchase Agreement executed in connection with the Company's September 2010 private placement, the Company granted to Selected Value Therapeutics I, LLC ("SVT"), on behalf of the investors in such private placement, the right to designate one director to our Board of Directors, subject to the Company's approval and election. In lieu of a board designee, SVT may instead elect, at its option, to designate an observer to participate in Board meetings, although the observer does not vote. No director or observer has been selected by SVT at this time.

## **DIRECTOR COMPENSATION**

In setting director compensation, the Company considers the significant amount of time that Directors expended in fulfilling their duties to the Company as well as the skill-level required by the Company of members of the Board. We compensate our non-employee members of the Board through a mixture of cash and equity-based compensation.

In connection with the Company's corporate restructuring in December 2008, the following executive positions were eliminated: President & Chief Executive Officer; Chief Financial Officer; Sr. Vice President, Research & Development; and Sr. Vice President, Corporate & Business Development. In addition, Michael M. Tarnow, then serving as Chairman, was appointed Executive Chairman in February 2009 and Dwight L. Bush was appointed Vice Chairman in January 2010.

### **Annual Director Stock Option Grants**

Our 2010 Director compensation program provided that upon joining the Board of Directors, each new non-employee director is granted an option to purchase 4,545 shares of Common Stock. No new Director joined the Company in 2010.

Our 2010 Director compensation program provided that on the date of each annual meeting of stockholders, each continuing non-employee director receives an annual grant of options to purchase 4,545 shares of Common Stock as the base, chairpersons of Board committees receive an option to purchase an additional 455 shares of Common Stock, and members of the then constituted Executive Committee receive an option to purchase an additional 2,727 shares of Common stock ("Annual Director Stock Options"). All Annual Director Stock Options vest immediately. In accordance with the Directors stock option program, on January 26, 2010, each director received his or her annual grant of 4,545 options at the fair market price of the Company's Common Stock on the date of the grant, which was \$7.37. Committee chairs received an additional 455 options consistent with current policy and each member of the then Executive Committee (consisted of Michael M. Tarnow, Dwight L. Bush and Jennie Hunter-Cevera) received an additional 2,727 options to reflect their additional commitment to the Company.

### **Annual Director Restricted Stock Grants**

The annual restricted stock award component of our Director compensation program was eliminated in January 2010. No restricted stock awards were granted in 2010.

### **Annual Director Cash Retainer**

Our 2010 Director compensation program provides that on the date of each annual meeting of stockholders, each continuing non-employee director receives an annual cash retainer payment. The amount of the cash retainer is \$15,000 for all Board members (other than for Michael M. Tarnow and Dwight L. Bush), with an additional cash retainer payment in the amount of \$10,000 for the chairperson of the Audit committee, \$5,000 for the chairperson of the Compensation Committee, and \$5,000 for the chairperson of the Nominating and Corporate Governance Committee. In his expanded role as Vice Chairman, a non-executive officer position, Mr. Bush receives an annual base retainer fee of \$45,000. In lieu of the annual cash retainer payable at each annual meeting of stockholders, Mr. Tarnow is compensated under a Board Service Agreement (described below). In accordance with the Director cash retainer program, after review of director compensation information provided by the Compensation Committee's independent consultant, and review of relevant market data, the Board approved the payment of annual cash retainers to the Directors in the amount of \$15,000 (other than for Mr. Tarnow and Mr. Bush) payable in one lump sum at the 2010 annual meeting. Mr. Bush received a base cash retainer fee in the amount of \$45,000. As chairman of the Audit Committee, Mr. Bush received an additional \$10,000, to reflect the more active role of the chairman of the Audit Committee in managing external relationships and providing financial guidance to management, and Mr. Randall and Dr. Hunter-Cevera, chairpersons of the Compensation Committee and the Nominating and Corporate Governance Committee, each received an additional \$5,000.

### **Director Meeting Fees**

Except for our Executive Chairman, Michael M. Tarnow, who is paid meeting fees in the amount of \$2,500, our non-employee Directors are paid meeting fees in the amount of \$1,500 for each regular Board meeting, and \$1,000 for each Audit, Compensation, and Nominating & Corporate Governance Committee meeting with a duration of thirty minutes or more. Fees for any special meetings of the Board and for meetings of the Executive Committee were eliminated in January 2010.

## Executive Chairman Compensation

Pursuant to a Board Service Agreement dated February 5, 2003, between the Company and its Executive Chairman, Michael M. Tarnow, Mr. Tarnow is paid \$15,000 per month, or \$180,000 annually for his services as Executive Chairman. The Board Service Agreement also provided Mr. Tarnow with an option to purchase 22,727 shares of Common Stock at an exercise price of \$11.33, 25% of which were exercisable immediately and 25% of which became exercisable each year over the next three years. As of December 31, 2010, all such shares are vested and currently exercisable. Mr. Tarnow is also reimbursed for expenses in connection with his service as Executive Chairman, including travel to and from Board meetings, and receives the equity grants issued to the other Directors, as described above.

## Director Compensation in Fiscal 2010

The table below summarizes the compensation paid by the Company to non-employee Directors during the fiscal year ended December 31, 2010.

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Stock Awards(1)(3)</u>	<u>Option Awards(2)(4)</u>	<u>Non-Equity Incentive Plan Compensation</u>	<u>All Other Compensation</u>	<u>Total</u>
	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>
Michael M. Tarnow .....	\$ 190,000	—	\$53,600	—	—	\$ 243,600
Donald S. Brooks .....	\$ 29,000	—	\$33,500	—	—	\$ 62,500
Dwight L. Bush.....	\$ 68,000	—	\$56,950	—	—	\$ 124,950
Jennie C. Hunter-Cevera, PhD.....	\$ 23,000	—	\$53,600	—	—	\$ 76,600
Mark C. M. Randall .....	\$ 37,000	—	\$36,850	—	—	\$ 74,350
Peter S. Knight ( <i>former</i> Director) .....	\$ 4,500	—	\$36,850	—	—	\$ 41,350

- (1) The amounts in this column represent the grant date fair value calculated in accordance with ASC 718. There were no stock awards in 2010.
- (2) The amounts in this column represent the grant date fair value of options awarded, as calculated in accordance with ASC 718. Using the Black-Scholes-Merton option-pricing method, fair value was calculated at \$5.50 per share.
- (3) As of December 31, 2010, each of the non-employee Directors has the following aggregate number of shares of stock: Michael M. Tarnow: 8,645; Donald S. Brooks: 8,645; Dwight L. Bush: 8,645; Jennie C. Hunter-Cevera: 8,645; and Mark C. M. Randall: 8,645. No awards were made in 2010.
- (4) As of December 31, 2010, each Director has the following number of stock options outstanding: Michael M. Tarnow: 53,178; Donald S. Brooks: 31,815; Dwight L. Bush: 32,722; Jennie C. Hunter-Cevera: 34,541; and Mark C. M. Randall: 34,084.

## Modifications to Director Compensation for 2011

On January 10, 2011, based upon the recommendation of the Compensation Committee after conferring with its independent consultant, the Board approved the following changes to director compensation for 2011.

- Commencing in 2011, the number of initial options for new Directors was increased from 4,545 to 15,000.
- In order to further align the interest of the Board with the Company's stockholders, commencing with fiscal 2011, the number of annual options granted to each Director was increased from 4,545 to 10,000, and the number of additional options granted to chairpersons of Board committees was increased from 455 to 3,000 for the Audit Committee, and from 455 to 2,000 for the Compensation Committee and the Nominating and Corporate Governance Committee. The awards of the 2011 Annual Director Stock Options were made at the closing price of the Company's stock on January 10, 2011, and are fully vested and exercisable on the date of the grant. Mr. Tarnow, as Executive Chairman, was awarded an additional 5,000 options, and Mr. Bush, as Vice Chairman, was awarded an additional 2,000 options, for their expanded 2011 service.
- In addition, the number of additional options for members of the Executive Committee for service year 2010 was increased from 2,727 to 5,000 to reward unexpected time commitments made in 2010. The Executive Committee was dissolved as of January 10, 2011.
- All other aspects of director compensation remain unchanged.

## PROPOSAL 2

### APPROVAL OF THE COMPANY'S 2011 LONG-TERM INCENTIVE PLAN

#### General

The Board has approved the 2011 Long-Term Incentive Plan (the "2011 Plan"), subject to stockholder approval. Management and the Board believe that the use of stock based compensation is important to the Company to recruit and retain qualified persons. The use of stock options has long been a vital component of the Company's overall compensation philosophy, which is premised on the principle that any long-term incentive compensation should be closely aligned with stockholders' interests. Stock options align employees' interests directly with those of other stockholders because an increase in stock price after the date of award is necessary for employees to realize any value, thus rewarding executives and employees only upon improved stock price performance. Management believes that stock options, the core of the Company's long-term employee incentive and retention program, have been effective in enabling the Company to attract and retain the talent critical for sustainable growth. Therefore, the Company considers approval of the 2011 Plan vital to the Company's future success.

#### Description of the 2011 Plan

The following summary of the material features of the 2011 Plan, as proposed, is qualified in its entirety by reference to the full text of the 2011 Plan, a copy of which is attached as Appendix A and is also available at no charge upon request to the Company. Unless otherwise specified, capitalized terms used herein have the meanings assigned to them in the 2011 Plan.

#### Eligibility

The 2011 Plan authorizes the grant of Stock Options (including incentive stock options and nonqualified stock options), Stock Appreciation Rights, restricted or unrestricted Stock Awards, Phantom Stock Units, Performance Awards, or any combination of the foregoing to all persons who are at the time of the grant of an award Employees (including persons who may become Employees), members of the Board or the board of directors of an Affiliate, or consultants of the Company or of any Affiliate, as may be selected from time to time. Only Employees of the Company, or of any Parent or Subsidiary of the Company, are eligible to receive grants of incentive stock options. As of April 15, 2011, 14 Employees (including officers) and 5 members of the Board (including the Executive Chairman) of the Company are eligible to receive grants under the 2011 Plan. The number of consultants to the Company eligible to receive grants under the 2011 Plan is not determinable.

#### Administration

The 2011 Plan is administered by the Board or by a committee or committees appointed by the Board (all of which will hereinafter be referred to as the "Administrator"). The Administrator has all the powers vested in it by the terms of the 2011 Plan, including the authority to determine eligibility, grant awards, prescribe stock option grant agreements (a "Grant Agreement") evidencing such awards, establish programs for granting awards, determine whether a stock option shall be an incentive stock option or a nonqualified stock option, determine any exceptions to nontransferability, establish any Performance Goals applicable to Awards, determine the period during which Awards may be exercised and the period during which Awards shall be subject to restrictions, and otherwise administer the 2011 Plan. In making these determinations, the Administrator may take into account the nature of the services rendered or to be rendered by the Award recipients, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Administrator in its discretion shall deem relevant. The Administrator may delegate to the Chief Executive Officer or an officer of the Company acting in such capacity the power to administer the 2011 Plan and to exercise the full authority of the Administrator with respect to awards granted to specified Participants or groups of Participants.

#### Shares Available For The Plan

If the stockholders approve the 2011 Plan, a maximum of 835,341 shares of Common Stock will be available for grants and Awards. This number includes 135,341 shares of Common Stock remaining under the Company's 2001 Long-Term Incentive Plan (the "2001 Plan"). As of May 14, 2011, no further Awards will be granted under the 2001 Plan. If an award expires or terminates unexercised or is forfeited, or if any shares of Common Stock are surrendered to the Company in connection with an award, the shares of Common Stock subject to such award and the surrendered shares of Common Stock will become available for further awards under the 2011 Plan. The number of shares subject to the 2011 Plan (and the number of shares and terms of any award) shall be adjusted by the Administrator in the event of any change in the outstanding Common Stock by reason of any stock dividend, spin-off, split-up,

reverse stock split, recapitalization, reclassification, merger, consolidation, liquidation, business combination or exchange of shares and the like.

A maximum of 250,000 shares of Common Stock may be granted to an individual during any calendar year period.

### **Stock Options**

The 2011 Plan authorizes the grant of incentive stock options and nonqualified stock options. Incentive stock options are stock options that satisfy the requirements of Section 422 of the Internal Revenue Code (the "Code"). Nonqualified stock options are stock options that do not satisfy the requirements of Section 422 of the Code. Options granted under the 2011 Plan would entitle the grantee, upon exercise, to purchase a specified number of shares of Common Stock from the Company at a specified exercise price per share. The period of time during which an option may be exercised, as well as any vesting schedule, is determined by the Administrator, except that no option may be exercised more than 10 years after the date of grant. All options granted under the 2011 Plan must have an exercise price at least equal to Fair Market Value of stock underlying the option on the date of grant. Additionally, no incentive stock option may be granted under the 2011 Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of the Company or any parent corporation or subsidiary corporation, as defined in Sections 424(e) and (f) of the Code, respectively, of the Company, unless the option's exercise price is at least 110% of the Fair Market Value of the stock subject to the option on the date of grant, and the term of the option does not exceed five years from the date of grant.

### **Other Awards**

In addition to Stock Options, the 2011 Plan authorizes the grant of Stock Appreciation Rights, Stock Awards (both restricted and unrestricted), Phantom Stock Units and Performance Awards.

Subject to the terms of a particular grant, the exercise of a Stock Appreciation Right under the 2011 Plan would entitle the grantee to receive in cash, Common Stock, or a combination thereof, as specified in the Grant Agreement, the excess of the Fair Market Value of a specified number of shares of Common Stock on the date of exercise over the base price per share specified in the Grant Agreement. The 2011 Plan also authorizes the grant of restricted and unrestricted Stock Awards on terms and conditions, which terms and conditions may condition the vesting or payment of such Awards on the achievement of one or more Performance Goals (as described below) established by the Administrator.

In addition, the 2011 Plan authorizes the grant of Phantom Stock Units in the form of Awards denominated in stock-equivalent units on terms and conditions, which terms and conditions may condition the vesting or payment of such Awards on the achievement of one or more Performance Goals (as described below), established by the Administrator. An Award of Phantom Stock Units may be settled in cash, Common Stock, or a combination thereof, as specified in the Grant Agreement.

Finally, the 2011 Plan authorizes the grant of Performance Awards, which become payable upon attainment of one or more Performance Goals established by the Administrator. Performance Awards may be paid in cash, Common Stock, or a combination thereof, as specified in the Grant Agreement.

### **Performance Goals**

In its discretion, the Administrator may condition the grant, vesting or payment of Awards on the attainment of Performance Goals. The term "Performance Goals" means performance goals established by the Administrator which may be based on earnings (including earnings before interest, taxes, depreciation and amortization), earnings per share (including without limitation on a diluted basis), sales, revenues (including without limitation labor-based revenue for services performed by employees as distinct from labor performed by subcontractors), expenses (including without limitation sales and general administrative expenses), cash flow (including without limitation free cash flow), economic value added, total shareholder return, return on assets, equity or invested capital, customer or client orders (value of new contracts awarded), days sales outstanding (as a measure of the time required to collect accounts receivable after earning revenue), employee satisfaction (as measured by employee surveys or otherwise), voluntary attrition (as a measure of employee satisfaction), regulatory compliance, satisfactory internal or external audits, improvement of financial ratings, achievement of balance sheet or income statement objectives, implementation or completion of one or more projects or transactions (including mergers, acquisitions, dispositions, and restructurings), working capital, or any other objective goals established by the Administrator, and which may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. Such performance goals may be particular to a Participant, or may be based on the

performance of the Corporation, one or more Affiliates, or the Corporation and one or more Affiliates, and may cover such period as may be specified by the Administrator.

### **Transferability**

Except as otherwise determined by the Administrator or provided in a Grant Agreement, Awards granted under the 2011 Plan are not transferable except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in Code Section 414(p). Unless otherwise determined by the Administrator, Awards may be exercised only by the grantee or by permitted transferees during the lifetime of the grantee or, in the event of legal disability, by the grantee's guardian or legal representative.

### **Amendment and Termination**

The Board of Directors may amend, alter or terminate the 2011 Plan, or any portion thereof, at any time. No award may be granted under the 2011 Plan after the close of business on June 9, 2021. Subject to other applicable provisions of the Plan, all awards made under the 2011 Plan prior to the termination of the 2011 Plan will remain in effect until those Awards have been satisfied or terminated.

### **Summary of Certain Federal Income Tax Considerations**

#### ***General***

The following discussion briefly summarizes certain federal income tax aspects of Stock Options, Stock Appreciation Rights, Stock Awards, Phantom Stock Units, and Performance Awards granted under the 2011 Plan. The rules governing the tax treatment of Awards and the receipt of shares of Common Stock and/or cash in connection with such Awards are quite technical, so the following description of tax consequences is necessarily general in nature and does not purport to be complete. Moreover, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. Finally, the tax consequences under applicable state and local law may not be the same as under the federal income tax laws.

#### ***Incentive Stock Options***

In general, a grantee will not recognize income on the grant or exercise of an incentive stock option. However, the difference between the exercise price and the Fair Market Value of the stock on the exercise date is an adjustment item for purposes of the alternative minimum tax. Further, if a grantee does not exercise an incentive stock within certain specified periods after termination of employment, the grantee will recognize ordinary income on the exercise of an incentive stock option in the same manner as on the exercise of a nonqualified stock option, as described below.

#### ***Nonqualified Stock Options, Stock Appreciation Rights, Phantom Stock Units, and Performance Awards***

A grantee generally is not required to recognize income on the grant of a nonqualified Stock Option, a Stock Appreciation Right, or on the award of Phantom Stock Units or a Performance Award. Generally, ordinary income is instead, required to be recognized on the date the nonqualified Stock option or stock appreciation right is exercised, or in the case of an award of Phantom Stock Units or a Performance Award on the date of payment of such Award in cash or shares of Common Stock. In general, the amount of ordinary income required to be recognized, (a) in the case of a nonqualified Stock Option, is an amount equal to the excess, if any, of the Fair Market Value of the shares of Common Stock on the exercise date over the exercise price, (b) in the case of a Stock Appreciation Right, the amount of cash and the Fair Market Value of any shares of Common Stock received on exercise, and (c) in the case of an Award of Phantom Stock Units or a Performance Award, the amount of cash and the Fair Market Value of any shares of Common Stock received.

#### ***Restricted Stock Awards***

Unless a grantee of shares of Common Stock of restricted stock makes an election under Section 83(b) of the Code as described below, the grantee generally is not required to recognize ordinary income on the award of restricted stock. Instead, on the date the shares of Common Stock vest (i.e. become transferable or are no longer subject to a substantial risk of forfeiture), the grantee will be required to recognize ordinary income in an amount equal to the excess, if any, of the Fair Market Value of the shares of Common Stock on such date over the amount, if any, paid for such shares of Common Stock. If a grantee makes a Section 83(b) election to recognize ordinary income on the date the shares of Common Stock are awarded, the amount of ordinary income required to be

recognized is an amount equal to the excess, if any, of the Fair Market Value of the shares of Common Stock on the date of award over the amount, if any, paid for such shares of Common Stock. In such case, the grantee will not be required to recognize additional ordinary income when the shares of Common Stock vest.

#### ***Unrestricted Stock Awards***

In general, a grantee is required to recognize ordinary income on the date of issuance of such unrestricted shares of Common Stock to the grantee equal to the excess, if any, of the Fair Market Value of such shares of Common Stock on such date over the amount, if any, paid for such shares of Common Stock.

#### ***Gain or Loss On Sale or Exchange of 2011 Plan Shares***

In general, gain or loss from the sale or exchange of shares of Common Stock granted or awarded under the 2011 Plan will be treated as capital gain or loss, if the shares of Common Stock are held as capital assets at the time of the sale or exchange. However, if certain holding period requirements are not satisfied at the time of a sale or exchange of shares of Common Stock acquired upon exercise of an incentive stock option (a “disqualifying disposition”), a grantee generally will be required to recognize ordinary income upon such disposition.

#### ***Deductibility By Company***

The Company generally is not allowed a deduction in connection with the grant or exercise of an incentive Stock Option. However, if a grantee is required to recognize income as a result of a disqualifying disposition, the Company generally will be entitled to a deduction equal to the amount of ordinary income so recognized. In general, in the case of a nonqualified Stock Option (including an incentive Stock Option that is treated as a nonqualified Stock Option, as described above), a Stock Appreciation Right, a Stock Award, Phantom Stock, or a Performance Award, the Company generally will be allowed a deduction in an amount equal to the amount of ordinary income recognized by the grantee, provided that certain income tax reporting requirements are satisfied.

#### ***Parachute Payments***

Where payments to certain persons that are contingent on a change in control exceed limits specified in the Code, the person generally is liable for a 20% excise tax on, and the corporation or other entity making the payment generally is not entitled to any deduction for a specified portion of such payments. If the Administrator, in its discretion, grants Awards, the exercise date, vesting or payment of which is accelerated by a change in control of the Company, such acceleration of the exercise date, vesting or payment would be relevant in determining whether the excise tax and deduction disallowance rules would be triggered.

#### ***Performance-Based Compensation***

Subject to certain exceptions, Section 162(m) of the Code disallows federal income tax deductions for compensation paid by a publicly held corporation to certain executives to the extent the amount paid to the executive exceeds \$1 million for the taxable year. The 2011 Plan has been designed to allow the Administrator to make Awards under the 2011 Plan that qualify under an exception to the deduction limit of Section 162(m) for “performance-based compensation.”

#### ***Tax Rules Affecting Nonqualified Deferred Compensation Plans***

Section 409A of the Code imposes tax rules that apply to “nonqualified deferred compensation plans.” Failure to comply with, or qualify for an exemption from, the rules with respect to an Award could result in significant adverse tax results to the grantee of such Award, including immediate taxation upon vesting and an additional income tax of 20 percent of the amount of income so recognized. The 2011 Plan is intended to allow the granting of Awards which are intended to comply with or qualify for an exemption from Section 409A of the Code.

#### **Vote Required**

The affirmative vote of a majority of the total votes cast by the stockholders present at the meeting, in person or by proxy, and entitled to vote on this proposal is necessary for approval of the 2011 Plan. If you submit a proxy without direction as to a vote on this matter, the proxy will be voted “FOR” the proposal. Abstentions will have the effect of a vote against this proposal. Broker non-votes will not be treated as votes cast and will have no effect on the outcome of the vote on this proposal.

## Board of Directors Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE COMPANY’S 2011 LONG-TERM INCENTIVE PLAN.

### *Options Under Employee Benefit Plans*

#### Equity Compensation Plan Information

The following table discloses certain information about the options issued and available for issuance under all outstanding Company option plans as of December 31, 2010.

	(a)	(b)	(c)
<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [Excluding Securities Reflected in Column (a)]</u>
Equity compensation plans approved by security holders .....	590,009	\$38.94	314,120
Equity compensation plans not approved by security holders .....	0	\$ 0.00	0
Total.....	590,009	\$38.94	314,120

Warrants issued under the unauthorized plans represent compensation for consulting services rendered by the holders.

## REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee, comprised solely of members of the Board of Directors that are “independent” pursuant to applicable NASDAQ and SEC rules, assists the Board in fulfilling its responsibilities with regard to compensation matters, and is responsible under its Committee charter for determining the compensation of our executive officers. The Compensation Committee sets performance goals and objectives for the chief executive officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the Compensation Committee may retain the services of a compensation consultant and consider recommendations from the Executive Chairman with respect to goals and compensation of the other executive officers. The Compensation Committee assesses the information it receives in accordance with its business judgment. The Compensation Committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the compensation committee and recommended to the full board for ratification. Mark C.M. Randall (chairman), Jennie Hunter-Cevera and Donald S. Brooks are the current members of the Compensation Committee.

The Compensation Committee has reviewed and discussed the “Compensation Discussion and Analysis” section of this proxy statement with management, including our Chief Operating Officer & General Counsel, Cynthia W. Hu, our Vice President, Finance and Principal Accounting Officer, Sara B. Capitelli, and our Executive Chairman, Michael M. Tarnow. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the “Compensation Discussion and Analysis” section be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the year ended December 31, 2010.

Compensation Committee

Mark C.M. Randall, Chairman  
Jennie Hunter-Cevera  
Donald S. Brooks

*No portion of this Compensation Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.*

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Overview of Compensation Program

The Compensation Committee, or the Committee, of the Board has responsibility for establishing, implementing and continually monitoring adherence with the Company's compensation philosophy. The Committee ensures that the total compensation paid to the executive officers is fair, reasonable and competitive. The Compensation Committee is comprised entirely of independent directors, consisting of Mark C. M. Randall, Jennie Hunter-Cevera and Donald S. Brooks.

It is the Committee's responsibility to:

- Make recommendations and report to the Board of Directors concerning matters of executive compensation;
- Administer the Company's executive incentive plans;
- Review compensation plans, programs and policies; and
- Monitor the performance and compensation of executive officers.

#### Compensation Philosophy and Objectives

The Committee believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals that align executives' interests with those of the stockholders. The ultimate objective is to improve stockholder value, while at the same time attracting, motivating and retaining senior management. The Compensation Committee's executive compensation philosophy (which applies generally to all Company management, including its executive officers) considers a number of factors, including:

- Providing levels of compensation competitive with life science companies at a comparable stage of development and in the Company's reasonable recruiting area;
- Integrating management's variable compensation with the achievement of performance goals;
- Maintaining an appropriate balance between base salary and performance-based compensation with a higher proportion of compensation being performance-based as salary grade increases; and
- Recognizing and providing incentive for individual initiative and achievement.

#### Elements of 2010 Executive Compensation

The Committee evaluates both performance and compensation to ensure that the Company maintains its ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. To that end, the Committee believes executive compensation packages provided by the Company to its executives, including the named executive officers, should include both cash and stock-based compensation that reward performance as measured against established goals. For the fiscal year ended December 31, 2010, or fiscal 2010, the principal components of compensation for named executive officers were:

- base salary;
- potential for cash bonus; and
- potential for long-term equity incentive compensation

The Committee also evaluated 2010 executive compensation against the background of the corporate restructuring in December 2008. In connection with the corporate restructuring, the Board of Directors eliminated four executive positions, including the office of President and Chief Executive Officer and the office of Chief Financial Officer, while at the same time (1) appointed Ms. Kathy Wehmeir-Davis as the Principal Accounting Officer and designated her as an executive officer, (2) designated Dr. Mark Bray as an executive officer, and (3) appointed Ms. Cynthia Hu as the Chief Operating Officer. These executive officers, along with Dr. Carolyn Sidor, comprised the senior management team, which reports to the Board of Directors and our Executive Chairman, and are referred to as our "named executive officers."

In December 2009, the Compensation Committee's engaged an independent compensation consultant, Arnosti Consulting, to conduct a review of the Company's total compensation program for key executives and for the Board of Directors. Arnosti Consulting was engaged to review and provide the Compensation Committee with compensation analysis for our executive compensation for fiscal 2010. The consultant reports directly to the Compensation Committee.

In connection with setting executive compensation for fiscal 2010, the Committee benchmarked all elements of total compensation for the executives with their expanded responsibilities, which consist of base salary, bonus, and long-term equity incentive compensation, to the competitive marketplace. The Committee benchmarked its named executive officer compensation because the Committee believes this is the best way to determine whether such compensation is competitive with the Company's labor market for executive talent. The Committee compares its levels of executive compensation to a peer group of publicly-traded biotechnology and pharmaceutical companies that are believed to be generally comparable to the Company with respect to metrics such as market capitalization and business model. The list of potential comparator companies initially included over 100 companies selected based on standard industry codes and market capitalization. The consultant then worked with management to narrow the list of approximately 41 companies focusing on business models, market capitalization and headcount against which the Company believes that it competes for executive talent. The compensation peer group will be periodically reviewed by the Committee and updated.

For fiscal 2010 compensation, the compensation peer group consisted of the following companies: Access Pharmaceuticals, Inc., Adventrx Pharmaceuticals, Inc., Anadys Pharmaceuticals, Inc., AP Pharma, Inc., Avanir Pharmaceuticals, Avant Immunotherapeutics, Inc., Avigen, Inc., Bidel, Inc., Bidelivery Sciences International, Inc., Cel Sci Corp., Chelsea Therapeutics International, Ltd., Cortex Pharmaceuticals, Inc., Curis, Inc., Cypress Bioscience, Inc., Elite Pharmaceuticals, Inc., Epicept Corp., Genaera Corp., Genta, Inc., Hemispherx Biopharma, Inc., Idera Pharmaceuticals, Inc., Insite Vision, Inc., Isolagen, Inc., Keryx Biopharmaceuticals, Inc., Middlebrook Pharmaceuticals, Inc., Neopharm, Inc., Neose Technologies, Inc., Neurobiological Technologies, Inc., Nexmed, Inc., Novadel Pharma, Inc., Optimer Pharmaceuticals, Inc., Orexigen Therapeutics, Inc., Oxigene, Inc., Panacos Pharmaceuticals, Inc., Pharmacyclics, Inc., Pharmasset, Inc., Poniard Pharmaceuticals, Inc., Progen Pharmaceuticals, Ltd., Regenerx Biopharmaceuticals, Inc., Response Genetics, Inc., RXI Pharmaceuticals Corp., Scolr Pharma, Inc., Threshold Pharmaceuticals, Inc., Vanda Pharmaceuticals, Inc., VIA Pharmaceuticals, Inc., and VION Pharmaceuticals, Inc.

Based on the compensation peer group, the compensation consultant compiled data from the Equilar database of proxy-related materials and the 2009 Radford Global Life Sciences Survey including data on cash compensation in similar size companies as well as equity information. Within the compensation peer group, the Company generally targets compensation for executive officers between the 25<sup>th</sup> to 50<sup>th</sup> percentile of compensation paid to similarly situated executives of such company group. No variation to this objective was made in setting 2010 salaries, but may be made in the future if dictated by market factors or the experience level of any new executive.

### ***Base Salary in 2010***

In 2010, the base salary for each of the named executive officers remained unchanged from 2009. For the named executive officers, a minimum base salary is established by the terms of an employment contract. The Committee's assessment of 2010 base salaries was based on the duties and responsibilities that we expected each executive to discharge during 2010, the executive's performance during the previous year, and the executive's total compensation opportunity. Base salaries for each individual were not targeted at any specific percentile within the group of companies considered. The base salary for each of the named executive officers remains unchanged for fiscal 2011.

<b>Name</b>	<b>2010</b>	<b>2009</b>
Carolyn F. Sidor, MD, Vice President & Chief Medical Officer	\$300,000	\$300,000
Cynthia W. Hu, JD, Chief Operating Officer & General Counsel	\$300,000	\$300,000
Mark R. Bray, VP, Research	\$200,000	\$200,000
Kathy R. Wehmeir-Davis, Former Principal Accounting Officer <sup>(1)</sup>	\$200,000	\$200,000

(1) Ms. Wehmeir-Davis' employment with the Company terminated as of January 15, 2011. Ms. Capitelli joined the Company on January 10, 2011 as Vice President, Finance & Principal Accounting Officer.

### ***Bonuses Paid for 2010***

In general, cash incentives for our executive officers are provided based upon achieving Company objectives and individual performance goals, including the qualitative aspects of strategic decisions, the execution of Company initiatives, and successfully meeting significant challenges that face the Company and the biotechnology industry in general. This focus on the quality and results of management's decisions takes into account the ability of an executive manager to adapt to unique situations and changing conditions while balancing short-term strategies with long-term objectives. The Compensation Committee believes that this approach will properly reward key executive officers for their leadership in a changing business environment and in making strategic adjustments to our business plans that are in the best interests of the Company, its stockholders and its employees.

Employment contracts with each of the named executive officers include specified minimum bonus opportunities expressed as a percentage of base salary as follows:

<b>Name:</b>	<b>Bonus Target Percentage</b>
Cynthia W. Hu, JD, COO & General Counsel	25%
Carolyn F. Sidor, MD, Vice President & CMO	25%
Mark R. Bray, PhD, Vice President, Research	25%
Kathy R. Wehmeir-Davis, Former Principal Accounting Officer <sup>(1)</sup>	25%

(1) Ms. Capitelli joined the Company on January 10, 2011 as Vice President, Finance & Principal Accounting Officer. Ms. Wehmeir-Davis' employment with the Company terminated as of January 15, 2011.

The payment of cash bonuses is within the sole discretion of the Compensation Committee and is based, in part, on achieving specific Company goals and milestones that relate to our products and our program objectives, and the Compensation Committee's subjective assessment of individual performance during the year. The Company takes a team-based approach to the achievement of Company objectives and milestones.

No bonuses were paid to any named executive officer for 2008 and 2009. Bonuses were paid for 2010 performance to certain named executive officers for recognition of achievement of Company goals, clinical trial milestones and individual performance, despite 2010 being a year of extraordinary challenges in the financial markets and biotechnology industry.

<b>Name:</b>	<b>Bonus Received for Performance Year 2010</b>	<b>Bonus Percentage of Base Salary</b>
Cynthia W. Hu, JD, COO & General Counsel	\$50,000	16.6%
Carolyn F. Sidor, MD, Vice President & CMO	\$50,000	16.6%
Mark R. Bray, PhD, Vice President, Research	\$12,500	6.25%
Kathy R. Wehmeir-Davis, Former Principal Accounting Officer <sup>(1)</sup>	\$0	N/A

(1) Ms. Capitelli joined the Company on January 10, 2011 as Vice President, Finance & Principal Accounting Officer. Ms. Wehmeir-Davis' employment with the Company terminated as of January 15, 2011.

### ***Long-Term Equity Incentive Compensation***

Consistent with its belief that equity ownership by senior management is beneficial in aligning the interests of senior management with those of the stockholders, the Company provides potentially significant long-term incentive opportunities to its senior management through discretionary grants of stock options, thereby emphasizing the potential creation of long-term stockholder value. The Committee considers stock options effective long-term incentives because an executive can profit only if the value of the Common Stock increases. The Compensation Committee does not, however, target a specific level or have a formula for stock option grants. In making these grants, the Committee considered its subjective assessment of the Company's past financial performance and future prospects, an executive officer's current level of ownership of the Common Stock, the period during which an executive officer has been in a key position with the Company, individual performance and competitive practices within the Company's compensation peer group. The Committee also considered recommendations from the Executive Chairman regarding option grants for members of senior management. In addition, the compensation consultant's review of the Company's total compensation program for executive officers included a review and analysis of proposed 2010 long-term equity incentive compensation against the backdrop of the corporate restructuring and to continue to align the interests of the senior management team with those of the stockholders.

### ***Perquisites and Post-Employment Compensation***

We generally limit the perquisites that we make available to our executive officers. In 2010, we reimbursed our former executive, Kathy Wehmeir-Davis, for the costs of an apartment near our headquarters and for travel commuting costs between her principal place of residence in Massachusetts and our headquarters. Ms. Wehmeir-Davis' employment with our Company terminated as of January 15, 2011. See "*Potential Payments Upon Change in Control or Termination of Employment*" for a description of her separation payments. Our executives are entitled to benefits that are otherwise available to all of our employees. The Company does not provide pension arrangements or post-retirement coverage for our executives or employees.

Our executive officers are eligible to participate in our 401(k) contributory defined contribution plan. In any plan year, we contribute to each participant a matching contribution equal to 50% of the first 6% of the participant's compensation contributed to the plan, subject to the maximum deferral contribution limit defined by the Internal Revenue Service annually. Other than Dr. Bray, all of our executive officers participated in our 401(k) plan during fiscal 2010 and received matching contributions. Our health and insurance plans are the same for all U.S. employees.

### **Accounting and Tax Considerations**

Section 162(m) of the Internal Revenue Code generally denies a deduction to any publicly held corporation for compensation paid to its Chief Executive Officer and its four other highest-paid executive officers to the extent that any such individual's compensation exceeds \$1 million, subject to certain exceptions. The Committee intends to take actions to minimize the Company's exposure to nondeductible compensation expense under Section 162(m). While keeping this goal in mind, the Committee also will try to maintain the flexibility that the Committee believes to be an important element of the Company's executive compensation program.

## SUMMARY COMPENSATION TABLE

The following summary compensation table includes information concerning compensation for each of our named executive officers during fiscal years ended December 31, 2010, 2009 and 2008.

Name and Principal Position	Year	Salary (\$)	Bonus \$(2)	Stock Awards \$(1)	Option Awards \$(1)	Non- Equity Incentive Plan Compensation (\$)	All Other Compensation \$(3)	Total (\$)
<b>Cynthia W. Hu, JD</b> COO & General Counsel	2010	\$300,000	\$50,000	—	—	—	\$1,500	\$351,500
	2009	\$300,000	—	—	\$26,400	—	\$1,483	\$327,883
	2008	\$260,000	—	—	—	—	\$3,538	\$263,538
<b>Carolyn F. Sidor, MD</b> Vice President & CMO	2010	\$300,000	\$50,000	—	—	—	\$4,500	\$354,500
	2009	\$300,000	—	—	\$32,000	—	\$4,500	\$336,500
	2008	\$300,000	—	—	—	—	\$4,817	\$304,817
<b>Mark R. Bray, PhD<sup>(4)</sup></b> Vice President, Research	2010	\$200,000	\$12,500	—	—	—	—	\$212,500
	2009	\$200,000	—	—	\$22,400	—	—	\$222,400
<b>Kathy Wehmeir-Davis<sup>(5)</sup></b> <i>Former</i> Principal Accounting Officer	2010	\$200,000	—	—	-	—	\$53,411	\$253,411
	2009	\$200,000	—	—	\$22,400	—	\$52,417 <sup>(5)</sup>	\$274,817
	2008	\$100,000	—	—	—	—	\$47,384 <sup>(5)</sup>	\$147,384

(1)	The amounts in this column represent the aggregate grant date fair value of these awards as calculated in accordance with ASC 718.
(2)	Amounts in this column reflect discretionary bonuses paid in accordance with the terms of each named executive officer's respective employment agreement.
(3)	The amounts in this column represent 401(k) matching contributions by the Company in fiscal 2010, 2009 and 2008.
(4)	Dr. Bray's employment agreement provides for an annual base salary of USD\$200,000. Dr. Bray is paid in Canadian dollars; however, for the purpose of this presentation, his salary and bonus for fiscal 2010 is shown in U.S. dollars. His salary in Canadian dollars was CAD\$243,487 for fiscal 2009 and for fiscal 2010, which is based on the exchange ratio in effect as of January 1, 2009. Dr. Bray became a named executive officer in 2009.
(5)	Ms. Wehmeir-Davis became a named executive officer on December 12, 2008. Includes the Company's reimbursement of commuting expenses from Ms. Wehmeir-Davis' principal state of residence and short-term rental living expenses which were \$6,000 in 2010, \$46,767 in 2009, and 401(k) matching contributions in the amount of \$47,411 in 2010 and \$5,650 in 2009. Ms. Wehmeir-Davis' employment with the Company was terminated on December 16, 2010 effective as of January 15, 2011.

## GRANTS OF PLAN-BASED AWARDS — 2010

There were no individual grants of stock options for fiscal year ended December 31, 2010 to any of the named executive officers listed in the Summary Compensation Table.

On January 5, 2011, the Compensation Committee granted 30,000 stock options to Ms. Hu, 30,000 stock options to Dr. Sidor, 10,000 stock options to Dr. Bray, the same date on which it granted stock awards to the Company's other employees. In keeping with our general policy and practice, the exercise price of the stock options that were awarded was \$6.17, which was based on the closing price of our common stock as reported on NASDAQ on the grant date. The terms of the options provide for vesting in four equal annual installments commencing on the date of grant. The options have a term of ten years.

## OUTSTANDING EQUITY AWARDS — 2010

The following table includes certain information which respect to the value of all unexercised options previously awarded to the executive officers named above at the fiscal year ended December 31, 2010.

Name and Principal Position	Number of Securities Underlying Unexercised Options Exercisable (#)(1)	Number of Securities Underlying Unexercised Options Unexercisable (#)(1)	Option Exercise Price (\$)	Option Expiration Date(2)
<b>Cynthia W. Hu, JD</b>	9,090	—	\$19.36	06/01/2016
COO & General Counsel	2,727	—	\$17.16	12/18/2016
	4,545	—	\$13.75	12/24/2017
	7,500	7,500	\$1.76	01/27/2019
<b>Carolyn F. Sidor, MD</b>	5,225	—	\$98.67	10/01/2011
Vice President & Chief Medical Officer	2,727	—	\$11.99	09/25/2012
	1,680	—	\$14.08	04/03/2013
	2,272	—	\$37.62	12/10/2013
	2,272	—	\$15.84	09/01/2014
	4,545	—	\$25.30	12/01/2014
	2,272	—	\$33.22	12/20/2014
	3,636	—	\$21.34	12/23/2015
	6,363	—	\$17.16	12/18/2016
	6,363	—	\$13.75	12/24/2017
	9,090	9,091	\$1.76	01/27/2019
<b>Mark R. Bray</b>	2,727	—	\$24.97	01/10/2016
Vice President, Research	1,363	—	\$17.16	12/18/2016
	3,181	—	\$ 13.75	12/24/2017
	6,363	6,364	\$1.76	01/27/2019
<b>Kathy R. Wehmeir-Davis</b>	454	—	\$48.40	11/03/2013
Former Principal Accounting Officer (3)	454	—	\$ 33.22	12/20/2014
	454	—	\$21.34	12/23/2015
	454	—	\$17.16	12/18/2016
	636	—	\$ 13.75	12/24/2017
	6,363	6,364	\$1.76	01/27/2019

- (1) All options become exercisable in four equal annual installments beginning on the date of grant.
- (2) The term of each option is ten years.
- (3) Ms. Wehmeir-Davis' employment with the Company was terminated on December 16, 2010 effective as of January 15, 2011.

### Option Exercises and Stock Vested For 2010

During fiscal 2010, there were no exercises of stock options by the named executive officers.

### Nonqualified Deferred Compensation

The Company does not provide any nonqualified defined contribution or other deferred compensation plans.

## Potential Payments Upon Change in Control or Termination of Employment

### *Change-In-Control Severance Agreements*

The Company is a party to Change-in-Control Severance Agreements with its named executive officers, Cynthia W. Hu, Carolyn F. Sidor, and Mark R. Bray. Kathy Wehmeir-Davis, the Company's former Principal Financial Officer, was also party to the Company's standard Change-in-Control Agreement. Ms. Wehmeir-Davis was terminated on December 16, 2010 effective as of January 15, 2011.

Each of the Change-in-Control Severance agreements with the officers listed above provides for certain benefits either upon an involuntary termination of employment, other than for cause, or resignation for "good reason," upon a "Triggering Event." The terms of the Change-in-Control Severance Agreement are substantially the same for all of our executive officers.

A Triggering Event includes a merger of the Company with and into an unaffiliated corporation if the Company is not the surviving corporation or the sale of all or substantially all of the Company's assets. "Good reason" generally means any material diminution or change in salary, responsibilities or title; relocation to an office more than 50 miles from Company headquarters; failure to continue health benefits; a failure to pay deferred compensation due under any plan; or the failure to honor any material aspect of the employment agreement.

The benefits to be received by the executive officer whose employment is terminated after a Triggering Event occurs include: (i) receipt of a lump sum severance payment equal to the executive's then current annual salary and the average of the two prior year's bonuses; (ii) pro rata current year bonus; (iii) continuation of life, health and disability benefits for twelve months after the termination of employment and (iv) in accordance with the terms of such named executive officer's option agreement, all outstanding options would accelerate and become immediately exercisable. The closing stock price of our common stock on December 31, 2010 was \$5.08 per share.

If a Triggering Event and termination of employment had hypothetically occurred as of December 31, 2010, we estimate that the value of the benefits under the Change-in-Control Severance Agreements would have been as follows:

<b>Name and Principal Position</b>	<b>Base Salary Severance Payment (1) (\$)</b>	<b>Bonus Severance Payment Estimate (2) (\$)</b>	<b>Continuation of Insurance Benefit (3) (\$)</b>	<b>Accelerated Vesting of Stock Options (4) (\$)</b>
Cynthia W. Hu, JD, Chief Operating Officer & General Counsel.....	\$300,000	\$50,000	\$238	\$49,800
Carolyn F. Sidor, MD, Vice President & Chief Medical Officer.....	\$300,000	\$50,000	\$18,378	\$60,361
Mark R. Bray, PhD, Vice President, Research .....	\$200,000	\$12,500	\$3,706	\$42,254
Kathy Wehmeir-Davis, <i>Former</i> Principal Accounting Officer(s).....	\$200,000	—	\$27,813	\$42,254

(1) Payment is based on each executive officer's 2010 base salary for 12 months.

(2) The Change-in-Control Severance Agreements provide for a payment based on the average of the two prior year's bonuses, plus an estimate of the pro rata current year bonus. Payment of cash bonuses is within the sole discretion of the Compensation Committee and is based, in part, on achieving specific Company goals and milestones that relate to our products and program objectives and the Compensation Committee's subjective assessment of individual performance during the year. No bonuses were paid to any officer or employee for fiscal year 2009 or 2008. Amounts in this column represent the bonus amount paid for fiscal 2010.

(3) Consists of health, dental and vision insurance coverage. The value is based upon the type of insurance coverage we carried for each executive officer as of December 31, 2010 and is valued at premiums in effect on December 31, 2010.

(4) Reflects the value of stock options that would become exercisable or vested as a result of these acceleration events as of December 31, 2010. All options granted with an exercise price above \$5.08 (the closing price of our common stock on December 31, 2010) would have no value.

(5) Ms. Wehmeir-Davis' employment with the Company was terminated on December 16, 2010 effective as of January 15, 2011.

### *Employment Agreements*

The Company is currently a party to employment agreements with its named executive officers, Cynthia W. Hu, Carolyn F. Sidor, Mark R. Bray and Kathy Wehmeir-Davis. The terms of such agreements and the respective payments payable upon termination are set forth below.

***Cynthia W. Hu, JD, Chief Operating Officer & General Counsel***

On June 1, 2006, the Company entered into an employment agreement with Cynthia W. Hu. The term of the employment agreement is subject to automatic one-year extensions unless either party gives at least thirty days prior written notice not to extend. On December 12, 2008, Ms. Hu was designated the Company's Chief Operating Officer.

The agreement provides for an annualized minimum base salary of \$216,000, with incentive compensation targeted at 25% of base salary. The base salary will be reviewed at least annually in accordance with the Company's customary practices for executives. Ms. Hu's current base salary for fiscal 2010 is \$300,000. In addition, upon the commencement of her employment, the Company granted Ms. Hu stock options to purchase 9,090 shares, vested as to 25% on the date of grant and vesting in 25% annual cumulative installments thereafter. All such options are currently vested and exercisable.

If the Company terminates Ms. Hu "without cause," Ms. Hu will receive a severance benefit equal to six months of salary, payable in accordance with the Company's customary pay practices, a pro-rata portion of any incentive compensation she would have been entitled to for that year, and continued insurance coverage for up to six months. Ms. Hu also may resign at any time for "good reason," (which generally means any material diminution or change in salary, responsibilities or title; relocation to an office more than 50 miles from Company headquarters; failure to continue health benefits; a failure to pay deferred compensation due under any plan; or the failure to honor any material aspect of the employment agreement), by providing at least thirty days prior written notice. Resignation for "good reason" or non-extension of the term of her agreement will be deemed a termination without cause. In addition, if Ms. Hu's employment is terminated upon disability or death, Ms. Hu or her estate will be entitled to receive a payment equal to six months salary plus a pro-rated amount of any incentive compensation she would have been entitled to for that year. On April 16, 2007, the Company entered into an amendment with Ms. Hu to modify the definition of "good reason" to exclude a reduction of the executive's base salary if such reduction was made applicable to all executive officers.

The employment agreement imposes confidentiality obligations and a 6-month non-compete (12 months in the event of a resignation for other than good reason) on Ms. Hu following termination of employment.

If a termination of employment without cause or resignation for good reason had hypothetically occurred as of December 31, 2010, we estimate that the value of the benefits under Ms. Hu's employment agreement and stock option grant agreements would have been as follows:

<b><u>Name and Principal Position</u></b>	<b>Base Salary Severance Payment (1) (\$)</b>	<b>Bonus Severance Payment Estimate (2) (\$)</b>	<b>Continuation of Insurance Benefit (3) (\$)</b>	<b>Vested Stock Options (4) (\$)</b>	<b>Total</b>
<b>Cynthia W. Hu, JD</b>	\$150,000	\$50,000	\$119	\$24,900	\$225,019
COO & General Counsel					

- (1) Payment is based on the executive's base salary for 2010 for 6 months. Severance is payable over the severance period at the Company's normal pay periods.
- (2) The employment agreement provides for a payment based on a pro-rata portion of any incentive compensation Ms. Hu would have been entitled to for that year. Payment of cash bonuses is within the sole discretion of the Compensation Committee and is based, in part, on achieving specific Company goals and milestones that relate to our product candidates and program objectives and the Compensation Committee's subjective assessment of individual performance during the year.
- (3) Consists of health, dental and vision insurance coverage. The value is based upon the type of insurance coverage we carried for each executive officer as of December 31, 2010 and is valued at premiums in effect on December 31, 2010.
- (4) Reflects the value of stock options that are vested and exercisable as of December 31, 2010, based on the closing stock price of the Company's common stock on December 31, 2010, which was \$5.08.

The payments due to Ms. Hu upon termination for death or disability are the same as set forth above.

On April 16, 2007, the Company entered into a change-in-control agreement with Ms. Hu. See "Change-in-Control Severance Agreements" for information on change-in-control termination payments. These change-in-control severance payments will be made in lieu of the severance payments under the executive's employment agreement.

**Carolyn F. Sidor, MD, Vice President & Chief Medical Officer**

On December 1, 2004, the Company entered into an employment agreement with Dr. Carolyn F. Sidor. The term of the employment agreement is subject to automatic one-year extensions unless either party gives at least sixty days prior written notice not to extend. The agreement provides for an annualized minimum base salary of \$240,000, with incentive compensation targeted at 25% of base salary. The base salary will be reviewed at least annually in accordance with the Company's customary practices for executives. Dr. Sidor's current base salary for fiscal 2010 is \$300,000. In addition, upon the commencement of her employment, the Company granted Dr. Sidor options to purchase 50,000 shares, vested as to 25% on the date of grant and vesting in 25% annual cumulative installments thereafter. All such options are currently vested and exercisable.

After the first year of the term of the agreement, if the Company terminates Dr. Sidor "without cause" or fails to extend the employment agreement, Dr. Sidor will be entitled to a severance benefit equal to six months of base salary payable in accordance with the Company's customary pay practices, a pro-rata portion of any incentive compensation she would have been entitled to for that year and continued insurance coverage for up to six months. Dr. Sidor also may resign at any time for "good reason," (which generally means any material diminution or change in salary, responsibilities or title; relocation to an office more than 50 miles from Company headquarters; failure to continue health benefits; a failure to pay deferred compensation due under any plan; or the failure to honor any material aspect of the employment agreement), by providing at least sixty days prior written notice. Resignation for "good reason" or non-extension of the term of her agreement will be deemed a termination without cause. In addition, if Dr. Sidor's employment is terminated upon disability or death, Dr. Sidor or her estate will be entitled to receive a payment equal to six months salary plus a pro-rated amount of any incentive compensation she would have been entitled to for that year. On April 16, 2007, the Company entered into an amendment with Dr. Sidor to modify the definition of "good reason" to exclude a reduction of the executive's base salary if such reduction was made applicable to all executive officers.

The employment agreement imposes confidentiality obligations and a 12-month non-compete on Dr. Sidor following termination of employment.

If a termination of employment without cause or resignation with good reason had hypothetically occurred as of December 31, 2010, we estimate that the value of the benefits under Dr. Sidor's employment agreement and stock option grant agreements would have been as follows:

<b>Name and Principal Position</b>	<b>Base Salary Severance Payment (1) (\$)</b>	<b>Bonus Severance Payment Estimate (2) (\$)</b>	<b>Continuation of Insurance Benefit (3) (\$)</b>	<b>Vested Stock Options (4) (\$)</b>	<b>Total</b>
<b>Carolyn F. Sidor, MD</b> Vice President & CMO	\$150,000	\$50,000	\$9,189	\$30,179	\$239,368

- (1) Payment is based on 2010 base salary for 6 months. Severance is payable over the severance period at the Company's normal pay periods.
- (2) The employment agreement provides for a payment based on a pro-rata portion of any incentive compensation Dr. Sidor would have been entitled to for that year. Payment of cash bonuses is within the sole discretion of the Compensation Committee and is based, in part, on achieving specific Company goals and milestones that relate to our product candidates and program objectives and the Compensation Committee's subjective assessment of individual performance during the year.
- (3) Consists of health, dental and vision insurance coverage. The value is based upon the type of insurance coverage we carried for each executive officer as of December 31, 2010 and is valued at premiums in effect on December 31, 2010.
- (4) Reflects the value of stock options that are vested and exercisable as of December 31, 2010, based on the closing stock price of the Company's common stock on December 31, 2010, which was \$5.08.

The payments due to Dr. Sidor upon termination for death or disability are the same as set forth above.

On April 16, 2007, the Company entered into a change-in-control agreement with Dr. Sidor. See "Change-in-Control Severance Agreements" for information on change-in-control termination payments. These change-in-control severance payments will be made in lieu of the severance payments under the executive's employment agreement.

**Mark R. Bray, PhD, Vice President, Research**

The Company entered into an employment agreement with Mark R. Bray effective as of January 1, 2009 and continues for one year, subject to automatic one-year extensions unless either party gives at least thirty days prior written notice not to extend. Dr. Bray serves as the Company's Vice President, Research.

The agreement provides for an annualized minimum base salary of \$200,000, with incentive compensation targeted at 25% of base salary. The base salary will be reviewed at least annually in accordance with the Company's customary practices for executives.

If the Company terminates Dr. Bray "without cause," Dr. Bray will receive a severance benefit equal to six months of salary, payable in accordance with the Company's customary pay practices, a pro-rata portion of any incentive compensation he would have been entitled to for that year. Dr. Bray also may resign at any time for "good reason," (which generally means any material diminution or change in salary, responsibilities or title; relocation to an office more than 50 miles from Company headquarters; failure to continue health benefits; a failure to pay deferred compensation due under any plan; or the failure to honor any material aspect of the employment agreement), by providing at least thirty days prior written notice. "Good reason" does not include a reduction of the executive's base salary if such reduction was made applicable to all executive officers. Resignation for "good reason" or non-extension of the term of his agreement will be deemed a termination without cause. In addition, if Dr. Bray's employment is terminated upon disability or death, Dr. Bray or his estate will be entitled to receive a payment equal to six months salary plus a pro-rated amount of any incentive compensation he would have been entitled to for that year.

The employment agreement imposes confidentiality obligations and a 6-month non-compete (12 months in the event of a resignation for other than good reason) on Dr. Bray following termination of employment.

If a termination of employment without cause or resignation with good reason had hypothetically occurred as of December 31, 2010, we estimate that the value of the benefits under Dr. Bray's employment agreement and stock option grant agreements would have been as follows:

<b>Name and Principal Position</b>	<b>Base Salary Severance Payment (1) (\$)</b>	<b>Bonus Severance Payment Estimate (2) (\$)</b>	<b>Continuation of Insurance Benefit (3) (\$)</b>	<b>Vested Stock Options (4) (\$)</b>	<b>Total</b>
<b>Mark R. Bray, PhD</b>	\$100,000	\$12,500	\$1,855	\$21,125	\$135,480
Vice President, Research					

- (1) Payment is based on the executive's base salary for 2010 for 6 months. Severance is payable over the severance period at the Company's normal pay periods.
- (2) The employment agreement provides for a payment based on a pro-rata portion of any incentive compensation Dr. Bray would have been entitled to for that year. Payment of cash bonuses is within the sole discretion of the Compensation Committee and is based, in part, on achieving specific Company goals and milestones that relate to our product candidates and program objectives and the Compensation Committee's subjective assessment of individual performance during the year.
- (3) Consists of health, dental and vision insurance coverage. The value is based upon the type of insurance coverage we carried for each executive officer as of December 31, 2010 and is valued at premiums in effect on December 31, 2010.
- (4) Reflects the value of stock options that are vested and exercisable as of December 31, 2010, based on the closing stock price of the Company's common stock on December 31, 2010, which was \$5.08.

The payments due to Dr. Bray upon termination for death or disability are the same as set forth above.

The Company also entered into a change-in-control agreement effective as of January 1, 2009 with Dr. Bray. See "Change-in-Control Severance Agreements" for information on change-in-control termination payments. These change-in-control severance payments will be made in lieu of the severance payments under the executive's employment agreement.

**Kathy R. Wehmeir-Davis, Former Principal Accounting Officer**

The Company had entered into an employment agreement with Kathy R. Wehmeir-Davis effective as of January 1, 2009, which was terminated on December 16, 2010 effective as of January 15, 2011. The agreement provided for an annualized minimum base salary of \$200,000, with incentive compensation targeted at 25% of base salary. The base salary will be reviewed at least annually in accordance with the Company's customary practices for executives.

Under the agreement, if the Company terminates Ms. Wehmeir-Davis "without cause," Ms. Wehmeir-Davis is entitled to receive a severance benefit equal to six months of salary, payable in accordance with the Company's customary pay practices, a pro-rata portion of any incentive compensation she would have been entitled to for that year, and continued insurance coverage for up to six months. Ms. Wehmeir-Davis also may resign at any time for "good reason," (which generally means any material diminution or change in salary, responsibilities or title; relocation to an office more than 50 miles from Company headquarters; failure to continue health benefits; a failure to pay deferred compensation due under any plan; or the failure to honor any material aspect of the employment agreement), by providing at least thirty days prior written notice. "Good reason" does not include a reduction of the executive's base salary if such reduction was made applicable to all executive officers. Resignation for "good reason" or non-extension of the term of her agreement will be deemed a termination without cause. In addition, if Ms. Wehmeir-Davis' employment is terminated upon disability or death, Ms. Wehmeir-Davis or her estate will be entitled to receive a payment equal to six months salary plus a pro-rated amount of any incentive compensation she would have been entitled to for that year. The employment agreement imposes confidentiality obligations and a 6-month non-compete (12 months in the event of a resignation for other than good reason) which survives Ms. Wehmeir-Davis' termination of employment.

If a termination of employment without cause or resignation with good reason had hypothetically occurred as of December 31, 2010, we estimate that the value of the benefits under Ms. Wehmeir-Davis' employment agreement and stock option grant agreements would have been as follows:

<b>Name and Principal Position</b>	<b>Base Salary Severance Payment (1) (\$)</b>	<b>Bonus Severance Payment Estimate (2) (\$)</b>	<b>Continuation of Insurance Benefit (3) (\$)</b>	<b>Vested Stock Options (4) (\$)</b>	<b>Total</b>
<b>Kathy R. Wehmeir-Davis</b>	\$100,000	—	\$13,906	\$21,125	\$135,031
Former Principal Accounting Officer					

- (1) Payment is based on the executive's base salary for 2010 for 6 months. Severance is payable over the severance period at the Company's normal pay periods. As described above, Ms. Wehmeir-Davis' annual base salary for 2010 under her employment agreement was \$200,000.
- (2) The employment agreement had provided for a payment based on a pro-rata portion of any incentive compensation Ms. Wehmeir-Davis would have been entitled to for that year. Payment of cash bonuses is within the sole discretion of the Compensation Committee and is based, in part, on achieving specific Company goals and milestones that relate to our product candidates and program objectives and the Compensation Committee's subjective assessment of individual performance during the year.
- (3) Consists of health, dental and vision insurance coverage. The value is based upon the type of insurance coverage we carried for each executive officer as of December 31, 2010 and is valued at premiums in effect on December 31, 2010.
- (4) Reflects the value of stock options that are vested and exercisable as of December 31, 2010, based on the closing stock price of the Company's common stock on December 31, 2010, which was \$5.08.

The payments due to Ms. Wehmeir-Davis upon termination for death or disability are the same as set forth above.

The Company also entered into a change-in-control agreement effective as of January 1, 2009 with Ms. Wehmeir-Davis. See "Change-in-Control Severance Agreements" for information on change-in-control termination payments. These change-in-control severance payments will be made in lieu of the severance payments under the executive's employment agreement.

Ms. Wehmeir-Davis' employment with the Company terminated on December 16, 2010, effective as of January 15, 2011. In connection with the termination and as previously reported on a Current Report on Form 8-K filed on January 31, 2011, Ms. Wehmeir-Davis entered into a separation agreement with the Company on January 27, 2011, which provides that, in accordance with her employment agreement, Ms. Wehmeir-Davis will receive a severance payment consisting of six (6) months of her base salary, payable in accordance with the Company's payroll practices. The Company will continue to provide coverage to Ms. Wehmeir-Davis under the Company's health insurance program until the earlier of nine (9) months or when she obtains substantially equivalent health

coverage through successor employment. In addition, the Company continued to reimburse Ms. Wehmeir-Davis for rent on a local apartment only until February 28, 2011. In connection with her separation, the Company accelerated the vesting of a portion of the shares underlying an option granted to Ms. Wehmeir-Davis on January 27, 2009.

For Ms. Wehmeir-Davis, the table below shows the amounts that she received under the separation agreement described above as a result of the termination without cause.

	<b>Base Salary Severance Payment</b>	<b>Continuation of Insurance Benefits</b>	<b>Vested Stock Options</b>	<b>Reimbursement of Local Housing Costs</b>	<b>Total</b>
<b>Kathy R. Wehmeir-Davis</b>	\$100,000	\$19,916	\$25,392	\$4,600	\$149,908
Former Principal Accounting Officer					

### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the 1934 Securities and Exchange Act (the “1934 Act”) requires the Company’s executive officers, directors and persons who beneficially own more than 10% of a registered class of the Company’s equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Such executive officers, directors, and greater than 10% beneficial owners are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports filed by such reporting persons.

Based solely on our review of such forms furnished to the Company and written representations from certain reporting persons, we believe that all filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were timely made during fiscal 2010.

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

We review all relationships and transactions in which the Company and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. The Company’s senior management is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions, if any, that are determined to be directly or indirectly material to the Company or a related person are disclosed in the Company’s proxy statement. In addition, the Board reviews and approves or ratifies any related person transaction that is required to be disclosed. Pursuant to the Board’s unwritten policy, in the course of its review and approval or ratification of a disclosable related party transaction, the Board considers the nature of the related person’s interest in the transaction, the material terms of the transaction, and any other matters the committee deems appropriate.

Any member of the Board who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction, provided, however, that such director may be counted in determining the presence of a quorum at a meeting of the committee that considers the transaction.

Other than compensation agreements and other arrangements which are described in “Compensation Discussion and Analysis,” in 2010, there has not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

## PROPOSAL 3

### RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors recommends a vote **FOR** the ratification of the appointment of Reznick Group, P.C., (“Reznick”), as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2011 (“fiscal 2011”). Reznick was appointed the Company’s registered public accounting firm on April 2, 2010 and has been engaged for the year ending December 31, 2011. Reznick has no direct or indirect financial interest in the Company.

Representatives of Reznick Group P.C., the Company’s independent registered public accounting firm for the 2010 fiscal year, are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders.

Although the Company is not required to submit the ratification of the selection of its independent registered public accounting firm to a vote of stockholders, the Audit Committee believes that it is good corporate governance and sound policy to do so. If the stockholders fail to ratify the appointment of Reznick Group, P.C., the Audit Committee will reconsider whether or not to retain the firm. If the selection of independent registered public accounting firm is ratified, the Audit Committee, in its discretion, may nevertheless select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interest of the Company and its stockholders.

#### Change in Independent Registered Public Accounting Firm

As previously reported, on April 2, 2010, the Audit Committee approved the dismissal of Ernst & Young LLP (Ernst & Young) as the Company’s independent registered public accounting firm.

Except for an explanatory paragraph in the report of Ernst & Young regarding the Company’s consolidated financial statements as of and for the fiscal year ended December 31, 2009 which noted that there was substantial doubt as to the Company’s ability to continue as a going concern, the reports of Ernst & Young on the Company’s consolidated financial statements as of and for the fiscal years ended December 31, 2009 and 2008 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The Audit Committee’s decision to dismiss Ernst & Young was intended to help reduce the Company’s expenses.

During the Company’s fiscal years ended December 31, 2009 and 2008 and the subsequent interim period through April 2, 2010 (the “Relevant Periods”) (i) there were no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure or auditing scope, or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young, would have caused them to make reference thereto in their reports on the Company’s financial statements for such years and (ii) there were no “reportable events” as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company furnished a copy of the above statements to Ernst & Young and, in response to the Company’s request, Ernst & Young furnished the Company with a letter addressed to the SEC stating whether or not it agreed with the above statements. A copy of such letter to the SEC, dated April 6, 2010, was attached as Exhibit 16.1 to the Current Report on Form 8-K filed by the Company on April 7, 2010.

During the Relevant Periods, neither the Company, nor anyone on behalf of the Company, consulted with Reznick on any matter regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and neither a written report was provided to the Company nor oral advice was provided that Reznick concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) a disagreement or a reportable event, as defined in Item 304(a)(1)(iv) and (v) of Regulation S-K, respectively.

#### Vote Required

The affirmative vote of a majority of the total votes cast by the stockholders present at the meeting, in person or by proxy, and entitled to vote on this proposal is necessary for approval of the ratification of the appointment of Reznick Group, P.C. as the Company’s independent registered public accounting firm for the current year. If you submit a proxy without direction as to a vote on

this matter, the proxy will be voted “FOR” this proposal. Abstentions will have the effect of a vote against this proposal. Broker non-votes will not be treated as votes cast and will have no effect on the outcome of the vote on this proposal.

**Board Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF REZNICK GROUP, P.C. AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2011.**

**MATTERS CONCERNING OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The following table presents fees for professional audit services rendered by Reznick Group, P.C. (Reznick) for the audit of the Company’s annual financial statements for the year ended December 31, 2010 and fees for other services rendered by Reznick during that period, and for fees for professional audit services rendered by our former independent registered public accounting firm, Ernst & Young, for the fiscal year 2009.

	<u>2010</u>	<u>2009</u>
Audit fees.....	\$249,000	\$422,000
Audit-related fees.....	—	—
Tax fees.....	<u>\$25,000</u>	<u>\$2,420</u>
Total.....	<u>\$274,000</u>	<u>\$424,420</u>

Services rendered by Reznick (for fiscal year 2010) and Ernst & Young (for fiscal 2009) in connection with fees presented above were as follows:

**Audit Fees**

The Company incurred from Reznick audit fees of \$245,000 in fiscal 2010, covering professional services rendered for (1) the audit of the Company’s annual financial statements and the auditor’s review of the internal control over financial reporting included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and (2) the reviews of the financial statements included in the Company’s quarterly reports on Form 10-Q for the first three quarters of 2010.

The Company incurred from Reznick Group, P.C. audit fees of \$4,000 in fiscal 2010 related to SEC filings to enable the former independent auditor to issue its consent.

In 2009, the Company incurred audit fees of \$422,000 from Ernst & Young for the audit of the Company’s annual financial statements and the auditor’s review of the internal control over financial reporting included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009; the reviews of the financial statements included in the Company’s quarterly reports on Form 10-Q for the first three quarters of 2009; fees related to SEC filings, including comfort letters and issuances of consents; and accounting consultations on matters addressed during the audit or interim reviews.

**Audit-Related Fees**

The Company did not incur audit-related fees in fiscal 2010 or 2009.

**Tax Fees**

The Company incurred from Reznick fees of \$25,000 in fiscal 2010 related to tax consultation matters, for tax compliance services, including preparation of tax returns. The Company incurred from Ernst & Young fees of \$2,420 in fiscal 2009 related to tax consultation matters.

**All Other Fees**

The Company did not incur any other fees from Reznick in fiscal 2010 or from Ernst & Young in 2009.

The Audit Committee has considered the compatibility of non-audit services with the auditor’s independence. The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm in accordance with the Audit Committee’s pre-approval policy for audit and non-audit services.

**PROPOSAL 4:**  
**ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION**

**General Information**

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) and related rules of the SEC enables stockholders to approve an advisory resolution on our executive compensation, as disclosed in this Proxy Statement. We describe this item as an advisory vote on executive compensation, but it is more commonly known as “say-on-pay.”

In considering their vote, we urge our stockholders to review carefully our compensation policies and decisions regarding our named executive officers as presented in the “Compensation Discussion and Analysis” section beginning on page 26 of this Proxy Statement. As described in this section, we believe that our compensation programs have been appropriately designed to meet their objectives. A significant portion of the compensation provided to the named executive officers is based upon the Company’s performance and the performance of our share price, and we believe this compensation structure closely aligns the interests of our named executive officers with the interests of our shareholders.

Because the vote on this proposal is advisory in nature, it will not affect any compensation already paid or awarded to any named executive officer and will not be binding on or overrule any decisions by our Board of Directors. Although non-binding, our Board of Directors and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

Accordingly, we are asking our stockholders to approve, in a non-binding vote, the following resolution in respect of this Proposal 2:

“RESOLVED, that the stockholders of the Corporation hereby approve the compensation paid to EntreMed’s named executive officers as disclosed in the proxy statement for our 2011 Annual Meeting of Stockholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.”

**Vote Required**

The affirmative vote of a majority of all shares of common stock present or represented and entitled to vote at the Annual Meeting is required for advisory approval of this proposal. This will be considered a non-routine item. As a non-routine item, there may be broker non-votes. Broker non-votes and abstentions will have no effect on the outcome of the proposal.

**Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” APPROVAL OF THE ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION.**

**PROPOSAL 5:**  
**ADVISORY VOTE ON FREQUENCY OF FUTURE ADVISORY  
VOTES ON EXECUTIVE COMPENSATION**

**General Information**

In accordance with the Dodd-Frank Act and the related rules of the SEC, we are requesting our stockholders recommend, in a non-binding vote, whether we should ask our stockholders to approve the compensation of our named executive officers in a non-binding vote (that is, a vote similar to the vote in Proposal 4 above) every one, two or three years.

After careful consideration of the frequency alternatives, we believe that conducting an advisory vote on executive compensation every three years is appropriate for us and our stockholders at this time. As a public company, elements of our executive compensation program are designed to align employee interests with those of our stockholders, which is why we implemented our long-term incentive compensation programs. Conducting an advisory vote on executive compensation every year or every two years does not give our stockholders sufficient time to evaluate the effectiveness of our long-term compensation programs. We believe that a three-year cycle will provide our stockholders sufficient time to evaluate the effectiveness of both our short- and long-term compensation programs. In addition, we believe that a three-year cycle will give our Board of Directors and our Compensation Committee sufficient time to consider the results of the annual advisory vote on executive compensation, determine if

any changes need to be made to our compensation programs and evaluate the effectiveness of the structure of our short- and long-term compensation programs.

Accordingly, we are asking our stockholders to vote to conduct an advisory vote on executive compensation every three years. Stockholders may indicate their preferred voting frequency by choosing the option of three years, two years, or one year, or they may abstain from voting on the proposal. Our Board of Directors will carefully consider the outcome of this vote when making future decisions regarding the frequency of advisory votes on executive compensation. However, because this vote is advisory and not binding, our Board of Directors may decide that it is in the best interests of us and our stockholders to hold an advisory vote on executive compensation more or less frequently than the alternative that has been selected by our stockholders.

#### **Vote Required**

The favorable vote of a majority of the votes cast by shareholders will constitute shareholders' non-binding approval of an advisory vote on executive compensation to occur every three years. The choice that receives the highest number of the affirmative votes of the shares of common stock represented in person or by proxy at the meeting, even if less than a majority, will be deemed to be the frequency preferred by the stockholders.

Abstentions and broker non-votes will have no effect on the outcome of the proposal.

#### **Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” “EVERY THREE YEARS” TO CONDUCT AN ADVISORY VOTE ON EXECUTIVE COMPENSATION.**

## REPORT OF THE AUDIT COMMITTEE

The Board of Directors of the Company has appointed an Audit Committee composed of three directors, Messrs. Bush (chairman), Randall and Brooks, each of whom is independent under NASDAQ listing standards, as applicable and as may be modified or supplemented.

The Board of Directors has adopted a written charter for the Audit Committee. A copy of that Charter is available on our website at [www.entremed.com](http://www.entremed.com). The Audit Committee's job is one of oversight as set forth in its Charter. It is not the duty of the Audit Committee to prepare the Company's financial statements, to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. The Company's management is responsible for preparing the Company's financial statements and for maintaining internal control. The independent registered public accounting firm is responsible for auditing the financial statements and for expressing an opinion as to whether those audited financial statements fairly present the financial position, results of operations, and cash flows to the Company in conformity with generally accepted accounting principles.

The Audit Committee has reviewed and discussed the Company's audited consolidated financial statements with management and with Reznick Group, P.C., the Company's independent registered public accounting firm for 2010.

The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, including internal control over financial reporting, and the overall quality of the Company's financial reporting.

The Audit Committee has discussed with Reznick Group, P.C. the matters required to be discussed by Statement on Accounting Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee also has received and reviewed the written disclosures and the letter from Reznick Group, P.C. required by applicable requirements of the Public Company Accounting Oversight Board regarding Reznick Group, P.C.'s communications with the Audit Committee concerning independence and has discussed with Reznick Group, P.C. its independence.

Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the SEC.

By the Audit Committee:

Dwight L. Bush, Chairman  
Mark C.M. Randall  
Donald S. Brooks

## GENERAL

Management of the Company does not know of any matters other than those stated in this Proxy Statement that are to be presented for action at the Annual Meeting. If any other matters should properly come before the Annual Meeting, it is intended that proxies in the accompanying form will be voted on any such other matters in accordance with the judgment of the persons voting such proxies. Discretionary authority to vote on such matters is conferred by such proxies upon the persons voting them.

The Company will bear the cost of preparing, printing, assembling, and mailing the proxy, Proxy Statement and other material that may be sent to stockholders in connection with this solicitation. It is contemplated that brokerage houses will forward the proxy materials to beneficial owners at the request of the Company. In addition to the solicitation of proxies by use of the mails, officers and regular employees of the Company may solicit proxies by telephone without additional compensation. The Company does not expect to pay any compensation for the solicitation of proxies.

EntreMed's Annual Report on Form 10-K for the year ended December 31, 2010 (without exhibits), is being forwarded to each shareholder with this proxy statement. This Proxy Statement and our Annual Report are also available for reviewing, printing and downloading at [www.entremed.com](http://www.entremed.com). The exhibits to the 10-K, which are listed on the Exhibit Index in Part IV of the Annual Report on Form 10-K, are available upon written request to the Company and upon payment of the nominal fees associated with copying and mailing such exhibits. All such requests should be directed to Investor Relations, EntreMed, Inc., 9640 Medical Center Drive, Rockville, Maryland 20850.

## STOCKHOLDER PROPOSALS

The Annual Meeting of stockholders for the fiscal year ending December 31, 2011 is expected to be held in June 2012 (the "Next Annual Meeting"). Pursuant to the proxy rules, all proposals intended to be presented at the Next Annual Meeting must be received at the Company's executive offices, which are located at 9640 Medical Center Drive, Rockville, Maryland 20850, Attention: Corporate Secretary, no later than January 9, 2012, to receive consideration for inclusion in the Proxy Statement and form of proxy related to that meeting.

Stockholders who do not wish to follow the SEC rules in proposing a matter for action at the 2012 annual meeting of stockholders must notify the Company in writing of the information required by our amended and restated bylaws dealing with stockholder proposals. The notice must be delivered to the Company's Secretary not later than the close of business on March 10, 2012 nor earlier than February 9, 2012. As to all such matters which the Company does not have notice on or prior to that date, discretionary authority to vote on such proposal shall be granted to the persons designated in the Company's proxy related to the Next Annual Meeting.

\* \* \*

By Order of the Board of Directors,

Michael M. Tarnow  
Executive Chairman

April 28, 2011

ENTREMED, INC.

2011 LONG-TERM INCENTIVE PLAN, AS AMENDED

**1. PURPOSE AND TYPES OF AWARDS**

The purpose of the 2011 Long-Term Incentive Plan (“Plan”) is to promote the long-term growth and profitability of the Corporation by: (i) providing key people with incentives to improve stockholder value and to contribute to the growth and financial success of the Corporation and (ii) enabling the Corporation to attract, retain and reward the best-available persons.

The Plan permits the granting of stock options (including incentive stock options qualifying under Code section 422 and nonqualified stock options), stock appreciation rights, restricted or unrestricted stock awards, phantom stock, performance awards, or any combination of the foregoing.

**2. DEFINITIONS**

Under this Plan, except where the context otherwise indicates, the following definitions apply:

(a) “*Administrator*” shall have the meaning set forth in Section 3(a).

(b) “*Affiliate*” means a corporation, partnership, business trust, limited liability company or other form of business organization at least a majority of the total combined voting power of all classes of stock or other equity interests of which is owned by the Corporation, either directly or indirectly, and any other entity designated by the Administrator in which the Corporation has a significant interest

(c) “*Award*” shall mean a grant of a Stock Option, Stock Appreciation Right, Stock Award, Phantom Stock Award, or Performance Award.

(d) “*Board*” shall mean the Board of Directors of the Corporation.

(e) “*Code*” shall mean the Internal Revenue Code of 1986, as amended.

(f) “*Common Stock*” shall mean a share of common stock of the Corporation, \$.01 par value.

(g) “*Corporation*” shall mean Entremed, Inc. and any successor thereto.

(h) “*Date of Exercise*” shall mean the date on which the Corporation receives notice of the exercise of a Stock Option in accordance with Section 6(a)(iv).

(i) “*Date of Grant*” shall mean the date on which an Award is granted under the Plan.

(j) “*Employee*” shall mean any person who the Administrator determines to be an employee of the Corporation or an Affiliate.

(k) “*Exercise Price*” shall mean the price per share at which a Stock Option may be exercised.

(l) “*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

(m) “*Fair Market Value*” of a share of the Corporation’s Common Stock for any purpose on a particular date shall mean the last reported sale price per share of Common Stock on such date or, in case no such sale takes place on such date, the average of the closing bid and asked prices in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NASDAQ Stock Market or any other national securities exchange, or if the Common Stock is not so listed or admitted to trading, the average of the high bid and low asked prices, in the over-the-counter market, as reported by Nasdaq or, if such system is no longer in use, the principal other automated quotations system that may then be in use or,

if the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock as selected in good faith by the Administrator or by such other source or sources as shall be selected in good faith by the Administrator. If, as the case may be, the relevant date is not a trading day, the determination shall be made as of the next preceding trading day. As used herein, the term “trading day” shall mean a day on which public trading of securities occurs and is reported in the principal consolidated reporting system referred to above, or if the Common Stock is not listed or admitted to trading on a national securities exchange, any business day. In all events, Fair Market Value shall be determined pursuant to a method that complies with Section 409A of the Code.

(n) “*Grant Agreement*” shall mean a written document memorializing the terms and conditions of an Award granted pursuant to the Plan and incorporating the terms of the Plan.

(o) “*Option Period*” shall mean the period during which a Stock Option may be exercised.

(p) “*Participant*” shall have the meaning set forth in Section 5.

(q) “*Parent*” shall mean a corporation, whether now or hereafter existing, within the meaning of the definition of “parent corporation” provided in Code section 424(e), or any successor thereto.

(r) “*Performance Award*” shall mean a performance award granted pursuant to Section 6(e).

(s) “*Performance Goals*” shall mean performance goals established by the Administrator which may be based on earnings (including earnings before interest, taxes, depreciation and amortization), earnings per share (including without limitation on a diluted basis), sales, revenues, expenses (including without limitation sales and general administrative expenses), cash flow (including without limitation free cash flow), economic value added, total stockholder return, return on assets, equity or invested capital, customer or client orders (value of new contracts awarded), regulatory compliance, satisfactory internal or external audits, achievement of balance sheet or income statement objectives, implementation or completion of one or more projects or transactions (including mergers, acquisitions, collaborations, partnerships, dispositions, and restructurings), working capital, or any other objective goals established by the Administrator, and which may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. Such performance goals may be particular to a Participant, or may be based on the performance of the Corporation, one or more Affiliates, or the Corporation and one or more Affiliates, and may cover such period as may be specified by the Administrator.

(t) “*Phantom Stock Unit*” shall mean an Award of stock-equivalent units granted pursuant to Section 6(d).

(u) “*Section 422 Employee*” shall mean an Employee who is employed by the Corporation or a Parent or Subsidiary with respect to the Corporation, including a Parent or Subsidiary that becomes such after adoption of the Plan.

(v) “*Stock Appreciation Right*” or “*SAR*” shall mean a stock appreciation right granted pursuant to Section 6(b).

(w) “*Stock Award*” shall mean shares of Common Stock granted pursuant to Section 6(c).

(x) “*Stock Option*” shall mean an option to purchase shares of Common Stock granted pursuant to Section 6(a).

(y) “*Subsidiary*” and “*Subsidiaries*” shall mean only a corporation or corporations, whether now or hereafter existing, within the meaning of the definition of “subsidiary corporation” provided in section 424(f) of the Code, or any successor thereto.

(z) “*Ten-Percent Stockholder*” shall mean a Participant who (applying the rules of Code section 424(d)) owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or a Parent or Subsidiary of the Corporation.

### **3. ADMINISTRATION**

(a) *Administration of the Plan.* The Plan shall be administered by the Board or by such committee or committees as may be appointed by the Board from time to time (the Board, committee or committees hereinafter referred to as the “Administrator”).

Notwithstanding the foregoing, the Administrator may delegate to the Chief Executive Officer of the Corporation the power to administer this Plan and have the full authority of the Administrator hereunder with respect to Awards granted to specified Participants or groups of Participants.

(b) *Powers of the Administrator.* The Administrator shall have all the powers vested in it by the terms of the Plan, such powers to include authority, in its sole and absolute discretion, to grant Awards under the Plan, prescribe Grant Agreements evidencing such Awards and establish programs for granting Awards.

(c) The Administrator shall have full power and authority to take all other actions necessary to carry out the purpose and intent of the Plan, including, but not limited to, the authority to: (i) determine the eligible persons to whom, and the time or times at which Awards shall be granted; (ii) determine the types of Awards to be granted; (iii) determine the number of shares to be covered by or used for reference purposes for each Award; (iv) impose such terms, limitations, restrictions and conditions upon any such Award as the Administrator shall deem appropriate, including, but not limited to, whether a stock option shall be an incentive stock option or a nonqualified stock option, any exceptions to nontransferability, any Performance Goals applicable to Awards, any provisions relating to vesting, any circumstances in which the Awards would terminate, the period during which Awards may be exercised, and the period during which Awards shall be subject to restrictions; (v) accelerate, extend, or otherwise change the time in which an Award may be exercised or becomes payable and to waive or accelerate the lapse, in whole or in part, of any restriction or condition with respect to such Award, including, but not limited to, any restriction or condition with respect to the vesting or exercisability of an Award due to termination of any Participant's employment or other relationship with the Corporation or an Affiliate; and (vi) establish objectives and conditions, if any, for earning Awards and determining whether Awards will be paid after the end of a performance period.

(d) In making these determinations, the Administrator may take into account the nature of the services rendered or to be rendered by the Award recipients, their present and potential contributions to the success of the Corporation and its Affiliates, and such other factors as the Administrator in its discretion shall deem relevant. Subject to the provisions of the Plan, the Administrator shall have full power and authority, in its sole and absolute discretion, to administer and interpret the Plan and to adopt and interpret such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable.

(e) *Non-Uniform Determinations.* The Administrator's determinations under the Plan (including, without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Grant Agreements evidencing such Awards) need not be uniform and may be made by the Administrator selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

(f) *Limited Liability.* To the maximum extent permitted by law, no member of the Administrator shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder.

(g) *Effect of Administrator's Decision.* All actions taken and decisions and determinations made by the Administrator on all matters relating to the Plan pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion and shall be conclusive and binding on all parties concerned, including the Corporation, its stockholders, any Participants and any other employee, consultant, or director of the Corporation, and their respective successors in interest.

#### **4. SHARES AVAILABLE FOR THE PLAN**

(a) *Maximum Issuable Shares.* Subject to adjustments as provided in Section 7(f), the shares of Common Stock that may be issued with respect to Awards granted under the Plan shall not exceed an aggregate of 835,341 shares of Common Stock, which includes 135,341 shares available and unissued under the Company's 2001 Long-Term Incentive Plan, as amended. The Corporation shall reserve such number of shares for Awards under the Plan, subject to adjustments as provided in Section 7(f). If any Award, or portion of an Award, under the Plan expires or terminates unexercised, becomes unexercisable or is forfeited or otherwise terminated, surrendered or canceled as to any shares, or if any shares of Common Stock are surrendered to the Corporation in connection with any Award (whether or not such surrendered shares were acquired pursuant to any Award), the shares subject to such Award and the surrendered shares shall thereafter be available for further Awards under the Plan.

(b) *Maximum Awards.* Subject to adjustments as provided in Section 7(f) and Section 7(g)(ii), the maximum number of shares of Common Stock subject to Awards of any combination that may be granted during any calendar year of the Corporation to any one individual under this Plan shall be limited to 250,000.

## 5. PARTICIPATION

(a) Participation in the Plan shall be open to all persons who are at the time of the grant of an Award (i) Employees (including persons who may become Employees), (ii) members of the Board or the board of directors of an Affiliate, or (iii) consultants of the Corporation or of any Affiliate, as may be selected by the Administrator from time to time (a “Participant”). A Participant who has been granted an Award may, if he or she is otherwise eligible, be granted additional Awards if the Administrator so determines.

## 6. AWARDS

The Administrator, in its sole discretion, establishes the terms of all Awards granted under the Plan. All Awards shall be subject to the terms and conditions provided in the Grant Agreement.

### (a) *Stock Options.*

(i) The Administrator may from time to time grant to eligible Participants Awards of incentive stock options (as that term is defined in Code section 422) or nonqualified stock options; provided, however, that Awards of incentive stock options shall be limited to Section 422 Employees. Stock Options must have an exercise price at least equal to Fair Market Value on the date of grant. Notwithstanding the foregoing, in the case of an incentive stock option granted to a Ten-Percent Stockholder, the exercise price must be at least equal to 110% of Fair Market Value.

(ii) The Administrator shall determine the Option Period for a Stock Option, which shall be specifically set forth in the Grant Agreement, provided that a Stock Option shall not be exercisable after ten years (five years in the case of an incentive stock option granted to an Employee who on the Date of Grant is a Ten-Percent Stockholder) from its Date of Grant.

(iii) Subject to the terms of the applicable Grant Agreement, a Stock Option may be exercised, in whole or in part, by delivering to the Corporation a notice of the exercise, in such form as the Administrator may prescribe, accompanied by (a) a full payment for the shares of Common Stock with respect to which the Stock Option is exercised or (b) to the extent provided in the applicable Grant Agreement, irrevocable instructions to a broker to deliver promptly to the Company cash equal to the exercise price of the Stock Option. To the extent provided in the applicable Grant Agreement, payment may be made by delivery (including constructive delivery) of shares of Common Stock (provided that such Shares, if acquired pursuant to an Option or other Award granted hereunder or under any other compensation plan maintained by the Corporation or any Affiliate, have been held by the Participant for such period, if any, as the Administrator may specify), valued at Fair Market Value on the Date of Exercise.

(iv) To the extent provided in the terms of an Option, a Participant may direct the Corporation to withhold from the shares of Common Stock to be issued upon exercise of the Stock Option (or portion thereof) being exercised a number of shares of Common Stock having a Fair Market Value not in excess of the aggregate exercise price of the Stock Option (or portion thereof) being exercised, with payment of the balance of the exercise price being made pursuant to any one or more of the methods prescribed in Section 6(a)(iii) above.

(b) *Stock Appreciation Rights.* The Administrator may from time to time grant to eligible Participants Awards of Stock Appreciation Rights. A SAR may be exercised in whole or in part as provided in the applicable Grant Agreement and entitles the Participant to receive, subject to the provisions of the Plan and the Grant Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one share of Common Stock over (B) the base price per share specified in the Grant Agreement, multiplied by (ii) the number of shares covered by the SAR, or portion thereof, which is exercised. Payment by the Corporation of the amount receivable upon any exercise of a SAR may be made by the delivery of Common Stock or cash, or any combination of Common Stock and cash, as specified in the Grant Agreement. If upon settlement of the exercise of a SAR a Participant is to receive a portion of such payment in shares of Common Stock, the number of shares shall be determined by dividing such portion by the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares

shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.

(c) *Stock Awards.* The Administrator may from time to time grant restricted or unrestricted stock Awards to eligible Participants in such amounts, on such terms and conditions (which terms and conditions may condition the vesting or payment of Stock Awards on the achievement of one or more Performance Goals), and for such considerations, including no consideration or such minimum consideration as may be required by law, as it shall determine.

(d) *Phantom Stock.* The Administrator may from time to time grant Awards to eligible Participants of Phantom Stock Units in such amounts and on such terms and conditions as it shall determine, which terms and conditions may condition the vesting or payment of Phantom Stock on the achievement of one or more Performance Goals. Phantom Stock Units granted to a Participant shall be credited to a bookkeeping reserve account solely for accounting purposes and shall not require a segregation of any of the Corporation's assets. An Award of Phantom Stock Units may be settled in Common Stock, in cash, or in a combination of Common Stock and cash, as specified in the Grant Agreement. Except as otherwise provided in the applicable Grant Agreement, the Participant shall not have the rights of a stockholder with respect to any shares of Common Stock represented by a Phantom Stock Unit solely as a result of the grant of a Phantom Stock Unit to the Participant.

(e) *Performance Awards.* The Administrator may, in its discretion, grant Performance Awards, which become payable on account of attainment of one or more Performance Goals established by the Administrator. Performance Awards may be paid by the delivery of Common Stock or cash, or any combination of Common Stock and cash, as specified in the Grant Agreement. For purposes of Section 4(b) hereof, a Performance Award shall be deemed to cover a number of shares of Common Stock equal to the maximum number of shares of Common Stock that may be issued upon payment of the Award.

## 7. MISCELLANEOUS

(a) *Investment Representations.* The Administrator may require each person acquiring shares of Common Stock pursuant to Awards hereunder to represent to and agree with the Corporation in writing that such person is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend that the Administrator deems appropriate to reflect any restrictions on transfer. All certificates for shares issued pursuant to the Plan shall be subject to such stock transfer orders and other restrictions as the Administrator may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or interdealer quotation system upon which the Common Stock is then quoted, and any applicable federal or state securities laws. The Administrator may place a legend or legends on any such certificates to make appropriate reference to such restrictions.

(b) *Compliance with Securities Law.* Each Award shall be subject to the requirement that if, at any time, counsel to the Corporation shall determine that the listing, registration or qualification of the shares subject to such an Award upon any securities exchange or interdealer quotation system or under any state or federal law, or the consent or approval of any governmental or regulatory body, or that the disclosure of nonpublic information or the satisfaction of any other condition is necessary in connection with the issuance or purchase of shares under such an Award, such Award may not be exercised, in whole or in part, unless such satisfaction of such condition shall have been effected on conditions acceptable to the Administrator. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration or qualification, or to satisfy such condition.

(c) *Withholding of Taxes.* Participants and holders of Awards shall pay to the Corporation or its Affiliate, or make provision satisfactory to the Administrator for payment of, any taxes required to be withheld in respect of Awards under the Plan no later than the date of the event creating the tax liability. The Corporation or its Affiliate may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Participant or holder of an Award. In the event that payment to the Corporation or its Affiliate of such tax obligations is made in shares of Common Stock, such shares shall be valued at Fair Market Value on the applicable date for such purposes.

(d) *Transferability.* Except as otherwise determined by the Administrator or provided in a Grant Agreement, no Award granted under the Plan shall be transferable by a Participant except by will or the laws of descent and distribution. Unless otherwise determined by the Administrator in accordance with the provisions of the immediately preceding sentence, during the lifetime of the

Participant, the Award may be exercised only by the Participant or, during the period the Participant is under a legal disability, by the Participant's guardian or legal representative. Except as provided above, the Award may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

(e) *Capital Adjustments.* In the event of any change in the outstanding Common Stock by reason of any stock dividend, split-up, stock split, recapitalization, reclassification, combination or exchange of shares, merger, consolidation, liquidation or the like, the Administrator shall provide for a substitution for or adjustment in (i) the number and class of shares of Common Stock subject to outstanding Awards, (ii) the exercise price of Stock Options and the base price upon which payments under SARs are determined, (iii) the aggregate number and class of shares of Common Stock for which Awards thereafter may be made under this Plan, (iv) the maximum number of shares of Common Stock with respect to which a Participant may be granted Awards during the period specified in Section 4(b) hereof.

(f) *Modification, Substitution of Awards.*

(i) Subject to the terms and conditions of this Plan, the Administrator may modify the terms of any outstanding Awards; provided, however, that (a) no modification of an Award shall, without the consent of the Participant, alter or impair any of the Participant's rights or obligations under such Award and (b) subject to Section 7(f), in no event may (i) a Stock Option be modified to reduce the Exercise Price of the Stock Option or (ii) a Stock Option be cancelled or surrendered in consideration for the grant of a new Stock Option with a lower Exercise Price.

(ii) Anything contained herein to the contrary notwithstanding, Awards may, at the discretion of the Administrator, be granted under this Plan in substitution for stock options and other awards covering capital stock of another corporation which is merged into, consolidated with, or all or a substantial portion of the property or stock of which is acquired by, the Corporation or one of its Affiliates. The terms and conditions of the substitute Awards so granted may vary from the terms and conditions set forth in this Plan to such extent as the Administrator may deem appropriate in order to conform, in whole or part, to the provisions of the awards in substitution for which they are granted. Such substitute Awards granted hereunder shall not be counted toward the limit imposed by Section 4(b) hereof, except to the extent it is determined by the Administrator that counting such Awards is required in order for Awards hereunder to be eligible to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code.

(iii) Any provision of the Plan or any Grant Agreement to the contrary notwithstanding, in the event of (a) a merger or consolidation to which the Corporation is a party, or (b) a sale or exchange of all or substantially all of the Corporation's Common Stock for cash, securities or other property, the Administrator shall take such actions, if any, as it deems necessary or appropriate to prevent the enlargement or diminishment of Participants' rights under the Plan and Awards granted hereunder, and may, in its discretion, cause any Award granted hereunder to be canceled in consideration of a cash payment equal to the fair value of the canceled Award, as determined by the Administrator in its discretion. The fair value of a Stock Option shall be deemed to be equal to the product of (x) the number of shares of Common Stock the Stock Option covers (and has not previously been exercised) and (y) the excess, if any, of the Fair Market Value of a share of Common Stock as of the date of cancellation over the Exercise Price of the Stock Option.

(g) *Foreign Employees.* Without amendment of this Plan, the Administrator may grant Awards to Participants who are subject to the laws of foreign countries or jurisdictions on such terms and conditions different from those specified in this Plan as may in the judgment of the Administrator be necessary or desirable to foster and promote achievement of the purposes of this Plan. The Administrator may make such modifications, amendments, procedures, sub-plans and the like as may be necessary or advisable to comply with provisions of laws of other countries or jurisdictions in which the Corporation or any of its Affiliates operate or have employees.

(h) *Termination, Amendment and Modification of the Plan.* The Board may amend, alter or terminate the Plan, or portion thereof, at any time, provided, however, that after the stockholders of the Corporation have approved the Plan, the Board shall not amend or terminate the Plan without approval of (a) the Corporation's stockholders to the extent applicable law or regulations or the requirements of the principal exchange or interdealer quotation system on which the Common Stock is listed or quoted, if any,

requires stockholder approval of the amendment or termination, and (b) each affected Participant if the amendment or termination would adversely affect the Participant's rights or obligations under any Award granted prior to the date of the amendment or termination.

(i) *Non-Guarantee of Employment or Service.* Nothing in the Plan or in any Grant Agreement shall confer on an individual any legal or equitable right against the Corporation, any Affiliate or the Administrator, except as expressly provided in the Plan or the Grant Agreement. Nothing in the Plan or in any Grant Agreement thereunder shall (i) constitute inducement, consideration, or contract for employment or service between an individual and the Corporation or any Affiliate; (ii) confer any right on an individual to continue in the service of the Corporation or any Affiliate; or (iii) shall interfere in any way with the right of the Corporation or any Affiliate to terminate such service at any time with or without cause or notice, or to increase or decrease compensation for such service.

(j) *Other Employee Benefits.* Except as to plans that by their terms include such amounts as compensation, the amount of any compensation deemed to be received by a Participant as a result of the exercise of an Award or the sale of shares received upon such exercise will not constitute compensation with respect to which any other employee benefits of such Participant are determined, including, without limitation, benefits under any bonus, pension, profit-sharing, life insurance or salary continuation plan, except as otherwise specifically determined by the Administrator.

(k) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation and a Participant or any other person. To the extent that any Participant or other person acquires a right to receive payments from the Corporation pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

(l) *Governing Law.* The validity, construction and effect of the Plan, of Grant Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Grant Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable federal laws and the laws of the State of Delaware without regard to its conflict of laws principles.

(m) *Effective Date, Termination Date.* The Plan is effective as of April 13, 2011, the date on which the Plan was adopted by the Board, subject to the approval of the stockholders of the Corporation within twelve months of such effective date. No Award shall be granted under the Plan after the close of business on April 13, 2021. Subject to other applicable provisions of the Plan, all Awards made under the Plan prior to such termination of the Plan shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

(n) *No Restrictions on Corporation.* Neither the adoption of the Plan nor its submission to the Corporation's stockholders shall be taken to impose any limitations on the powers of the Corporation or its Affiliates to issue, grant or assume options, warrants, rights, restricted stock or other awards otherwise than under the Plan, or to adopt other stock option, restricted stock, or other plans, or to impose any requirement of stockholder approval upon the same.

(o) *Creditors.* The interests of any Participant under the Plan and/or any Award granted hereunder are not subject to the claims of creditors and may not, in any way, be transferred, assigned, alienated or encumbered except to the extent provided in an Agreement.

(p) *Stock Certificates.*

(i) The Corporation shall not be required to issue any certificate or certificates for shares of Common Stock with respect to Awards granted under the Plan, or record any person as a holder of record of such shares of Common Stock, without obtaining, to the complete satisfaction of the Administrator, the approval of all regulatory bodies the Administrator deems necessary, and without complying to the Board's or Administrator's complete satisfaction, with all rules and regulations under federal, state or local law the Administrator deems applicable.

(ii) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock

exchange or automated dealer quotation system on which the shares of Common Stock are traded. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Award. The Administrator shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of any fractional shares of Common Stock or whether any fractional shares of Common Stock or any rights thereto shall be forfeited or otherwise eliminated.



