3. "Inovio CEO Opens Up Regarding Rejuvenating DNA Vaccine," *Transformational Technology Alert* (November 7, 2013); and

4. "On Old and New Media, Ignorance, Malevolence and Transformational Biotech," *Transformational Technology Alert* (November 21, 2013).

145. The Individual Defendants did not disclose the relationship between Cox and Mauldin nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects.

146. On November 12, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Reports Update on Enrollment of First Cohort of Phase 1 Clinical Trial and Third Quarter 2013 Financial Results," noting, among other things, that the Company completed enrollment of the first five of eight patients for its Phase 1 clinical trial for patients with NASH with advanced fibrosis. This press release also noted that "the patients enrolled have not incurred any serious adverse events."

147. The November 12, 2013 press release also disclosed that, on November 1, 2013, 10X Fund exercised another 200,000 Galectin stock purchase warrants at $3.00 per share, for another $600,000 in proceeds to the Company. Galectin stock closed at $9.14 per share on November 1, 2013. Finally, the press release provided an update on the October 25, 2013 ATM Offering, stating that since September 30, 2013, the Company received $500,000 in net proceeds from the issuance of 50,653 shares through the October 25, 2013 ATM Offering at an average price per share of $10.82.

148. That same day, on November 12, 2013, the Company filed its quarterly report for the period ended September 30, 2013. The Form 10-Q was signed by defendants Traber and Callicutt and failed to disclose the existence of the relationship, agreement, and scheme that the Individual Defendants entered into with the Stock Promoters. Moreover, the Form 10-Q again misstated GR-MD-02's purported effectiveness for the treatment of NASH. On that subject, the Form 10-Q represented, in relevant part:

> *GR-MD-02.* The main initiative in our development strategy is the application of galectin inhibition in connection with liver fibrosis, a condition that leads to cirrhosis. We believe that GR-MD-02 has the potential to treat nonalcoholic steatohepatitis (NASH) and other forms of liver fibrosis. The driving factor for our commitment to galectin inhibition

for fibrosis is scientific evidence that strongly suggests that galectin-3 is essential for the development of liver fibrosis in animals. Published data show that mice lacking the galectin-3 gene are incapable of developing liver fibrosis in response to toxin insult to the liver and in fatty liver disease. Moreover, mice that do not have the galectin-3 gene are resistant to lung and kidney fibrosis. Our preclinical data show that GR-MD-02 has a powerful therapeutic effect on liver fibrosis as shown in several relevant animal models. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with non-alcoholic steatohepatitis (NASH, or fatty liver disease). Pre-clinical studies also show promise for the combination of GR-MD-02 with other approved immunotherapies and this additional use will be explored for possible advancement into clinical trials. In this regard, a phase I clinical trial is in the design phase for immunotherapy for metastatic melanoma with a combination of Yervoy (ipilimumab, BMS) and GR-MD-02 which will be conducted at Providence Portland Medical Center in Portland Oregon.

In January 2013, an Investigational New Drug ("IND") was submitted to the FDA with the goal of initiating a Phase I study in patients with NASH and advanced liver fibrosis to primarily evaluate the human safety of GR-MD-02 and pharmacodynamics biomarkers of disease are also included in the trial design. On March 1, 2013, the FDA indicated we could proceed with a U.S. Phase 1 clinical trial for GR-MD-02 with a development program aimed at obtaining support for a proposed indication of GR-MD-02 for treatment of NASH with advanced fibrosis. In February 2013 we entered into an agreement with Clinical Trial Services Inc. ("CTI") to conduct a Phase I clinical trial of GR-MD-02 to assess safety and preliminary evidence of efficacy in humans. In June 2013, we submitted a Fast Track application to the FDA to help expedite its clinical development program of GR-MD-02 in the treatment of NASH with advanced fibrosis. FDA grants Fast Track designation to help expedite review and approval of drugs in development that treat serious or life threatening diseases and fill an unmet medical need. On August 7, 2013, FDA concluded that the development program for GR-MD-02 meets the criteria for Fast Track designation, and FDA has designated the investigation of GR-MD-02 for non-alcoholic steatohepatitis with hepatic fibrosis as a Fast Track development program. We began enrolling patients in this trial in July 2013 and we expect top line of the first cohort of patients (total of 8 patients) in early 2014. Results of cohort 2 and cohort 3, if needed, are expected be available by mid-2014. In late 2014 or early 2015, depending on the results of the Phase I study and available funding, we may initiate a Phase II clinical trial to assess the efficacy of GR-MD-02 in patients with NASH and advanced liver fibrosis and based on that timing we would expect top-line clinical results in the first half of 2016, depending on the final design of the phase 2 study.

149. The following month, on December 19, 2013, Cox issued another promotional article touting Galectin entitled, "BioTime Shows 23andMe How It's Done," *Transformational Technology Alert.* The Individual Defendants did not disclose the

relationship between Cox and Mauldin, nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects.

150. The next day, on December 20, 2013, Emerging Growth chimed in, issuing another "article" via *Accesswire*, this one authored by Zucker. The December 20, 2013 "article," entitled "Obesity Stock Plays Standing Out from the Crowd,"[24] again touted Galectin's potential, stating in pertinent part:

> Galectin Therapeutics (NASDAQ: GALT) is focused on developing new drugs for fibrosis and cancer through its carbohydrate technology targeting galectin proteins, which are known to be key mediators of biologic and pathologic function. While, as mentioned above, cancer is linked to obesity, for this purpose the focus will be on fibrosis, or scarring of organs, ***an area where Galectin faces very limited competition in an area of great unmet medical need.***
>
> It's important to understand that heart disease can be treated and that even the most dreaded form of cancer can be eradicated from the body, but once an organ is scarred, there is little to nothing that can be done, short of a transplant. Led by CEO Dr. Peter Traber, the former Chief Medical Officer at GlaxoSmithKline (NYSE: GSK), Galectin is aiming to inhibit the galectin-3 protein with its drug GR-MD-02 to treat scarring of the liver, with possible expansion to other vital organs, such as the lungs or kidneys.
>
> The company has received a Fast Track designation from the FDA for GR-MD-02, a novel drug candidate that commenced clinical trials in July for the treatment of patients with nonalcoholic steatohepatis (NASH) with advanced hepatic fibrosis. Five of eight patients in the first cohort have been infused with GR-MD-02 to date with no serious adverse events reported. The small handful of companies addressing NASH, including Gilead Sciences (NASDAQ: GILD), are targeting the disease at a very early stage when there is a build-up of fat and inflammation in the liver, but it is still impossible to discern which patients will progress to advanced stages of NASH or cirrhosis. ***Galectin is tackling the latter stage of the disease based upon preclinical research that showed GR-MD-02 could not only reduce inflammation, but reverse the fibrotic condition and cirrhosis, a therapeutic benefit that could complete reshape the current landscape of fibrosis care.***
>
> Sign up to receive updates on Galectin Therapeutics here: **http://www.tdmfinancial.com/emailassets/galt/galt_landing.php**
>
> ***Investors will be attentive to Galectin disclosing some data from the first-in-man study of its kind early in 2014. Given its uniqueness, GR-MD-02 could also be a candidate for other FDA programs to further expedite its development, designations that have proven fruitful to accelerate the regulatory pathway for Gilead's hepatitis C drug Sovaldi.***

[24] Available at http://www.marketwatch.com/story/obesity-stock-plays-standing-out-from-the-crowd-2013-12-20.

151. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

152. On January 6, 2014, the Individual Defendants caused Galectin to issue a press release entitled "Galectin Therapeutics Receives US Patent for Combination Treatment for Liver Fibrosis." The January 6, 2014 press release stated in pertinent part:

> Galectin Therapeutics, the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, today announced that it has received a notice of allowance from the U.S. Patent and Trademark Office for patent application number 13/550,962 titled "Galactose-Pronged Polysaccharides in a Formulation for Antifibrotic Therapies." The patent covers both composition claim for and uses of the Company's carbohydrate-based galectin inhibitor compound GR-MD-02 for use in patients with liver fibrosis in combination with other potential therapeutic agents. The patent covers use of GR-MD-02 with agents directed at multiple targets, some of which are currently in clinical development for fibrotic disorders including monoclonal antibodies to connective tissue growth factor, integrins, and TGF-β1.
>
> "This patent provides additional coverage in the U.S. for the use of GR-MD-02 in combination with other potential anti-fibrotic agents in the treatment of liver fibrosis," said Peter G. Traber, MD, President, CEO and CMO of Galectin Therapeutics. "In the future, liver fibrosis could be treated with a combination of agents, and this patent provides important intellectual property for this possibility. We are hopeful that our development program for GR-MD-02 will lead to the first therapy for the large unmet medical need of liver fibrosis."
>
> Galectin Therapeutics is currently conducting a Phase 1 clinical trial to evaluate the safety, tolerability and exploratory biomarkers for efficacy for single and multiple doses of GR-MD-02 over four weekly doses of GR-MD-02 treatment in patients with fatty liver disease with advanced fibrosis. In March 2013, the U.S. Food and Drug Administration (FDA) granted GR-MD-02 Fast Track designation for nonalcoholic steatohepatitis (NASH) with hepatic fibrosis, commonly known as fatty liver disease with advanced fibrosis.

153. Immediately thereafter, on January 7, 2014, Emerging Growth followed up with another enthusiastic "article" authored by Zucker and issued via *Accesswire*, entitled "Galectin Therapeutics Receives Patent for Combination Treatment for Liver Fibrosis,"[25] stating in relevant part:

[25] Available at http://www.marketwatch.com/story/galectin-therapeutics-receives-patent-for-combination-treatment-for-liver-fibrosis-2014-01-07.

> ***Galectin Therapeutics (NASDAQ: GALT), the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, recently sent waves through the biotechnology investment community*** after it published a preclinical study showing the therapeutic effects of galectin inhibitors in fatty liver disease with fibrosis. ***Results revealed that treatment with GR-MD-02 significantly improved NASH activity and reduced fibrosis including prevention of accumulation of collagen and/or reduced accumulated collagen in the liver. With no approved treatments for fatty liver disease with fibrosis, the breakthrough is very important for investors.***
>
> This week, the company announced that it received a notice of allowance from the U.S. Patent and Trademark Office for patent application number 13/550,962 titled "Galactose-Pronged Polysaccharides in a Formulation for Anti-fibrotic Therapies." The patent covers the use of its carbohydrate-based galectin inhibitor compound for patients with liver fibrosis in combination with other potential therapeutic agents to enhance overall efficacy.
>
> ***Investors in Gilead Sciences Inc. (NASDAQ: GILD) and Biogen Idec Inc. (NASDAQ: BIIB) may want to take a closer look at Galectin Therapeutics given these developments as both are developing drugs that may be affected by this patent.***

154. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

155. Then, on January 8, 2014, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Reports on Key 2013 Scientific, Development and Regulatory Milestones, Highlights Corporate and Financial Activity," further touting the Company's purported 2013 accomplishments.

156. From January 8, 2014 through and including January 10, 2014, following the Company's January 6 and 8, 2014 press releases and the January 7, 2014 Emerging Growth "article," Galectin's stock ***nearly doubled***, skyrocketing from $8.47 per share to $15.10 per share on heavy volume.

157. On January 10, 2014, the Individual Defendants provided an update regarding the October 25, 2013 ATM Offering via a Company press release disclosing that, through the October 25, 2013 ATM Offering, from October 28, 2013 through January 9, 2014, the Company had sold a total of 2,391,204 shares of common stock for gross proceeds of $23,883,137 at an average price of $9.99 per share.

158. With the success of their secret stock promotion campaign reaching a crescendo, it was time, once again, for the Insider Selling Defendants to cash in.

159. Specifically, on or about January 10, 2014, while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell another 42,000 shares of its Galectin stock at $16 per share, this time reaping proceeds of $672,000. Then, on or about January 13, 2014, while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell an additional 58,000 shares of its Galectin stock for $14 per share, reaping additional proceeds of $812,000. Finally, on January 31, 2014, while in possession of material, adverse, non-public information, defendant Prelack – the Chairperson of the Audit Committee – took advantage of the artificially inflated price of Galectin stock by disposing of 17,772 shares of Galectin stock at $13.71 per share, reaping proceeds totaling $242,968.[26]

160. On January 13, 2014, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Announces Completion of Enrollment in First Cohort of Phase 1 Trial of GR-MD-02 in Fatty Liver Disease with Advanced Fibrosis" announcing that patient enrollment in the first cohort of the Phase 1 GR-MD-02 was complete. In the January 13, 2014 press release, defendant Traber claimed that "[c]ompletion of enrollment in the first cohort is an important step toward Galectin Therapeutics' objective of bringing a first-in-class treatment to the millions of Americans suffering from fatty liver disease with advanced fibrosis" and that "[t]o date, we have seen no serious adverse events in the trial. Following the 70 day study period and analysis of the data, we anticipate that initial safety and tolerability results, as well as biomarkers to evaluate for potential disease effect, from the first cohort will be available around the end of the first quarter of this year."

[26] According to the Form 4 filed with the SEC on February 4, 2014, this transaction represented shares forfeited in satisfaction of the exercise price of the vested options. Had Galectin stock not been trading at artificially inflated prices (due to the Individual Defendants' secret stock promotion scheme), defendant Prelack would have been required to forfeit far more than 17,772 shares of Company stock.

161. Just two days later, on January 15, 2014, the Individual Defendants caused the Company to issue yet another press release, entitled "Galectin Therapeutics Supports Investigational New Drug (IND) Application for its Galectin Inhibitor GR-MD-02 in Metastatic Melanoma" stating, in pertinent part:

> **Norcross, GA (January 15, 2014) – Galectin Therapeutics Inc. (NASDAQ: GALT)**, the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, today announced that Providence Portland Medical Center filed an Investigational New Drug (IND) application with the U.S. Food and Drug Administration (FDA) on December 27, 2013 to study GR-MD-02 in combination with Yervoy® (ipilimumab) in a Phase 1B study of patients with metastatic melanoma. GR-MD-02 is Galectin Therapeutics' proprietary molecule that binds to and inhibits galectin proteins, predominantly galectin-3.
>
> The application was prompted by findings from a preclinical study led by tumor immunology expert William L. Redmond, Ph.D., of the Providence Portland Medical Center's Earle A. Chiles Research Institute (EACRI). The preclinical study found that GR-MD-02 increased tumor shrinkage and enhanced survival in immune competent mice with prostate and breast cancers when combined with one of the immune checkpoint inhibitors, anti-CTLA-4 or anti-PD-1. These findings suggest a role for GR-MD-02 in cancer immunotherapy.
>
> "The IND filing to study GR-MD-02 in conjunctive use with Yervoy in patients with metastatic melanoma is an important milestone for both Providence Portland Medical Center and Galectin Therapeutics," said Dr. Peter G. Traber, President, Chief Executive Officer and Chief Medical Officer, Galectin Therapeutics. "Preclinical data have shown that GR-MD-02 holds immense potential for increasing the effectiveness of other therapies and may be an important approach in enhancing cancer immunotherapy."
>
> If the application is approved by the FDA, the Phase 1B study will be conducted by the EACRI under principal investigator Brendan D. Curti, M.D. EACRI and Providence Cancer Center researchers have been leaders in immunotherapy research and translational clinical trials in melanoma and other cancers.
>
> "The Phase 1B study will determine if GR-MD-02 enhances the probability of melanoma response with ipilimumab by inducing proliferation, activation and memory function of CD8+ T cells," said Dr. Curti, the trial's principal investigator, a medical oncologist and director of the Providence Biotherapy Program at EACRI. "The combination of GR-MD-02 and ipilimumab has a strong scientific rationale based on Dr. Redmond's laboratory work. This study represents a novel approach for patients with metastatic melanoma."
>
> The study will employ a 3+3 Phase 1 design with dose escalation of GR-MD-02 in conjunction with the standard therapeutic dose of ipilimumab in patients with advanced melanoma for whom ipilimumab would be considered standard of care. In addition to monitoring for

> toxicity and clinical response, blood samples will be obtained to assess immunologic measures relevant to galectin biology and ipilimumab T-cell check-point inhibition. Galectin Therapeutics will provide its proprietary compound GR-MD-02 to EACRI researchers, as well as supply researchers with supporting analysis of the pharmacokinetics of GR-MD-02 and the right to reference the Company's open IND on GR-MD-02.

162. Also in the January 15, 2014 press release, the Individual Defendants acknowledged in passing that Galectin's only other drug candidate, GM-CT-01, had been "placed on hold," stating:

> Separately, the Cancer Centre at the Cliniques universitaires Saint-Luc and the Ludwig Institute for Cancer Research (LICR), in agreement with Galectin Therapeutics, ***placed on hold its Phase 1/2 trial evaluating the safety and efficacy of another galectin inhibitor, GM-CT-01***, in combination with an experimental peptide vaccine for the treatment of advanced metastatic melanoma. Dr. Jean-Francois Baurain, the trial's principal investigator, medical oncologist and director of the melanoma clinic of the Cancer Center at CUSL, said, "The trial was unable to enroll sufficient patients with advanced stage melanoma due to the high selection criteria of patient candidates for the peptide vaccine and the recent availability of Yervoy in Europe as a treatment increasing the overall survival of metastatic melanoma patients." A total of three patients completed the trial with no serious adverse events attributed to drug treatment and with two patients having a mixed response and one having progressive disease.

163. On January 21, 2014, the Individual Defendants caused the Company to issue a press release entitled "Preclinical Study Demonstrates Effect of Galectin Inhibitor on Serum Biomarker in Fatty Liver Disease with Fibrosis," further touting GR-MD-02's potential. This time, the Individual Defendants highlighted data from a preclinical study purportedly showing that GR-MD-02 significantly reduced hyaluronic acid, "a well investigated marker of liver fibrosis," by approximately 33% when untreated animals were compared with those treated with GR-MD-02. Defendant Traber enthusiastically represented that "these results in this preclinical model of NASH show that improvement in NASH and fibrosis with GR-MD-02 treatment appear to correlate with plasma levels of hyaluronic acid, a biomarker that has been shown in multiple human studies to correlate with liver fibrosis," and noted that "[w]e are examining the levels of hyaluronic acid as well as multiple other markers of inflammation, cell death and fibrosis in our current Phase 1 clinical trial of GR-MD-02 in NASH patients with advanced fibrosis."

164. On January 27, 2014, the Individual Defendants caused the Company to issue a press release announcing Galectin had established and formed Galectin Sciences, LLC ("Galectin Sciences") with SBH Sciences, Inc., a company located in Natick, Massachusetts, which describes itself as a world leader in cell-based assays to measure biological activity and developer of cytokines, growth factors, biologics, and monoclonal antibodies. According to the January 27, 2014 press release, Galectin Sciences would "build on the scientific body of knowledge amassed by SBH Sciences, coupled with Galectin Therapeutics' knowledge and expertise of galectins' pathological role and mechanism of action in inflammation, fibrosis and many cancers." Defendant Traber further championed the formation of Galectin Sciences as representing "a significant step forward in the research of galectin proteins and demonstrates both companies' confidence in galectin inhibitors as potential treatment options for diseases with large unmet medical need."

165. Not to be outdone, Cox issued ***at least five more promotional articles*** in January 2014, again touting Galectin to investors. The five articles were entitled:

1. "Room-Temperature Ambient-Pressure Nanotechnologies Change the Solar Game," *Transformational Technology Alert* (Issue 1.04, January 2014);
2. "How to Play the Superbug Hysteria to Make Super Profits," *Transformational Technology Alert* (Issue 1.05, January 2014);
3. "Galectin Therapeutics Moves as Liver Drugs Gain Spotlight," *Transformational Technology Alert* (January 16, 2014);
4. "Galectin Therapeutics Jumps on Study Results, Patent Approval," *Transformational Technology Alert* (January 22, 2014); and
5. "Screaming Toward the Biotech Singularity: BioTime, Galectin Therapeutics, and More," *Transformational Technology Alert* (January 30, 2014).

166. In connection with these January 2014 articles, the Individual Defendants did not disclose the relationship between Cox and Mauldin, nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects.

167. Then, just a few days later, the Individual Defendants continued to perpetuate the seemingly non-stop parade of positive news associated with GR-MD-02, causing the Company to issue a press release on February 3, 2014, announcing that the FDA "agreed that a

Phase 1B clinical trial of the galectin inhibitor GR-MD-02 in combination with Yervoy® (ipilimumab) in patients with metastatic melanoma may proceed." Defendant Traber specifically touted this development as "a critical step in seeking a new treatment option for metastatic melanoma."

168. Cox issued ***at least two more promotional articles*** in February 2014, again touting Galectin to investors. The two articles were entitled:

1. "Shark Steroid Offers Hope for Combating Macular Degeneration (and for Enormous Profits)," *Transformational Technology Alert* (Issue 1.06, February 2014); and

2. "What Does the IND Phase 1B Trial for Galectin Therapeutics Really Mean?," *Transformational Technology Alert* (February 6, 2014).

169. In connection with these February 2014 articles, the Individual Defendants did not disclose the relationship between Cox and Mauldin nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects.

170. Additionally, on February 10, 2014, The DreamTeam released an article on its MissionIR website titled "Investors Should Consider Galectin Therapeutics (GALT)." Among other facts, The DreamTeam emphasized that "***GR-MD-02 demonstrated that it proved NASH activity significantly. Not only was this good news, but it also reduced fibrosis preventing/reducing the accumulation of collagen [sic] in the liver. There was also a reduction in galectin-3 and other inflammatory biomarkers.***" Based on this data and other purportedly key developments in the GR-MD-02 clinical trial, The DreamTeam positively concluded that "***[i]f the company continue[s] on its current pace, investors are likely looking at a long-term winner in Galectin Therapeutics.***" There is no disclosure regarding compensation paid by Galectin to The DreamTeam (or its alter ego) contained in the article.

171. Just three days later, on February 13, 2014, Emerging Growth issued another glowing "article" via *Accesswire*, again praising Galectin, authored by Zucker and entitled "Galectin Therapeutics Leaps Ahead with SBH Sciences Partnership."[27] This "article"

[27] Available at http://www.marketwatch.com/story/galectin-therapeutics-leaps-ahead-with-sbh-sciences-partnership-2014-02-13.

unabashedly bragged about the likely positive impact the SBH Sciences joint venture would have on Galectin, touted the "ideal strategic fit" between the two companies, opined that Galectin could be an acquisition target, and noted that Galectin's clinical advancements over the previous year resulted in significant share appreciation. The "article" even quoted defendant Traber regarding the joint venture. Specifically, the "article" stated, in pertinent part:

> A growing body of research on galectins is demonstrating the important role that this family of carbohydrate-binding proteins plays in T-cell survival, fibrosis of organs, allergies, deadly diseases like cancer, regulation of many immune responses and much more. Only defined about two decades ago, 15 different mammalian galectins have now been identified, with overexpression of specific galectins implicated in a variety of diseases. The potential of this emerging science is tremendous, to say the least, to help bridge gaps in a broad range of deadly or debilitating disorders with great unmet medical need.
>
> ***Galectin Therapeutics Inc. (NASDAQ:GALT), a pioneer in research and development of galectin-inhibiting compounds, scored a big win for their company and the industry*** in January by forging a new alliance with SBH Sciences. The companies established Galectin Sciences, LLC, a joint venture that will initially focus on developing small organic molecule inhibitors of galectin-3 for oral administration.
>
> ***The two companies are an ideal strategic fit. Galectin Therapeutics has a promising pipeline of drug candidates, with GR-MD-02 in a phase 1 clinical trial for treatment of nonalcoholic steatohepatitis (NASH) with advanced fibrosis. GR-MD-02 was also was recently approved by the FDA to proceed with a phase 1b clinical trial in combination with Bristol-Myers Squibb's (NYSE:BMY) Yervoy to treat metastatic melanoma patients.***
>
> As a Contract Research Organization, SBH Sciences is primarily a services company, providing products and services to more than 120 clients worldwide, mostly in the areas of oncology and inflammation. Using its expertise in computer molecular modeling and in vitro screening, SBH is becoming more involved with its own drug development programs, rather than just shepherding other companies into clinical trials. According to **the press release** announcing the partnership, SBH has already identified several small molecules that act to inhibit galectin-3 that are worthy of more extensive research.
>
> Forming Galectin Sciences, rather than SBH contracting Galectin Therapeutics or vice-versa, is a succinct move that incentivizes both companies because now they each have skin in the game. Galectin Therapeutics gains access to promising new drug candidates while mitigating R&D expenses and SBH gets Galectin Therapeutics' decades of experience and knowledge in galectin proteins.

Galectin Sciences was assembled to focus its resources on the development of new oral drugs targeting galectins, which will serve a great complement to the drugs already in clinical trials by GALT. GR-MD-02 and GM-CT-01 are designed for intravenous administration and work very well for fatal diseases like liver fibrosis and cancer that can be treated with a weekly dosing regimen. Every disease has a target product profile and while IV administration will provide the best results in some indications, oral delivery can be more appropriate for others, such as chronic diseases and conditions. ***These diseases where a pill is best served will be the initial targets for the new JV. With diversified delivery systems, GALT is well positioned to develop a broad range of galectin inhibitors that match target product profiles.***

Pills are generally the drug delivery method of choice by patients and physicians regarding chronic conditions simply because of convenience, which often improves quality of life and compliance. From a payer perspective, oral medications are often favorable because they are less expensive. Consider why Gilead Sciences (NYSE:GILD) was willing to dish-out $11 billion to acquire Pharmasset in 2011. The main driver was Pharmasset's PSI-7977, an all-oral hepatitis C therapy that was pegged by many as the replacement for injections of interferon, the standard of care for the disease.

We reached out to Dr. Peter Traber, president, CEO and CMO at Galectin Therapeutics, who explained that the sights are set for Galectin Sciences to explore new target indications where oral therapies are the most viable and favorable. This includes chronic conditions such as allergies, eczema, arthritis and atherosclerosis. "Blockbuster drugs like Pfizer's (NYSE:PFE) Lipitor likely would never have achieved the incredible success that they have if they didn't come in pill form," Traber said in a phone conversation. In addition to the promising compounds already identified, Traber believes that SBH Sciences' proficiency in assays and compound-screening technologies will play a key role in new drug discoveries in the future.

It is evident that this bolt-on drug discovery machine that Traber describes could allow Galectin Therapeutics to maintain its leadership position in the galectin space for years to come. It is also arguable that the new portfolio company will make Galectin Therapeutics more attractive as a partner or acquisition target in the future. The clinical advancements of GR-MD-02 and GM-CT-01 in the past year have resulted in significant share appreciation for GALT. Rightfully so, these flagship programs are clearly the backdrop of the company and measuring stick for its market valuation. Going forward, though, Wall Street should start to factor-in the new Galectin Sciences asset as it builds and discloses the products in its pipeline, which could add significant value if comparable to the drugs candidates that Galectin Therapeutics has already taken into the clinic.

172. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

173. Not to be left out, Acorn published a "Company Profile" of Galectin on March 10, 2014, in which it provided an analysis of GR-MD-02 and investment analysts' opinions of the Company's securities. After discussing the results from the first cohort of Galectin's Phase I study and the efficacy of GR-MD-02, Acorn could not resist drawing comparisons between Galectin and Intercept in an attempt to piggyback on Intercept's success, stating, "Intercept Pharmaceuticals (ICPT) — a company with a market cap worth $1.4B on 01/09/2014, saw a jump to $8.6B in two days. On NASH efficacy data for NASH — an incurable and very common liver condition being targeted by GALT." At the time of this "Company Profile," the Individual Defendants had not disclosed any relationship with Acorn – financial or otherwise.

174. Cox also issued ***at least three more promotional articles*** in March 2014, again touting Galectin to investors. The three articles were entitled:

1. "Technology to Help You Clean Up in the Fracking Boom," *Transformational Technology Alert* (Issue 1.07, March 2014);

2. "What Penicillin Can Teach Us About Transformational Biotech," *Transformational Technology Alert* (March 13, 2014); and

3. "Regenerative Medicine Promotion Act of 2014 Introduced," *Transformational Technology Alert* (March 20, 2014).

175. In connection with these March 2014 articles, the Individual Defendants did not disclose the relationship between Cox and Mauldin nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects.

176. On March 21, 2014, the Individual Defendants caused the Company to file with the SEC its 2013 Form 10-K, which was signed by each of the Individual Defendants. Like the other Company SEC filings referenced herein, up to this point, the 2013 Form 10-K failed to disclose the existence of the secret relationship, agreement, and scheme that the Individual Defendants entered into with the Stock Promoters.

177. Moreover, in the 2013 Form 10-K, the Individual Defendants again misstated GR-MD-02's purported effectiveness for the treatment of NASH. On that subject, the 2013 Form 10-K set forth, in relevant part:

Fibrosis. GR-MD-02 is our lead product candidate for treatment of fibrotic disease. Our preclinical data show that GR-MD-02 has a powerful therapeutic effect on liver fibrosis as shown in several relevant animal models. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with non-alcoholic steatohepatitis (NASH, or fatty liver disease). In January 2013, an Investigational New Drug ("IND") was submitted to the FDA with the goal of initiating a Phase 1 study in patients with NASH and advanced liver fibrosis to evaluate the human safety of GR-MD-02 and pharmacodynamics biomarkers of disease. On March 1, 2013, the FDA indicated we could proceed with a US Phase 1 clinical trial for GR-MD-02 with a development program aimed at obtaining support for a proposed indication of GR-MD-02 for treatment of NASH with advanced fibrosis. Pre-clinical studies also show promise for the combination of GR-MD-02 with other approved immunotherapies and this additional use has been advanced into clinical trials under an Investigator-sponsored IN/D in the United States.

Our drug candidate provides a promising new approach for the therapy of fibrotic diseases, and liver fibrosis in particular. Fibrosis is the formation of excess connective tissue (collagen and other proteins plus cellular elements such as myofibroblasts) in response to damage, inflammation or repair. When the fibrotic tissue becomes confluent, it obliterates the cellular architecture, leading to scarring and dysfunction of the underlying organ.

178. In addition, pursuant to SOX, the 2013 Form 10-K included SOX Certifications by defendants Traber and Callicutt, through which Traber and Callicutt attested that all of the financial information contained in the 2013 Form 10-K was accurate, and that any material changes to the Company's internal controls over financial reporting were disclosed. Specifically, the SOX Certifications set forth:

I, [Peter G. Traber/Jack W. Callicutt], certify that:

1. I have reviewed this annual report on Form 10-K of Galectin Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

* * *

In connection with the Annual Report of Galectin Therapeutics Inc. (the "Company") on Form 10-K for the period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, [Peter G. Traber, Chief Executive Officer and President of the Company/ Jack W. Callicutt, Chief Financial Officer of the Company], certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

179. The 2013 Form 10-K did provide an update as to the "success" of the Company's October 25, 2013 ATM Offering. According to the 2013 Form 10-K, as of December 31, 2013, the Company had issued 99,942 shares of its common stock ***for gross proceeds of $944,000 – or an average price of $9.44 per share***, and in January and February 2014, the Company issued another 2,663,647 shares of common stock ***for gross proceeds of approximately $29,051,000 – or an average price of $10.90 per share.***

180. Also on March 21, 2014, the Individual Defendants caused the Company to file with the SEC and disseminate to shareholders a Proxy Statement pursuant to Section 14(a) of the Exchange Act on Form DEF 14A (the "2014 Proxy"), in which the Individual Defendants solicited shareholder votes in connection with the following matters:

- To elect the nine (9) directors named in [the] proxy statement to serve for one-year terms, expiring at [the Company's] 2015 annual meeting of stockholders.

- To approve an amendment to the 2009 Incentive Compensation Plan to reserve an additional 1,400,000 shares for issuance under the plan.

- To ratify the selection by the Audit Committee of the Board of Directors of McGladrey LLP as [the Company's] independent registered public accounting firm for the fiscal year ending December 31, 2014.

181. The 2014 Proxy described Board members' responsibilities, the duties of each Board subcommittee, Board risk management, and provided information about the nominees for election to the Board, as well as the senior executive officers. The 2014 Proxy also specifically stated:

> We believe that good corporate governance is important to ensure that Galectin Therapeutics is managed for the long-term benefit of our stockholders. ***Our board of directors is responsible for establishing our corporate policies*** and overseeing the management of the company. Senior management, including our President and Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, are responsible for our day-to-day operations. ***The board evaluates our corporate performance and approves, among other things, corporate strategies, objectives, operating plans, significant policies and major commitments of corporate resources***. The board also evaluates and elects our executive officers, and determines their compensation.[28]

[28] The 2014 Proxy also notes that the "Board currently consists of ten directors, ***eight of whom will stand for election at our 2014 annual meeting of stockholders and two of whom are nominated and elected by the holder of our Series B preferred stock voting as a separate class.***" This representation conflicts with other parts of the 2014 Proxy, which calls for nine

182. However, the 2014 Proxy was false and misleading at the time it was issued as the Individual Defendants utterly failed to disclose that they caused the Company to enter into a secret, paid stock promotion scheme with the Stock Promoters, whereby these paid promoters would disseminate positive but misleading reports about the Company and its prospects in order to pump up the price of the Company's stock, in turn allowing the Company to raise tens of millions of dollars, secure the Individual Defendants' positions as directors and officers within the Company, and allow certain of the Individual Defendants (each of whom was a director) to cash in on their investment in the Company to the tune of millions of dollars. With respect to Mauldin, the 2014 Proxy failed to disclose that Mauldin published investment advice to paying subscribers via his website, Mauldin Economics, and that Cox contributed research on small-cap biotech companies, including Galectin.

183. Finally, on March 21, 2014, the Individual Defendants caused Galectin to file with the SEC a Registration Statement on Form S-3, along with the Base Prospectus and Sales Agreement Prospectus providing for the sale of up to another $30 million in Galectin common stock by the Company from time to time, again through MLV acting as its agent, in accordance with the terms of the At-Market Agreement, as amended. The Company advised that the net proceeds from the March 21, 2014 ATM Offering would be used to finance the GR-MD-02 clinical trial. Galectin further acknowledged that the March 21, 2014 ATM Offering presented a risk of dilution to the value per share of the Company's common stock.

184. On the date of these filings, March 21, 2014, as a direct result of the Individual Defendants' illicit scheme to pump up the price of Galectin stock, the Company's shares were trading at an average price of $15.31 per share. As subsequently disclosed in Galectin's 2014 Form 10-K, "[a]s of December 31, 2014, the Company had issued 217,622 shares of its common stock through [the March 21, 2014 ATM Offering] resulting in gross proceeds of approximately $1,196,000."

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(9) directors to stand for election (defendants Traber, Martin, Amelio, Freeman, Greenberg, Mauldin, Prelack, Pressler and Rubin) with only defendant Czirr serving as the Series B director. *Compare* 2014 Proxy p. 1, 9 *with* p. 14.

185. On March 25, 2014, the Individual Defendants caused Galectin to issue a press release entitled "Galectin Therapeutics to Announce Results From First Cohort of Phase 1 Clinical Trial in Fatty Liver Disease," announcing that the Company "will report results from the first cohort of its Phase 1 clinical trial examining GR-MD-02 in fatty liver disease (NASH) with advanced fibrosis" on March 31, 2014. Specifically, the press release stated, in pertinent part:

> Galectin Therapeutics (Nasdaq:GALT), the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, announced that on Monday, March 31, 2014, the Company will report results from the first cohort of its Phase 1 clinical trial examining GR-MD-02 in fatty liver disease (NASH) with advanced fibrosis. The first-in-man study, which enrolled eight patients in the first cohort, is evaluating the safety, tolerability, and exploratory biomarkers for efficacy for single and multiple doses of galectin inhibiting drug GR-MD-02 when administered to patients with fatty liver disease with advanced fibrosis.
>
> Peter G. Traber, M.D., Chief Executive Officer, President and Chief Medical Officer of Galectin Therapeutics, will lead a webcast and conference call on April 1, 2014 at 8:30 a.m. Eastern Daylight Time to review the findings. As time permits, a question and answer session will immediately follow Dr. Traber's presentation.
>
> * * *
>
> The Phase 1 multi-center, partially-blinded clinical trial is being conducted in a total of 24 patients who receive four weekly doses of GR-MD-02. Each of the three cohorts consists of eight patients, six randomized to receive active drug and two randomized to receive placebo. Eight U.S. clinical sites with extensive experience in clinical trials in liver disease are now active to ensure rapid enrollment of the second cohort. Trial design details can be found at http://clinicaltrials.gov/ct2/show/NCT01899859?term=gt-020&rank=1.
>
> GR-MD-02 is a complex carbohydrate drug that targets galectin-3, a critical protein in the pathogenesis of fatty liver disease and fibrosis. Galectin proteins play a major role in diseases that involve scaring of organs such as cancer, and inflammatory and fibrotic disorders. The drug binds to galectin proteins and disrupts their function. Preclinical data has shown that GR-MD-02 has robust treatment effects in reversing fibrosis and cirrhosis.

186. On March 27, 2014, mere days after the March 21, 2014 ATM Offering was announced, Emerging Growth published an "article" written by Zucker entitled "Leading

Companies Being Defined in the Hunt for a NASH Treatment,"[29] which was disseminated via a press release through *Accesswire*, in which Emerging Growth/TDM once again touted Galectin and its prospects. The "article" stated, in pertinent part:

> The race to develop a treatment for Non-Alcoholic Steatohepatitis (NASH) is getting a lot of airtime lately, pointing to the severity of the disease, poor prognosis and desperate need for a treatment. The space has only a handful of competitors, with most seeing rising valuations due to the tremendous peak sales that analysts are projecting for products that make it to market. What is particularly unique to this disease is not only the lack of any approved treatments, but also the influx of attention and growing broad body of research by ***companies like Intercept Pharmaceuticals (ICPT), Galmed Pharmaceuticals (GLMD) and Galectin Therapeutics (GALT) that shows treatments are on the horizon, which gives these equities considerable upside.***
>
> * * *
>
> NASH is a severe form of Non-Alcoholic Fatty Liver Disease (NAFLD), a condition that has become increasingly common in the United States. NAFLD in its simplest state is essentially benign, but as the condition worsens, NASH arises. The cause of NASH may still remain a mystery, but NAFLD commonly presents in patients with diabetes and obesity. With the skyrocketing diagnosis rate of those diseases, subsequently so goes the incidence rate of NAFLD and NASH. Further, NASH is also linked to increased risk of cardiovascular complications, a leading killer in North America. Sadly, liver fibrosis and NASH are not reversible and often lead to the necessity for a liver transplant, of which only about 6,000 actually happen each year.
>
> ***These facts make Galectin Therapeutics particularly attractive as early research shows its lead drug candidate GR-MD-02 to actually reverse fibrotic damage.*** Although the company may trail Intercept and Galmed in stage of human trials at this point, ***Galectin is only a clinical data set away from a potential leap forward with GR-MD-02. The drug is being developed under a "Fast Track" designation from the FDA, which provides an expedited developmental pathway as well as other benefits.***
>
> Galectin is in a Phase 1 trial of GR-MD-02, a complex carbohydrate drug that targets and inhibits galectin-3, a key protein in the pathogenesis of fatty liver disease. ***A critical difference in the trial protocol is that Galectin is treating patients with NASH and advanced fibrosis, rather than earlier stages of the disease as other biotechs are. Moreover, in animal models, GR-MD-02 was shown to not only stop liver scarring from worsening; it showed the damage to start to be repaired.***
>
> Shares of GALT got a brief bump on Tuesday when the company announced that it will be reporting results from the eight patients in the first cohort in the Phase 1 trial on Monday, March 31.

[29] Available at http://finance.yahoo.com/news/leading-companies-being-defined-hunt-143000796.html.

> Estimates show that up to 37 million adults in the U.S. have NASH, but this number could be conservatively low because the relatively asymptomatic disease often goes undetected until advanced stages. As estimates stand currently, nearly 10 million NASH patients will progress to develop liver cirrhosis. ***Halting the progression of fatty liver disease as Intercept has done is certainly a keystone moment in the overall genesis of new therapies, but tackling the disease as it reaches the often-terminal latter stages, as Galectin is aiming to do, will likely capture a far greater market share should regulatory approval be attained by both companies.***

187. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

188. On March 31, 2014, the Individual Defendants caused Galectin to issue a press release entitled "First Cohort Results in Galectin Therapeutics' Phase 1 Trial Reveal Biomarker Evidence of Therapeutic Effect on Fibrosis and Inflammation in NASH With Advanced Fibrosis," which stated in part:

> Galectin Therapeutics (Nasdaq:GALT), the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, today announced that results from the first cohort of its Phase 1 trial show that GR-MD-02 had an effect on biomarkers that suggest a therapeutic effect on fibrosis, inflammation, and cellular injury. The first-in-man study, which enrolled eight patients in the first cohort, is evaluating the safety, tolerability, and exploratory biomarkers for efficacy for single and multiple doses of its galectin-inhibiting drug GR-MD-02 when administered to patients with fatty liver disease (NASH) with advanced fibrosis.
>
> First cohort results indicate that GR-MD-02 was safe and well tolerated following four doses of 2 mg/kg (80 mg/m^2) and there were no serious adverse events. The pharmacokinetics were consistent between individuals and after single and multiple doses with no drug accumulation after multiple doses. In assessing secondary endpoints, it was found that multiple biomarkers of fibrosis and inflammation showed improvement after four doses of GR-MD-02. Additionally, patients with greater evidence of liver cell injury, as indicated by elevated transaminase enzyme levels, had a marked decrease in CK-18, a clinically validated biomarker of cell death. Galectin-3 blood levels, which do not correlate with tissue levels in NASH, were not changed with treatment.
>
> * * *
>
> "We are extremely pleased with the positive results of the first cohort of our Phase 1 trial, which suggest a role for GR-MD-02 in the treatment of patients with fatty liver disease with advanced fibrosis," said Peter G. Traber, M.D., Chief Executive Officer, President and Chief Medical Officer of Galectin Therapeutics. "Fatty liver disease, characterized by the presence of fat in the liver along with inflammation, over time can develop

> into fibrosis, or scarring of the liver, which is estimated to affect millions of Americans. Intervention with the intent of reversing the fibrosis is a potentially important therapeutic approach in fatty liver disease, a condition with significant unmet medical need."

189. On April 3, 2014, Cox released an article entitled "Two World-Changing Presentations You Must Watch," via Defendant Mauldin's website – Mauldin Economics. In the article, with respect to the results from the first cohort of Galectin's Phase I study of GR-MD-02, Cox wrote that:

> Markers of inflammation and fibrosis in the six patients suffering fatty liver disease ***improved across the board.*** More importantly, the two patients suffering from the most advanced form of NASH, with associated liver cell death due to fibrosis and inflammation, ***showed significant reductions in the markers that indicate apoptosis or cell death.*** This, in one hyphenated word, is ***world-changing.*** It means that the drug, even at low doses that proved safe in this study, reduced the markers of disease progression in earlier stages of the disease. In advanced patients, we saw indications that cellular damage was significantly ameliorated. This means the drug is ***disease-modifying. It didn't only prevent worsening. It improved the patients' condition.***

190. Cox released ***at least two additional promotional articles*** in April 2014, again touting Galectin to investors. The two additional articles were entitled:

1. "Delivering Superior Profits Through Superior Delivery Technology," *Transformational Technology Alert* (Issue 1.08, April 2014); and

2. "A Note on the Broad Biotechnology Selloff," *Transformational Technology Alert* (April 17, 2014).

191. In connection with the April 2014 articles referenced in ¶¶189-190 above, the Individual Defendants did not disclose the relationship between Cox and Mauldin, nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects.

192. Emerging Growth disseminated another press release through *Accesswire* on April 8, 2014, again written by Zucker, entitled "Treatments for Non-Alcoholic Steatohepatitis Making Clinical Strides."[30] While the "article" mentioned several companies with drugs in development for the treatment of NASH, the main focus of the "article" concerned Galectin's

[30] Available at http://finance.yahoo.com/news/treatments-non-alcoholic-steatohepatitis-making-150000187.html.

purported "unique approach" in dealing with NASH and highlighted the "results" announced the previous week, on March 31, 2014, by the Company. Specifically, the "article" stated, in pertinent part:

* * *

> ***Galectin Therapeutics is developing GR-MD-02 for NASH and taking a unique approach compared to competitors by targeting NASH patients with biopsy-proven advanced fibrosis. Pre-clinical research suggested that the drug has the potential to not only stop the progression of NASH, but to actually reverse some of the fibrotic damage.*** Additionally, Galectin is initially not using the invasive biopsy process as a biomarker. It is using serum biomarkers, which is supportive of the industry as a whole in defining more accurate diagnostics with less invasive technologies to diagnosis disease progression. ***Last Monday, Galectin released information from the first cohort in a phase 1 clinical trial, presenting a substantial compilation of clinical data that deserves a closer look.***
>
> **The Key Takeaways of the Data**
>
> ***First and foremost, GR-MD-02 was shown to be safe and well tolerated with no drug-related serious adverse events reported, the primary endpoint of any phase 1 trial.*** The initial dose for the first cohort was 2 mg/kg (80 mg/m2), which will be doubled in the second cohort. 8 patients (6 in the treatment arm, 2 in placebo arm) were enrolled in the first cohort, seven of which had stage 3 fibrosis and one with stage 4 fibrosis, and all the patients completed the full protocol.
>
> The trial looked at certain hallmarks of any clinical trial, such as safety and pharmacokinetics, as well as dialing-in the effect of GR-MD-02 by examining a broad spectrum of serum biomarkers of NASH, including composite biomarkers of fibrosis, inflammatory cytokines and ALT levels as a proxy of apoptosis. Galectin's approach covered the gamut of pathological processes of NAFLD by studying biomarkers pertaining specifically to NASH as well as biomarkers specific to fibrosis and cirrhosis. This analysis provides a wider breadth of knowledge about GR-MD-02, as these stages of liver disease don't always have congruous details. This is an important aspect of the trial, providing wide-ranging data on the effects in the current study and helping to delineate future research.
>
> ***Results from the FibroTest, an indirect biomarker of fibrosis, showed a significant reduction in scores, which suggests fibrosis regression in patients treated with GR-MD-02.*** The ELF (Enhanced Liver Fibrosis) test, considered a direct biomarker of fibrosis that has been shown to be predictive of mortality, showed that scores tended to decrease in patients in the treatment arm, but did not produce a "statistically significant" change because of the small sample size of the study. To that point, the researchers will be looking for additional validation of the trend as enrollment grows throughout the trial.

The study also looked at Hyaluronic Acid (HA) levels, which are known to be elevated in liver fibrosis. In 3 of the 6 patients treated with GR-MD-02, HA levels decreased, essentially consistent with pre-clinical data.

Regarding inflammation, levels of key cytokines associated with the advancement of NASH were evaluated. Elevated levels of these cytokines in NAFLD patients are indicative of lipid accumulation and inflammation of the liver. Patients treated with GR-MD-02 showed about a 25% reduction in levels of interleukin-8 from day 1 to day 56. Levels of interleukin-6 and TNF-alpha levels were also significantly reduced in patients treated with Galectin's drug, as compared to the placebo group.

A measure of cellular injury looked at ALT and AST, two common enzymes released by the liver cells, as part of the safety profile. It is notable that these serum transaminases are relatively poor as a NASH diagnostic because patients with normal levels of ALT and AST can still have NASH. What is interesting in the data, though, is that two of the treated patients with ALT levels above 100 units/liter showed reductions in ALT levels of 39 U/L and 67 U/L, respectively. Data from these patients were looked at more closely in combination with the impact of GR-MD-02 on cell death biomarker cytokeratin 18, a protein that is known to be predictive of NASH severity.

The two patients that demonstrated a sharp drop in ALT levels also showed a marked decrease in CK-18 levels by the end of the treatment period. Taking things a step further, those two patients also showed significant reduction in FibroTest scores and in levels of the protein lumican, a matrix protein in the liver involved with fibrogenesis. By comparison, treated patients with low ALT levels showed improvement in fibrosis biomarkers, but not in CK-18 levels.

So What Does This All Mean?

The data suggests that Galectin was pretty much right on target with the assessment of GR-MD-02 before the clinical trial began. There appears to be data supporting the drug candidate to slow and potentially reverse tissue damage in patients with NASH with advanced fibrosis, but the trials are still very early and with a limited number of patients. ***In short, efficacy is never a spoken primary goal of early clinical trials, but the data lends additional confidence of a biological effect of GR-MD-02 even at low doses, while holding a strong safety profile. As Dr. Peter Traber, CEO and President of Galectin, said in a conference call discussing the clinical data, the company is pleased to see "consistent changes in fibrosis markers and inflammatory markers after four infusions of [GR-MD-02].***" Secondly, by looking at a wide swath of data, Galectin seems to have gleaned some key information that may better delineate future patient populations with high ALT levels with respect to cellular injury.

Eight clinical sites are now active to begin enrollment of eight more patients for the second cohort, to be treated with a substantially higher dose of GR-MD-02 (4 mg/kg). Galectin said it believes the optimal dose equivalency from mouse studies would be approximately 8 mg/kg in humans, so the increased dose in cohort two should deliver valuable info

> on that matter. Further, FibroScan™, an ultrasonic medical device that measures liver tissue elasticity, has been added to the protocol to assess the effect of the drug. The results from this cohort are expected in July or August.

193. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

194. On the heels of this news, on April 11, 2014, while in possession of material, adverse, non-public information, defendant Prelack sold 6,000 shares of his personally held Galectin stock at the artificially inflated price of $11.84 per share, reaping proceeds of $71,010.

195. On April 23, 2014, the Individual Defendants caused Galectin to issue a press release entitled "Galectin Therapeutics Completes Enrollment of Second Cohort of Phase 1 Trial of GR-MD-02 for NASH (Fatty Liver Disease) With Advanced Fibrosis," which stated in part:

> "We are pleased that enrollment of the second cohort was completed very rapidly, which speaks to the urgent need to identify an effective treatment for fatty liver disease with advanced fibrosis," said Dr. Peter G. Traber, President, Chief Executive Officer, and Chief Medical Officer of Galectin Therapeutics Inc. "The goal of therapy with GR-MD-02 in NASH patients with advanced fibrosis is the reversal of fibrosis and prevention of complications of cirrhosis and liver transplantation."

196. On May 13, 2014, the Individual Defendants caused Galectin to issue a press release announcing the Company's first quarter 2014 financial results. Although the Company reported a net loss of $5.4 million, or ($0.27) diluted earnings per share ("EPS") for the first quarter of 2014, the tone of the press release was positive, stating in pertinent part:

> "We continued to make significant progress in our liver fibrosis development program through the first quarter of 2014. We announced the successful results of the first cohort of patients in our Phase 1 clinical trial for patients with NASH with advanced fibrosis, which demonstrated that GR-MD-02 was safe and well tolerated. Additionally, the results demonstrated positive changes in biomarkers, suggesting a therapeutic effect on fibrosis. More recently, we announced on April 23, 2014, that we have completed the enrollment of all of the required patients in cohort 2 of this Phase 1 clinical trial, and we expect to announce the results around the end of July 2014," said Peter G. Traber, M.D., Chief Executive Officer, President and Chief Medical Officer, Galectin Therapeutics. "This Phase 1 first-in-man study is evaluating the safety, tolerability, pharmacokinetics and exploratory biomarkers for efficacy for single and multiple doses of

GR-MD-02 when administered to patients with fatty liver disease with advanced fibrosis."

197. That same day, on May 13, 2014, the Company filed its quarterly report for the period ended March 31, 2014. The 1Q14 Form 10-Q – signed by defendants Traber and Callicutt – again failed to disclose the existence of the relationship, agreement, and scheme that the Individual Defendants entered into with the Stock Promoters. And, again, the Form 10-Q again misstated GR-MD-02's purported effectiveness with respect to nonalcoholic steatohepatitis (NASH). On that subject, the 1Q14 Form 10-Q represented, in relevant part:

> *Fibrosis.* GR-MD-02 is our lead product candidate for treatment of fibrotic disease. Our preclinical data show that GR-MD-02 has a powerful therapeutic effect on liver fibrosis as shown in several relevant animal models. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with non-alcoholic steatohepatitis (NASH, or fatty liver disease). In January 2013, an Investigational New Drug ("IND") was submitted to the FDA with the goal of initiating a Phase 1 study in patients with NASH and advanced liver fibrosis to evaluate the human safety of GR-MD-02 and pharmacodynamics biomarkers of disease. On March 1, 2013, the FDA indicated we could proceed with a US Phase 1 clinical trial for GR-MD-02 with a development program aimed at obtaining support for a proposed indication of GR-MD-02 for treatment of NASH with advanced fibrosis.
>
> Our drug candidate provides a promising new approach for the therapy of fibrotic diseases, and liver fibrosis in particular. Fibrosis is the formation of excess connective tissue (collagen and other proteins plus cellular elements such as myofibroblasts) in response to damage, inflammation or repair. When the fibrotic tissue becomes confluent, it obliterates the cellular architecture, leading to scarring and dysfunction of the underlying organ.

198. Also on May 13, 2014, Emerging Growth disseminated an article through *Accesswire* and written by Zucker entitled "Wall Street In and Out of Love with NASH Drug Developers"[31] which favorably compared Galectin to its peers, noting that Galectin treats patients with NASH with advanced fibrosis, a harder segment of patients to treat than those focused on by competitors, and highlighting the Company's data collecting from the first cohort study. The May 13, 2014 article stated that the results of Galectin's second cohort study, which were due near the end of July 2014, "could serve as a springboard for share price

[31] Available at http://finance.yahoo.com/news/wall-street-love-nash-drug-142000330.html.

movement." Once again, no relationship between Galectin and Emerging Growth – financial or otherwise - was disclosed on the face of this article.

199. On May 16, 2014, the Individual Defendants caused the Company to announce, among other things, that all nine then-current directors on the Board up for re-election – defendants Amelio, Freeman, Greenberg, Martin, Mauldin, Prelack, Pressler, Rubin, and Traber – had in fact been re-elected by shareholders pursuant to the 2014 Proxy to serve on the Board.

200. At least two additional promotional articles were released by Cox in May 2014, again touting Galectin to investors. The two additional articles were entitled:

1. "The Body's Own Antibiotic Acid Could Lower Medical Costs and Generate Huge Profits," *Transformational Technology Alert* (Issue 1.09, May 2014); and

2. "BioTime and Inovio Announce Major Developments," *Transformational Technology Alert* (May 29, 2014).

201. As the drumbeat of Galectin's updated Phase 1 NASH study results intensified, so did the propaganda campaign.

202. Cox released ***at least two more promotional articles*** in June 2014, once again touting Galectin to investors. The two additional articles were entitled:

1. "Nanocage Smart-Bomb Drugs Could Deliver Explosive Gains," *Transformational Technology Alert* (Issue 1.10, June 2014); and

2. "Galectin Therapeutics Announces Preclinical Oral Efficacy," *Transformational Technology Alert* (June 25, 2014).

203. In connection with the May and June 2014 Cox articles referenced in ¶¶200 and 202 above, the Individual Defendants did not disclose the relationship between Cox and Mauldin, nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects.

204. Acorn, meanwhile, issued promotional materials touting Galectin to investors on June 23, 2014 entitled, "AMP Quick Facts: Galectin Therapeutics (Nasdaq: GALT)," Acorn Management Partners, LLC (June 23, 2014). Of the four known Stock Promoters the Company retained to carry out its scheme of inflating the price of its stock, Acorn was the only one whose engagement Galectin ***partially*** revealed to investors. As noted, however, this

disclosure occurred only ***after*** Acorn had already published the first glowing article on March 10, 2014 about Galectin, and the disclosure itself was misleading. Specifically, Galectin's 1Q14 Form 10-Q provided that the Company issued 3,000 shares of common stock to Acorn pursuant to a putative "consulting agreement." This "disclosure," however, ***omitted the fact*** that Galectin engaged Acorn to promote the Company's stock and was misleading as it referred to Acorn as a "consultant."

205. On June 26, 2014, with updated results from Galectin's Phase 1 NASH study just weeks away, Emerging Growth disseminated another "article" through *Accesswire*, this time entitled "Catalysts on the Horizon for Companies Developing NAFLD and NASH Drugs."[32] The article stated, in pertinent part:

* * *

> Galectin Therapeutics is the other major player in the NAFLD/NASH space, developing carbohydrate-based drug candidates for fibrotic liver (and cancer) conditions. Galectin has chosen to go after a difficult population of NAFLD patients, those with NASH with advanced fibrosis. This is an important distinction from Intercept and Galmed, as Galectin is hoping to show not only a reduction in fat accumulation as its peers are aiming to demonstrate, but also a reversal to fibrotic damage in the liver in more advanced patients. There is a further distinction in tackling the more advanced class of patients in that there is no clear set of standards in the pathogenesis of NAFLD to determine which patients will advance to NASH, cirrhosis or related conditions, so while halting the accumulation of fat is certainly paramount, reversing the damage is unprecedented.
>
> In 2013, Galectin received a Fast Track designation from the FDA to expedite development of its drug GR-MD-02 for NASH patients with advanced hepatic fibrosis.
>
> Galectin disclosed in April that it has completed enrollment in the second cohort of the trial, good news following a prior announcement that data from the first cohort showed the therapy to be safe and well tolerated. The data further showed positive changes in pre-defined biomarkers for the trial, suggesting efficacy, although that is never a primary endpoint of early-stage clinical trials. Dosing of GR-MD-02 for the second cohort was doubled from the first cohort, putting investors on close watch for results, which are slated for the latter part of next month.
>
> With more than $36 million in cash on hand at the end of the first quarter, Galectin is plenty well financed to complete the Phase 1 trial of its drug, as well as other research throughout 2015. To that point, Galectin has conducted some compelling lab studies to further support the potential of GR-MD-02,

[32] Available at http://finance.yahoo.com/news/catalysts-horizon-companies-developing-nafld-134000256.html.

including **data from a pre-clinical trial** in a diabetic mouse model with NASH released on Monday.

In the study, treatment with GR-MD-02 for four weeks significantly reduced liver weight, liver-to-body weight ratio and plasma triglyceride levels in mice with induced NASH. Blood biomarkers that are indicative of liver damage, such as aspartate aminotransferase, plasma alanine aminotransferase and plasma total bilirubin, also showed reductions back near normal levels in the treated mice. Further, the backbone of Galectin research was supported by the study, showing a significant reduction in fibrosis of the liver. Perhaps the most important aspect of this trial is that the mice were given oral treatments, as opposed to the intravenous administration in the Phase 1 human trials. The potential market for oral delivery is distinct and additive to the potential market for IV treatments. Every disease has a target product profile and while IV administration will provide the best results in some indications, oral delivery can be more appropriate for others, such as chronic diseases and conditions. This development bears watching over the long term as Galectin advances their clinical programs.

Adding to the interest in Galectin on Monday, analysts Aegis Capital **reiterated their "buy" rating** on the stock. In April, analysts at MLV & Co. put out a "buy" rating on GALT and boosted their price target from $20 to $27.

* * *

206. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

207. In July 2014, Cox managed to publish one final, Relevant Period promotional article touting Galectin to investors, this one entitled "Winning the War on Alzheimer's," *Transformational Technology Alert*. As with each of the other promotional articles written by Cox touting Galectin to investors, the Individual Defendants did not disclose the relationship between Cox and Mauldin nor was it disclosed that Cox was paid by the Company to tout its current performance and future prospects with respect to this July 2014 article.

208. Then, on July 24, 2014, on the eve of the release of updated results from Galectin's Phase 1 NASH study by the Company, Emerging Growth disseminated an article through *Accesswire* entitled "Galectin, Intercept, Others Vying for Lead Drugs in NASH Epidemic,"[33] which stated, in pertinent part:

[33] Available at http://finance.yahoo.com/news/galectin-intercept-others-vying-lead-140000916.html.

Fat is driving the bus these days in one narrow, but widening, biotech sector as companies strive for dominance. Among these are Galectin Therapeutics Inc. (GALT), Intercept Pharmaceuticals (ICPT), Raptor Pharmaceuticals (RPTP) and Gilead Sciences (GILD), all of which are in search of a cure for one stage or another of "fatty liver disease."

Fatty liver disease, at its extreme, means certain death. The prize these companies are seeking is not only to cheat death but also to claw back some of the astronomical healthcare costs related to the condition. Taking into account the varying stages of fatty liver disease, the U.S. market is projected to be valued at up to $40 billion by 2025. There's always the liver transplant option, right? Wrong. One estimate, from TransplantLiving.org, places the cost of a liver transplant at nearly $600,000 and that estimate does not even cover all the other healthcare costs on the long road to referral for a transplant. For the half a million people in the U.S. that have liver cirrhosis or the up to 15 million people suffering from fatty liver disease, the hope for a transplant is not good either, considering only about 6,300 liver transplants are conducted annually.

Worse yet, diagnostics outside of a biopsy are lacking and there are no FDA approved therapies for the treatment of liver fibrosis, which explains the value Wall Street is placing on this relatively unattended segment of biotech.

Medical terms for these related diseases and their stages vary. NAFLD is a catch-all term meaning nonalcoholic fatty liver disease (estimated to affect about 30% of the North American population); NASH refers to nonalcoholic steatohepatitis, a condition which, according to a statement at Science.gov, "can progress to cirrhosis in 15-20%" of patients. The statement goes on to show that NAFLD "may predispose patients to hepatocellular carcinoma," i.e., liver cancer. The U.S. National Institutes of Health notes that "NASH occurs in people who drink little or no alcohol and affects 2 to 5 percent of Americans, especially people who are middle-aged and overweight or obese," and that the condition also occurs in children.

From a clinical stage perspective, Intercept is leading the race, having delivered positive data from a Phase 2 trial of obeticholic acid (OCA) earlier this year. Shares tripled on the news. Galectin, a newly-coined member of the Russell 2000, ***is nipping at Intercept's heels*** and actually may be closer than what first appears with a Phase 1 trial because of the potential to treat fatty liver disease even once it has progressed. What distinguishes their approach from others that the timing of intervention with their proprietary carbohydrate polymer drug GR-MD-02 may be largely irrelevant to outcomes, with GR-MD-02 seeming to work well even in advanced stages of liver fibrosis. This is especially important in fatty liver diseases because they are silent killers, often going undiagnosed for many years. The Galectin drug was granted FDA fast-track approval nearly a year ago.

Galectin has announced GR-MD-02 to be safe and well tolerated in the first cohort of patients in its clinical trial, ***as well as showing changes in key biomarkers, which suggests a therapeutic effect on fibrosis, or scarring of the liver that leads to loss of liver function. Enrollment has been completed in the second cohort, with results expected in the next few weeks, potentially a catalytic moment for the company's value.***

Further, late in June Galectin disclosed that research in an animal model of NASH showed an oral version of GR-MD-02 to demonstrate a significant improvement in disease. Coming at NASH with both infused and oral formulations could give Galectin a competitive edge going forward.

Raptor has been narrowly focused on NASH treatment of adolescents with a slow-release form of cysteamine bitartrate, which it developed after obtaining rights to the core drug from University of California at San Diego. Raptor is conducting a Phase 2b trial under a Cooperative Research and Development Agreement with the National Institute of Diabetes and Digestive and Kidney Diseases, part of the National Institutes of Health.

Gilead is acting across a broader age spectrum in NASH treatment and should be completing enrollment soon for a Phase 2b testing of its drug simtuzumab (GS-6624). Results might be announced late 2016 or so. Gilead is looking to grow its footprint in the liver disease space that is being overrun by NASH diagnoses. The growing number of effective treatments for hepatitis C, including Gilead's Sovaldi, are lending to a stabilized number in liver transplants related to hep C, with predictions that NASH will surpass hep C as the leading cause of liver transplants by 2020.

~~The apparently sudden prevalence of fatty liver disease and NASH on the~~ biotech horizon is due to the increasing incidence of obesity worldwide and greater awareness of the conditions. After all, NASH didn't even have a medical name three decades ago. A U.S. Centers for Disease Control report says that 34.9% of American adults are obese. That's a 50% increase in obesity in less than 40 years and has lent impetus to the rise in NASH, a disease dubbed "the next big global epidemic" on CNBC's NBR.

Those are big numbers and potentially big profits. So it is clear that fat is indeed driving the biotech bus, with Galectin, Intercept, Gilead and Raptor in the front seats and vying to take control of the wheel.

209. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

210. On the heels of the glowing July 24, 2014 Emerging Growth "article," the Individual Defendants caused Galectin to issue a press release announcing a conference call on July 25, 2014, to provide updated results from the Company's Phase 1 NASH study.

211. Following these releases, Galectin's stock price shot upwards from $13.72 per share on July 24, 2014, to close at $15.32 per share on July 25, 2014, reaching as high as $16.55 per share on July 25, 2014.

212. Indeed, the Individual Defendants' illicit stock promotion scheme worked like a charm. From August 7, 2012 until late July 2014 - when the Individual Defendants' scheme unraveled, Galectin common stock increased from $2.02 to reach a high of more than

$18.00 per share. In the process, the Individual Defendants were able to raise tens of millions of dollars to keep Galectin afloat and preserve their lucrative roles with the Company, while also limiting the diluting effect of the ATM Offerings on their own substantial stock holdings. The Insider Selling Defendants were further able to reap several million dollars in proceeds from selling stock at inflated prices.

REASONS THE INDIVIDUAL DEFENDANTS' STATEMENTS WERE IMPROPER

213. The true facts, which were known or were recklessly disregarded by the Individual Defendants during the Relevant Period but concealed from the investing public, were as follows:

(a) The Individual Defendants were causing the Company to secretly utilize the services of the Stock Promoters to disseminate positive, but misleading reports about Galectin's prospects to pump up the price of Galectin's common stock.

(b) Both the Company and the Stock Promoters hired by the Individual Defendants were, *inter alia*, embellishing GR-MD-02's putative effectiveness for the treatment of patients with NASH despite the absence of any definitive evidence proving GR-MD-02's efficacy, and were overstating Galectin's competitiveness with its so-called "peer" Intercept, even though Intercept's clinical trial was ***more than two years ahead*** of Galectin's and ***had already delivered positive Phase II data demonstrating the efficacy of its drug candidate***;

(c) The statements in the At-Market Agreement were materially false and misleading when made because – despite the representations to the contrary that "***[n]either the Company, nor any Subsidiary, nor any of their respective directors, officers or controlling persons***" had directly or indirectly taken "***any action designed, or that has constituted or would reasonably be expected to cause or result in, under the Exchange Act or otherwise, the stabilization or manipulation of the price of any security of the Company to facilitate the sale***

or resale of the Placement Shares" and that "***[t]he Company will not, directly or indirectly, (i) take any action designed to cause or result in, or that constitutes or would reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of Common Stock. . . .***" – the Individual Defendants nonetheless orchestrated a scheme causing the Company to pay the Stock Promoters to publish articles designed to artificially inflate the price of its common stock during the same time period in which the Company was selling such stock in its ATM Offerings;

(d) The statements the Individual Defendants caused the Company to make regarding the funds raised via the At-Market Agreement were materially false and misleading because such statements failed to disclose that the funds were raised via the illicit stock promotion scheme and that the sales of the shares were timed to minimize the impact of dilution on the Individual Defendants' own substantial stock holdings;

(e) GR-MD-02 did not offer the benefits suggested by the Individual Defendants when discussing the patent the Company was awarded or the Phase 1 clinical trial it was conducting; and

(f) As a result of the foregoing, the Company's touted financial and business prospects were materially false and misleading at all relevant times.

214. As a result of the Individual Defendants' false and misleading statements and omissions, Galectin shares traded at artificially inflated prices during the Relevant Period. Once the true facts regarding the Company's stock promotion scheme, financial prospects, and future business prospects emerged, Galectin stock crumbled from its Relevant Period high of $18.30, sinking as low as $5.15 per share on July 29, 2014, erasing ***more than $190 million*** in market capitalization. Indeed, as of June 26, 2015, Galectin's stock was trading at just $2.56 per share, essentially the same level it was before the Individual Defendants caused Galectin to hatch its secret promotion scheme.

THE TRUTH EMERGES

215. On July 25, 2014, Feuerstein tweeted: "$GALT paying penny stock promoters to issue misleading PRs posted to Y!"

216. Then, on July 28, 2014, Bleecker Street Research published an article on *SeekingAlpha.com*[34] reporting that Galectin "has strong ties to stock promoters" and was engaged in a misleading brand awareness campaign aimed at boosting its stock price.

217. Also on July 28, 2014, Feuerstein published an article on *TheStreet.com* entitled "Galectin Pays Stock Promoters to Entice Retail Investors,"[35] in which Feuerstein built off the Bleecker Street Research report and specifically called out Emerging Growth as the investor relations and marketing company Galectin was paying for misleading promotional campaigns to entice investors to buy its stock. Feuerstein's article stated, in pertinent part:

> Last Thursday, Emerging Growth issued a press release, picked up by the Yahoo! Finance feed, which misleadingly compared Galectin to Intercept Pharmaceuticals(ICPT).
>
> From a clinical stage perspective, Intercept is leading the race, having delivered positive data from a Phase 2 trial of obeticholic acid (OCA) earlier this year. Shares tripled on the news. Galectin, a newly-coined member of the Russell 2000, is nipping at Intercept's heels and actually may be closer than what first appears with a Phase 1 trial because of the potential to treat fatty liver disease even once it has progressed. What distinguishes their approach from others that the timing of intervention with their proprietary carbohydrate polymer drug GR-MD-02 may be largely irrelevant to outcomes, with GRMD-02 seeming to work well even in advanced stages of liver fibrosis. This is especially important in fatty liver diseases because they are silent killers, often going undiagnosed for many years. The Galectin drug was granted FDA fast-track approval nearly a year ago.
>
> ***Only someone being paid to shill would claim Galectin is "nipping at Intercept's heels." Intercept is way ahead in developing a drug to treats non-alcoholic steatohepatitis (NASH), a severe form of fatty liver disease, and its clinical studies to date have been designed using appropriate endpoints.***
>
> ***Galectin, by comparison, is conducting a phase I "safety" study of its NASH candidate enrolling a tiny number of patients and using***

[34] Available at http://seekingalpha.com/article/2347785-galectin-therapeutics-why-this-penny-stock-dressed-up-by-stock-promoters-is-a-short.

[35] Available at http://www.thestreet.com/story/12823198/1/galectin-pays-stock-promoters-to-entice-retail-investors.html?puc=yahoo&cm_ven=YAHOO.

> ***endpoints which collect useless biomarker data. It's as if Galectin doesn't really want to find out if their drug is effective against NASH.***
>
> After Emerging Growth's misleading press release was issued Thursday, Galectin followed up with a press release of its own on Friday to announce a conference call for Tuesday morning. The subject of the call: To discuss updated results from its phase I NASH study. [Emphasis added.]

218. On July 29, 2014, the Individual Defendants caused Galectin to announce that it had posted a new presentation on its website about the results of the second cohort of patients in its Phase 1 clinical trial. The posted results were interpreted and characterized as "poor" by analysts.

219. Then on July 29, 2014, Feuerstein published another article on *TheStreet.com* entitled "Galectin Drug is a Fatty Liver Flop,"[36] which stated in pertinent part:

> Fruit pectin is delicious spread on toast, but can an experimental drug derived from fruit pectin be effective as a treatment for fatty liver disease? Not so much, which explains the steep drop in Galectin Therapeutics (GALT) Tuesday.
>
> ***Galectin's experimental drug GR-MD-02 flopped in a phase I study of nonalcoholic steatohepatitis (NASH), a severe form of fatty liver disease. Across just about every biomarker for efficacy Galectin thought to measure, GR-MD-02 showed no difference from placebo.*** Galectin deemed the updated results from the phase I study to be a success because patients treated with GR-MD-02 reported no serious side effects, but of course, ineffective placebos rarely raise safety concerns. [Emphasis added.]

220. On this news, Galectin's stock plummeted $8.84 per share to close at $5.70 per share on July 29, 2014, a one-day decline of nearly 61% on extremely heavy trading volume – wiping out more than $190 million in market capitalization.

221. On July 30, 2014, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Issues Statement on GR-MD-02 Development Program."[37] Therein, the Individual Defendants for the first time ***admitted*** to hiring Emerging

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[36] Available at http://www.thestreet.com/story/12824525/1/galectin-drug-is-a-fatty-liver-flop.html.

[37] *See* http://finance.yahoo.com/news/galectin-therapeutics-issues-statement-gr-130731968.html.

Growth in 2013, and further admitted that Emerging Growth had written ***no less than thirteen*** paid "articles" promoting Galectin stock. This press release, however, failed to disclose that the Individual Defendants also caused the Company to hire The DreamTeam, Cox, and Acorn as part of their illicit stock promotion scheme nor did it disclose Mauldin's ties to stock promotors.

222. Galectin shares have not recovered from these events. In fact, as of June 26, 2015, Galectin common stock was trading at just $2.56 per share, back to levels not seen since the stock promotion scheme was ramped up into high gear by the Individual Defendants.

INSIDER SELLING

223. As noted above, not all shareholders were harmed by the Individual Defendants' actions.

224. Indeed, during the Relevant Period, while in possession of material, adverse, non-public information, Director Defendants Czirr, Martin, and Prelack all took advantage of Galectin's artificially inflated stock price by collectively unloading (or in the case of defendants Czirr and Martin, causing an entity they control to unload) 235,772 shares of Galectin common stock valued at ***more than $3.125 million***.

225. The Insider Selling Defendants sold Company stock at prices ranging between $11.79 per share to as high as $16 per share – far above the closing price of $5.70 per share Galectin common stock sank to on July 29, 2014, following the revelations of the Individual Defendants' illicit, secret scheme to artificially inflate Galectin's stock price and the disclosure of the "poor" Phase 1 clinical trial results, and well-above the trading price of the Company's stock as of the date of the filing of this Complaint-in-Intervention.

226. Specifically, on October 7, 2013, with the price of Galectin stock more than double its pre-propaganda campaign value, and while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell 100,000 shares of its Galectin stock at artificially inflated prices of $11.79 per share, reaping proceeds of $1.179 million.

227. Then, the following day, October 8, 2013, while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell an additional 12,000 shares of its Galectin stock at artificially inflated prices of $12.36 per share, reaping proceeds of $148,320.

228. These October 2013 sales are particularly egregious as they were timed ahead of the announcement of the October 25, 2013 ATM Offering which Czirr and Martin knew would, at least initially, cause the price of Galectin stock to decline.

229. On the heels of the news that Galectin received a U.S. patent for combination treatment for liver fibrosis, and with Galectin stock soaring, the Insider Selling Defendants unloaded more shares. Specifically, on or about January 10, 2014, while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell 42,000 shares of its Galectin stock at artificially inflated prices of $16.00 per share, reaping proceeds of $672,000. Then, on or about January 13, 2014, while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell an additional 58,000 shares of its Galectin stock at artificially inflated prices of $14.00 per share, reaping proceeds of $812,000.

230. Defendant Prelack also sought to capitalize on Galectin's bloated stock price. Specifically, on January 31, 2014, while in possession of material, adverse, non-public information, defendant Prelack disposed of 17,772 shares of Galectin stock at artificially inflated prices of $13.71 per share for a benefit of $242,968. Notably, according to the Form 4 filed with the SEC on February 4, 2014, this transaction represented shares forfeited in satisfaction of the exercise price of the vested options. Had Galectin stock not been trading at artificially inflated prices (due to the Individual Defendants' scheme), Prelack would have been required to forfeit far more than 17,772 shares of Company stock.

231. On April 11, 2014, while in possession of material, adverse, non-public information, defendant Prelack sold 6,000 shares of his personally held Galectin stock at artificially inflated prices of $11.84 per share, reaping proceeds of $71,010. Defendant Prelack orchestrated this sale less than two weeks after the Individual Defendants boasted in a

Company press release that "First Cohort Results in Galectin Therapeutics' Phase 1 Trial Reveal Biomarker Evidence of Therapeutic Effect on Fibrosis and Inflammation in NASH With Advanced Fibrosis."

232. These insider sales were executed under highly suspicious circumstances and while the Insider Selling Defendants possessed material, adverse, non-public Company information. Notably, the insider sales referenced in ¶¶224-227, 229-231 were ***the first such sales of Company stock by any Galectin directors or officers since February 2009***, when the Company was known as Pro-Pharmaceuticals.

233. Indeed, because of their roles as directors of Galectin during the Relevant Period, the Insider Selling Defendants either knew, consciously disregarded, were reckless and grossly negligent in not knowing, or should have known material, adverse, non-public information about the business of Galectin, including, *inter alia*, that: (a) the Individual Defendants had hatched a scheme to cause the Company to utilize the services of paid stock promoters to disseminate positive, but misleading reports about Galectin's prospects, (b) both the Company and the Stock Promoters hired by the Individual Defendants were, among other things, embellishing GR-MD-02's putative effectiveness for the treatment of patients with NASH despite the absence of any definitive evidence proving GR-MD-02's efficacy, and were overstating Galectin's competitiveness with its so-called "peer" Intercept, (c) GR-MD-02 did not provide the benefits suggested by the Individual Defendants when discussing the patent the Company was awarded or the Phase 1 clinical trial it was conducting, and (d) as a result of the foregoing, the Company's touted financial and business prospects were materially false and misleading throughout the Relevant Period.

234. Thus, the Insider Selling Defendants had a duty not to sell shares while in possession of material, adverse non-public information concerning Galectin's financial and business prospects.

DUTIES OF THE INDIVIDUAL DEFENDANTS

Fiduciary Duties

235. By reason of their positions as officers, directors, and/or fiduciaries of Galectin and because of their ability to control the business and corporate affairs of Galectin, the Individual Defendants owed and owe the Company and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage Galectin in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of Galectin and its shareholders so as to benefit all shareholders equally and not in furtherance of their personal interest or benefit.

236. Each director and officer of the Company owes to Galectin and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets, and the highest obligations of fair dealing.

237. The Individual Defendants, because of their positions of control and authority as directors and/or officers of Galectin, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein. Because of their advisory, executive, managerial, and directorial positions with Galectin, each of the Individual Defendants had knowledge of material non-public information regarding the Company. In addition, as officers and/or directors of a publicly held company, the Individual Defendants had a duty to promptly disseminate accurate and truthful information with regard to the Company's financial and business prospects so that the market price of the Company's stock would be based on truthful and accurate information.

238. To discharge their duties, the officers and directors of Galectin were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the Company. By virtue of such duties, the officers and directors of Galectin were required to, among other things:

JURISDICTION AND VENUE

15. The Court has jurisdiction over each defendant named herein because each defendant is either a corporation that does sufficient business in Nevada and/or is incorporated in Nevada, or is an individual who has sufficient minimum contacts with the State of Nevada so as to render the exercise of jurisdiction by Nevada courts permissible under traditional notions of fair play and substantial justice.

16. Venue is proper in this Court because Galectin is incorporated in Nevada and because many of the acts and practices complained of herein occurred in this District, and Defendants have received substantial compensation by doing business here and engaging in numerous activities that had an effect in this District.

THE PARTIES

17. Plaintiff-Intervenor Hasbrouck is a current shareholder of Galectin and has continuously held Galectin stock since 2003, when the Company was known as Pro-Pharmaceuticals.

18. Plaintiff-Intervenor Yip is a current shareholder of Galectin and has continuously held Galectin stock since February 2007, when the Company was known as Pro-Pharmaceuticals.

19. Nominal Defendant Galectin is incorporated in Nevada with its principal place of business located at 4960 Peachtree Industrial Boulevard, Suite 240, Norcross, Georgia 30071. Galectin is a development stage company engaged in the research and development of therapies for fibrotic disease and cancer. According to the Company's most recent Annual Report on Form 10-K (the "2014 Form 10-K"), filed with the SEC on March 18, 2015, Galectin has only seven full-time employees. The Company's common stock is traded on the NASDAQ Capital Markets under the ticker symbol "GALT." The Company has more than 23 million shares outstanding.

20. Defendant Peter G. Traber ("Traber") has served as Galectin's President and Chief Executive Officer ("CEO") since March 2011 and as a director of the Company since February 2009. Traber also currently serves as the Company's Chief Medical Officer

("CMO"). Traber is an individually named defendant in the Securities Class Action. Traber received $2,252,052 in total compensation from Galectin in 2014, $612,690 in total compensation from Galectin in 2013, and $1,089,299 in total compensation from Galectin in 2012. As of March 20, 2015, Traber owned or controlled approximately 1,405,276 shares of Galectin common stock, including 100,000 shares issuable upon his exercise of warrants.

21. Defendant James C. Czirr ("Czirr") has served as Chairman of the Board since February 2009 and as Executive Chairman since February 2010. Czirr co-founded Galectin in July 2000, and in 2009 he, along with defendant Rod D. Martin ("Martin"), led the takeover of Galectin. Czirr, along with Martin, is also the co-founder of 10X Fund and is a managing member of 10X Capital Management, LLC ("10X Capital Management" which, collectively, with 10X Fund, is referred to herein as "10X"), the general partner of 10X Fund. As of March 19, 2014, 10X Fund is the owner of all of the issued and outstanding shares of Galectin Series B preferred stock. As holders of Galectin Series B preferred stock, 10X Fund has the right to, among other things, vote as a separate class to nominate and elect two directors, referred to as the Series B directors, and to nominate three directors, referred to as the Series B nominees, who must be recommended for election by holders of all of Galectin's securities entitled to vote on election of directors. Czirr is a Series B director. Czirr is an individually named defendant in the Securities Class Action, as is 10X Fund, which Czirr and Martin co-founded. Czirr received $1,088,249 in total compensation from Galectin in 2014, $437,214 in total compensation from Galectin in 2013, and $292,192 in total compensation from Galectin in 2012. During the Relevant Period, while in possession of material, adverse, non-public information, Czirr, along with defendant Martin, caused 10X Fund to sell 212,000 shares of Galectin common stock for proceeds exceeding $2.8 million at artificially inflated prices. As of March 31, 2015, Czirr owned or controlled approximately 817,000 shares of Galectin common stock, including shares of Series A on an as-converted basis, and had the right to acquire approximately 811,000 additional shares of Galectin's common stock upon the exercise of outstanding stock options (approximately 631,000 of which became exercisable as of December 31, 2014).

22. Defendant Jack W. Callicutt ("Callicutt") has served as the Chief Financial Officer ("CFO") of the Company since July 2013. Callicutt is an individually named defendant in the Securities Class Action. Callicutt received $545,714 in total compensation from Galectin in 2014 and $853,919 in total compensation from Galectin in 2013. As of March 20, 2015, Callicutt owned or controlled approximately 99,035 shares of Galectin common stock.

23. Defendant Gilbert F. Amelio ("Amelio") has served as a director of the Company since February 2009. During the Relevant Period, Amelio was a member of the Board's Nominating and Corporate Governance Committee (the "Governance Committee") and the Board's Compensation Committee (the "Compensation Committee"). As of March 20, 2015, Amelio owned or controlled approximately 127,306 shares of Galectin common stock.

24. Defendant Kevin D. Freeman ("Freeman") has served as a director of the Company since May 2011. During the Relevant Period, Freeman was a member of the Board's Audit Committee (the "Audit Committee"). As of March 20, 2015, Freeman owned or controlled approximately 196,995[3] shares of Galectin common stock.

25. Defendant Arthur R. Greenberg ("Greenberg") has served as a director of the Company since August 2009. During the Relevant Period, Greenberg was a member of the Audit Committee and the Compensation Committee. As of March 20, 2015, Greenberg owned or controlled approximately 142,228 shares of Galectin common stock.

26. Defendant Martin has served as Vice Chairman of the Board since February 2010 and as a director of the Company since February 2009 when he, along with defendant Czirr, led a takeover of the Company. Martin, along with defendant Czirr, is the co-founder of 10X Fund and is a managing member of 10X Capital Management, the general partner of 10X Fund. As of March 19, 2014, 10X Fund is the owner of all of the issued and outstanding

[3] This includes 150,437 shares of Galectin stock managed by Cross Consulting and Services, LLC, which is a Texas limited liability company doing business as Freeman Global Investment Counsel. Freeman is CEO of Freeman Global Investment Counsel and has voting and investment control over these shares but disclaimed beneficial ownership of them.

shares of Galectin Series B preferred stock. Martin is an individually named defendant in the Securities Class Action, as is 10X Fund, which Martin and Czirr co-founded. During the Relevant Period, Martin was the Chairperson of both the Compensation Committee and the Governance Committee. During the Relevant Period, while in possession of material, adverse, non-public information, Martin, along with defendant Czirr, caused 10X Fund to sell 212,000 shares of Galectin common stock for proceeds exceeding $2.8 million at artificially inflated prices. As of March 31, 2015, Martin owned or controlled approximately 175,000 shares of Galectin common stock and had the right to acquire approximately 41,000 additional shares of Galectin common stock upon the exercise of outstanding stock options (approximately 34,000 of which became exercisable as of December 31, 2014).

27. Defendant John F. Mauldin ("Mauldin") has served as a director of the Company since May 2011. Mauldin is an individually named defendant in the Securities Class Action. At all relevant times, Mauldin published investment advice to paying subscribers through his website, Mauldin Economics. Mauldin Economics employed various editors, including, among others, Cox, who contributed research on small-cap biotech companies through a fee-based publication titled *Transformational Technology Alert*. As alleged herein, Cox was one of four stock promoters that Galectin retained during the Relevant Period to write articles touting the Company to investors as part of the Company's stock promotion scheme. As of March 20, 2015, Mauldin owned or controlled approximately 53,662 shares of Galectin common stock.

28. Defendant Steven Prelack ("Prelack") has served as a director of the Company since April 2003. During the Relevant Period, Prelack served as Chairperson of the Audit Committee. During the Relevant Period, while in possession of material, adverse, non-public information, Prelack disposed of 23,772 shares of his personally-held Galectin common stock for proceeds of approximately $314,000 at artificially inflated prices. As of March 20, 2015, Prelack owned or controlled approximately 36,930 shares of Galectin common stock.

29. Defendant Herman Paul Pressler, III ("Pressler") has served as a director of the Company since May 2011. During the Relevant Period, Pressler was a member of the

Governance Committee. As of March 20, 2015, Pressler owned or controlled approximately 42,813 shares of Galectin common stock.

30. Defendant Dr. Marc Rubin ("Rubin") has served as a director of the Company since October 2011. As of March 20, 2015, Rubin owned or controlled approximately 50,656 shares of Galectin common stock.

31. Defendant 10X Fund, a Delaware limited partnership, and its general partner, 10X Capital Management, were co-founded by Czirr and Martin in 2008 as a technology-focused hedge fund headquartered in Niceville, Florida. In 2009, 10X conducted a takeover and restructuring of Galectin's predecessor company, Pro-Pharmaceuticals. As of March 20, 2015, Defendant 10X Fund owned all of the issued and outstanding shares of Galectin Series B preferred stock, which are convertible into 2,000,000 shares of Galectin's common stock, as well as warrants exercisable to purchase an aggregate of 4,000,000 shares of Galectin common stock. Additionally, Czirr, a managing partner of 10X Fund and Executive Chairman of Galectin's Board, owned or controlled approximately 817,000 shares of Galectin common stock, including shares of Series A preferred stock on an as-converted basis, and had the right to acquire approximately 811,000 additional shares of Galectin's common stock upon the exercise of outstanding stock options (approximately 631,000 of which became exercisable as of December 31, 2014). Additionally, Martin, a managing partner of 10X Fund and Vice Chairman of Galectin's Board, owned or controlled approximately 175,000 shares of Galectin common stock and had the right to acquire approximately 41,000 additional shares of Galectin common stock upon the exercise of outstanding stock options (approximately 34,000 of which became exercisable as of December 31, 2014). Thus, as of December 31, 2014 (on a fully diluted basis, assuming conversion of all Series B preferred stock and exercise of all outstanding warrants), 10X Fund would own approximately 31% of Galectin's then-outstanding shares of common stock. Furthermore, through its ownership of Galectin Series B preferred stock, 10X Fund was, at all relevant times, entitled to: (i) elect three directors to the Company's Board in a separate class vote; (ii) nominate three directors for election by all shares entitled to vote; and (iii) provide or withhold consent to a range of fundamental

corporate actions that the Company could potentially undertake, such as recapitalization, sale of the Company, and other matters.

32. Defendants identified in ¶¶20-30 are sometimes referred to herein as the "Individual Defendants."[4]

33. Defendants identified in ¶¶20, 21, 23-30 are sometimes referred to herein as the "Director Defendants."

34. Defendants identified in ¶¶24, 25, and 28 are sometimes referred to herein as the "Audit Committee Defendants."

35. Defendants identified in ¶¶23, 26, and 29 are sometimes referred to herein as the "Governance Committee Defendants."

36. Defendants identified in ¶¶21, 26, and 28 are sometimes referred to herein as the "Insider Selling Defendants."

37. Collectively, the Individual Defendants and 10X Fund are sometimes referred to as "Defendants."

FACTUAL ALLEGATIONS[5]

Company Background

38. Galectin is a development stage company engaged in the research and development of therapies for fibrotic disease and cancer. Specifically, according to its public filings, "the Company is developing promising carbohydrate-based therapies for the treatment of fibrotic liver disease and cancer based on the Company's unique understanding of galectin proteins, key mediators of biologic function. [The Company is] leveraging extensive scientific and development expertise as well as established relationships with external sources to achieve cost effective and efficient development. [The Company is] pursuing a clear development pathway to clinical enhancement and commercialization for [its] lead compounds in liver

[4] Each of the Individual Defendants, with the exception of Callicutt, was with the Company throughout the entire Relevant Period. Callicutt did not join the Company as its CFO until on or about June 21, 2013.

[5] All emphasis is added unless otherwise noted.

fibrosis and cancer." According to the Company's 2014 Form 10-K, ***Galectin has just seven full-time employees.***

39. Galectin's predecessor company – Pro-Pharmaceuticals – was founded in July 2000 as Pro-Pharmaceuticals, and was at that time both headquartered and incorporated in Massachusetts. Pro-Pharmaceuticals developed drugs made from fruit pectins which were supposed to bind to and block galectins. Galectins are a family of glue-like proteins believed to be associated with various diseases when found at elevated levels in the body.

40. In April 2001, DTR-Med Pharma Corp., a Nevada corporation ("DTR"), and Pro-Pharmaceuticals entered into a stock exchange agreement, through which DTR acquired all of the then-outstanding shares of Pro-Pharmaceuticals common stock. Following this acquisition, in May 2001, DTR changed its name to Pro-Pharmaceuticals. Finally, in June 2001, the Massachusetts corporation was merged into the Nevada corporation.

41. Interestingly, in 2004, Pro-Pharmaceuticals was sued by its former head of investor relations, Sheila Jayaraj ("Jayaraj"), for wrongful discharge. Jayaraj alleged, among other things, that Pro-Pharmaceuticals had violated the federal securities laws by hiring an unqualified stock promoter (a convicted felon), misleading investors at a meeting to pitch the private sale of its shares, and making exaggerated claims about the prospects for its experimental cancer drug. Additionally, Pro-Pharmaceuticals also reportedly paid consulting fees to four of its then-directors, including at least $194,000 to defendant Czirr, compromising their independence. These allegations caught the attention of both the SEC and the Massachusetts Division of Securities, each of which launched investigations into Pro-Pharmaceuticals.

42. The experimental cancer drug at the time of the whistleblower lawsuit and investigations was known as Davanat, and was Pro-Pharmaceuticals' lead galectin inhibitor. Specifically, Davanat was being developed as a boosting agent for the chemotherapy treatment used in colon cancer patients. Indeed, over an eight-year period, from 2003 to 2011, Pro-Pharmaceuticals continually insisted that it was in the process of seeking the U.S. Food and Drug Administration's ("FDA") approval for Davanat.

43. In 2009, Pro-Pharmaceuticals finally admitted publicly that the FDA actually requested that Pro-Pharmaceuticals conduct a Phase III study of Davanat in colon cancer. Although Pro-Pharmaceuticals spent the next two years purportedly discussing plans to conduct the Phase III study requested by the FDA, such a study never happened.

44. Also in 2009, after stepping down as a board member and executive of Pro-Pharmaceuticals several years earlier in 2003, Czirr, along with Martin, led 10X Fund in a takeover and restructuring of Pro-Pharmaceuticals. Czirr, with Martin, was back in control of the Company.

New Beginning: The Individual Defendants Rebrand the Company and Lay the Foundation for the Improper Stock Promotion Campaign

45. As its protracted promotional campaign of Davanat was failing to live up to the hype, Pro-Pharmaceuticals undertook a series of actions in an attempt to rebrand itself and leave its troubled past behind. Specifically, on May 26, 2011, Pro-Pharmaceuticals changed its name to Galectin Therapeutics, Inc.

46. It was at this time that the Board decided to seek (and it ultimately received) shareholder approval to amend the Company's Articles of Incorporation to permit the Board to have up to eleven members (two more than what was previously allowed per the Company's Articles of Incorporation). *See, e.g.*, Galectin's Proxy Statement pursuant to Section 14(a) of the Exchange Act on Form DEF 14A dated April 12, 2011 (the "2011 Proxy") at 1, 30. Specifically, the 2011 Proxy stated that:

> Based on a review of other companies, the Nominating and Governance Committee of our Board of Directors,[6] or the Committee, has recommended that the governance of our company would benefit favorably from the ability to have a broader range of experience and expertise on the Board of Directors than is possible if the Board size is limited to nine persons. A company such as ours needs expertise in drug development and clinical trials, drug approval regulatory matters, pharmaceutical commercialization, international health care trends,

[6] At that time, the Governance Committee consisted of, among others, Defendants Martin (Chair) and Amelio. As is detailed further herein, the Governance Committee was specifically charged with, *inter alia*, "identifying individuals qualified to become members of the Board" and were to "recommend to the Board, candidates for election or re-election as directors." *Id.* at 18.

> corporate finance, financial reporting, and other matters. The Committee reviewed the boards of a number of other companies in the drug development sector and concluded that a larger board is consistent with our peers in this area.

47. Notably, the amendment to the Company's Articles of Incorporation required the specific blessing of 10X Fund (and thus Czirr and Martin) since, as the 2011 Proxy admits "[a]ny amendment to [the Company's] Articles of Incorporation must receive the consent of the Series B preferred." *Id.* at 30. The 2011 Proxy confirmed that "10X Fund, as the holder [of the Series B preferred], has consented to this amendment." *Id.* at 30.

48. The Company's shareholders approved the Amendment to the Company's Articles of Incorporation, and on or about June 2, 2011, via a Form 8-K filed with the SEC, the Company announced, among other things, that the Board, which at that time consisted of, among others, defendants Czirr, Greenberg, Amelio, Martin, Prelack, Pressler, and Traber, had elected defendants Mauldin and Freeman to fill the two vacancies created by the expansion of the Board from nine to eleven members. Specifically, with respect to defendant Mauldin, the Form 8-K stated:

> Mr. Mauldin is President of Millennium Wave Advisors LLC, an investment advisory firm, and a registered representative of Millennium Wave Securities, LLC, a FINRA registered broker-dealer. Previously he was Chief Executive Officer of the American Bureau of Economic Research. He has many publications on investments and financial topics, including a New York Times bestseller and articles in the Financial Times and The Daily Reckoning , and is a frequent guest on CNBC, Yahoo Tech Ticker and Bloomberg TV. He holds a B.A. from Rice University and a M.Div. from Southwestern Baptist Theological Seminary. We believe Mr. Freeman's (sic) financial expertise will be a substantial addition to the Board.

49. The Form 8-K failed to disclose, *inter alia*: (1) that Mauldin published investment advice to paying subscribers through his website, Mauldin Economics; (2) that Mauldin Economics employed various editors, including, among others, Cox, who contributed research on small-cap biotech companies through a fee-based publication titled *Transformational Technology Alert*; (3) that Mauldin had previously "pumped-up" the price of a biotech stock through misleading and sensationalized articles; and (4) that he was being

added to the Board because of his experience with and ties to stock promoters that Galectin would ultimately utilize in furtherance of the stock promotion scheme described herein.

50. Then, on March 28, 2012, the Company conducted an Initial Public Offering to list its common stock on the NASDAQ. Finally, looking to further leave its history of failures and plagued past behind it, in October 2012, the Company relocated its headquarters to Atlanta, Georgia.

51. Despite these changes, many familiar faces remained at Galectin. Indeed, defendants Traber, Amelio, Czirr, Greenberg, Martin, and Prelack, each of whom had been directors of Pro-Pharmaceuticals since at least 2009, remained on Galectin's Board and/or in executive roles. In short, it was business as usual at the Company – and for Galectin stockholders, this was not a good thing.

52. Looking to further distance the Company (and themselves) from the failures of the past, the Individual Defendants decided to rebrand the name of the Company's failed cancer drug, formerly known as Davanat, to GM-CT-01, which the Company now claimed it was developing as a cancer immunotherapy capable of activating a patient's T cells to identify and eliminate cancerous tumors.

53. Specifically, throughout 2012 and early 2013, Galectin teamed with the Cancer Centre at the Cliniques universitaires Saint-Luc and the Ludwig Institute for Cancer Research Ltd (LICR) to conduct Phase I and II studies of GM-CT-01 for cancer immunotherapy of patients with advanced metastatic melanoma. However, the Phase I and II clinical trials of GM-CT-01 yielded no objective results demonstrating the drug's efficacy.[7]

54. So, with all mileage exhausted from Davanat/GM-CT-01, and that drug essentially out of the picture, the Individual Defendants were forced back to the drawing board to concoct a new "lead product" candidate. At the time, numerous biotech firms had entered the race to develop a drug treatment for NASH, a disease that leads to fatty buildup in the liver

[7] Currently, the trial for GM-CT-01 has been placed on hold according to the Company's public disclosures. *See* 2014 Form 10-K at 13 ("There are currently no FDA clinical trials ongoing for GM-CT-01.").

and can potentially lead to cirrhosis and/or liver cancer, with Intercept and its lead drug candidate OCA leading the charge. Indeed, it was OCA's positive Phase II efficacy results that caused Intercept's stock price to surge from approximately $20 per share to approximately $445 per share almost overnight and caught the attention of other biopharma companies, including Galectin. Looking to piggy-back – and ultimately cash-in – on Intercept's success, Galectin's focus turned to GR-MD-02 to treat NASH.[8]

55. On January 31, 2013, Galectin formally jumped on the NASH bandwagon, announcing it had submitted its own IND application to the FDA to conduct a study of its new lead product candidate, GR-MD-02, a complex polysaccharide polymer for the treatment of NASH with advanced fibrosis. The next day, February 1, 2013, Galectin announced it had entered into an agreement with CTI to conduct Phase I clinical trials of GR-MD-02 to assess the drug's "safety and preliminary evidence of efficacy in humans." Then, in March 2013, that Company received notification from the FDA that the Company could begin its Phase I clinical trial of GR-MD-02 for the treatment of patients with NASH, for which it began enrolling patients in July 2013.

56. While the Company's product focus has shifted through the years, one thing has remained a constant – its inability to make money. Specifically, the Company incurred net losses in each year of operation since its inception in July 2000, with an accumulated deficit as of December 31, 2014 of $119 million. Indeed, as of June 30, 2012, the quarter preceding the Relevant Period, the Company had just $13.1 million of non-restricted cash and cash equivalents which it claimed would only fund operations and planned research and development through 2013.

57. With a long history of failed products and losses, and faced with dwindling cash at a time when it was refocusing on the development of a new lead (and really only) drug candidate, Galectin needed cash. Without it, the Individual Defendants would not be able to

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[8] Indeed, as the Individual Defendants have admitted in the Company's 2013 Form 10-K, filed on March 21, 2014, the Company "is currently focus[ed] on" GR-MD-02, making it Galectin's lead product candidate throughout the Relevant Period. *See also* 2014 Form 10-K at 1-2 (stating that Galectin is "currently focusing on development of GR-MD-02. . .").

fund daily operations and GR-MD-02's development (and secure their positions at the Company in the process) beyond 2013. The Individual Defendants concluded that the best (and quickest) way to raise cash was to generate excitement around Galectin, GR-MD-02, and most importantly, the Company's stagnant stock price. Thus, the illicit scheme to hire stock promoters to echo the Company's boastful – yet misleading – propaganda campaign was hatched.

The Individual Defendants' Illicit Scheme

58. The Individual Defendants' plan to pump-up Galectin's stock price was a simple and familiar one: First, the Individual Defendants caused the Company to flood investors with a series of facially positive news announcements about GR-MD-02. At the same time, the Individual Defendants caused the Company to secretly pay stock promoters to underscore the putative promise of GR-MD-02 as well as Galectin's prospects and outlook to help prop-up the Company's stock price.

59. Second, once the stock price was adequately inflated by the unrelenting propaganda campaign, the Individual Defendants sold the inflated stock to unsuspecting investors via at-the-market offerings. Because the price at which Galectin was authorized to sell shares of its common stock in each of these offerings was based upon the market price of such shares, ***each*** of the Individual Defendants had a clear incentive to artificially inflate Galectin's stock price so that the Company could generate maximum proceeds from each of these offerings and minimize any potential dilution to their holdings. Additionally, some of the Individual Defendants elected to line their own pockets by selling their own stock or, in the case of Czirr and Martin, causing 10X Fund – the entity they controlled – to do so.

60. Since this undisclosed stock promotion scheme directly involved Galectin's core business operations — the GR-MD-02 clinical trial — ***each*** of the Individual Defendants either knew or were reckless and derelict in their duties in not knowing its existence. Indeed, the Individual Defendants caused the Company to expressly acknowledge in its public SEC filings that it was "largely dependent" on the development of its lead product candidate, GR-MD-02. Since, as is detailed further herein, the promotional articles specifically touted the

putative success of the GR-MD-02 clinical trial and its prospects for the purpose of enabling the Company to raise money through the sale of inflated Galectin common stock, it is reasonable to infer that the Individual Defendants knowingly and/or recklessly allowed for the dissemination of the misleading statements alleged herein.

61. Additionally, considering Galectin is a very small company (*see, e.g.*, the Company's 2011 Form 10-K (noting that as of December 31, 2011, the Company employed just seven full-time employees), the Company's 2012 Form 10-K (noting that the Company "currently" had just five full-time employees), the Company's 2013 Form 10-K (noting that the Company "currently" had just six full-time employees), and the Company's 2014 Form 10-K (noting that the Company "currently" has just seven full-time employees)) it is more plausible than not that each of the Individual Defendants was well aware of the illicit stock promotion scheme alleged herein. Indeed, it is telling that the Company had more Board members than employees throughout the entire Relevant Period.

62. To put their plan into place, the Individual Defendants – unbeknownst to investors and the public – secretly and illicitly retained at least four stock promoters to execute the misleading promotional campaign designed to entice investors to buy Galectin stock.

63. As explained by the SEC: "Some microcap companies pay stock promoters to recommend or 'tout' the microcap stock in supposedly independent and unbiased investment newsletters, research reports, or radio and television shows. Paid promoters are often behind the unsolicited 'junk' faxes, e-mail messages, online advertisements or high-end glossy mailers you may receive touting a microcap or penny stock company. The federal securities laws require the publications to disclose who paid them for the promotion, the amount, and the type of payment. ***But many fraudsters fail to do so and mislead investors into believing that they are receiving independent advice.***" http://investor.gov/investing-basics/avoiding-fraud/types-fraud/microcap-fraud (emphasis added). Notably, the SEC bulletin continues: "Fraudsters often issue press releases that contain exaggerations or lies about the microcap company's sales, acquisitions, revenue projections, or new products or services. These

fraudulent press releases are sometimes then disseminated through legitimate financial news portals on the Internet." *Id.*

64. Here, the four stock promoters retained by the Individual Defendants on behalf of Galectin were: (1) The DreamTeam; (2) Cox; (3) Emerging Growth; and (4) Acorn.

65. Galectin, however, failed to disclose its relationship with three of these stock promoters (The DreamTeam, Cox, and Emerging Growth) during the Relevant Period. As for the fourth stock promoter, Acorn, Galectin indirectly reported it had entered into a "consulting agreement" with Acorn, but omitted material detail regarding the so-called "consulting" services rendered by Acorn under this arrangement. Additionally, the Company's limited disclosure about Acorn occurred well ***after*** the Company initially engaged Acorn and well ***after*** Acorn published its manipulative statements in March of 2014 about Galectin.

66. Notably, the Stock Promoters did not promote the Company's products to potential customers, or even possible partners. Instead, they focused on promoting the Company's stock on various investment mediums, often times specifically targeting retirees.

67. When the Individual Defendants' hatched their illicit stock promotion scheme in or around August 7, 2012, Galectin stock opened at a paltry $2.02 per share.

Galectin's Paid Stock Promoters

The DreamTeam

68. Galectin retained The DreamTeam to publish articles designed to boost the price of the Company's common stock under The DreamTeam's "Investor Relations Brand," MissionIR. During the Relevant Period, The DreamTeam published ***no less than five (5) articles*** touting Galectin, GR-MD-02, and the Company's stock.

69. But Galectin was not The DreamTeam's only client. On March 12, 2014, Feuerstein published an exposé titled "Behind the scenes with Dream Team, CytRx, and Galena" where Feuerstein documented DreamTeam's attempts to hire Feuerstein to author articles touting the stocks of Galena Biopharma, Inc. ("Galena") and Cytrx Corporation ("CytRx"). Feuerstein played along, and documented instances where "management from both Galena and CytRx were intimately involved in reviewing and editing the paid articles on

their own stock at precisely the time they were looking to sell / issue shares" without ever disclosing the relationship to investors.

70. Galectin itself never disclosed to shareholders that it was paying The DreamTeam to publish promotional articles to artificially inflate the price of Galectin stock. In addition, none of the articles issued during the Relevant Period by The DreamTeam disclosed that Galectin had paid them to publish the articles. In fact, in each of the articles published during this timeframe, even The DreamTeam's general compensation disclaimer patently omitted Galectin from The DreamTeam's list of paying clients.

Cox

71. Cox wrote ***no less than twenty-four (24)*** articles promoting the efficacy of Galectin's drug candidates and generally over-praising the Company.

72. Galectin never disclosed to shareholders that it had engaged Cox to publish exceedingly boastful and manipulative articles to artificially inflate the price of Galectin stock.

73. Nor was it disclosed that Cox was retained by the Individual Defendants because he could easily be manipulated by them due to Cox's relationship with defendant Mauldin given that defendant Mauldin had employed Cox as the editor of Mauldin Economics' fee-based newsletter, *Transformational Technology Alert*. Through this relationship, defendant Mauldin published a string of boastful and sensationalistic articles authored by Cox about Galectin.

74. Indeed, the Individual Defendants failed to disclose the facts that Mauldin published investment advice to paying subscribers through his website, Mauldin Economics, that Mauldin Economics employed various editors, including, among others, Cox, who contributed research on small-cap biotech companies through *Transformational Technology Alert*, that Mauldin had previously "pumped-up" the price of a biotech stock through misleading and sensationalized articles,[9] and that Mauldin was added to the Board because of

[9] This was not the first time that Mauldin and Cox have teamed up to pump-up a biotech stock in which Mauldin had an economic interest through misleading and sensationalized articles. Indeed, in March 2011, Mauldin published – on Mauldin Economics – Cox's alleged "research" concerning the efficacy of another small biotech company's drug product. That

his experience with and ties to stock promoters that Galectin would ultimately utilize in furtherance of the stock promotion scheme.

Emerging Growth

75. Between July 17, 2013 and July 24, 2014, Emerging Growth published ***no less than fourteen (14)*** misleading and sensationalized articles about the Company – always in tandem with the Company's own press releases touting the progress of GR-MD-02 and comparing Galectin with Intercept.

76. Galectin never disclosed its relationship with Emerging Growth.

77. Indeed, the only way an investor could discover there may be any relationship between Emerging Growth (or one of its other monikers – TDM Financial or SECFilings.com) and Galectin was to embark on a scavenger hunt for the information. Not one of the Emerging Growth articles referenced herein contains a disclaimer ***on the same page of the article*** that Emerging Growth ***was*** compensated ***by Galectin*** for the publication of the article. Further, at least five of the articles (specifically, the July 17, 2013, August 6, 2013, October 14, 2013, December 20, 2013, and January 7, 2014 articles) fail to even make ***any*** reference with respect to ***potential compensation***.

78. By either not disclosing that Emerging Growth was paid at all, or by burying such information via a labyrinth of hyperlinks to purported "disclosures" on an alternate website, the Individual Defendants, with Emerging Growth as a conduit, perpetuated their scheme to inflate the price of Galectin's stock for their own personal gain.

Acorn

79. During the Relevant Period, the Individual Defendants caused Galectin to retain Acorn to publish ***at least two*** sensationalistic, promotional articles about the Company.

80. Of the four known Stock Promoters the Individual Defendants caused the Company to retain to carry out its scheme of inflating the price of its stock, Acorn was the

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company was called BioTime and, just like here with Galectin, Mauldin owned shares in BioTime. The day Cox's report was published, BioTime's stock jumped 14%, from $6.81 to $7.75, on heavy trading volume. Ultimately, Cox's sham promotions of BioTime were severely criticized as "dubious" and "outlandish."

only one whose engagement Galectin partially revealed to investors. The disclosure, however, occurred only ***after*** Acorn had already published the first glowing article about Galectin. And the belated disclosure, itself, was misleading.

81. Specifically, Galectin's quarterly report on Form 10-Q for the period ended March 31, 2014 filed with the SEC on May 13, 2014 (the "1Q14 Form 10-Q") stated the Company issued 3,000 shares of common stock to Acorn pursuant to a putative "consulting agreement." This "disclosure," however, concealed the fact that Galectin had engaged Acorn to promote the Company's stock, misleadingly describing Acorn as a "consultant" without any elaboration as to the "consulting" services provided.

82. Moreover, this partial disclosure on May 13, 2014, came ***nearly four months after*** Galectin retained Acorn and ***over two months after*** Acorn published its extremely positive "Company Profile" of Galectin on March 10, 2014.

83. As a result of these paid relationships with the Stock Promoters, under the law of agency, the Stock Promoters became agents of the Company at the behest of the Individual Defendants for purposes of publishing the manipulative and boastful articles discussed herein. By receiving payment from Galectin – which the Individual Defendants caused it to make – to publish these articles, the Stock Promoters acted under the control and discretion of the Company and the Individual Defendants.

The Individual Defendants and the Stock Promoters Secretly Work in Concert, Issuing Optimistic and Misleading Press Releases in an Effort to Pump Up Galectin's Stock Price

The Propaganda Campaign Begins as the Company Shifts Focus to GR-MD-02

84. On August 7, 2012, the Individual Defendants' caused the Company to issue a press release entitled "Galectin Therapeutics Planning Clinical Trials for Early 2013 to Treat Fatty Liver Disease with Advanced Fibrosis After Recent FDA Meeting." The press release formally announced the Company's clinical development program for the treatment of NASH, and announced that Galectin had selected GR-MD-02 as its lead product candidate for NASH. The press release also laid out the timeline for GR-MD-02's development, claiming GR-MD-

02 was expected to enter clinical trials in "early 2013." The press release quoted Traber, who lauded GR-MD-02 as demonstrating "***the ability to not only prevent, but reverse liver fibrosis in preclinical mouse models of NASH, suggesting that this candidate could represent a disease-modifying treatment option***." Traber touted that the Company would make its IND submission "by the end of 2012."[10]

85. The very next day, August 8, 2012, Cox[11] published an article on Pennysleuth.com entitled, "The Phytochemical and Nutraceutical Revolution Starts Right Now."[12] Cox minced no words in touting Galectin stating, in relevant part:

> In short, the "phytochemical and nutraceutical revolution" has begun.
>
> My first exposure to this phenomenon ***was through a company I've recommended to my Breakthrough Technology Alert readers called Galectin Therapeutics (NASDAQ: GALT)***. The company's cancer- and fibrosis-fighting compounds are, in fact, naturally occurring plant sugars. Currently, they have to be administered via transfusion, but that will, inevitably, change.
>
> ***Galectin Therapeutics' galectin-3 blocking natural plant sugars are one of the most-important biotech breakthroughs of our era. Not only do their phytochemicals pierce the cancer cloaking shield, they also reverse fibrosis.***
>
> The prestigious Ludwig Institute is in clinical tests right now with Galectin Therapeutics' drug candidate in conjunction with a cancer vaccine. ***Just yesterday, however, the company announced plans to initiate clinical trials for NASH, or fatty liver disease, in early 2013.***
>
> ***Let me repeat that for those who weren't paying close attention: early 2013.***
>
> Another company I've recommended has created a synthesized form of a natural alkaloid that I believe will extend healthy life spans. ***Equity in the company that makes this product could yield truly transformational returns.***

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[10] Press release available at http://investor.galectintherapeutics.com/releasedetail.cfm?ReleaseID=810247.

[11] This was not the first time Cox shilled for Galectin. *See, e.g.*, http://www.thelifesciencesreport.com/pub/na/biotech-ideas-that-will-change-the-world-patrick-cox (purported "interview" on a website called *Streetwise Reports: The Life Sciences Report* in which Cox touts GM-CT-01).

[12] Article available at http://pennysleuth.com/the-phytochemical-and-nutraceutical-revolution-starts-right-now/.

> ***I believe this company has a product that actually does what other supplements only wished they could do — it controls chronic low-level inflammation.***
>
> ***That effect may not sound very important. But as I explained to you in Monday's Sleuth, it is actually revolutionary.***

86. Importantly, the article contained no disclaimer disclosing the connection between Cox and Mauldin, nor is there any reference of Cox being compensated by Galectin for the article. Wholly to the contrary, the exact page on which the article appears specifically states that the "Penny Sleuth features unbiased and independent analysis on penny stocks, OTCBB, options and more!" *Id.*

87. On August 10, 2012, the Company filed its quarterly report for the period ended June 30, 2012. The Form 10-Q was signed by defendant Traber. The Form 10-Q reiterated the August 7, 2012 announcement that GR-MD-02 was chosen as the Company's lead candidate for its NASH program as well as the timeline associated with the development. However, the Individual Defendants failed to cause the Company to disclose in this Form 10-Q any information related to the stock promotion scheme or the connection between Cox and Mauldin.

88. On October 26, 2012, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics to Present New Data on the Treatment of Fatty Liver Disease and Fibrosis at AASLD 2012" noting that "preclinical data have demonstrated the ability of the Company's lead galectin inhibitor compound, GR-MD-02, to prevent and reverse the formation of fibrosis in animal models of non-alcoholic steatohepatitis (NASH), or fatty liver disease. The presentation at AASLD will extend understanding about the mechanism by which GR-MD-02 improves pathology in NASH, an important unmet medical need."

89. Only days later, on November 1, 2012, The DreamTeam, via their MissionIR alter ego, issued an article entitled "Galectin Therapeutics, Inc. (GALT) to Present at

American Association for the Study of Liver Disease"[13] following the Individual Defendants' lead by reiterating the October 26, 2012 press release announcement that Galectin's "lead galectin inhibitor compound, GR-MD-02-based on preclinical data-has demonstrated the ability to prevent and reverse the formation of fibrosis in animal models of non-alcoholic steatohepatitis (NASH), or fatty liver disease," and by touting that GR-MD-02 would treat an "unmet medical need." The article also quoted defendant Traber and offered readers a direct link to Galectin's website. What the article did not do was disclose that any payment was received by The DreamTeam (or their alter ego) from Galectin for the publication of the article.

90. On November 9, 2012, the Company filed its quarterly report for the period ended September 30, 2012. The Form 10-Q was signed by defendant Traber and discussed the Company's then emerging GR-MD-02 development program as follows:

> ***GR-MD-02 — Liver Fibrosis***
>
> The second main initiative in our development strategy is the application of galectin inhibition in connection with liver fibrosis, a condition that leads to cirrhosis. We believe that GR-MD-02 has the potential to treat nonalcoholic steatohepatitis (NASH) and other forms of liver fibrosis. The driving factor for our commitment to galectin inhibition for fibrosis is scientific evidence that strongly suggests that galectin-3 is essential for the development of liver fibrosis in animals. Published data show that mice lacking the galectin-3 gene are incapable of developing liver fibrosis in response to toxin insult to the liver and in fatty liver disease. Moreover, mice that do not have the galectin-3 gene are resistant to lung and kidney fibrosis.
>
> We have evaluated the ability of GR-MD-02 to block galectin-3 in animal models of liver fibrosis, the conclusions of which yielded positive results. Our pre-clinical data show that GR-MD-02 may have a therapeutic effect on liver fibrosis as shown in several relevant animal models. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with NASH. GR-MD-02 is currently being evaluated in pre-clinical toxicology and pharmacology studies with the aim of filing an IND with the FDA by January 2013 for initiating human studies in patients with NASH. In early 2013, upon filing an IND, we plan to start a Phase I clinical trial with GR-MD-02 in patients with NASH to assess safety and preliminary evidence of efficacy in humans. By the end of 2013 or early 2014, depending on the results of the Phase I study, we plan on initiating a Phase II clinical trial to assess the efficacy of GR-MD-02 in patients with NASH and advanced

[13] Article available at http://missionir.com/blog/small-cap-news/galectin-therapeutics-inc-galt-to-present-at-american-association-for-the-study-of-liver-disease/.

liver fibrosis with expected top-line clinical results by the end of 2014 or early 2015.

91. Of course, the Form 10-Q failed to disclose that the Individual Defendants had hatched their illicit scheme to pump-up the price of Galectin stock by actively engaging stock promotion firms to offer sensationalistic accounts of the Company's entry into the race for a NASH treatment in concert with the Company's own barrage of press releases to come regarding GR-MD-02's development and prospects.

92. That same day, November 9, 2012, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Reports Third Quarter 2012 Financial Results" in which, aside from reiterating the development timeline and status of GR-MD-02, the Company updated its cash position. Specifically, the press release stated, "[t]he Company believes that with the funds on hand at September 30, 2012, there is sufficient cash to fund core operations and planned research and development activities through 2013." Likewise, the press release failed to disclose the stock promotion scheme.

93. On November 12, 2012, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Presents New Data on the Treatment of Fatty Liver Disease and Fibrosis at AASLD 2012." The press release summarized the presentation given at AASLD and quoted Traber, who touted GR-MD-02's promise by championing, among other things, its success in mice and how the "data suggest that GR-MD-02 works to prevent or reverse fibrosis in NASH by reducing galectin-3, which is associated with multiple pathogenic effects."

94. On December 5, 2012, The DreamTeam, via its MissionIR website, published an article entitled "Galectin Therapeutics Inc. (GALT) Starts Presentation at the 5th Annual LD Micro Conference" promoting Galectin's appearance at this two-day conference. Specifically, the article noted that Galectin "is developing promising . . . therapies for the treatment of fibrotic liver disease and cancer, based on the company's unique understanding of galectin proteins." Further, the article touted the Company's "extensive scientific and development expertise," "established relationships with external sources, to achieve cost

effective and efficient development," and its "clear development pathway to clinical enhancement and commercialization" for the Company's lead liver fibrosis compound.[14] The article included no disclosure regarding compensation paid by Galectin to The DreamTeam (or its alter ego).

95. On January 15, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Appoints Industry Veteran Rex Horton as Executive Director of Regulatory Affairs and Quality Assurance."

96. That same day, on January 15, 2013, The DreamTeam, via its MissionIR website, issued an article touting the Company's hiring of Rex Horton ("Horton") as Executive Director of Regulatory Affairs and Quality Assurance, echoing the Company's release in noting his 20 years of experience, and specifically touting his successes in leading other companies through NDA filings, favorable FDA advisory committee meetings, and drug approval efforts. The article specifically noted that Horton's hiring "comes at a crucial time" for Galectin as it "is poised to submit an IND for GR-MD-02" and expected to begin the Phase 1 clinical trial in early 2013.[15] There is no disclosure regarding compensation paid by Galectin to The DreamTeam (or its alter ego) contained in the article.

97. Then, on January 31, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Inc. Announces Submission of an Investigational New Drug (IND) Application for the Treatment of Fatty Liver Disease," announcing the Company had submitted the IND application to the FDA the prior day. According to the press release, the "IND application supports a proposed indication of GR-MD-02 for treatment of non-alcoholic steatohepatitis (NASH) with advanced fibrosis, or fatty liver disease." Defendant Traber specifically boasted that the IND submission "is the first step in the clinical development program of GR-MD-02 for the treatment of liver fibrosis" and that

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[14] Article available at http://missionir.com/blog/ld-micro-conference/galectin-therapeutics-inc-nasdaq-galt-starts-presentation-at-the-5th-annual-ld-micro-conference/.

[15] Article available at http://missionir.com/blog/small-cap-news/galectin-therapeutics-inc-galt-names-new-executive-director-of-regulatory-affairs-and-quality-assurance/.

the Company was "leveraging [its] leadership in galectin science to bring new treatment options for these severely underserved patients and strongly believe that [the Company's] novel approach of inhibiting galectin may be the key to the prevention and reversal of liver fibrosis."

98. Thereafter, on February 7, 2013, the Individual Defendants caused the Company to announce, via a Form 8-K filing with the SEC, that on February 1, 2013, it had entered into an agreement with CTI to conduct a Phase I clinical trial of GR-MD-02 to assess the drug's safety in subjects with NASH with advanced hepatic fibrosis.

99. On March 5, 2013, on the heels of the Company's announcements that it submitted the IND to the FDA and had lined up CTI to conduct the Phase 1 clinical trial of GR-MD-02, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Inc. Receives OK from FDA to Proceed with First Human Clinical Trial for Treatment of Fatty Liver Disease with Advanced Fibrosis." Aside from announcing that the Company had received FDA approval to proceed with Phase 1 of the GR-MD-02 clinical trial, the press release quoted Traber, who optimistically opined that "[t]here are currently no approved medical treatments available for patients with NASH and advanced fibrosis. This decision by the FDA is an important milestone in our clinical development program to bring forward a treatment option for these patients." Traber continued by touting how the Company had purportedly "recruited a world-class group of clinical investigators and engaged CTI of Cincinnati Ohio, a full service Clinical Research Organization with extensive experience in liver-related clinical trials, to run the operations of the Phase 1 clinical trial." The press release also noted that the "enrollment and infusion of the first cohort will begin in May, 2013."

100. Just a few weeks later, on March 29, 2013, the Individual Defendants caused the Company to file with the SEC its 2012 Form 10-K, which was signed by each of the Director Defendants. Like past Company SEC filings made during the Relevant Period up to this point, the 2012 Form 10-K failed to disclose the existence or nature of any of the secret relationships and agreements entered into between the Company and the Stock Promoters.

101. The 2012 Form 10-K also provided the following optimistic outlook for GR-MD-02:

> *GR-MD-02.* GR-MD-02 is our lead product candidate for treatment of fibrotic disease. Our preclinical data show that ***GR-MD-02 has a powerful therapeutic effect on liver fibrosis*** as shown in several relevant animal models. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with non-alcoholic steatohepatitis (NASH, or fatty liver disease. In January 2013, an Investigational New Drug ("IND") was submitted to the FDA with the goal of initiating a Phase I study in patients with NASH and advanced liver fibrosis to evaluate the human safety of GR-MD-02 and pharmacodynamics biomarkers of disease. On March 1, 2013, the FDA indicated we could proceed with a US Phase 1 clinical trial for GR-MD-02 with a development program aimed at obtaining support for a proposed indication of GR-MD-02 for treatment of NASH with advanced fibrosis. ***Pre-clinical studies also show promise for the combination of GR-MD-02 with other approved immunotherapies*** and this additional use will be explored for possible advancement into clinical trials.
>
> ***Our drug candidate provides a promising new approach for the therapy of fibrotic diseases, and liver fibrosis in particular.*** Fibrosis is the formation of excess connective tissue (collagen and other proteins plus cellular elements such as myofibroblasts) in response to damage, inflammation or repair. When the fibrotic tissue becomes confluent, it obliterates the cellular architecture, leading to scarring and dysfunction of the underlying organ.

102. In addition, pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"), the 2012 Form 10-K included signed certifications ("SOX Certifications") by defendant Traber, through which Traber attested that all of the financial information contained in the 2012 Form 10-K was accurate, and that any material changes to the Company's internal controls over financial reporting were disclosed. Specifically, the SOX Certifications set forth:

> I, Peter G. Traber, certify that:
>
> 1. I have reviewed this annual report on Form 10-K of Galectin Therapeutics Inc.;
>
> 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
>
> 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

* * *

In connection with the Annual Report of Galectin Therapeutics Inc. (the "Company") on Form 10-K for the period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, [Peter G. Traber, Chief Executive Officer and President of the Company/ Jack W. Callicutt, Chief Financial Officer of the Company], certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

103. Finally, the 2012 Form 10-K reported that the Company had just five full-time employees with two of the five employees "involved primarily in management of our pre-clinical research and development and clinical trials" and the other three employees "involved primarily in management and administration of [the] Company." The 2012 Form 10-K also noted that, at the time, the Company had two contractors who provided "product development, manufacture and clinical trial support" and two other contractors who provided "financial management services."

104. That same day, March 29, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Reports Full Year and Fourth Quarter 2012 Financial Results." The press release quoted Traber who reiterated the optimism of the 2012 Form 10-K, boasting how "[t]he novel mechanism of action of GR-MD-02, in combination with compelling preclinical data, gives us great hope that this compound may ultimately meet the needs of patients with this deadly disease that currently has no approved therapeutic options." The press release also provided a cash update noting that, as of "December 31, 2012, the Company had $9.4 million of non-restricted cash and cash equivalents available to fund future operations," which the Company represented should be sufficient to "fund core operations and planned research and development through the first quarter of 2014."

105. Following the filing of the 2012 Form 10-K, on April 12, 2013, the Individual Defendants caused the Company to file with the SEC and disseminate to shareholders a Proxy Statement pursuant to Section 14(a) of the Exchange Act on Form DEF 14A (the "2013 Proxy"), in which the Individual Defendants solicited shareholder votes in connection with the following matters:

- To elect the eight (8) directors named in [the] proxy statement to serve for one-year terms, expiring at [the Company's] 2014 annual meeting of stockholders.

- To vote on a non-binding advisory resolution to approve the compensation paid to Galectin's named executive officers, as disclosed in [the] proxy statement.

- To recommend, by non-binding vote, the frequency with which Galectin will conduct stockholder advisory votes on executive compensation.

- To ratify the selection by the Audit Committee of the Board of Directors of McGladrey LLP as [the Company's] independent registered public accounting firm for the fiscal year ending December 31, 2013.

106. The 2013 Proxy described Board members' responsibilities, the duties of each Board subcommittee, Board risk management, and included information about the nominees for election to the Board, as well as the Company's senior executive officers. The 2013 Proxy also specifically stated:

> We believe that good corporate governance is important to ensure that Galectin Therapeutics is managed for the long-term benefit of our stockholders. ***Our board of directors is responsible for establishing our corporate policies*** and overseeing the management of the company. Senior management, including our President and Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, are responsible for our day-to-day operations. ***The board evaluates our corporate performance and approves, among other things, corporate strategies, objectives, operating plans, significant policies and major commitments of corporate resources.*** The board also evaluates and elects our executive officers, and determines their compensation.

107. The 2013 Proxy was false and misleading at the time it was issued because the Individual Defendants failed to disclose how they had caused the Company to enter into a secret, paid stock promotion scheme with the Stock Promoters, whereby these paid promoters would disseminate positive but misleading reports about the Company and its prospects in order to pump-up the price of the Company's stock. With respect to Mauldin, the 2013 Proxy failed to disclose that Mauldin published investment advice to paying subscribers via his website, Mauldin Economics. The Proxy also did not disclose that Cox contributed research on small-cap biotech companies, including Galectin, to Mauldin Economics.

108. On April 29, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Inhibitors Reverse Liver Cirrhosis in Preclinical Studies." The press release lauded both GR-MD-02 and GM-CT-01, highlighting that they "were found to reverse the most advanced stage of liver fibrosis, called cirrhosis, in experimental animals given toxin-induced cirrhosis." The press release quoted Traber, who expressed that, "[a]long with the multiple studies we have presented on liver fibrosis from fatty liver disease, these

findings provide added confidence for the potential of this approach in studies of human liver fibrosis and cirrhosis." The price of Galectin's common stock, which had opened at $4.28 per share that day, closed at $4.98 per share with extraordinarily high volume – hitting a high of $5.22 per share during intra-day trading.

109. On May 10, 2013, the Individual Defendants caused the Company to file its quarterly report for the period ended March 31, 2013. The Form 10-Q – which was signed by defendant Traber – failed to disclose the existence of the relationship, agreement, and scheme that the Individual Defendants entered into with any of the Stock Promoters. Nor did it disclose that Mauldin published investment advice to paying subscribers via his website, Mauldin Economics and that Cox contributed research on small-cap biotech companies, including Galectin. The Form 10-Q also misstated GR-MD-02's purported effectiveness to treat NASH. On that subject, the Individual Defendants caused the Company to represent in the Form 10-Q, in relevant part:

> *GR-MD-02.* The main initiative in our development strategy is the application of galectin inhibition in connection with liver fibrosis, a condition that leads to cirrhosis. We believe that GR-MD-02 has the potential to treat nonalcoholic steatohepatitis (NASH) and other forms of liver fibrosis. The driving factor for our commitment to galectin inhibition for fibrosis is scientific evidence that strongly suggests that galectin-3 is essential for the development of liver fibrosis in animals. Published data show that mice lacking the galectin-3 gene are incapable of developing liver fibrosis in response to toxin insult to the liver and in fatty liver disease. Moreover, mice that do not have the galectin-3 gene are resistant to lung and kidney fibrosis. Our preclinical data show that GR-MD-02 has a powerful therapeutic effect on liver fibrosis as shown in several relevant animal models. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with non-alcoholic steatohepatitis (NASH, or fatty liver disease). Pre-clinical studies also show promise for the combination of GR-MD-02 with other approved immunotherapies and this additional use will be explored for possible advancement into clinical trials.
>
> In January 2013, an Investigational New Drug ("IND") was submitted to the FDA with the goal of initiating a Phase I study in patients with NASH and advanced liver fibrosis to primarily evaluate the human safety of GR-MD-02 and pharmacodynamics biomarkers of disease are also included in the trial design. On March 1, 2013, the FDA indicated we could proceed with a U.S. Phase 1 clinical trial for GR-MD-02 with a development program aimed at obtaining support for a proposed indication of GR-MD-02 for treatment of NASH with advanced fibrosis. In February 2013 we entered into an agreement with Clinical Trial Services Inc. ("CTI") to conduct a Phase I clinical trial of GR-MD-02 to

> assess safety and preliminary evidence of efficacy in humans. We expect to begin enrolling patients in this trial late in the second quarter of 2013 and we expect top line results by late 2013 or early 2014. In mid-2014, depending on the results of the Phase I study and available funding, we may initiate a Phase II clinical trial to assess the efficacy of GR-MD-02 in patients with NASH and advanced liver fibrosis and based on that timing we would expect top-line clinical results by mid to late 2015.

110. In the Company's press release entitled "Galectin Therapeutics Reports First Quarter 2013 Financial Results" that same day, the Company reported that as of March 31, 2013, it has $7.0 million of non-restricted cash and cash equivalents available to fund future operations and that it believed that to be sufficient to fund core operations and planned research and development through the first quarter of 2014.

111. On June 21, 2013, the Company announced it had hired Callicutt as its new CFO, replacing Thomas McGauley. This press release specifically lauded Callicutt's previous success raising money, noting his successful orchestration of a $4.5 million private placement and his success in securing $4.5 million in financing.

112. On the same day, June 21, 2013, The DreamTeam, via its MissionIR alter ego, also announced[16] Callicutt's addition as Galectin's new CFO, echoing the Company's release in touting that Callicutt would "play a key position in shaping overall corporate strategy," and would "help ensure that financial resources are realized in order to achieve [the Company's] vision for its pipeline of clinical development assets." Like the June 21, 2013 press release by the Company, the MissionIR announcement also lauded Callicutt's "broad background" and experience securing funds via private placements and financing. The article quoted Traber who likewise touted Callicutt's hiring. Notably, the article included no disclosure regarding compensation paid by Galectin to The DreamTeam (or its alter ego).

The Individual Defendants Kick the Propaganda Machine into High Gear

113. Though Galectin's stock price had more than doubled in the previous ten months, from the paltry $2.02 per share it opened at on August 7, 2012, the start of the

[16] Article available at http://missionir.com/blog/small-cap-news/galectin-therapeutics-inc-galt-names-jack-callicutt-as-chief-financial-officer/.

propaganda campaign, to open at $4.25 per share on July 1, 2013, the price had reached a plateau. The Individual Defendants knew they needed to step up their efforts to further ignite the inflation of the Company's stock price so they could raise the millions of dollars they knew they needed to, among other things, develop the Company's lead drug product candidate – GR-MD-02 – thus securing their lucrative positions as directors and/or senior officers with the Company, and limiting the dilution that their planned at-the-market offering would have on their own, substantial holdings. With a new CFO on board, and the Company's cash dwindling, it was time for the Individual Defendants and their cohorts - the Stock Promoters - to kick the propaganda machine into major overdrive.

114. Indeed, from July 1, 2013, until their scheme was discovered on July 28, 2014, the Individual Defendants caused the Company and the Stock Promoters to release, collectively, at least 55 press releases and/or articles boasting about Galectin, GR-MD-02's progress, and the drug's and Company's prospects. The illicit scheme had its intended effect as Galectin stock hit prices never before seen by the Company, allowing the Individual Defendants to raise tens of millions of dollars and enabling some defendants to line their own pockets with millions of dollars.

115. Overdrive began on July 1, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Submits Fast Track Application to FDA for GR-MD-02 in Treatment of Fatty Liver Disease with Advanced Fibrosis." In the press release, defendant Traber enthusiastically boasted that "Fast Track designation from FDA would effectively open many important regulatory pathways to efficiently expedite patient access and will be highly beneficial to advancing the development program for GR-MD-02 in the treatment of NASH with advanced fibrosis."

116. On the heels of the Individual Defendants' announcement that the Company had filed an application for "Fast Track" designation with the FDA, on July 17, 2013, Emerging Growth published an article entitled: "Hepatitis C Important, But Investors Should be Focusing on Fatty Liver Disease and Galectin" authored by Andrew Klips ("Klips"), and

disseminated via *Accesswire*.[17] The purported "article" touted Galectin as an "undervalued" investment, stating, in pertinent part:

> With no FDA-approved drugs available today, investors would be well served to monitor the "Fast Track" application with the FDA and the future results of the Galectin trial to glean information for the company to potentially pursue all available FDA programs to expedite development of the drug candidate. GR-MD-02 could prove to be a broad spectrum therapeutic for liver inflammation and related diseases, including cryptogenic cirrhosis ("cryptogenic" meaning the cause is unknown), a leading cause of liver failure and now believed to be a late stage of NASH. No options for patients today and projections that fatty liver disease will soon become the number one reason for liver transplants seem to be the drivers behind GALT shares rising 120 percent in 2013, ***but a paltry $75 million market capitalization indicates the company is undervalued compared to peers in the space.***

117. No relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

118. Then, on July 24, 2013, the Individual Defendants caused the Company to issue another press release entitled "Galectin Therapeutics Announces First Patient Dosed in Phase 1 Trial of GR-MD-02, a Potential First-in-Class Treatment for Fatty Liver Disease with Advanced Fibrosis," which defendant Traber referred to as a "critical milestone in Galectin's development program." Defendant Traber further represented that "this milestone takes [the Company] one step closer to bringing a first-in-class treatment to the millions of Americans suffering from this silent epidemic."

119. Without delay, on July 25, 2013, Emerging Growth published another article, this time authored by Justin Kuepper ("Kuepper"), entitled "Galectin Therapeutics (GALT) Doses First Patients with Fatty Liver Disease."[18] This article stated in relevant part:

> With no treatments for fatty liver disease with advanced fibrosis currently available, the company's GR-MD-02 represents a potential first-in-class treatment to the nine million to 15 million Americans, including children, which are affected by the silent epidemic. The only alternative for these patients is a transplant, but there are limited donors available and

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[17] Available at http://www.marketwatch.com/story/hepatitis-c-important-but-investors-should-be-focusing-on-fatty-liver-disease-and-galectin-2013-07-17.

[18] Article available at http://secfilings.com/News.aspx?title=galectin_therapeutics_(galt)_doses_first_patients_with_fatty_liver_disease&naid=480.

the procedure is very costly, ***making this treatment extremely valuable to both the company and its potential patients***.

* * *

Investors in fibrosis-focused stocks like Vertex Pharmaceuticals Inc. (NASDAQ: VRTX) or cancer-related stocks like Exelixis Inc. (NASDAQ: EXEL) may want to take a closer look at the stock as it progresses through these clinical trials, particularly as it may be approved for fast-track status.

120. No relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

121. During July 2013, Galectin stock increased by $1.54 per share, or nearly ***26%***, rising from $4.41 per share on July 1, 2013 to close at $5.95 per share on July 31, 2013.

122. Looking to continue the renewed momentum created by their increased efforts, on August 5, 2013, the Individual Defendants caused the Company to issue a press release entitled "Reduction in Lung Fibrosis with the Anti-Galectin Drug GR-MD-02 Revealed in Preclinical Data." Through the August 5, 2013 press release, the Individual Defendants touted GR-MD-02's potential to treat idiopathic pulmonary fibrosis, described as "a chronic progressive disorder resulting in lung scarring and ultimately lung failure." Defendant Traber is specifically quoted in the August 5, 2013 press release as representing that "[t]hese findings, taken together with others, show the broad potential of GR-MD-02 for treating organ fibrosis, which positions us to now develop partnerships with companies focused on idiopathic pulmonary fibrosis, while we continue our focus on development for the treatment of liver fibrosis."

123. Following the now familiar pattern, the next day, August 6, 2013, Emerging Growth published another article entitled "Galectin Therapeutics Lab Studies Shows Robust Results in Treating Lung Fibrosis," authored by Klips and disseminated via *Accesswire*.[19] As with the previous articles issued by Emerging Growth, this August 6, 2013 article played up the "optimistic news" from the Company's press release issued the previous day, and

[19] Available at http://www.marketwatch.com/story/galectin-therapeutics-lab-studies-shows-robust-results-in-treating-lung-fibrosis-2013-08-06.

specifically noted the Company's climbing stock price. Again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

124. On August 12, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Receives FDA Fast Track Designation for GR-MD-02 for Fatty Liver Disease with Advanced Fibrosis" which stated, in pertinent part:

> **Norcross, GA, August 12, 2013** – Galectin Therapeutics (NASDAQ: GALT), the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, today announced that the U.S. Food and Drug Administration (FDA) has granted GR-MD-O2 (galactoarabino-rhamnogalacturonate) Fast Track designation for non-alcoholic steatohepatitis (NASH) with hepatic fibrosis, commonly known as fatty liver disease with advanced fibrosis.
>
> Galectin Therapeutics is currently conducting a Phase 1 clinical trial to evaluate the safety, tolerability and exploratory biomarkers for efficacy for single and multiple doses of GR-MD-02 over four weekly doses of GR-MD-02 treatment in patients with fatty liver disease with advanced fibrosis. The study will enroll 8 patients in each dose escalation cohort and there will be at least three cohorts and potentially up to 5 cohorts, with a maximum of 40 patients at six clinical sites in the US, which each have extensive experience in clinical trials in liver disease. More information on the first-in-man Phase 1 clinical study of GR-MD-02 is available at http://clinicaltrials.gov/ct2/show/NCT01899859?term=gt-020&rank=1.
>
> "***Our preclinical data has shown that GR-MD-02 has robust treatment effects in reversing fibrosis and cirrhosis.*** Fast Track designation enables us to expedite the compound's development and review process, with the ultimate goal of bringing a first-in-class treatment to the millions of Americans suffering from fatty liver disease with advanced fibrosis," said Dr. Peter G. Traber, President, Chief Executive Officer, and Chief Medical Officer of Galectin Therapeutics Inc. "We are very pleased that the FDA sees the clinical value of GR-MD-02 and seriousness of fatty liver disease, and we look forward to working closely with the FDA throughout this process."
>
> The FDA's Fast Track program is designed to expedite the review of new drugs that are intended to treat serious or life-threatening conditions and demonstrate the potential to address unmet medical needs.
>
> **About GR-MD-02**
>
> GR-MD-02 is a complex carbohydrate drug that targets galectin-3, a critical protein in the pathogenesis of fatty liver disease and fibrosis. Galectin proteins play a major role in diseases that involve scaring of organs such as cancer, and inflammatory and fibrotic disorders. The drug binds to galectin proteins and disrupts their function. ***Preclinical data has shown that GR-MD-02 has robust treatment effects in reversing fibrosis and cirrhosis in kidney, lung, and liver.***

125. On August 14, 2013, the Individual Defendants caused the Company to issue a press release entitled "Galectin Therapeutics Reports Second Quarter 2013 Financial Results," touting, among other things, the Company's purported highlights for the quarter, including the dosing of the first patient in July 2013 and the announcement that the FDA granted Fast Track status for GR-MD-02 for NASH. Defendant Traber specifically boasted how "[t]he successful first patient dosing in the clinical trial of GR-MD-02 and Fast Track designation are critical milestones in Galectin's development program and there are currently no treatments for fatty liver disease with advanced fibrosis; these milestones take us closer to bringing a first-in-class treatment to the millions of Americans suffering from this silent epidemic."

126. That same day, on August 14, 2013, the Company filed its quarterly report for the period ended June 30, 2013. The Form 10-Q - signed by defendants Traber and Callicutt - failed to disclose the existence of the relationship, agreement, and scheme that the Individual Defendants entered into with the Stock Promoters. Moreover, the Form 10-Q misstated GR-MD-02's purported effectiveness for the treatment of NASH. On that subject, the Individual Defendants caused the Company to represent in the Form 10-Q, in relevant part:

> *GR-MD-02.* The main initiative in our development strategy is the application of galectin inhibition in connection with liver fibrosis, a condition that leads to cirrhosis. We believe that GR-MD-02 has the potential to treat nonalcoholic steatohepatitis (NASH) and other forms of liver fibrosis. The driving factor for our commitment to galectin inhibition for fibrosis is scientific evidence that strongly suggests that galectin-3 is essential for the development of liver fibrosis in animals. Published data show that mice lacking the galectin-3 gene are incapable of developing liver fibrosis in response to toxin insult to the liver and in fatty liver disease. Moreover, mice that do not have the galectin-3 gene are resistant to lung and kidney fibrosis. Our preclinical data show that GR-MD-02 has a powerful therapeutic effect on liver fibrosis as shown in several relevant animal models. Therefore, we chose GR-MD-02 as the lead candidate in a development program targeted initially at fibrotic liver disease associated with non-alcoholic steatohepatitis (NASH, or fatty liver disease). Pre-clinical studies also show promise for the combination of GR-MD-02 with other approved immunotherapies and this additional use will be explored for possible advancement into clinical trials.
>
> In January 2013, an Investigational New Drug ("IND") was submitted to the FDA with the goal of initiating a Phase I study in patients with NASH and advanced liver fibrosis to primarily evaluate the human safety of GR-MD-02 and pharmacodynamics biomarkers of disease are also included in the trial design. On March 1, 2013, the FDA indicated we could proceed with a U.S. Phase 1 clinical trial for GR-MD-02 with a

development program aimed at obtaining support for a proposed indication of GR-MD-02 for treatment of NASH with advanced fibrosis. In February 2013 we entered into an agreement with Clinical Trial Services Inc. ("CTI") to conduct a Phase I clinical trial of GR-MD-02 to assess safety and preliminary evidence of efficacy in humans. In June 2013, we submitted a Fast Track application to the FDA to help expedite its clinical development program of GR-MD-02 in the treatment of NASH with advanced fibrosis. FDA grants Fast Track designation to help expedite review and approval of drugs in development that treat serious or life threatening diseases and fill an unmet medical need. On August 7, 2013, FDA concluded that the development program for GR-MD-02 meets the criteria for Fast Track designation, and FDA has designated the investigation of GR-MD-02 for non-alcoholic steatohepatitis with hepatic fibrosis as a Fast Track development program. We began enrolling patients in this trial in July 2013 and we expect top line of the first cohort of patients (total of 8 patients) by late 2013 or early 2014. Results of cohort 2 and cohort 3, if needed, will be available by mid-2014. In Q3 of 2014, depending on the results of the Phase I study and available funding, we may initiate a Phase II clinical trial to assess the efficacy of GR-MD-02 in patients with NASH and advanced liver fibrosis and based on that timing we would expect top-line clinical results by late 2015 or early 2016, depending on the final design of the phase 2 study.

127. Emerging Growth again quickly followed with an "article" touting Galectin, published on August 14, 2013, and written by Klips, entitled "Galectin Therapeutics Receives Fast Track Designation from FDA for New Fibrosis Drug."[20] Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

128. The "article" stated, in relevant part:

> Shares of Galectin Therapeutics (NASDAQ: GALT) hit their highest level since June 2011 in the last two trading sessions after announcing that the U.S. Food and Drug Administration granted the company a Fast Track designation for GR-MD-02 as a potential new drug for non-alcoholic steatohepatitis, or "NASH" as its often called. ***Shares of Galectin have been steadily rising in 2013, advancing about 240 percent, upon pipeline developments as the drugmaker emerges as a leader in fibrosis and cancer therapies.***
>
> ***With no FDA-approved drugs available for fibrosis, the upside potential is large, to say the least,*** with only limited companies, including Vertex Pharmaceuticals Inc. (NASDAQ: VRTX) and InterMune Pharmaceuticals Inc. (NASDAQ: ITMN) looking to blaze new trails in fibrosis along with Galectin. It is estimated that NASH affects as many as 15 million people in the United States, generally carrying a very grim

[20] Article available at http://secfilings.com/News.aspx?title=galectin_therapeutics_receives_fast_track_designation_from_fda_for_new_fibrosis_drug&naid=507.

> prognosis in advanced stages. The Fast Track designation is designed to expedite the review process in new drugs that could potential provide a therapeutic option for serious or life-threatening conditions that represent an area of unmet medical need. As part of the Fast Track plan, the biotech is able to submit data to FDA as it is compiled and opens the door to more meetings with regulators.
>
> Late in July, Galectin disclosed that the first patients were dosed with GR-MD-02 in a Phase I clinical trial evaluating the effect of the new drug in patients with fatty liver disease with advanced fibrosis. A maximum of 40 patients will be treated across six U.S. centers in the trial.

The Individual Defendants Cash in on their Scheme

129. On August 21, 2013, the Individual Defendants caused the Company to announce it had completed a $3 million private placement of 500,000 shares of unregistered common stock "to a single investor" for $6 per share which, according to the press release, represented a 10% discount from the stock's 15 day weighted average trading price. Then, just a week later on August 28, 2013, the Individual Defendants caused the Company to announce that 710,834 common stock purchase warrants (which were otherwise set to expire on August 25, 2013, if not exercised before then) had been exercised for total cash proceeds of an additional $3 million to the Company.

130. By October 1, 2013, the Individual Defendants' scheme had begun to bear even more fruit, with Galectin stock then trading at over $10 per share. As such, the Insider Selling Defendants began to cash in on the secret stock promotion scheme, either personally or through entities they owned or controlled.

131. On or about October 7, 2013, while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell 100,000 shares of its Galectin stock at a price of $11.79 per share, reaping proceeds totaling $1.179 million. The following day, while in possession of material, adverse, non-public information, defendants Czirr and Martin caused 10X Fund to sell an additional 12,000 shares of its Galectin stock at a price of $12.36 per share, reaping additional proceeds of $148,320 (for a two day total of $1,327,320).

132. On October 14, 2013, Emerging Growth released an "article" authored by Fred Zucker ("Zucker") via *Accesswire* entitled "Galectin Stands Out in 2013 with Liver Fibrosis Drug,"[21] stating in pertinent part:

> Biotechnology has been an outperforming sector in 2013 with IBB, iShares Nasdaq Biotechnology Index Fund, rising about 57 percent through September 27 highs. BIB, the ProShares Ultra Nasdaq Biotechnology Index has roared ahead about 135 percent through highs on the same day.
>
> While those gains are certainly robust, the September high of Galectin Therapeutics Inc. (NASDAQ: GALT) at $13.21 made them seem paltry, producing gains of more than 550 percent in 2013 for GALT shareholders. ***The surge in Galectin's valuation seems simply a product of corporate advancements as the company establishes itself as a leader in pioneering treatments for fibrosis, especially liver fibrosis that results from fatty liver disease.***
>
> Liver fibrosis can be an asymptomatic death sentence with no available therapeutics to treat the scarring in the liver that leads to liver complications, co-morbidities and death. The genesis of fibrosis is fatty liver disease, with the combined conditions, called non-alcoholic steatohepatitis, or "NASH," affecting as many as 15 million Americans today. Some estimates put the number of Americans affected by nonalcoholic fatty liver disease (NAFLD) as high as 30 percent of the population, or approximately 94 million people.
>
> With the high diagnosis rate, researchers have mostly focused on developing therapies to stop the accumulation of fat in the liver, but with limited success. Companies devoting their resources toward new treatments for advanced stages of the diseases are minimal, with Galectin and Gilead Sciences (NASDAQ: GILD) running promising programs in that space. Meanwhile, the select few other companies targeting fibrosis are focused on the early stages of the disease, a time where it can be very difficult to identify which patients will advance to more serious stages of the disease. Gilead has received plenty of attention in 2013 for its leadership role in HIV drugs as well as fibrosis efforts with simtuzumab in mid-stage trials for NASH patients, helping send shares about 70 percent higher so far this year.
>
> While Galectin has its GM-CT-01 drug candidate in Phase 2 clinical trials for melanoma, ***perhaps an even larger driver has been their research of their galectin protein-inhibiting drugs that shows the potential for GR-MD-02 to not only treat NASH patients, but also actually reverse the scarring in the liver. A drug to treat fatty liver disease and fibrosis has blockbuster potential written all over it, but one that can actually reverse scarring can revolutionize fibrosis research.***
>
> While this article is only referencing the liver, fibrosis is prominent in other vital organs as a result of inflammation or damage, such as the lungs,

[21] Available at http://www.marketwatch.com/story/galectin-stands-out-in-2013-with-liver-fibrosis-drug-2013-10-14.

heart, intestines and more. ***Galectin has conducted pre-clinical research on GR-MD-02 to expand into additional indications, with information released in September disclosing the drug showing a "robust effect" in reducing lung fibrosis.*** Separate research has also demonstrated tumor shrinkage and enhanced survival in immune competent breast and prostate cancer mouse models treated with GR-MD-02 in combination with immune checkpoint blockage inhibitors anti-CTLA-4 or anti-PD-1.

Galectin is evaluating GR-MD-02 in the Phase 1 trial under a Fast Track designation from the Food and Drug Administration with the first patient dosed in July. The trial is planned to enroll about 32 patients with NASH and stage 3 fibrosis across six clinical sites in the U.S.

There's no doubt that the biotech sector has been one of the best market performers in 2013 and it doesn't look to be losing any steam. Even as some of the majors take a breather as the new year approaches, investors should be looking for developmental companies that are starting to grow a stronger valuation based upon two things: the data supporting their drug and the future market potential if successfully maneuvered down the regulatory pathway. ***In the case of companies engaged in fibrosis treatments, market capitalizations in the low hundreds of millions of dollars should only represent a portion of the things to come.***

133. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

134. On October 17, 2013, with the price of Galectin common stock trading at over $11 per share, the Company disclosed that 10X Fund exercised 300,000 common stock purchase warrants of Galectin for just $3 per share for total cash proceeds to Galectin of $900,000. The warrants were not set to expire until February 12, 2014.

135. Then, on October 25, 2013, the Individual Defendants caused the Company to enter into an At-Market Issuance Sales Agreement (the "October 25, 2013 ATM Offering")[22] with MLV & Co. LLC, under which the Company could issue and sell shares of its common stock having an aggregate offering price of up to $30 million "from time to time" and "by any method permitted by law deemed to be an 'at-the-market.'"

136. In other words, the timing of Galectin's ATM Offerings was within Galectin's (and thus the Individual Defendants') sole discretion, enabling them to sell shares of the

[22] An ATM Offering is a type of follow-on offering of stock that allows a publicly traded company to raise capital over time. A higher stock price means a greater amount of money can be raised. http://en.wikipedia.org/wiki/At-the-market_offering.

Company's common stock whenever they were trading at a high price. That way, the total number of shares issued to generate maximum proceeds could remain as low as possible, which, in turn, would reduce dilution to the investments of Galectin's preexisting shareholders — most of whom included the Individual Defendants (and 10X Fund). As alleged in ¶138 below, the Company explicitly identified the "immediate and substantial" risk of dilution associated with each of its ATM Offerings. Thus, the Individual Defendants had a strong motive and incentive to artificially inflate the price of Galectin's common stock in an attempt to mitigate this risk.

137. Also on October 25, 2013, the Individual Defendants caused the Company to file with the SEC a Prospectus Supplement on Form 424B5 in connection with the Company's Registration Statement filed with the SEC on Form S-3 on March 16, 2011. The Form 424B5 incorporated by reference, among other things, the Company's Annual Report on Form 10-K for the year ended December 31, 2012 (signed by each of the Director Defendants), Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013 and June 30, 2013 (signed by Traber), a Current Report on Form 8-K filed with the SEC on August 21, 2013 (signed by Callicutt), and the Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 12, 2013.

138. Specifically, the offer and sale of shares could be "by any method permitted by law deemed to be an 'at-the-market' offering[,]" as defined in Rule 415 under the Securities Act of 1933. According to the October 25, 2013 Prospectus Supplement, the Company "intend[ed] to use the net proceeds of [the October 25, 2013 ATM Offering] for the continued development of [its] drug research and development programs, including the current clinical trial for GR-MD-02, and for general corporate purposes." Moreover, the October 25, 2013 Prospectus Supplement specifically acknowledged as a risk factor associated with the October 25, 2013 ATM Offering the "immediate and substantial dilution" to the value per share of Galectin's common stock. Thus, the higher the price of Galectin's common stock, the lower the dilution effect of the ATM Offering.

139. Importantly, in connection with the October 25, 2013 ATM Offering, the Individual Defendants caused Galectin to represent that it did not engage in any conduct to manipulate the Company's stock price. Specifically, the At-Market Agreement stated in pertinent part:

> ***Neither the Company, nor any Subsidiary, nor any of their respective directors, officers or controlling persons has taken, directly or indirectly, any action designed, or that has constituted or would reasonably be expected to cause or result in, under the Exchange Act or otherwise, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Placement Shares.***
>
> * * *
>
> ***The Company will not, directly or indirectly, (i) take any action designed to cause or result in, or that constitutes or would reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of Common Stock*** or (ii) sell, bid for, or purchase Common Stock in violation of Regulation M, or pay anyone any compensation for soliciting purchases of the Placement Shares other than MLV.

140. Galectin's announcement of the October 25, 2013 ATM Offering was received by the market with skepticism, with one commentator noting that "Galectin's ATM was announced a week after the stock hit an all-time high of $12.45 per share." That commentator further observed that "the market tends to view the dilution and opacity of ATMs bearishly" and that, following the announcement of the October 25, 2013 ATM Offering, Galectin stock dropped 28% from its high. Of course, as indicated above in ¶131, just before the announcement of the October 25, 2013 ATM Offering, Czirr and Martin caused 10X to unload 112,000 shares of Galectin stock for proceeds of $1,327,320.

141. The commentator concluded by observing how "Galectin's current cash runs out in the second quarter of next year." Indeed, the pressure was on the Individual Defendants not only to quickly raise money to keep the business and clinical trial afloat (and preserve their livelihoods), but also to counter the dilution impact of the ATM Offering to minimize the resulting dilution risk to their own personal, significant Company stock holdings by increasing the propaganda campaign.

142. Towards that end, on November 4, 2013 – just 10 days after the announcement of the October 25, 2013 ATM Offering, another "article" was published by Emerging Growth, this one authored by Ryan Allway, entitled "Pharmaceutical Stocks Outperform the S&P 500 by 20% YTD,"[23] which touted Galectin stock, stating in pertinent part:

> **Big Pharma Versus Smaller Equities**
>
> Big pharmaceutical companies, like Pfizer Inc. (NYSE: PFE) or Merck & Co. (NYSE: MRK), may account for the majority of the major pharmaceutical ETFs. But many investors are concerned that these large companies may be overvalued after their rally. For example, Pfizer trades with a price-earnings ratio of 20.2x, which is higher than the industry average of 16.8x, the S&P 500 average of 17x, and even its own 5-year average of 17.2x, which is perhaps the most relevant.
>
> Investors may therefore want to take a look at some smaller equities in the space, ***including those that are valued on their future potential rather than current earnings. For example, Galectin Therapeutics Inc. (NASDAQ: GALT) has surged more than 400% so far this year***, based on study results showing that tumor cells secrete galectin-3 (its target), which binds to, and blocks the action of, tumor-infiltrating T-lymphocytes, the body's major immune defense.
>
> ***While GM-CT-01 is in Phase I/II proof-of-concept clinical trials to treat melanoma, GR-MD-02 has the potential to treat non-alcoholic steatohepatitis (NASH, part of the fatty liver disease/fibrosis/cirrhosis progression) patients and even reverse scarring in the liver. The reduction in scarring for the liver – and other organs in preclinical trials – could revolutionize fibrosis research and produce a blockbuster drug, if approved.*** Currently, GR-MD-02 is in Phase I clinical trials under a Fast Track designation from the FDA with the first patient dosed in July.

143. Once again, no relationship between Galectin and Emerging Growth – financial or otherwise – was disclosed on the face of this article.

144. Mauldin's crony Cox also released ***at least four*** promotional articles in November 2013 on the heels of the October 25, 2013 ATM Offering announcement, touting Galectin to investors. The four articles were entitled:

1. "DNA that Fights Crime and Creates Fortunes," *Transformational Technology Alert* (Issue 1.03, November 2013);

2. "Buy Galectin Therapeutics (Nasdaq: GALT) on the Dip," *Transformational Technology Alert* (November 6, 2013);

[23] Article available at http://secfilings.com/News.aspx?title=pharmaceutical_stocks_outperform_the_s&p_500_by_20%_ytd&naid=580.

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107. Mauldin's fist article of 2014 was typical of what would follow, gushing over the supposed "historic breakthrough" of Galectin's new lead drug candidate:

Galectin Therapeutics Moves as Liver Drugs Gain Spotlight

By Patrick Cox

January 16, 2014

...Nevertheless, the news was good for Intercept as well as Galectin Therapeutics. Investors seemed to grasp, for the first time, the enormous value of the unmet liver disease market....

While we don't yet know to what extent OCA prevents fibrosis, it's clear to me that it won't actually reverse fibrosis. Galectin Therapeutics' complex carbohydrates, however, do just that. In preclinical animal and human cell tests, we've seen that fibrosis can't take place if galectin-3 activity is blocked. This results in the elimination of fibrotic, or scar, tissue...the most important anti-cancer breakthrough of all time."

108. On January 22, 2014, Mauldin Economics, LLC published an article titled:

Galectin Therapeutics Jumps on Study Results, Patent Approval

By Patrick Cox

January 22, 2014

...Both Patrick and the analyst team agree that Galectin has a ton of room to grow. We're also convinced that the recently released study makes Galectin's future look even brighter, which Patrick elaborated on in last week's update.

109. On January 30, 2014, Mauldin Economics published an article titled:

Screaming Toward the Biotech Singularity: BioTime, Galectin Therapeutics, and More

By Patrick Cox

January 30, 2014

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110. On February 6, 2014, Mauldin Economics published an article titled:

What Does the IND Phase 1B Trial for Galectin Therapeutics Really Mean?

February 6, 2014

By Patrick Cox

...New oncology drugs coming on to the market in the next several years will transform cancer into a minor and treatable disease, meaning that the company would share revenues in an increasingly crowded market.

Fibrotic diseases, however, have no effective therapies. This includes fatty-liver disease, kidney disease, and pulmonary fibrosis, among many others. So Galectin Therapeutics stands to dominate this new and incredibly lucrative field. For example, in terms of revenues, fatty-liver disease is smaller than cancer, but Galectin Therapeutics' lion share of the profits would be historic.

111. In the relentless false and misleading "good news" promotion, even the fact that the Company would be making an announcement in the coming week was converted into a newsworthy item with significant positive implications for the Company. On March 25, 2014, the Company issued a press release entitled "Galectin Therapeutics to Announce Results From First Cohort of Phase 1 Clinical Trial in Fatty Liver Disease," announcing that the Company "will report results from the first cohort of its Phase 1 clinical trial examining GR-MD-02 in fatty liver disease (NASH) with advanced fibrosis on March 31, 2014." The press release also misleadingly suggested that data from the first cohort of the Phase 1 safety study could be an indication of big things. As detailed below, such data is by definition not significantly indicative of the efficacy of a drug.

112. Emerging Growth followed up the Company's announcement of the coming announcement with one of their own, in an Accesswire "article" written by Fred Zucker entitled, "Leading Companies Being Defined in the Hunt for a NASH Treatment," again breathlessly touting Galectin and its prospects. The "article" stated, in pertinent part:

The race to develop a treatment for Non-Alcoholic Steatohepatitis (NASH) is getting

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> a lot of airtime lately, pointing to the severity of the disease, poor prognosis and desperate need for a treatment. The space has only a handful of competitors, with most seeing rising valuations due to the tremendous peak sales that analysts are projecting for products that make it to market...
>
> These facts make Galectin Therapeutics particularly attractive as early research shows its lead drug candidate GR-MD-02 to actually reverse fibrotic damage. Although the company may trail Intercept and Galmed in stage of human trials at this point, Galectin is only a clinical data set away from a potential leap forward with GR-MD-02...Galectin is in a Phase 1 trial of GR-MD-02, a complex carbohydrate drug that targets and inhibits galectin-3, a key protein in the pathogenesis of fatty liver disease. A critical difference in the trial protocol is that Galectin is treating patients with NASH and advanced fibrosis, rather than earlier stages of the disease as other biotechs are. Moreover, in animal models, GR-MD-02 was shown to not only stop liver scarring from worsening; it showed the damage to start to be repaired.
>
> Shares of GALT got a brief bump on Tuesday when the company announced that it will be reporting results from the eight patients in the first cohort in the Phase 1 trial on Monday, March 31.[38]

113. On March 31, 2014, the Company issued a press release with a false and misleading title stating, "First Cohort Results in Galectin Therapeutics' Phase 1 Trial Reveal Biomarker Evidence of Therapeutic Effect on Fibrosis and Inflammation in NASH with Advanced Fibrosis." As suggested by the title, in the press release the Company overstated and misstated the results of the initial stage of the safety study as an indication of drug efficacy, leading investors to believe that the early test results foreshadowed great things for the treatment of NASH with GR-MD-02. The press release also read in part:

> We are extremely pleased with the positive results of the first cohort of our Phase 1 trial, which suggest a role for GR-MD-02 in the treatment of patients with fatty liver disease with advanced fibrosis...Fatty liver disease, characterized by the presence of fat in the liver along with inflammation, over time can develop into fibrosis, or scarring of the liver, which is estimated to affect millions of Americans. Intervention with the intent of reversing the fibrosis is a potentially important therapeutic approach in fatty liver disease, a condition with significant unmet medical need.

114. The Company's March 31, 2014 press release was also false and misleading because

[38] Available at http://www.marketwatch.com/story/leading-companies-being-defined-in-the-hunt-for-a-nash-treatment-2014-03-27.

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the initial "first cohort" stage of the Phase 1 safety study (to confirm that the proposed drug does no harm to patients) involved just eight subjects, two of whom were given placebos and six GR-MD-02, and therefore had no meaningful statistical significance for anything other than its initial indication that the drug did not cause significant harm to patients (which would not be a surprise given that GR-MD-02 is a fruit pectin based compound).

115. As the Company would have to admit when it went into damage control mode on July 29, 2014 after the second cohort in the Phase 1 study indicated that there was no statistically significant change in biomarkers: (1) a phase 1 study is "not designed to demonstrate efficacy of a drug;" and, (2) "in the case of NASH there are no biomarkers that have been shown to change with a short-term treatment." The Company's July 29, 2014 press release read in part,

> The primary endpoints for the phase 1 trial have always been safety and pharmacokinetics and have been successfully met for each cohort completed...This phase 1 clinical trial, and in fact all phase 1 clinical trials, are not designed to demonstrate efficacy of a drug. Phase 2 clinical trials are designed to evaluate efficacy of a drug, and our phase 2 clinical trial(s) will follow the completion of this phase 1 trial. Having said this, often a number of exploratory biomarkers are included to determine whether there is some evidence of effect. Exploratory means that there is some scientific evidence that they may provide useful information, but they have not been studied sufficiently to be used as definitive evidence of disease treatment. In fact, in the case of NASH with advanced fibrosis there are no biomarkers that have been shown to change with a short-term treatment.

Form 8-K, Exhibit 99.1, at 13-14, filed on July 29, 2014.

116. Once again, Mauldin - promoting a "presentation" provided by the Company - outdid and intensified the Company and Emerging Growth's false and misleading statements, this time in an April 3, 2014, Mauldin Economics' Transformational Technology article titled:

> **Two World-Changing Presentations You Must Watch**
>
> By Patrick Cox
>
> April 3, 2014

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Dear TransTech Reader,

Forgive me for sounding a bit like a school teacher, but you absolutely must watch the two corporate presentations that I'm going to talk about today. There will be a quiz.

We have seen, in the space of a single week, information made public that will have profound and measurable impacts on the health and demographics of our species. Both of these technologies are so outside the norm, almost nothing that you know about typical drug candidates applies—unless you go back to the introduction of penicillin or vaccinations.

I understand, by the way, that this sounds over the top. It's not, though, and I would do you a disservice if I were to pretend to be less excited than I am. Essentially, we have seen the first human data from Galectin Therapeutics (GALT) and it is spectacular. Also, we've been given more insight into the cellular and molecular mechanism of action of Star Scientific's anatabine citrate than ever before....

Galectin Therapeutics Phase 1 Safety Trial Shows Dramatic Effects in Liver Disease

First of all, you need to watch the entire presentation, which was given by Galectin Therapeutics CEO and CMO Dr. Peter Traber. Traber, as you know, is president emeritus and ex-CEO of Baylor College of Medicine. He was also senior vice president of clinical development and medical affairs and chief medical officer of GlaxoSmithKline.

This is the link for the PDF that is used in the presentation. Everything you need to know is there but it's good to have Traber clarifying the charts. As of now, you can access the recorded presentation by clicking on the link on the company's main page.

The link is in the center "Highlights" section and is titled, "View Galectin Therapeutics' webcast discussing first cohort results of Phase 1 clinical trial of GR-MD-02 in NASH." Click on it, register, and stream the presentation. Years from now, you can tell your grandkids that you were watching when fibrosis, a condition that prematurely killed a huge percentage of the population, was made a minor and treatable problem.

If that weren't enough, the company's cancer trials are set to start at any time. By the time this alert shows up in your inbox, they may be under way. The scope of this platform, which blocks galectin-3s, is vast.

Just as I predicted that the data released in the presentation would be positive, I'm predicting that the cancer trials will also prove more than successful.

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> As Traber says several times in the presentation, the results in the first cohort of eight patients were better than he expected. I won't go into great detail about them because the presentation covers the data so completely, but I will say this: At a dose about one quarter of that which is optimal in animals, this phase one safety study showed improvement in the first cohort that would justify releasing the drug even at suboptimal doses.
>
> Markers of inflammation and fibrosis in the six patients suffering fatty liver disease improved across the board. More importantly, the two patients suffering from the most advanced form of NASH, with associated liver cell death due to fibrosis and inflammation, showed significant reductions in the markers that indicate apoptosis or cell death. This, in one hyphenated word, is world-changing.
>
> It means that the drug, even at low doses that proved safe in this study, reduced the markers of disease progression in earlier stages of the disease. In advanced patients, we saw indications that cellular damage was significantly ameliorated. This means the drug is disease-modifying. It didn't only prevent worsening. It improved the patients' condition.
>
> Remember, this short test was at about one quarter of the dose shown optimal in animals. The only thing the company had to prove to move forward was that the compound was not unsafe, and they've done that and more. The second cohort can therefore be given higher doses, and I fully expect that efficacy will improve. It will also expand the sample size and strengthen the statistical confidence level of total data.
>
> Almost nobody expected this kind of result. Behind the scenes, I've heard that the big companies that had signed NDAs with Galectin Therapeutics were not anticipating signs of efficacy at all. They've got to be seriously reassessing right now.
>
> Fortunately for investors who want to increase holding, the stock has not responded to this information. This isn't surprising because this is new and complicated science. Also, there's been a concerted effort by the usual suspects to scare traders off this company. I don't know their motives but this act can't go on much longer, at least not with any level of credibility.

117. Emerging Growth was next in line in the coordinated campaign's drum beat of good news with yet another press release through Accesswire on April 8, 2014, again exaggerating and misstating the meaning of the initial safety study results. Written by Fred Zucker, entitled "Treatments for Non-Alcoholic Steatohepatitis Making Clinical Strides,"[16] the article read in part:

/ / / /

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...**Last Monday, Galectin released information from the first cohort in a phase 1 clinical trial, presenting a substantial compilation of clinical data that deserves a closer look.**

The trial looked at certain hallmarks of any clinical trial, such as safety and pharmacokinetics, as well as dialing-in the effect of GR-MD-02 by examining a broad spectrum of serum biomarkers of NASH, including composite biomarkers of fibrosis, inflammatory cytokines and ALT levels as a proxy of apoptosis. Galectin's approach covered the gamut of pathological processes of NAFLD by studying biomarkers pertaining specifically to NASH as well as biomarkers specific to fibrosis and cirrhosis. This analysis provides a wider breadth of knowledge about GR-MD-02, as these stages of liver disease don't always have congruous details. **This is an important aspect of the trial, providing wide-ranging data on the effects in the current study and helping to delineate future research.**

Results from the FibroTest, an indirect biomarker of fibrosis, showed a significant reduction in scores, which suggests fibrosis regression in patients treated with GR-MD-02...

The study also looked at Hyaluronic Acid (HA) levels, which are known to be elevated in liver fibrosis. In 3 of the 6 patients treated with GR-MD-02, HA levels decreased, essentially consistent with pre-clinical data.

So What Does This All Mean?

The data suggests that Galectin was pretty much right on target with the assessment of GR-MD-02 before the clinical trial began...As Dr. Peter Traber, CEO and President of Galectin, said in a conference call discussing the clinical data, the company is pleased to *see "consistent changes in fibrosis markers and* inflammatory markers after four infusions of [GR-MD-02]."[39]...

118. On the heels of the Emerging Growth article, the April 2014 Transformational Technology, Mauldin Economics once again urged investors to buy Galectin stock:

Delivering Superior Profits Through Superior Delivery Technology

By Patrick Cox

April 2014 | Issue 1.08

From the Analysts

[39] Available at http://www.marketwatch.com/story/treatments-for-non-alcoholic-steatohepatitis-making-clinical-strides-2014-04-08.

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Galectin Therapeutics Inc.

The company announced the results for the first cohort of patients in its Phase 1 clinical trial of GR-MD-02 for fatty liver disease with advanced fibrosis. The trials showed evidence of a therapeutic effect on fibrosis, inflammation, and cellular injury. This is a very positive development for the company and should be corroborated by further reports. The second cohort begins enrollment this month; we'll continue to follow developments as they come to our attention.

Continue to hold your position.

New subscribers: Buy 25% of your NASDAQ:GALT position at the market

119. On May 13, 2014, Emerging Growth disseminated an article through Accesswire and written by Zucker entitled "Wall Street In and Out of Love with NASH Drug Developers."

120. Again riding the wave of false and misleading self-manufactured "good news" promoted by the Company in the proceeding weeks, in May 2014, Mauldin Economics published yet another article urging investors to buy Galectin stock:

The Body's Own Antibiotic Acid Could Lower Medical Costs and Generate Huge Profits

By Patrick Cox

May 2014 | Issue 1.09
Galectin Therapeutics

Like many of our holdings, Galectin reported their financial results this month, showing a $5.4 million loss for the quarter. However, don't let that figure discourage you, as current funding—the most important metric for a young biotech—is sufficient through 2015.

The company also revealed positive results for the first cohort of GR-MD-02's Phase 1 clinical trials. The full results of this study will be published near the end of July, and we expect positive results, which should do wonders for GALT's share price.

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121. The June 2014 issue of Transformational Technology mimicked the Company's tactic of presenting a patent grant as if it were a validation of the efficacy of the product, with Transformational Technology "analysts" advising readers to buy on the news: "New subscribers: Buy 25% of your NASDAQ:GALT position at the market." Transformational Technology, June 2014.

122. Galectin's false and misleading stock promotion campaign continued into the summer of 2014. On July 24, 2014, Emerging Growth posted on SECfilings.com, an article exclusively about Galectin. The article contained no indication that it was a paid advertisement and showed only that its author is "Fred Zucker." Only those readers inquisitive enough to notice the small print "disclaimer" hyperlink on the bottom of the page, and connect to the hyperlink and read it, discovered that the article by Fred Zucker was no more than a paid advertisement:

> Fat is driving the bus these days in one narrow, but widening, biotech sector as companies strive for dominance. Among these are Galectin Therapeutics Inc. (GALT), Intercept Pharmaceuticals (ICPT), Raptor Pharmaceuticals (RPTP) and Gilead Sciences (GILD), all of which are in search of a cure for one stage or another of "fatty liver disease."
>
> From a clinical stage perspective, Intercept is leading the race, having delivered positive data from a Phase 2 trial of obeticholic acid (OCA) earlier this year. Shares tripled on the news. Galectin, a newly-coined member of the Russell 2000, **is *nipping at Intercept's heels*** and actually may be closer than what first appears with a Phase 1 trial because of the potential to treat fatty liver disease even once it has progressed. What distinguishes their approach from others that the timing of intervention with their proprietary carbohydrate polymer drug GR- MD-02 may be largely irrelevant to outcomes, with GR-MD-02 seeming to work well even in advanced stages of liver fibrosis. This is especially important in fatty liver diseases because they are silent killers, often going undiagnosed for many years. The Galectin drug was granted FDA fast-track approval nearly a year ago.
>
> Galectin has announced GR-MD-02 to be safe and well tolerated in the first cohort of patients in its clinical trial, as well as showing changes in key biomarkers, which suggests a therapeutic effect on fibrosis, or scarring of the liver that leads to loss of liver function. Enrollment has been completed in the second cohort, with results expected in the next few weeks, potentially a catalytic moment for the company's value.
>
> Further, late in June Galectin disclosed that research in an animal model of NASH

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showed an oral version of GR-MD-02 to demonstrate a significant improvement in disease. Coming at NASH with both infused and oral formulations could give Galectin a competitive edge going forward.

The apparently sudden prevalence of fatty liver disease and NASH on the biotech horizon is due to the increasing incidence of obesity worldwide and greater awareness of the conditions. After all, NASH didn't even have a medical name three decades ago. A U.S. Centers for Disease Control report says that 34.9% of American adults are obese. That's a 50% increase in obesity in less than 40 years and has lent impetus to the rise in NASH, a disease dubbed "the next big global epidemic" on CNBC's NBR.

Those are big numbers and potentially big profits. So it is clear that fat is indeed driving the biotech bus, with Galectin, Intercept, Gilead and Raptor in the front seats and vying to take control of the wheel.

Fred Zucker, Galectin, Intercept, Others Vying for Lead Drugs in NASH Epidemic, TDM Financial Property (July 24, 2014), available at http://secfilings.com/News.aspx?title=galectin,_intercept, _others _vying_for_lead_drugs_in_nash_epidemic&naid=804.

123. Immediately after the above described Emerging Growth posting on its website promising big profits for investors in Galectin, the Company issued a press release announcing a conference call on July 25, 2014 to provide updated results from its Phase 1 NASH study, followed by Defendant Mauldin who released the following article on the same day.

124. On June 25, 2014, Mauldin Economics published an article titled:

Galectin Therapeutics Announces Preclinical Oral Efficacy

By Patrick Cox

June 25, 2014

Dear TransTech Reader,

You should get the monthly edition with our new recommendation shortly, so I wasn't going to write a general letter this week. Important news, however, dictates that I send you this short update about Galectin Therapeutics (NASDAQ:GALT)...

As the headline above says, Galectin Therapeutics (NASDAQ:GALT) has announced that their drug candidate, GR-MD-02, has been delivered successfully in oral form to animals. Not only was there direct evidence that

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the drug had crossed into the bloodstream, it reversed fatty liver disease in diabetic mice. We know enough about the digestive systems of mice and men to predict that oral delivery for humans is nearly assured.

Why is this a big deal? Let's walk through this.

First of all, we saw significant reductions in the markers of inflammation and fibrosis in the first cohort of patients enrolled in the GR-MD-02 Phase 1 safety trial. This was surprising only because the dose was purposely low to check for any toxicities or side effect. The fact that the drug showed real benefit at such low doses is amazing.

Actually, however, the really amazing thing is that it clearly knocked down all the markers of fatty liver disease. This has never been seen before, and it is historic.

As you know, this company's simple plant sugars reverse fibrosis, which is similar to the formation of scar tissues. Fibrosis is associated with a wide range of diseases, including arthritis, sclerosis of the liver, pulmonary fibrosis, and even the wrinkling of the skin. Almost half of all organ failures involve fibrosis, so the market for an effective anti-fibrotic is vast.

Even administered via needle, I believe Galectin Therapeutics' anti-fibrotic drugs would achieve blockbuster status. Nevertheless, an oral form would substantially expand the market for the drug, for a variety of reasons.

One is simple convenience. Doctors are more likely to prescribe a medication that can be taken in pill form than via needle. There is a significant number of people who resist injections, even if they mean healthier and longer life...

Oral delivery is also cheaper for patients, because they don't need to pay for a health care professional's time to get dosed. Cost, as we know, affects usage rates. Despite rhetoric about free medical care, it will never happen. Copayments are a reality, and even the out-of-pocket costs of repetitive trips to a clinic or doctor's office will reduce usage rates...

As soon as it is available, however, we will see informed doctors and patients taking advantage of an oral fibrosis therapy for life extension purposes. I would personally take the drug for that reason, but I actually have another excuse.

I've been diagnosed with Dupuytren's contracture. Sometimes called Viking or Celtic disease, it is a fibrotic thickening of the palmar fascia that interferes with the movement of the tendons in the hand. In most cases, including mine, it limits motion in the ring finger of one hand. It can be ameliorated with aggressive stretching to break the fascia. Still, it would be nice to reverse the fibrosis in my hand with pills, because it would simultaneously reduce age-

> related fibrosis elsewhere...
>
> We can imagine that a periodic regimen of these galectin-blocking plant sugars would also act to prevent cancers from developing. I'm trying now to set up an interview with some of the scientists involved in those trials.
>
> Incidentally, in case it's not obvious, I'm not saying that you should invest equal amounts in all the companies in the portfolio. Card counters win at blackjack not by changing the way they play any particular hand, but by altering how much they bet, based on the odds of success. Given everything I've told you about this company, I consider the odds of winning with Galectin Therapeutics very good indeed...

125. Mauldin's article falsely stated that it was a fact that GR-MD-02 had efficacy in treating NASH ("The fact that the drug showed real benefit..."). Freely mixing a bit of fact and a bit of fiction, Mauldin inevitably reached histrionic, but for his followers persuasive, conclusion: "Actually, however, the really amazing thing is that it clearly knocked down all the markers of fatty liver disease. This has never been seen before, and it is historic." As always, the article failed to disclose that Transformative Technology was published by a director of Galectin with significant holdings therein.

126. Following these releases, Galectin's stock price shot upwards from $13.72 per share to $15.32 per share.

127. During this entire period, Defendants were fully aware that the obtaining of a patent or conducting or results of the first cohort of a Phase 1 study was no indication of the actual efficacy or medical benefit of GR-MD-02. Defendants fully understood that the dramatic increase in the price of the Company's shares bore little relationship to any actual true news about its product.

128. Defendants were aware of the above press releases and the hiring of Emerging Growth Corp. and the misrepresentations and campaign of misleading implications falsely suggesting that there were objective indications of the efficacy of GR-MD-02 and at no time objected to these wrongful acts and, in fact, participated in them.

129. Throughout the relevant period, Defendants knew that the sole source of positive

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feedback about the Company's prospects came from paid stock promoters and an interested party who disseminated positive, but misleading reports about Galectin's prospects.

130. As a result of the Defendants' false and misleading statements and omissions, Galectin shares traded at artificially inflated prices during the relevant period.

The Company and Emerging Growth Commenced the False And Misleading Stock Promotion Campaign in July 2013

131. The Company's false and misleading promotion campaign with Emerging Growth began in the summer of 2013. On July 17, 2013, Emerging Growth published a Galectin paid-for article containing false and misleading statements on SeekingAlpha.com and other financial news websites including the false and misleading statement, "but a paltry $75 million market capitalization indicates the company is undervalued compared to peers in the space."[40]

132. There was no disclosure in the body of the July 17, 2013 article that Galectin paid for the article. Beneath the article the unnamed author disclosed, "I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours." Though a reader could read an "additional disclosure" and hyperlink to another webpage disclosing that Galectin had paid for the article, the average reader was left with the impression that the article was impartial third party analysis.

133. The Company falsely and misleadingly presented its commencement of a first cohort of a Phase 1 safety study into big news with CEO Defendant Traber declaring that the first patient to try GR-MD-02 to see if the Pectin would harm him or her, was a "critical milestone in Galectin's development program, taking [the Company] one step closer to bringing a first-in-class treatment to the millions of Americans suffering from this silent epidemic." In a Galectin paid-for article,

[40] Hepatitis C Important, But Investors Should Be Focusing On Fatty Liver Disease and Galectin, Seeking Alpha, (Mar. 19, 2015), available at http://seekingalpha.com/instablog/10572281-secfilings-com/2043102-hepatitis-c-important-but-investors-should-be-focusing-on-fatty-liver-disease-and-galectin.

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Emerging Growth reported Traber's comments in a July 25, 2013 article it published on its SECFilings.com webpage, repeating and amplifying Defendant Traber's pronouncement.[41]

134. During July 2013, Galectin stock increased by $1.54 per share, or 25%, rising from $4.41 per share on July 1, 2013 to close at $5.95 per share on July 31, 2013.

135. With Galectin starting from the beginning with a new Phase 1 Study of a new lead drug candidate, and discontinuing testing after a ten year failure with its first lead drug candidate, the Company knew that the rise in the price of Galectin stock price was due to its deceptive promotion campaign. Nonetheless, on August 14, 2013 the Company paid Emerging Growth to report that the dramatic stock price rise reflected dramatic "pipeline developments" at Galectin: "**Shares of Galectin have been steadily rising in 2013, advancing about 240 percent, upon pipeline developments as the drug maker emerges as a leader in fibrosis and cancer therapies.**" In fact, there was never any actual clinical study related indication that GR-MD-02 helped heal fibrosis as the Company would eventually have to disclose on July 29, 2014. Form 8-K, Exhibit 99.1, at 13-14, filed on July 29, 2014.

136. On October 14, 2013, Emerging Growth again falsely and misleadingly informed readers that the rise in Galectin stock price reflected actual developments and discoveries at the Company in an article titled, "Galectin Stands Out in 2013 with Liver Fibrosis Drug," stating in part, "***The surge in Galectin's valuation seems simply a product of*** **corporate advancements as the company establishes itself as a leader in pioneering treatments for fibrosis, especially liver fibrosis that results from fatty liver disease."**[42]

/ / / /

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[41] Justin Kuepper, Galectin Therapeutics (GALT) Doses First Patients with Fatty Liver Disease, TDM Financial Property (July 25, 2013), available at http://secfilings.com/News.aspx?title=galectin_therapeutics_(galt)_doses_first_ patients_with_fatty_liver_disease&naid=480.

[42] Galectin Stands Out in 2013 with Liver Fibrosis Drug, Accesswire (Mar. 19, 2015), available at http://www.marketwatch.com/story/galectin-stands-out-in-2013-with-liver-fibrosis-drug-2013-10-14.

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C. Defendants Czirr, Martin, and Prelack Capitalize on the False and Misleading Stock Promotion Campaign

137. Throughout the false and misleading promotional campaign Defendants Czirr and Martin (through the 10X Fund) and Prelack took advantage of the artificially inflated stock price by dumping shares and causing entities controlled by them to sell shares.

138. At the peak of the success of the Emerging Growth 2013 false and misleading promotion, on October 7, 2013, with the price of Galectin stock more than double its pre-promotion campaign value, Defendants Czirr and Martin caused the 10X Fund to sell 100,000 shares of its Galectin stock at artificially inflated prices of $11.79 per share, reaping proceeds of $1.179 million; and on October 8, 2013, sold an additional 12,000 shares of its Galectin stock at artificially inflated prices of $12.36 per share, reaping proceeds of $148,320.

139. When the false and misleading promotional campaign shifted into high gear with the entry of Defendant Mauldin's mouthpiece Transformative Technology and Patrick Cox in November, 2013, Galectin's stock price hovered around $8.00.

140. As described above, through the intense coordinated campaign of deception led by Mauldin, working into a fever pitch in the first two weeks of January, 2014, Galectin stock was driven up to an artificial high, nearly doubling in price to $15.10 per share on heavy volume.

141. With the January 15, 2014 announcement of the discontinuation of testing on the Company's 10 year-long lead drug candidate GM-CT-01 just days away, the 10X Fund Defendants on January 10 and 13, 2014, sold 42,000 shares of its Galectin stock at $16 per share and 58,000 shares at $14 per share, reaping proceeds of $672,000 and $812,000, respectively.

142. By January 10, 2014, through the at-the-market financing vehicle (the "ATM Offering"), the Company sold a total of 2,391,204 shares of common stock for gross proceeds of $23,883,137.

143. With the success of the January 2014 promotional campaign coming to a close and

the price of Galectin stock beginning to fall again, Defendant Prelack took advantage of the artificially inflated price by dumping 17,772 shares of Galectin at $13.71 per share on January 31, 2014, cashing out proceeds of $242,968.

THE TRUTH EMERGES

144. On July 29, 2014, Galectin announced the results of the second cohort of its Phase 1 study of GR-MD-02. The Company had to admit that the "Enhanced Liver Fibrosis" score ("ELF score" herein) - "which according to the Company is the single "direct biomarker of fibrosis" - for both cohorts of the Phase 1 study were, "**not statistically significant**." Form 8-K, Exhibit 99.1, at 12, 13, filed on July 29, 2014.

145. Regarding the "indirect" biomarkers of fibrosis, the results at the conclusion of the second cohort stage were described by the Company on July 29, 2014 as, "may not be a very good marker," "ALT levels [which] are known not to correlate with degree of fibrosis or activity of NASH," and, "more experience is needed with this method in longitudinal studies." Form 8-K, Exhibit 99.1, at 17, 19, 21, filed on July 29, 2014.

146. As its stock plummeted, in an effort to mitigate the disappointing results of the Phase 2 study up to that point, the Company discounted the meaning of biomarker results altogether and declared the Phase 2 study "had been successfully met for each cohort completed," since the drug had not caused harm to any of the subjects in the safety test. In a July 30, 2014 press release the Company stated that, a Phase 1 study is "not designed to demonstrate efficacy of a drug," and, "in the case of NASH with advanced fibrosis there are no biomarkers that have been shown to change with a short-term treatment." The Company's July 29, 2014 press release read in part,

> The primary endpoints for the phase 1 trial have always been safety and pharmacokinetics and have been successfully met for each cohort completed...This phase 1 clinical trial, and in fact all phase 1 clinical trials, are not designed to demonstrate efficacy of a drug. Phase 2 clinical trials are designed to evaluate efficacy of a drug, and our phase 2 clinical trial(s) will follow the completion of this phase 1 trial. Having said this, often a number of exploratory biomarkers are

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> included to determine whether there is some evidence of effect. Exploratory means that there is some scientific evidence that they may provide useful information, but they have not been studied sufficiently to be used as definitive evidence of disease treatment. In fact, in the case of NASH with advanced fibrosis there are no biomarkers that have been shown to change with a short-term treatment.
>
> Form 8-K, Exhibit 99.1, at 13-14, filed on July 29, 2014.

147. On July 28, 2014, Bleecker Street Research published an article on SeekingAlpha.com claiming Galectin "has strong ties to stock promoters" and was engaged in a misleading brand awareness campaign aimed at boosting its stock price. The July 28, 2014, article included the following:

> Another Penny Stock Promoter Has Been Involved
>
> Having connections to one stock promoter is bad enough, but GALT has ties to another stock promoter. This time the stock promoter is Patrick Cox, who also promoted PVCT right before the stock plunged 90%. Patrick Cox has promoted numerous biotechs, here is an interview in which he touts several biotechs including GALT. As BuyersStrike points out, Patrick Cox has colorful background. This is Patrick Cox. This is Patrick Cox calling GALT a company that will "change the world...
>
> Galectin Therapeutics: Why This Penny Stock Dressed Up by Stock Promoters is a Short, Seeking Alpha (July 28, 2014), available at http://seekingalpha.com/article/2347785-galectin-therapeutics-why-this-penny-stock-dressed-up-by-stock-promoters-is-a-short.

148. The "As BuyersStrike points out" hyperlink embedded in the above SeekingAlpha article connected readers to the following BuyersStrike article:

> # The shameless, moronic, Patrick Cox – (STSI)
>
> Act quickly, before this amazing web page (see it here) presented by moron stock tout **Patrick Cox** (see an awesome pic of Patrick here) is changed, and before the "deal" he is offering expires.
>
> The web page is a breathless, and shameless, tout piece on **Star Scientific** (**STSI**), and offers a deal that expires on **November 31**, 2012. Pity November only has 30 days. Of course, that speaks to the level of due diligence performed by the likes of Mr. Cox. Here is the misdated "offer":

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November 31: Publisher's Expiration Notice: At precisely midnight, November 31 your only chance to learn how to slow down your body's aging – potentially adding up to 20 healthy years to your life, and those of your loved ones – and also receive an immediate and guaranteed payment of $1,200 – will permanently expire. No extensions, no exceptions will be granted, so please… consider the opportunity I'm offering you below carefully, and quickly.

Thank you.

Star has been attempting to sell a dietary supplement, to little success, for quite some time. It has been extensively debunked by **Adam Feuerstein** (here, here, and here). But Patrick ignores all of that, and comes up with his own, incredibly warped, take on reality:

This is the opportunity I'm presenting to you today.

An opportunity to hit the mother lode.

An investment opportunity that could make Viagra seem like a 5-cent gumball by comparison.

It's also your best chance to live **a long and healthy life**

Follow the scientific and medically validated recommendations laid out in this *email, and there's more than an excellent chance...*

You will prolong your life by an additional 20 to 30 years...

You will not suffer from heart disease, *cancer or stroke...*

You will not suffer from obesity, rheumatoid arthritis, thyroid disease or even hair *loss...*

And the chances of achieving wealth and prosperity you never dreamed of will be increased enormously.

My name is Patrick Cox, founding editor *of Agora Financial's technology newsletter* Breakthrough Technology Alert.

Wow.

Recently management and some investors rewarded themselves with a warrant repricing. The warrants, previously underwater, were kindly transformed into massively in-the-money securities. Free money for them, lots of dilution for shareholders. Not long afterwards, **Patrick Cox** (who has been touting the stock for some time) ramped up his promotional campaign, helped with a tout-assist by **John Maudlin**.

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As for the investors stupid enough to buy **STSI** based on this nonsense, one can only hope they are not so terminally stupid as to actually subscribe to his drivel.

The Shameless, Moronic, Patrick Cox – (STSI), BuyersStrick, available at https://buyersstrike.wordpress.com/2012/11/28/the-shameless-moronic-patrick-cox-stsi/.

149. On July 28, 2014, Feuerstein published an article on TheStreet.com reporting that Emerging Growth, through its parent company TDM, a penny-stock promotions firm, was the investor relations and marketing company Galectin was paying for false and misleading promotional campaigns to entice investors to buy its stock. The article stated in part:

> Last Thursday, Emerging Growth issued a press release, picked up by the Yahoo! Finance feed, which misleadingly compared Galectin to Intercept Pharmaceuticals.
>
> > From a clinical stage perspective, Intercept is leading the race, having delivered positive data from a Phase 2 trial of obeticholic acid (OCA) earlier this year. Shares tripled on the news. Galectin, a newly- coined *member of the Russell 2000, is nipping at Intercept's* heels and actually may be closer than what first appears with a Phase 1 trial because of the potential to treat fatty liver disease even once it has progressed. What distinguishes their approach from others that the timing of intervention with their proprietary carbohydrate polymer drug GR-MD-02 may be largely irrelevant to outcomes, with GRMD-02 seeming to work well even in advanced stages of liver fibrosis. This is especially important in fatty liver diseases because they are silent killers, often going undiagnosed for many years. The Galectin drug was granted FDA fast- track approval nearly a year ago.
>
> Only someone being paid to shill would claim Galectin is "nipping at Intercept's heels." Intercept is way ahead in developing a drug to treats non- alcoholic steatohepatitis (NASH), a severe form of fatty liver disease, and its clinical studies to date have been designed using appropriate endpoints.
>
> Galectin, by comparison, is conducting a phase 1 "safety" study of its NASH candidate enrolling a tiny number of patients and using endpoints which collect useless biomarker data. It's as if Galectin doesn't really want to find out if their drug is effective against NASH.
>
> After Emerging Growth's misleading press release was issued Thursday, Galectin followed up with a press release of its own on Friday to announce a conference call for Tuesday morning. The subject of the call: To discuss updated results from its phase 1 NASH study.

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150. When the market opened on July 29, 2014, Galectin shares opened at a price of $7.10 per share, down over 50% from the previous day's close at $14.54.

151. On July 29, 2014, Feuerstein published an article on TheStreet.com entitled "Galectin Drug is a Fatty Liver Flop," which stated in part:

> Fruit pectin is delicious spread on toast, but can an experimental drug derived from fruit pectin be effective as a treatment for fatty liver disease? Not so much, which explains the steep drop in Galectin Therapeutics (GALT) Tuesday.
>
> Galectin's experimental drug GR-MD-02 flopped in a phase 1 study of nonalcoholic steatohepatitis (NASH), a severe form of fatty liver disease. Across just about every biomarker for efficacy Galectin thought to measure, GR-MD-02 showed no difference from placebo. Galectin deemed the updated results from the phase 1 study to be a success because patients treated with GR-MD-02 reported no serious side effects, but of course, ineffective placebos rarely raise safety concerns.

152. Once the true facts regarding the Company's financial prospects and future business prospects emerged, Galectin stock crumbled from its high of $18.30, sinking to a low of $5.15 per share on July 29, 2014, a decline of nearly 61% on extremely heavy trading volume – wiping out more than $190 million in market capitalization.

153. The most detailed and spirited attempt to repudiate the TheStreet.com and SeekingAlpha.com reports came immediately on July 29, 2014 from Defendant Mauldin's Transformational Technology, which referenced "the analysts" throughout the article to gain credibility and signed off not merely in the name of the single author Patrick Cox, but "The *TransTech* Analyst Team." In the article, even as Cox indignantly denies any connection to Galectin ("in fact, I paid for the meal that I shared with the executive chairman of the board when we last met to discuss the company's progress"), Cox conceals the fact that the publisher of *Transformational Technology* is a Galectin director with significant holdings therein.

> **Don't Buy the Bear Attack on Galectin Therapeutics and Me**
>
> By Patrick Cox

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July 29, 2014

Dear *TransTech* Reader,

At the onset of this morning's trading session, Galectin Therapeutics (GALT) experienced a severe sell-off, with shares falling by as much as 60%. Much of the selling pressure stems from negative rumors floating around Internet message boards in relation to GALT's second cohort liver disease Phase 1 results, along with a piece published on *Seeking Alpha*, all of which included misleading and—for the most part—patently false information.

Normally I don't respond to the all-too-common nonsense published on questionable Internet financial sites. The analyst team, however, tells me that the Galectin Therapeutics' successful second cohort liver disease Phase 1 results have been aggressively misinterpreted. Moreover, we are being accused of being paid by Galectin Therapeutics (GALT) to promote its stock.

As I've said multiple times, neither I nor the analyst team has ever had any direct or indirect financial arrangement with Galectin Therapeutics. If I were lying, there is little doubt that I would be headed for jail. Unlike those who short and attack biotechs on financial websites, our business is pretty constantly scrutinized by the authorities.

So let me be extremely clear. I recommended—and continue to recommend—the company based on the science supporting its platform as well as the professionalism, ethics, and experience of the company's management. I've never received any payment from the company; in fact, I paid for the meal that I shared with the executive chairman of the board when we last met to discuss the company's progress.

Apparently, the article attacking the company and me dealt with all manner of topics, except the science behind Galectin Therapeutics' drug candidate GR-MD-02. So let me recap.

In animal studies as well as human-cell culture studies, we have seen consistently that the company's complex carbohydrates bind to the same sites as galectin-3 proteins, but with even stronger affinity. This is important for several reasons.

First of all, galectin-3 proteins are an essential part of the process of fibrotic deposition. In fact, tissues that have had the gene that makes these galectin-3 proteins shut down cannot form fibrotic tissues. Multiple animal studies, using a variety of animals, have shown the reversal of fibrosis of various sorts, including pulmonary, renal, liver, and cardiac fibrosis.

In all of those studies, however, scientists could take one measurement that

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is not allowed in current Phase 1 safety studies. They took multiple biopsies of actual tissues to closely examine the actual state of fibrosis. You can't do that in the current human study because of very real risks associated with liver biopsies, so the company is measuring anything that might help it understand the nature of fibrotic disease as well as the drug's impact on it.

Galectin-3 proteins, by the way, are also a critical part of cancer formation, because tumors secrete them to bind to T cells, blinding and eventually killing the immune system's mobile disease fighters. Tumors create a kind of barrier composed of galectin-3s that is lethal to T cells. The important cancer research group, the Ludwig Institute, has showed that T cells can be protected from galectin-3s by the company's drug candidates.

This is why the Providence Portland Medical Center is funding its own studies of GR-MD-02 in combination with ipilimumab for metastatic melanoma. The IND application was, according to PPMC, prompted by a preclinical study led by tumor immunology expert William L. Redmond, Ph.D., that showed increased tumor shrinkage and enhanced survival in immune competent mice with prostate and breast cancers when combined with one of the immune checkpoint inhibitors, anti-CTLA-4 or anti-PD-1.

In fact, I believe that galectin-3 blockers' potential in cancer alone gives the company multiple blockbusters. Nevertheless, I applaud the decision to tackle fibrosis, especially liver fibrosis, because there is no drug available for these killers.

The odd thing about this kerfuffle is that the results from the second cohort absolutely met the endpoints of this Phase 1 safety study. There were no adverse effects, and the pharmacokinetics of the drug were confirmed as safe. Specifically, the drug cleared out of the system, with no dangerous accumulation, in a linear matter.

So let's talk about the data that have apparently led to confusion. First of all, the only relevant results in this Phase 1 study are the demonstrated safety, and the pharmacokinetics showing that the drug behaves as expected in the system. What seems to have surprised some people is that certain cytokine and liver stiffness markers did not go down in some of the treated patients, though they did in at least one of the placebo patients.

What does this mean? We don't know, because these secondary tests are all experimental and unproven. They are not accepted by the FDA as an indication of efficacy and would not lead to approval or rejection.

Nevertheless, let's speculate about why the first cohort showed apparent improvements in these markers while, overall, the second did not.
The big difference between the two cohorts is the timing of the tests. In the first cohort, patients were tested 14 days after the last dose. In the second cohort, patients were tested three days after last dosing.

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The obvious implication is that the process of destruction of fibrotic tissues actually puts markers of fibrosis into the bloodstream for three or four days, which is probably how long macrophages survive and operate after they've been activated by GR-MD-02, the drug candidate. In the first cohort, however, the measurements were taken two weeks out, when the body had cleared the cytokines that were blasted into the bloodstream by attacking macrophages.

In fact, we just don't know if this is actually the case. None of these secondary markers are known to be directly related to the process of fibrosis. Given the confusion, I asked the company COO, Harold Shleven, if he regretted having changed the testing from 14 to 3 days. He said "Absolutely not," because he's learned very valuable information.

Remember, the Phase 1 safety study is proceeding perfectly. There have been no serious adverse effects, and nobody really thought that we would see the indications of efficacy that were apparent in the first cohort, when measurements were taken at 14 days. It will not be until the Phase 2 efficacy studies that actual liver biopsies are taken. Then we will know with certainty whether or not GR-MD-02 is reversing fibrosis. All the science—including multiple tests in various animals—however, convinces me that this is exactly what we'll see.

By the way, the analyst team has looked into the specific charges made against the company. The first is that Galectin Therapeutics is using multiple organizations, including *TransTech Alert*, to pump stock sales. I know nothing about the other organization, Emerging Growth Corp./TDM Financial, but neither I nor my analysts have any financial stake in promoting the company.

I have only recently had the freedom to buy the company's stock, but have not yet done so. Given the dip in price, however, I may do so soon.

The article also says that insiders have been selling the stock in the midst of a campaign to promote the stock to retail investors and retirees. In fact, the analysts have looked closely at this charge and tell me the opposite is true. Insiders have, in fact, been (wisely) accumulating shares over the last 12 months. Insiders have acquired 1,223,779 shares compared to selling 285,722 over the last 12 months, representing a buy-to-sell ratio of 4.28.

The third claim—that Galectin Therapeutics has consistently spent more on SG&A than R&D—is completely untrue. S&P Capital IQ clearly shows that GALT has spent more on R&D than SGA over the last two years.
Of all these charges, the only one that might be true is that Emerging Growth Corp./TDM Financial has a financial stake in promoting the company's stock. If it owns significant shares, this could be true, and the analysts are going to investigate. Even if true, however, it does not mean in any way that Galectin

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> Therapeutics has encouraged what is a common activity in many similar analyst groups.
>
> Since these sorts of attacks are common, Galectin Therapeutics management isn't inclined to punch the tar baby, to borrow an old metaphor. Nevertheless, I'm going to try to do an in-depth video analysis of the successful Phase 1 first and second cohort data with one of the scientists from the company.
>
> In the meantime, relax. We've seen this sort of bear attack hundreds of times before, and we'll see them many times again. I encourage you to spend time on the company's website, which has enormous amounts of scientific information validated by respected third parties, as opposed to unsupported assertions published on the Internet. Read it and stop listening to uninformed third-party attackers. As I've said many times, Galectin Therapeutics is the most important player in the emerging science of galectin-3 blockers. There is absolutely nothing in the second cohort data that would prove otherwise.
>
> Like I mentioned earlier, the analysts and I both view this as a buying opportunity, and will send an alert in the next few days with trading instructions once we've determined that shares have settled.
>
> For transformational profits,
>
> The *TransTech* Analyst Team

DEFENDANTS' DUTIES

154. As Company directors, Defendants had the ability to control the business and corporate affairs of Galectin and the Defendants owed and owe the Company and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage Galectin so as to operate in a legal and honest fashion. The Defendants were and are required to act in furtherance of the best interests of Galectin and its shareholders so as to benefit all shareholders.

155. Each director and officer of the Company owes to Galectin and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets, and the highest obligations of fair dealing.

156. In addition, as officers and/or directors of a publicly held company, the Defendants had a duty to promptly disseminate accurate and truthful information with regard to the Company's financial and business prospects so that the market price of the Company's stock would be based on truthful and accurate information.

157. The Defendants, because of their positions of control and authority as directors and/or officers of Galectin, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by Galectin.

158. Because of their advisory, executive, managerial, and directorial positions with Galectin, each of the Defendants had a duty to know is presumed to have had the basic understanding of the business of the Company such that they knew that stage 1 clinical trials and patents do not provide indications of the efficacy of a proposed medication and that the Company was, at best, wildly exaggerating the objective indications that GR-MD-02 was effective in the treatment of any disease.

159. Defendants were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the financial affairs of the Company. By virtue of such duties, the officers and directors of Galectin were required to, among other things:

(a) ensure that the Company complied with its legal obligations and requirements, including acting only within the scope of its legal authority and disseminating truthful and accurate statements to the investing public;

(b) conduct the affairs of the Company in an efficient, business-like manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock;

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(c) properly and accurately guide investors and analysts as to the true financial and business prospects of the Company at any given time, including making accurate statements about the Company's business and financial prospects and internal controls;

(d) remain informed as to how Galectin conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, make reasonable inquiry in connection therewith, and take steps to correct such conditions or practices and make such disclosures as necessary to comply with securities laws; and

(e) ensure that Galectin was operated in a diligent, honest, and prudent manner in compliance with all applicable laws, rules, and regulations.

160. In addition to these duties, the members of the Audit Committee owed specific duties to Galectin under the Audit Committee's Charter to exert oversight over the Company's public communications with the public and regulators.

161. Defendants, as officers and/or directors of Galectin, are bound by the Company's Code of Conduct and Ethics (the "Code") which, according to the Code, was adopted to deter wrongdoing and promote, among other things:

> Full, fair, accurate, timely and understandable disclosure in reports and documents filed with or submitted to the Securities and Exchange Commission and in other public communications made by the Company.

162. With respect to public disclosures, the Code states, in part, that:

> The Company must also disclose to the SEC, our current stockholders and the investing public, information that is required to be disclosed under applicable laws, regulations or rules, and any additional information that may be necessary to ensure that the required disclosures are not misleading or inaccurate. The Company requires you to participate in the disclosure process, which is designed to record, process, summarize and report material information for disclosure, such that the information when disclosed is full, fair, accurate, timely and understandable.

163. Upon information and belief, the Company maintained a version of the Code during the Relevant Period that imposed the same, or substantially and materially the same or similar, duties on, among others, the Board, as those set forth above.

BREACHES OF DUTIES

164. Each Defendant, by virtue of his position as a director and/or officer, owed to Galectin and its shareholders the fiduciary duty of loyalty and good faith and the exercise of due care and diligence in the management and administration of the affairs of Galectin, as well as in the use and preservation of its property and assets. The conduct of the Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and officers of Galectin, the absence of good faith on their part, and a reckless disregard for their duties to Galectin and its shareholders that the Defendants were aware or should have been aware posed a risk of serious injury to Galectin.

165. The Defendants each breached their duties of loyalty and good faith by allowing Defendants to cause, or by themselves causing, the Company to make false and/or misleading statements that misled shareholders and potential investors into believing that disclosures related to the Company's financial and business prospects were truthful and accurate when made.

166. Due to Defendants' illegal actions and course of conduct, the Company is now the subject of the Securities Class Action that alleges violations of the federal securities laws and will cause the Company to expend significant sums of money for the defense and settlement of the lawsuit.

167. In committing the wrongful acts alleged herein, the Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their wrongdoing. The Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

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168. During all times relevant hereto, the Defendants collectively and individually initiated a course of conduct that was designed to mislead shareholders into believing that the Company's business and financial prospects were better than they actually were. In furtherance of this plan, conspiracy, and course of conduct, the Defendants collectively and individually took the actions set forth herein.

169. The purpose and effect of the Defendants' conspiracy, common enterprise, and/or common course of conduct was, among other things, to: (a) disguise the Defendants' violations of law, including breaches of fiduciary duties and unjust enrichment; and (b) disguise and misrepresent the Company's actual business and financial prospects.

170. Defendants knowingly permitted and participated in the release of improper statements. Because the actions described herein occurred under the authority of the Board, each of the Defendants was a direct, necessary, and substantial participant in the conduct complained of herein.

171. Defendant Callicutt, as the Chief Financial Officer of the Company from the time the deceptive promotional campaign commenced in July 2013, was aware of and part of the Company major public relations efforts, of which the deceptive promotional campaign appears to have been the primary marketing activity undertaken by the Company. With a compensation of $853,919 in total compensation, in a company with only six employees and only four non-research and development employees, Defendant Callicutt was a primary participant in the presentation of the Company to investors and the wrongful acts described herein.

172. Each of the Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commissions of the wrongdoing complained of herein, each Defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his

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or her overall contribution to and furtherance of the wrongdoing.

173. According to the Company's Form DEF 14A filings, the Company's Nominating and Corporate Governance Committee,

> is responsible for identifying individuals qualified to become members of the Board, and to recommend to the Board, candidates for election or re-election as directors and for reviewing our governance policies in light of the corporate governance rules of the SEC. Under its charter, the Committee is required to establish and recommend criteria for service as a director, including matters relating to professional skills and experience, board composition, potential conflicts of interest and manner of consideration of individuals proposed by management or stockholders for nomination. The Committee believes candidates for the Board should have the ability to exercise objectivity and independence in making informed business decisions; extensive knowledge, experience and judgment; the highest integrity; loyalty to the interests of Galectin Therapeutics and its stockholders; a willingness to devote the extensive time necessary to fulfill a director's duties; the ability to contribute to the diversity of perspectives present in board deliberations, and an appreciation of the role of the corporation in society. The Committee will consider candidates meeting these criteria who are suggested by directors, management, stockholders and other advisers hired to identify and evaluate qualified candidates.

174. The Charter of the Company's Nominating and Corporate Governance Committee is reprinted below. The Charter requires the Nominating Committee to "identify individuals qualified to become members of the Board,"...."including matters related to professional skills and experience, board composition, and potential conflicts of interest. and to "annually evaluate the performance" of directors:

GALECTIN THERAPEUTICS INC.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER

PURPOSE

The Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors (the "Board") of Galectin Therapeutics Inc. (the "Company") shall (1) **identify individuals qualified to become members of the Board and recommend director candidates to the Board for election or re-election**; and (2) develop, recommend to the Board, and review the Company's corporate governance policies and practices, taking in consideration the rules of The NASDAQ Stock Market LLC ("NASDAQ"), the Securities and Exchange Commission ("SEC"), as well as other

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applicable laws, rules and regulations. Corporate governance is a structure within which directors and management can pursue effectively the objectives of the Company for the benefit of all its stakeholders.

COMPOSITION AND QUALIFICATIONS

The Committee shall be comprised of two or more members of the Board. Each member of the Committee shall be "independent" in accordance with NASDAQ rules.

DUTIES AND RESPONSIBILITIES

The Committee shall:

A. **Identify, evaluate and recommend to the Board, consistent with criteria approved by the Board, nominees for election as directors at each annual meeting of stockholders of the Company, and as otherwise required, whose experience and expertise will provide added value to the Board's oversight responsibilities.**

B. **Develop, and recommend to the Board for its approval, criteria to be considered in selecting director nominees, including matters related to professional skills and experience, board composition, and potential conflicts of interest.**

C. Establish procedures for consideration of candidates for recommendation to the Board, including candidates put forward by stockholders, and consider individuals whose names are submitted by management or by stockholders as candidates for election to the Board.

D. **Coordinate and oversee meetings and other actions requiring the consideration of the non-employee directors of the Board.**

E. Develop and recommend to the Board a set of corporate governance principles applicable to the Company, review these principles periodically and recommend any changes to the Board.

F. Periodically review and recommend to the Board changes to the Company's Code of Conduct and Ethics (the "Code"), and monitor overall compliance with the Code.

G. **Review all potential conflicts of interest under and violations of the Company's Code of Conduct and Ethics (the "Code"), and consider all waivers of compliance with the Code.**

H. Review and make recommendations to the full Board regarding:

1. **The organization and effectiveness of the Board, including its size, composition, operation, practices, processes and tenure policies;**
2. **The size, composition, membership, qualifications, scope of authority, responsibilities, and charters of each committee of the Board**;
3. The selection of committee members and chairpersons;

4. The Company's Articles of Incorporation and Bylaws; and

5. The Committee's Charter.

I. **Annually evaluate the performance of the Committee and its members.**

J. **Annually evaluate the performance of the Board and its members.**

PROCESS

A. **The Committee members shall be appointed by the** Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The Board may remove any Committee members at any time, with or without cause. Unless a Chairperson is elected by the Board, the members of the Committee may designate a Chairperson by unanimous vote if the Committee is comprised of two members, and by majority vote if comprised of three or more members.

B. Committee meetings shall be led by the Chairperson. In the absence of the Chairperson, at any meeting at which a quorum is present, a majority of the Committee members may elect an acting chairperson of the meeting. A majority of the members of the Committee shall constitute a quorum for the transaction of business, unless the Committee is comprised of two members, in which case both members must be present to constitute a quorum for the transaction of business. The Committee may act by a majority of those present at any meeting, by agreement of both members at any meeting if the Committee is comprised of only two members, or by the unanimous written consent of all of members.

The Committee shall have the sole authority to select, retain and terminate any search firm used to identify director candidates and to approve the search firm's fees and other retention terms.

C. The Committee shall report regularly to the full Board, and all Committee actions and recommendations shall be promptly reported to the full Board.

DAMAGES TO GALECTIN

175. Galectin has been, and will continue to be severely damaged and injured by Defendants' misconduct. Such harm includes, but is not limited to:

- costs incurred in compensation and benefits paid to defendants that breached their duties to the Company;
- substantial loss of market capital;
- costs already incurred defending against the pending securities class actions, and potential liability therefrom; and
- Galectin's business, goodwill, and reputation with its business partners, regulators, and shareholders have been gravely impaired.

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176. The actions complained of herein have irreparably damaged Galectin's corporate image and goodwill. For at least the foreseeable future, Galectin will suffer from what is known as the "liar's discount," a term applied to the stocks of companies who have been implicated in illegal behavior and have misled the investing public, such that Galectin's ability to raise equity capital or debt on favorable terms in the future is now impaired.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

177. Plaintiff brings this action derivatively in the right and for the benefit of Galectin to redress injuries suffered, and to be suffered, by Galectin as a direct result of Defendants' breaches of fiduciary duties and unjust enrichment. Galectin is named as a nominal defendant solely in a derivative capacity.

178. Plaintiff will adequately and fairly represent the interests of Galectin in enforcing and prosecuting its rights and was a shareholder of Galectin common stock at the time of the wrongdoing of which Plaintiff complains and has been continuously since.

179. Plaintiff did not make a pre-suit demand on the Board to pursue this action, because such a demand would have been a futile and wasteful act for reasons detailed below.

180. At the time this action was commenced, the Board of Galectin consisted of the following ten directors: Defendants Traber, Czirr, Martin, Amelio, Greenberg, Rubin, Freeman, Mauldin, Prelack, and, Pressler.

A. Defendants Traber and Czirr Are Recognized as Non-Independent by the Company

181. Defendant Dr. Traber has been Galectin's President and Chief Executive Officer ("CEO") since March 2011 and a director of the Company since February 2009 and is also the Company's Chief Medical Officer, having received $612,690 in total compensation from Galectin in 2013 and $1,089,299 in 2012. Defendant Traber derives significant income from, and his primary source of income is, his employment as CEO, President and Chief Medical Officer of

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Galectin, and his reputation is inextricably bound to his role at Galectin. As acknowledged in the Company's most recent Proxy dated April 7, 2014, Defendant Traber is not independent and therefore cannot independently consider any demand to sue himself for breaching his fiduciary duties to Galectin, because that would expose him to liability and threaten his livelihood.

182. Defendant Czirr is a founder of Galectin's predecessor (Pro-Pharmaceuticals) in July, 2000 and since founding the Company Defendant Czirr has served as one of the Company's four executive officers, carrying the title of "Executive Vice President of Business Development" for many years and more recently, "Executive Chairman." In 2014 Defendant Czirr received total compensation of $437,214. As acknowledged in the Company's most recent Proxy dated April 7, 2014, Defendant Czirr is not independent and therefore cannot independently consider any demand to sue himself for breaching his fiduciary duties to Galectin, because that would expose him to liability and threaten his livelihood.

B. Defendants Czirr and Martin Control the Board Through the 10X Fund

183. As detailed herein Defendants Czirr and Martin through the 10X Fund own all of the Company's Series B preferred stock and 34% of the outstanding common shares, and have the right to appoint two directors and nominate three. In their own words, Czirr and Martin engaged in a "takeover" of Galectin's Board when, on February 12, 2009, Czirr and Martin assumed directorships and replaced the Chairman and Vice Chairman of the Board in those positions, and filled directorships that were emptied - as part of the takeover - with Defendants Amelio and Greenberg. The 10X Fund controlled Nominating Committee then, in 2011 expanded the bloated board (for the six employee company) by two positions and selected and nominated Defendants Mauldin and Freeman to those directorships.

184. Defendant Czirr, along with Defendant Traber, are two of the four named defendants in Ballesteros v. Galectin Therapeutics, Inc., James C. Czirr, Peter G. Traber and Jack W. Callicutt,

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Case No. 3:14-cv-00399-RCJ-WGC, the Securities Class Action which reasonably alleges that given his position in the Company, Defendants Czirr and Traber were not only aware of but the source of the hiring of stock promoters and the publication of their false and misleading articles pumping the value of the Company. Thus, if Czirr were to initiate suit in this action he would compromise his ability to simultaneously defend himself in the Securities Class Action and would expose himself to liability in this action. Neither Defendant Czirr, nor any director dominated by him, would do this.

185. As detailed herein, since a majority of the Board owe their directorships to Defendant Czirr and the 10X Fund and are clearly controlled by and beholden to Czirr and the 10X Fund, they are incapable of independently and disinterestedly considering a demand to institute and pursue legal action against Defendant Czirr for the misrepresentations he has made, authorized and arranged for and the resultant damages to the Company.

C. Defendants Face a Sufficiently Significant Likelihood of Liability so as to Render Them Non-impartial

1. Defendant Mauldin Faces a Sufficiently Significant Likelihood of Liability so as to be Rendered Non-Impartial

186. As detailed above, Defendant Mauldin published materially misleading and false statements praising Galectin and encouraging investors to buy Galectin stock, as if the statements were coming from an impartial and disinterested third party "expert researcher" and "team of analysts," without disclosing that the statements were being published by a director of Galectin with significant holdings therein.

2. Defendants Czirr and Traber Face a Sufficiently Significant Likelihood of Liability so as to be Rendered Non-Impartial

187. As detailed above, Defendants Czirr and Traber actively participated with Mauldin in the deceptive stock promotion campaign by providing Mauldin's employee, Patrick Cox, interviews and even a video for publication in Transformational Technology and were equally

involved in the hiring and development of articles for Emerging Growth.

3. Defendants Martin and Amelio Face a Sufficiently Significant Likelihood of Liability so as to Render Them Non-impartial

188. As detailed above, Defendant Martin was the Chairman of the Nominating Committee, and Defendant Amelio was a member of the Nominating Committee, which in 2011, proposed to expand the Board by two directorships and to fill one of the newly created directorships by appointing John Mauldin.

189. As the Chairman and one of two other members of the Nominating Committee, Defendants Martin and Amelio controlled the Nominating Committee that proposed expanding Galectin's already bloated board in part to create a directorship for Mauldin.

190. 10X Fund Defendants Martin and Amelio selected, screened and nominated Defendant Mauldin to the Company's Board, knowing that John Mauldin's primary business was stock promotion through his company Mauldin Economics, LLC,[43] brought him onto an already bloated board of directors for that purpose, and then knowingly concealed his identity as owner of Mauldin Economics, LLC from shareholders.

191. Defendant Gilbert Amelio was the former CEO of Apple Computer until 1997, when he was ousted and replaced by Steven Jobs. Defendants Martin and Amelio knew who they were nominating and participated in bringing Defendant Mauldin onto the Company's board in order to utilize Mauldin's capacity in the area of stock promotion and were aware of and participated in Mauldin's 2013-2014 false and misleading promotion of Galectin stock.

192. Due to Defendants Martin and Amelio's awareness of, toleration of without objection and participation in the Company's 2013-2014 false and misleading promotion of

[43] Having selected and screened Defendant Mauldin for a directorship, Martin and Nominating Committee Member Amelio also knew that (1) Defendant Mauldin had no scientific, medical or biopharmaceutical education and (2) that besides an undergraduate degree with no major, Mauldin's only other education was in theology. Form DEF 14A, filed on March 21, 2014.

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Galectin stock, Defendants Martin and Amelio face a sufficiently significant likelihood of liability in the present litigation so as to render them non-impartial for purposes of demand.

4. A Majority of the Board Faces a Sufficiently Significant Likelihood of Liability

193. Because of the above particularized facts indicating Defendants' knowledge and toleration of and participation in the deceptive stock promotion campaign, Defendants face a sufficiently significant likelihood of being held liable for the misconduct alleged herein, so as to render them interested. Since these five Defendants constitute 50% of the ten-director board, a majority of the Board is interested upon this basis for purposes of demand futility.

5. Defendant Pressler Faces a Sufficiently Significant Likelihood of Liability so as to be Rendered Non-impartial

194. Defendant Pressler is an attorney and the only attorney on the Galectin Board of Directors ("a graduate of Princeton University, cum laude, and of the University of Texas Law School. From 1958 to 1970, he was associated with the law firm of Vinson & Elkins. He was a District Judge from 1970 to 1978 and was Justice of the Texas Court of Appeals from 1978 until 1993. Prior to his retirement, Judge Pressler was a partner in the law firm Woodfill & Pressler from 1995 until 2013 and served in private mediation practice for several years").

195. Since Defendant Pressler has no scientific, medical or biopharmaceutical education or experience, his role on the board is primarily for his legal expertise. Plaintiff states upon information and belief that Defendant Pressler was involved in the oversight of public statements made by the Company, whether directly or through third parties. As such, Defendant Pressler was aware of the Company's campaign of false and misleading statements.

196. The remaining Defendant-Directors, Defendants Greenberg, Freeman, Prelack, and, Pressler, had no scientific, medical or biopharmaceutical education and were on the Company's Board of Directors for purpose of contributing their expertise in "identifying sources of capital,"

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"financial advisory services," and, "business development." DEF 14A, filed on March 21, 2014. Since Defendant Greenberg, Freeman, Prelack, and Pressler's primary board roles were focused on business and marketing, rather than science, they participated in the marketing of the Company and the deceptive promotion campaign.

197. In light of their participation in guiding and controlling the marketing of the Company, and their participation in the deceptive promotion campaign, Defendants Greenberg, Freeman, Prelack and Pressler also face a sufficiently significant likelihood of being held liable for the misconduct alleged herein, so as to render them interested.

6. Conclusion

198. Given the allegations in the present Complaint that each Defendant was aware of the Company's utilization of the paid services stock promoters disseminating their positive opinions of the Company off to the public as objective non-biased analysis, each Defendant faces a sufficiently significant likelihood of liability in the present case so as to render the Director-Defendants non-impartial in rendering an opinion as to whether or not to file the present action on behalf of the Company.

199. Galectin has been and will continue to be exposed to significant losses due to the Defendants' wrongdoing. Yet, the Director Defendants have not filed any lawsuits against themselves or others who were responsible for the wrongful conduct. Thus, the Director Defendants are breaching their fiduciary duties to the Company and face a sufficiently substantial likelihood of liability for their breaches, rendering any demand upon them futile.

200. Plaintiff has not made any demand on shareholders of Galectin to institute this action since such demand would be a futile and useless act because Galectin is a publicly traded company with thousands of shareholders and making demand on such a number of shareholders would be impossible for Plaintiff, who has no means of collecting the names, addresses, or phone numbers

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of Galectin shareholders. Furthermore, making demand on all shareholders would force Plaintiff to incur excessive expense and obstacles, assuming all shareholders could even be individually identified with any degree of certainty.

FIRST CAUSE OF ACTION
Breach Of Fiduciary Duties

201. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

202. The Defendants owed and owe Galectin fiduciary obligations. By reason of their fiduciary relationships, the Defendants owed and owe Galectin the highest obligation of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight and supervision.

203. The Defendants violated and breached their fiduciary duties of good faith, fair dealing, loyalty, due care, reasonable inquiry, oversight and supervision.

204. The Defendants each knowingly, recklessly or negligently approved the issuance of false statements that misrepresented and failed to disclose material information concerning the Company. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

205. As a direct and proximate result of the Defendants' failure to perform their fiduciary obligations, Galectin has sustained significant damages. As a result of the misconduct alleged herein, the Defendants are liable to the Company.

206. Plaintiff, on behalf of Galectin, has no adequate remedy at law.

SECOND CAUSE OF ACTION
Unjust Enrichment

207. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

208. By their wrongful acts and omissions, Defendants were unjustly enriched at the

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expense of and to the detriment of Galectin.

209. The Defendants were unjustly enriched as a result of the compensation they received while breaching their fiduciary duties owed to Galectin.

210. Plaintiff, as a shareholder and representative of Galectin, seeks restitution from Defendants and seeks an order from this Court disgorging all profits, benefits, and other compensation obtained by Defendants from their wrongful conduct and fiduciary breaches.

211. Plaintiff, on behalf of Galectin, has no adequate remedy at law.

THIRD CAUSE OF ACTION
Waste Of Corporate Assets

212. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

213. The wrongful conduct alleged regarding the issuance of false and misleading statements, was continuous, connected, and on-going throughout the Relevant Period. It resulted in continuous, connected, and on-going harm to the Company.

214. As a result of the misconduct described above, the Defendants wasted corporate assets by: (i) by paying excessive compensation, bonuses, and termination payments to certain of its executive officers; (ii) awarding self-interested stock options to certain officers and directors; and (iii) incurring potentially millions of dollars of legal liability and/or legal costs to defend Defendants' unlawful actions.

215. As a result of the waste of corporate assets, the Defendants are liable to the Company.

216. Plaintiff, on behalf of Galectin, has no adequate remedy at law.

FOURTH CAUSE OF ACTION
Breach of Fiduciary Duty for Insider Trading

217. Plaintiff incorporates by reference and realleges each and every allegation

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contained above, as though fully set forth herein.

218. Throughout the entire time that defendants sold shares of Galectin during the Emerging Growth/Mauldin Economics' promotional campaign beginning in July 2013, defendants knew that such information was false and misleading, released to the public in order to pump up the price of Galectin stock based on false prospects and value of the Company, and sold Galectin common stock on the basis of such information.

219. During the promotional campaign, the insider selling defendants knew that Emerging Growth had been hired to promote Galectin, especially in its time of need, in conjunction with articles released by Defendant Mauldin and Mauldin Economics. Defendants knew the truth – that Galectin had no credible third party support other than from those it paid.

220. Defendants knew, in particular, that Phase 1 and 2 studies on GM-CT-01 had been inconclusive and testing on GM-CT-01 had effectively come to a conclusion in 2013. Defendants Czirr and Martin knew that this fact was finally going to be made public and posed a danger of driving Galectin stock price down (even despite their best efforts to bury that announcement in an avalanche of concocted "good news," as detailed above). For that reason and based upon their knowledge that the announcement was going to be made on January 15, 2014, Defendants Czirr and Martin cashed in $1,484,000 worth of shares at their artificially inflated price in the five days before the announcement.

221. Defendant Prelack, though not so obvious as Defendants Czirr and Martin, also traded on insider information. Defendants all understood that the Company was exaggerating and misrepresenting the prospects for its not so new "new" lead drug candidate GR-MD-02 and that Galectin's nearly-decade long failure to produce a viable drug candidate had been dealt with by the Company with a concerted false and misleading promotional campaign. As such, the Insider Selling Defendants knew the Company's touted financial and business prospects were materially

false and misleading, and benefited at the expense of Galectin investors during the promotional campaign.

222. Plaintiff, on behalf of Galectin, has no other adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Against all Defendants for the amount of damages sustained by the Company as a result of Defendants' breaches of fiduciary duties, aiding and abetting breaches of fiduciary duties, unjust enrichment, and waste of corporate assets;

B. Directing Galectin to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect Galectin and its shareholders from a repeat of the damaging events described herein, including, but not limited to, putting forward for shareholder vote resolutions for amendments to the Company's By-Laws or Articles of Incorporation and committee charters taking such other action as may be necessary to place before shareholders for a vote the following corporate governance proposals or policies:

- a proposal to strengthen the Board's supervision of operations and compliance with applicable state and federal laws and regulations;
- a proposal to strengthen the Company's internal reporting and financial disclosure controls;
- a proposal to develop and implement procedures for greater shareholder input into the policies and guidelines of the Board;
- a proposal to ensure the accuracy of the qualifications of Galectin directors, executives and other employees;
- a proposal to require an independent Chairman of the Board;
- a provision to appropriately test and then strengthen the Company's internal operational control functions;

C. Awarding to Galectin restitution from the Defendants, and each of them, and ordering disgorgement of all profits, benefits, and other compensation obtained by the Defendants;

D. Awarding to Plaintiff the costs and disbursements of the action, including reasonable

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attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

DATED this 27th day of March, 2015.

LEE, HERNANDEZ, LANDRUM & GAROFALO

By: _____

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VERIFICATION

I, MICHAEL KIRSCH, hereby declare as follows:

I am shareholder of Galectin Therapeutics, Inc. and have continuously so owned the Company's common stock during the relevant period. Under penalties of perjury, I declare that I am the plaintiff named in the foregoing Second Amended Shareholder Derivative Complaint ("Complaint"), and know the content thereof, that the pleading is true to my knowledge, except as to those matters stated on information and belief, and that as to such matters I believe to be true.

March 18, 2015

MICHAEL KIRSCH

Exhibit "2"

Exhibit "2"

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CLERK OF THE COURT

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Counsel for Plaintiffs-Intervenors
David L. Hasbrouck and Siu Yip

[Additional counsel appear on signature page.]

DISTRICT COURT

CLARK COUNTY, NEVADA

DAVID L. HASBROUCK and SIU YIP, derivatively on behalf of GALECTIN THERAPEUTICS, INC., Plaintiffs-Intervenors, -vs- PETER G. TRABER; JAMES C. CZIRR; JACK W. CALLICUTT; GILBERT F. AMELIO; KEVIN D. FREEMAN; ARTHUR R. GREENBERG; ROD D. MARTIN; JOHN F. MAULDIN; STEVEN PRELACK; HERMAN PAUL PRESSLER, III; DR. MARC RUBIN; and 10X Fund, L.P., Defendants, -and- GALECTIN THERAPEUTICS, INC., a Nevada corporation, Nominal Defendant.	Case No. A-14-706397-B DEPT. NO. XI **DAVID L. HASBROUCK'S AND SIU YIP'S VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT-IN-INTERVENTION**

TABLE OF CONTENTS

By and through their undersigned counsel, Plaintiffs-Intervenors David L. Hasbrouck ("Hasbrouck") and Siu Yip ("Yip") (together, "Plaintiffs-Intervenors"), pursuant to Nev. R. Civ. P. 24, Nev. Rev. Stat. Ann. §12.130, and the Court's direction at the hearing held on June 11, 2015,[1] file this Verified Shareholder Derivative Complaint-in-Intervention on behalf of Nominal Defendant Galectin Therapeutics, Inc. ("Galectin" or the "Company") against certain current and/or former officers and directors of the Company for violations of Nevada law, including breaches of fiduciary duties, insider selling and misappropriation of information, unjust enrichment, corporate waste, civil conspiracy, and aiding and abetting thereof, from at least May 2011 to the present (the "Relevant Period"). Plaintiffs-Intervenors make these allegations upon personal knowledge as to those allegations concerning Plaintiffs-Intervenors and, as to all other matters, upon the investigation of counsel, which includes, without limitation: (a) review and analysis of public filings made by Galectin and other related parties and non-parties with the U.S. Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and other publications disseminated by certain of the Defendants and other related non-parties; (c) review of news articles, shareholder communications, and postings on Galectin's website concerning the Company's public statements; (d) pleadings, papers, and any documents filed with and publicly available from the related pending securities fraud class action, *In re Galectin Therapeutics, Inc. Securities Litigation*, Consolidated Case No. 1:15-cv-00029-SCJ (the "Securities Class Action"); and (e) review of other publicly available information concerning Galectin and the Individual Defendants (defined below).

[1] During the June 11, 2015 hearing, the Court, *inter alia*, granted Hasbrouck's and Yip's motion to intervene, denied Defendants' motions to dismiss, and stayed this action for 180 days pending activity in the related, "first filed" shareholder derivative action filed by Plaintiffs-Intervenors pending in the United States District Court for the Northern District of Georgia (the "Georgia Action"). *See* June 11, 2015 Hearing Transcript at 5:6, 8:6-7, 11:22-23, 12:10-11, and 12:19-24 (granting motion to intervene); 24:6 (denying Defendants' motion to dismiss); 25:3-4, 25:12-17 (staying case in favor of Georgia Action for at least 180 days). At the June 11, 2015 hearing, the Court permitted both the filing of this Complaint-in-Intervention and allowed counsel for shareholder Kirsch the opportunity to file a motion to amend his second amended complaint to add additional, purported shareholders in an attempt to address Kirsch's standing and other "problems." *Id.* at 24:12-25:4.

NATURE AND SUMMARY OF THE ACTION

1. This case is about an illicit, undisclosed "stock promotion" scheme by which the Individual Defendants hired ***at least four different stock promotion firms*** – including one firm with direct ties to a Company director – to conduct a misleading campaign designed to boost Galectin's stock price for the Individual Defendants' own personal gain. The Individual Defendants' scheme, which was neither disclosed to nor approved by Galectin's stockholders, was simple. The stock promotion firms hired at the Individual Defendants' direction would publish a series of misleading articles, touting the supposed strength of Galectin and its lead drug product candidate. These "articles" never disclosed that, in fact, Galectin (under the Individual Defendants' direction and on their watch) paid for the stock promotion. The stock promotion scheme worked until July 28, 2014, when multiple articles were published by *TheStreet.com* and *SeekingAlpha.com*, exposing the scheme, and Galectin's stock price immediately cratered. Before the scheme was uncovered and Galectin's stock plummeted, however, the Individual Defendants utilized the Company's bloated stock price ***to raise more than $30 million*** in much needed cash, via an at-the-market offering (the "ATM Offering"), to develop the Company's lead drug product candidate – GR-MD-02 (and thus secure their lucrative positions as directors and/or senior officers with the Company). Additionally, certain of the Individual Defendants (all directors of Galectin) sold or caused to be sold shares of Galectin stock at artificially inflated prices.

2. Galectin is a development stage company engaged in the research and development of therapies for fibrotic disease and cancer. According to its public filings, "the Company is developing promising carbohydrate-based therapies for the treatment of fibrotic liver disease and cancer based on the Company's unique understanding of galectin proteins, key mediators of biologic function. [The Company is] leveraging extensive scientific and development expertise as well as established relationships with external sources to achieve cost effective and efficient development. [The Company is] pursuing a clear development pathway to clinical enhancement and commercialization for [its] lead compounds in liver fibrosis and cancer."

3. As is detailed further herein, beginning in August 2012, Galectin began to transition away from its focus on cancer immunotherapy treatments, and its lead drug product candidate at that time, GM-CT-01, towards developing a new lead product candidate for the treatment of liver fibrosis and fatty liver disease ("NASH"), in light of the astounding success of Intercept Pharmaceuticals, Inc.'s ("Intercept") lead drug candidate, obeticholic acid ("OCA"). Indeed, in January 2013, Intercept released OCA's positive Phase II efficacy results, sending its shares spiraling upwards from approximately $20 per share to approximately $445 per share. The Individual Defendants, with Galectin's cancer drug's hopes fading fast, wanted a piece of the potentially lucrative NASH drug business.

4. On the heels of Intercept's success, on January 31, 2013, Galectin formally jumped on the NASH bandwagon. Specifically, Galectin announced, it had submitted its own Investigational New Drug ("IND") application to the FDA to conduct a study of its new lead product candidate, GR-MD-02, which is a complex polysaccharide polymer for the treatment of NASH with advanced fibrosis. The next day, February 1, 2013, Galectin announced it had entered into an agreement with CTI Clinical Trial Services, Inc. ("CTI") to conduct Phase I clinical trials of GR-MD-02 to assess the drug's "safety and preliminary evidence of efficacy in humans." Then, in March 2013, the FDA notified the Company that the Company could begin its Phase I clinical trial of GR-MD-02 for the treatment of patients with NASH, for which the Company began enrolling patients in July 2013. Indeed, during the Relevant Period, the development of GR-MD-02 was the Company's primary focus.[2]

5. However, Galectin was running low on cash and the Individual Defendants needed to raise money quickly in order to develop GR-MD-02. But, with a stagnant stock price, raising the necessary funds would prove to be difficult. So, beginning in August 2012, the Individual Defendants either issued or caused the Company to issue a series of false and misleading statements concerning the Company's financial and business prospects and its lead

[2] The Company's only other compound in development, GM-CT-01, which is being developed for use in treating cancer, has been placed on hold according to the Company's public disclosures. At the time it was placed on hold, GM-CT-01 was in Phase 1/2 trials.

product candidate, GR-MD-02, in order to "pump up" the Company's stock price. By doing so, the Individual Defendants could leverage Galectin's artificially inflated stock price to raise much needed cash to develop GR-MD-02, and in turn, secure their positions at the Company.

6. In order to execute their scheme, the Individual Defendants secretly and illicitly retained ***at least four*** penny stock promotion firms to commence a misleading promotional campaign to entice investors to buy Galectin stock. These stock promoters included: (1) The DreamTeam/MissionIR ("The DreamTeam"); (2) Patrick Cox ("Cox"); TDM Financial/Emerging Growth Corp. ("Emerging Growth"); and (4) Acorn Management Partners, LLC ("Acorn") (collectively, the "Stock Promoters"). The Stock Promoters' sole focus was to promote the Company's stock on various investment mediums in an effort to "pump up" its price.

7. Importantly, with respect to The DreamTeam, Cox, and Emerging Growth, Galectin failed to disclose its relationship at any time during the Relevant Period, relying instead on these stock promoters to disclose the relationship. As for Acorn, Galectin only disclosed that it entered into a purported "consulting agreement" with Acorn, omitting necessary information regarding the consulting services being provided to Galectin by Acorn. Further, the Company's sparse disclosure with respect to the Acorn relationship was not made until ***at least four months after*** the Company initially engaged Acorn and ***after*** Acorn had ***already published misleading statements*** concerning Galectin in March 2014.

8. The scheme the Individual Defendants ran was simple, yet effective: The Company and the Stock Promoters would work in concert with one another during the Relevant Period, with the Stock Promoters issuing a series of exceedingly boastful (and manipulative) "articles" on the heels of the exceedingly boastful (and manipulative) press releases the Individual Defendants caused the Company to release during the Relevant Period regarding GR-MD-02 and its prospects. The Individual Defendants ***never*** disclosed this scheme to shareholders, nor did they ever seek shareholder approval for such a scheme. Moreover, both the Individual Defendants, via the Company's own press releases and SEC filings, and the Stock Promoters they hired were embellishing the putative effectiveness of

GR-MD-02 in the treatment of patients with NASH despite the absence of any definitive evidence proving its efficacy and were overstating Galectin's competitiveness with its so-called "peer" Intercept, even though Intercept's clinical trial was more than two years ahead of Galectin's and had already delivered positive Phase II data demonstrating the efficacy of its drug candidate. And the Individual Defendants also failed to disclose that GR-MD-02 did not provide the benefits suggested by them when discussing the patent the Company was awarded or the Phase 1 clinical trial it was conducting.

9. The Individual Defendants' well-orchestrated propaganda campaign worked like a charm, as the Company's stock price ***skyrocketed*** during the illicit stock promotion campaign from its opening price of just $1.88 per share on November 1, 2012 (the date of The DreamTeam's first "article") to close at $14.54 per share on July 28, 2014 – allowing the Individual Defendants to raise more than $30 million in much needed cash by selling artificially inflated Galectin stock. Indeed, the bloated stock price at which the shares were sold pursuant to the ATM Offerings also served to limit the dilution of the Individual Defendants' and 10X Fund, L.P.'s ("10X Fund") Galectin stock holdings in the process. Some of the Individual Defendants (all directors of Galectin) were also able to take advantage of the Company's "pumped up" stock price for their own, further personal gain by dumping shares of Galectin at artificially inflated prices valued at ***more than $3.125 million***. Notably, this was the first time in years, since February 2009, when the Company was known as Pro-Pharmaceuticals, Inc. ("Pro-Pharmaceuticals"), that any Galectin directors or officers had sold Company stock.

10. Finally, the scheme allowed each of the Individual Defendants to retain their positions within the Company due to the funding the Company raised as a result of the scheme. Indeed, each of the Individual Defendants was still with the Company as of the date of the filing of this Complaint.

11. The Individual Defendants' and the Stock Promoters' illicit scheme could only last so long, however. It all began to unravel when on July 28, 2014, Bleecker Street Research and Adam Feuerstein ("Feuerstein"), a senior columnist for *TheStreet.com*, published articles

on *SeekingAlpha.com* and *TheStreet.com*, respectively, reporting that Galectin had been using stock promoters to issue boastful yet inaccurate stories about the Company in a misleading brand awareness campaign aimed at boosting its stock price.

12. The news went from bad to worse when on July 29, 2014, the Individual Defendants caused Galectin to announce that it had posted a new presentation on its website about the results of the second cohort of patients in its Phase 1 clinical trial. These results were described as "poor" by analysts. Indeed, Feuerstein published an article later that day on *TheStreet.com* bluntly entitled "Galectin Drug is a Fatty Liver Flop," noting, among other things, that "***[a]cross just about every biomarker for efficacy Galectin thought to measure, GR-MD-02 showed no difference from placebo.***"

13. As a result of the Individual Defendants' misconduct, Galectin's common stock traded at artificially inflated levels during the Relevant Period. But, when the truth regarding the Company's illicit stock promotion scheme coupled with the "poor" performance of GR-MD-02 were announced and the Individual Defendants' scheme unraveled, so did Galectin's stock price as investors fled. Indeed, the price of Galectin stock cratered, falling by $8.84 per share to close at $5.70 per share on July 29, 2014 – a drop of ***more than 60%*** – decimating Galectin's market capitalization ***by more than $190 million in a single day***. The stock price has continued its downward trajectory, closing at just $2.56 per share on June 26, 2015.

14. Galectin's Board of Directors (the "Board") has not commenced, and will not commence, litigation against the Defendants named in this Complaint, let alone vigorously prosecute such claims, because, among other things, a majority of the members of the Board are directly interested in the personal financial benefits challenged herein that were not shared with Galectin shareholders, and/or face a substantial likelihood of liability to Galectin for breaching their fiduciary duties of loyalty and good faith by authorizing or failing to correct the false and misleading statements alleged herein, and/or lack independence. Accordingly, a pre-suit demand upon Galectin's Board was and is a useless and futile act. Thus, Plaintiffs-Intervenors rightfully bring this action to vindicate Galectin's rights against its wayward fiduciaries and hold them responsible for the damages they have caused to Galectin.

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IN THE SUPREME COURT OF THE STATE OF NEVADA

MICHAEL KIRSCH; AND SIU YIP,

Appellants,

v.

PETER G. TRABER; JAMES C. CZIRR; JACK W. CALLICUTT; GILBERT F. AMELIO; KEVIN D. FREEMAN; ARTHUR R. GREENBERG; ROD D. MARTIN; JOHN F. MAULDIN; STEVEN PRELACK; HERMAN PAUL PRESSLER, III; DR. MARC RUBIN; AND GALECTIN THERAPEUTICS, INC., A NEVADA CORPORATION,

Respondents.

Supreme Court No. 70854

District Court Case No. A-14-706397-B

APPELLANTS' JOINT

DOCKETING STATEMENT

GENERAL INFORMATION

Appellants must complete this docketing statement in compliance with NRAP 14(a). The purpose of the docketing statement is to assist the Supreme Court in screening jurisdiction, identifying issues on appeal, assessing presumptive assignment to the Court of Appeals under NRAP 17, scheduling cases for oral argument and settlement conferences, classifying cases for expedited treatment and assignment to the Court of Appeals, and compiling statistical information.

WARNING

This statement must be completed fully, accurately and on time. NRAP 14(c). The Supreme Court may impose sanctions on counsel or appellant if it appears that the information provided is incomplete or inaccurate. *Id.* Failure to fill out the statement completely or file it in a timely manner, constitutes grounds for the imposition of sanctions, including a fine and/or dismissal of the appeal.

A complete list of the documents that must be attached appears as Question 27 on this docketing statement. Failure to attach all required documents will result in the delay of your appeal and may result in the imposition of sanctions.

This court has noted that when attorneys do not take seriously their obligations under NRAP 14 to complete the docketing statement properly and conscientiously, they waste valuable judicial resources of this court, making the imposition of sanctions appropriate. *See,* KDI Sylvan Pools v. Workman, 107 Nev. 340, 344, 810 P.2d 1217, 1220 (1991). Please use tab dividers to separate any attached documents.

1. Judicial District: Eighth Department: XI
County: Clark Judge: Elizabeth Gonzalez
District Ct. Docket No.: A-14-706397-B

2. **Attorney(s) filing this docket statement:**

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Client(s): MICHAEL KIRSCH, derivatively on behalf of GALECTIN THERAPEUTICS, INC.

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Client(s): SIU YIP, derivatively on behalf of GALECTIN THERAPEUTICS, INC.

If this is a joint statement by multiple appellants, add the names and addresses of other counsel and the names of their clients on an additional sheet accompanied by a certification that they concur in the filing of this statement.

3. **Attorney(s) representing respondent(s):**

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4. Nature of disposition below (check all that apply):

- ❑ Judgment after bench trial
- ❑ Judgment after jury verdict
- ❑ Summary judgment
- ❑ Default judgment
- ❑ Grant/Denial of NRCP 60(b) relief
- ❑ Grant/Denial of injunction
- ❑ Grant/Denial of declaratory relief
- ❑ Review of agency determination
- ■ Dismissal
  - ❑ Lack of jurisdiction
  - ■ Failure to state a claim
  - ❑ Failure to prosecute
  - ❑ Other (specify):_____
- ❑ Divorce Decree:
  - ❑ Original
  - ❑ Modification
- ❑ Other disposition (specify):_____

5. Does this appeal raise issues concerning any of the following: No.

- ❑ Child custody
- ❑ Venue
- ❑ Termination of parental rights

6. Pending and prior proceedings in this court. List the case name and docket number of all appeals or original proceedings presently or previously pending before this court which are related to this appeal:

Plaintiff-Intervenor Siu Yip filed an appeal on July 18, 2016. The Supreme Court assigned the same case number to the appeal. On July 26, 2016, the Supreme Court issued a Notice of Modification of Caption.

7. Pending and prior proceedings in other courts. List the case name, number and court of all pending and prior proceedings in other courts which are related to this appeal (*e.g.*, bankruptcy, consolidated or bifurcated proceedings) and their disposition:

In re Galectin Therapeutics, Inc. Derivative Litigation, Lead Case No.: 1:15-CV-00208-SCJ in the United States District Court for the Northern District of Georgia, dismissed on December 30, 2015.

8. Nature of the action. Briefly describe the nature of the action and the result below:

On August 29, 2014, Plaintiff Michael Kirsch filed his Verified Shareholder Derivative Complaint for breaches of fiduciary duties, unjust enrichment and corporate waste in connection with Galectin Therapeutics Inc.'s board of directors' involvement in the publication of false and misleading claims suggesting to investors that Galectin had discovered a new and effective drug for the treatment of pre-cancerous early stage liver fibrosis or "NASH."

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The Honorable Elizabeth Gonzalez ("the Court") on December 19, 2014 issued an order denying Defendants' Motion to Stay the Case in Deference to Prior-Field Parallel Derivative Litigation, on April 22, 2015. On July 9, 2015, Siu Yip filed a Verified Shareholder Derivative Complaint-In-Intervention. On August 5, 2015, after conducting a full briefing and an oral hearing, the Court (1) denied Defendants' Motions to Dismiss Plaintiff's Second Amended Shareholder Derivative Complaint (in part for failure to adequately allege demand futility); (2) granted Siu Yip's Motion to Intervene; and, (3) stayed the case for 180 days.

On March 3, 2016, the Court granted Defendants' Motions to Dismiss on the basis that a December 30, 2015 grant of a motion to dismiss in In re Galectin Therapeutics, Inc. Derivative Litigation, Lead Case No.: 1:15-CV-00208-SCJ in the United States District Court for the Northern District of Georgia, required the Court to reverse its August 5, 2015 ruling and dismiss the present case. On May 27, 2016, the Honorable Elizabeth Gonzalez denied Defendants' Motion to Correct Order, and the Order was entered on June 16, 2016.

9. Issues on appeal. State concisely the principal issue(s) in this appeal (attach separate sheets as necessary):

The Nevada District Court (the "Nevada District Court") issued an Order denying a motion to dismiss after full briefing and oral argument. The Nevada District Court specifically ruled that its August 10, 2015 denial of the motion to dismiss was "a substantive ruling on the issue of demand futility, which was reached following briefing and oral argument on that issue." Subsequently, the United States District Court for the Northern District of Georgia (the "Georgia Federal Court") dismissed the shareholder derivative action on the basis that Plaintiff failed to adequately plead demand futility. The allegations supporting demand futility in the Nevada District Court were not identical to those raised in the Federal Court action, and the Georgia Federal Court incorrectly found that the Nevada District Court August 10, 2015 dismissal may have been based upon "mootness" as opposed to the issue of demand futility. Consequently, the issues raised in this appeal are the following:

(1) Whether a Nevada District Court which issued an Order denying a motion to dismiss after full briefing and oral argument must reverse its Order and dismiss the case, in deference to a Georgia Federal Court's subsequent dismissal of a similar case with non-identical factual assertions.

(2) Whether a later-issued Georgia Federal Court's dismissal of a shareholder derivative action on the basis of failure to adequately plead demand futility has reverse-preclusive effect upon a prior Nevada District Court denial of a motion to dismiss of a similar case.

(3) Whether a later-issued Georgia Federal Court dismissal of a shareholder derivative action on the basis of failure to adequately plead demand futility has reverse-preclusive effect upon a prior Nevada District Court denial of a motion to dismiss of a similar case where the Nevada District Court action's factual allegations supporting demand futility were not identical to those raised in the Federal Court action.

(4) Whether the Nevada District Court's denial of a motion to dismiss a shareholder derivative action after full briefing and oral argument, which was based upon the Nevada District Court's finding that the derivative action adequately pled demand futility, is considered a 'final order' for purposes of having preclusive effect on that issue.

(5) Whether the Georgia Federal Court's dismissal has reverse preclusive effect when that ruling was based upon an incorrect finding that the Nevada District Court's August 10, 2015

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dismissal may have been based upon "mootness" rather than demand futility, despite the Nevada District Court's specific ruling that its August 10, 2015 denial of the motion to dismiss was "a substantive ruling on the issue of demand futility, which was reached following briefing and oral argument on that issue."

10. Pending proceedings in this court raising the same or similar issues. If you are aware of any proceeding presently pending before this court which raises the same or similar issues raised in this appeal, list the case name and docket numbers and identify the same or similar issues raised:

Plaintiff-Intervenor Siu Yip filed an appeal on July 18, 2016. The Supreme Court assigned the same case number to the appeal. On July 26, 2016, the Supreme Court issued a Notice of Modification of Caption.

11. Constitutional issues. If this appeal challenges the constitutionality of a statute, and the state, any state agency, or any officer or employee thereof is not a party to this appeal, have you notified the clerk of this court and the attorney general in accordance with NRAP 44 and NRS 30.130?

■ N/A
❑ Yes
❑ No
If not, explain:

12. Other issues. Does this appeal involve any of the following issues?

❑ Reversal of well-settled Nevada precedent (on an attachment, identify the case(s))
❑ An issue arising under the United States and/or Nevada Constitutions
■ A substantial issue of first-impression
■ An issue of public policy
❑ An issue where en banc consideration is necessary to maintain uniformity of this court's decisions
❑ A ballot question
If so, explain:

The present cases raises an issue of first impression in two regards. First, there is no Nevada case determining whether a denial of a motion to dismiss is considered a "final judgment" for purposes of having preclusive effect in general. Second, there is no Nevada case indicating a later federal court grant of a motion to dismiss has reverse-preclusive effect upon a prior Nevada district court denial of a motion to dismiss a similar case.

This case presents an issue of public policy. Although Article IV, Section 1 of the U.S. Constitution (the "Full Faith and Credit Clause") requires each state to recognize the judicial decisions of other states, the courts have applied the doctrine to federal courts respecting state court decisions. The present case raises the issue of whether a federal court can in effect reverse the ruling of a Nevada state court.

13. Assignment to the Court of Appeals or retention in the Supreme Court. Briefly set forth whether the matter is presumptively retained by the Supreme Court or assigned to the Court of Appeals under NRAP 17, and cite the subparagraph(s) of the Rule under which the matter falls. If appellant believes that the Supreme Court should retain the case despite its presumptive assignment to the Court of Appeals, identify the specific issue(s) or circumstance(s) that warrant retaining the case, and include an explanation of their importance or significance:

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Appellant submits that this matter is presumptively retained by the Nevada Supreme Court pursuant to NRAP 17(a)(7), (13) & (14). The present cases raises an issue of first impression in two regards. First, there is no Nevada case determining whether a denial of a motion to dismiss is considered a "final judgment" for purposes of having preclusive effect in general. Second, there is no Nevada case indicating a later federal court grant of a motion to dismiss has reverse-preclusive effect upon a prior Nevada district court denial of a motion to dismiss a similar case.

This case further presents an issue of public policy and involves questions of law determined by a federal court. Although Article IV, Section 1 of the U.S. Constitution (the "Full Faith and Credit Clause") requires each state to recognize the judicial decisions of other states, the courts have applied the doctrine to federal courts respecting state court decisions. The present case raises the issue of whether or not a federal court can in effect reverse the ruling of a Nevada court.

14. **Trial.** If this action proceeded to trial, how many days did the trial last? N/A

15. **Judicial Disqualification.** Do you intend to file a motion to disqualify or have a justice recuse him/herself from participation in this appeal? No.

TIMELINESS OF NOTICE OF APPEAL

16. **Date of entry of written judgment or order appealed from:** April 1, 2016 - Order re: Motions to Dismiss the Shareholder Derivative Action.

17. **Date written notice of entry of judgment or order served:** June 21, 2016

Was service by:

- ❑ Delivery
- ■ Mail/electronic/fax

18. **If the time for filing the notice of appeal was tolled by a post-judgment motion (NRCP 50(b), 52(b), or 59)** N/A

(a) Specify the type of motion, and the date and method of service of the motion, and the date of filing.

- ❑ NRCP 50(b) Date of filing N/A
- ❑ NRCP 52(b) Date of filing N/A
- ❑ NRCP 59 Date of filing N/A

NOTE: Motions made pursuant to NRCP 60 or motions for rehearing or reconsideration may toll the time for filing a notice of appeal. See AA Primo Builders v. Washington, 126 Nev. __, 245 P.3d 1190 (2010).

(b) Date of written order resolving tolling motion: June 15, 2016

(c) Date of written notice of entry of order resolving motion served: June 16, 2016

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Was service by:
- ❑ Delivery
- ■ Mail/electronic/fax

19. Date notice of appeal was filed: July 15, 2016.

If more than one party has appealed from the judgment or order, list the date each notice of appeal was filed and identify by name the party filing the notice of appeal:

On July 18, 2016, Siu Yip filed a notice of appeal.

20. Specify statute or rule governing the time limit for filing the notice of appeal, *e.g.*, NRAP 4(a) or other. NRAP 4(a).

SUBSTANTIVE APPEALABILITY

21. Specify the statute or other authority granting this court jurisdiction to review the judgment or order appealed from:

(a)

- ■ NRAP 3A(b)(1) ❑ NRS 38.205
- ❑ NRAP 3A(b)(2) ❑ NRS 233B.150
- ❑ NRAP 3A(b)(3) ❑ NRS 703.376
- ❑ Other (specify) _____

(b) Explain how each authority provides a basis for appeal from the judgment or order:

This appeal arises out of a final judgment entered in an action or proceeding commenced in the court in which the judgment is rendered. Specifically, the District Court's April 1, 2016 order granting the Defendants' motions to dismiss and dismissing the entire action with prejudice serves as a final judgment pursuant to *Garcia v. Prudential Ins. Co. of Am.*, 129 Nev. Adv. Op. 3, 293 P.3d 869, 871-872 (2013) and *Zalk-Josephs Co. v. Wells Cargo, Inc.*, 81 Nev. 163, 400 P.2d 621 (1965).

22. List all parties involved in the action in district court:

(a) Parties:

Plaintiff: MICHAEL KIRSCH, derivatively on behalf of GALECTIN THERAPEUTICS, INC.

Plaintiff-Intervenor: SIU YIP

Defendants: PETER G. TRABER, JAMES C. CZIRR, JACK W. CALLICUTT, GILBERT F. AMELIO, KEVIN D. FREEMAN, ARTHUR R. GREENBERG, ROD D. MARTIN, JOHN F. MAULDIN, STEVEN PRELACK, HERMAN PAUL PRESSLER, III, DR. MARC RUBIN

Nominal Defendant: GALECTIN THERAPEUTICS, INC.

(b) If all parties in the district court are not parties to this appeal, explain in detail why those parties are not involved in this appeal, *e.g.*, formally dismissed, not served, or other:

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DAVID L. HASBROUCK – Mr. Hasbrouck did not join in Plaintiff-Intervenor, Siu Yip's appeal; the reason is unknown to Appellant.

23. Give a brief description (3 to 5 words) of each party's separate claims, counterclaims, cross-claims, or third-party claims, and the date of formal disposition of each claim.

Plaintiff, MICAHEL KIRSCH's claims against Defendants:

1. Breach of Fiduciary Duty
2. Unjust Enrichment
3. Waste of Corporate Assets
4. Breach of Fiduciary Duty for Insider Trading

Plaintiff-Intervenor SIU YIP's claims against Defendants:

1. Breaches of Fiduciary Duties
2. Common Law Conspiracy
3. Breaches of Fiduciary Duties for Insider Selling and Misappropriation of Information
4. Unjust Enrichment
5. Waste of Corporate Assets
6. Aiding and Abetting Fiduciary Violations

24. Did the judgment or order appealed from adjudicate ALL the claims alleged below and the rights and liabilities of ALL the parties to the action or consolidated actions below?

■ Yes
❑ No

25. If you answered "No" to question 24, complete the following: N/A

(a) Specify the claims remaining pending below:

(b) Specify the parties remaining below:

(c) Did the district court certify the judgment or order appealed from as a final judgment pursuant to NRCP 54(b)?

❑ Yes
❑ No

(d) Did the district court make an express determination, pursuant to NRCP 54(b), that there is no just reason for delay and an express direction for the entry of judgment?

❑ Yes
❑ No

26. If you answered "No" to any part of question 25, explain the basis for seeking appellate review (*e.g.*, order is independently appealable under NRAP 3A(b)): N/A

///

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27. Attach file-stamped copies of the following documents:

- The latest-filed complaint, counterclaims, cross-claims, and third-party claims:

  1. Plaintiff's Second Amended Shareholder Derivative Complaint attached as ***Exhibit "1."***
  2. David L. Hasbrouck's and Siu Yip's Verified Shareholder Derivative Complaint-In-Intervenor attached as ***Exhibit "2."***

- Any tolling motion(s) and order(s) resolving tolling motion(s)

  1. Defendants' Motion to Correct Order re: Motions to Dismiss Shareholder Derivative Action Pursuant to NRCP 60 attached as ***Exhibit "3."***
  2. Opposition to Defendants' Motion to Correct Order re: Motions to Dismiss Shareholder Derivative Action Pursuant to NRCP 60 attached as ***Exhibit "4."***
  3. Reply Memorandum in Support of Defendants' Motion to Correct Order re: Motions to Dismiss Shareholder Derivative Action Pursuant to NRCP 60 attached as ***Exhibit "5."***
  4. Order Denying Defendants' Motion to Correct Order re: Motions to Dismiss Shareholder Derivative Action Pursuant to NRCP 60 attached as ***Exhibit "6."***
  5. Notice of Entry of Order Denying Defendants' Motion to Correct Order re: Motions to Dismiss Shareholder Derivative Action Pursuant to NRCP 60 attached as ***Exhibit "7."***

- Orders of NRCP 41(a) dismissals formally resolving each claim, counterclaims, cross-claims and/or third-party claims asserted in the action or consolidated action below, even if not at issue on appeal

  1. April 1, 2016 – Order re: Motions to Dismiss Shareholder Derivative Action attached as ***Exhibit "8."***

- Any other order challenged on appeal

  See ***Exhibit "6."***

- Notices of entry for each attached order

  1. June 16, 2016 – Notice of Entry of Order Denying Defendants' Motion to Correct Order re: Motions to Dismiss Shareholder Derivative Action Pursuant to NRCP 60 attached as ***Exhibit "7."***

  2. June 21, 2016 – Notice of Entry of Order re: Motions to Dismiss Shareholder Derivative Action attached as ***Exhibit "9."***

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VERIFICATION

I declare under penalty of perjury that I have read the above docketing statement, that the information provided in this docketing statement is true and complete to the best of my knowledge, information and belief, and that I have attached all required documents to this docketing statement.

Michael Kirsch
Name of Appellant

8/25/16
Date

State of Nevada; County of Clark
State and county where signed

Dirk W. Gaspar, Esq.
Name of counsel of record

Signature of counsel of record

VERIFICATION

I declare under penalty of perjury that I have read the above docketing statement, that the information provided in this docketing statement is true and complete to the best of my knowledge, information and belief, and that I have attached all required documents to this docketing statement.

Siu Yip
Name of Appellant

8/25/16
Date

State of Nevada; County of Clark
State and county where signed

John P. Aldrich, Esq.
Name of counsel of record

Signature of counsel of record

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CERTIFICATE OF SERVICE

I certify that on the 25th day of August, 2016, I served a copy of this completed docketing statement upon all counsel of record:

- ❑ By personally serving it upon him/her; or
- ❑ By mailing it by first class mail with sufficient postage prepaid to the following address(es): (NOTE: If all names and addresses cannot fit below, please list names below and attach a separate sheet with the addresses.)

Lyssa S. Anderson, Esq. Ryan W. Daniels, Esq. KAEMPFER CROWELL 8345 W. Sunset Road, Ste. 250 Las Vegas, NV 89113 Telephone: (702) 792-7000 Fax:(702) 796-7181 landerson@kcnvlaw.com **ATTORNEY FOR DEFENDANT**	Michael R. Smith, Esq. B. Warren Pope, Esq. Benjamin Lee, Esq. KING & SPAULDING, LLP 1180 Peachtree Street, NE Atlanta, GA 30309 **ATTORNEY FOR DEFENDANT**
John P. Aldrich, Esq. ALDRICH LAW FIRM, LTD 1601 S. Rainbow Blvd., Ste. 160 Las Vegas, NV 89146 (702) 853-5490 Fax: (702) 227-1975 jaldrich@johnaldricklawfirm.com **ATTORNEY FOR INTERVENORS**	Michael I. Fistel, Jr., Esq. JOHSON & WEAVER, LLP 40 Powder Springs St. Marietta, GA 30064 (770)200-3104 michaelf@johnsonandweaver.com **ATTORNEY FOR INTERVENORS**
Kathleen A. Herkenhoff, Esq. THE WEISER LAW FIRM, P.C. 12707 High Bluff Drive, Suite 200 San Diego, CA 92130 (858) 794-1441 kah@weiserlawfirm.com **Attorneys for INTERVENOR – Sui Yip**	Robert B. Weiser, Esq. Brett D. Stecker, Esq. James Ficaro, Esq. THE WEISER LAW FIRM, P.C. 22 Cassett Avenue, First Floor Berwyn, PA 19312 (610) 225-2677 rw@weiserlawfirm.com bds@weiserlawfirm.com jmf@weiserlawfirm.com **Attorneys for INTERVENOR – Sui Yip**
Eleissa C. Lavelle 3800 Howard Hughes Pkwy. 11th Floor Las Vegas, NV 89169 (702) 457-5267 Fax: (702) 437-5267 elavelle@jamsadr.com **SETTLEMENT JUDGE**	

By: _____
An employee of LEE, HERNANDEZ, LANDRUM & GAROFALO

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Exhibit "1"

Exhibit "1"

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CLERK OF THE COURT

ACOMP

NATASHA A. LANDRUM, ESQ.
Nevada Bar No. 7414
DAVID S. DAVIS, ESQ.
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Attorneys for Plaintiff

DISTRICT COURT

CLARK COUNTY, NEVADA

MICHAEL KIRSCH, derivatively on behalf of GALECTIN THERAPEUTICS, INC., Plaintiff, -vs- PETER G. TRABER; JAMES C. CZIRR; JACK W. CALLICUTT; GILBERT F. AMELIO; KEVIN D. FREEMAN; ARTHUR R. GREENBERG; ROD D. MARTIN; JOHN F. MAULDIN; STEVEN PRELACK; HERMAN PAUL PRESSLER, III; and DR. MARC RUBIN, Defendants, -and- GALECTIN THERAPEUTICS, INC., a Nevada corporation, Nominal Defendant.	CASE NO. A-14-706397-B DEPT. NO. XI

PLAINTIFF'S SECOND AMENDED SHAREHOLDER DERIVATIVE COMPLAINT

COMES NOW Plaintiff, by and through his attorneys, LEE, HERNANDEZ, LANDRUM & GAROFALO, and hereby files his Second Amended Shareholder Derivative Complaint.

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By and through his undersigned counsel, Plaintiff MICHAEL KIRSCH ("Plaintiff") brings this shareholder derivative action on behalf of Nominal Defendant Galectin Therapeutics, Inc. ("Galectin" or the "Company") against certain current officers and directors of the Company for breaches of fiduciary duties, unjust enrichment, and corporate waste. Plaintiff makes these allegations upon personal knowledge as to those allegations concerning Plaintiff and, as to all other matters, upon the investigation of counsel, which includes review of public filings with the U.S. Securities and Exchange Commission ("SEC"), Company press releases, website postings and other publications, news articles, publications disseminated by Company Director Defendant John Mauldin through Mauldin Economics, LLC and its various websites and newsletters, and pleadings, and documents filed in connection with the related pending securities fraud class action filed in the United States District Court for the Northern District of Georgia, In re Galectin Therapeutics, Inc. Securities Litigation, Civil Action No. 1:15-cv-00029-SCJ (the "Securities Class Action").

SUMMARY

1. Nominal Defendant Galectin is a development-stage biopharmaceutical company founded in 2000 (under the name "Pro-Pharmaceuticals, Inc.") by scientists Dr. David Platt Ph.D. and Dr. Anatole Klyosov Ph.D., "the inventors of the Company's core technology," along with investor Defendant James Czirr. Though the Company never made a profit or developed a drug approved by the Federal Drug Administration ("FDA"), Galectin describes itself as a "[l]eader in galectin science and drug development with a pipeline of novel and proprietary carbohydrate-based drug compounds that inhibit galectins."[1]

2. For ten years, the Company represented that its fruit pectin[2] carbohydrate GM-CT-01 or "DAVANAT™" targets and neutralizes the galectin coating on cancerous cells (believed by

[1] Form Def 14A, at 10, filed March 26, 2010; Form 8-K, Ex. 99.1, at 37, filed May 26, 2011.

[2] Form 8-K, Ex. 99.1, at 3, filed on May 14, 2014; Form 8-K, Ex. 99.1, at 9, filed on February 10, 2014.

the Company to block T-cells and chemotherapeutic drugs from killing these diseased cells) and therefore "might significantly decrease the toxicity" of chemotherapies.[3] However, after years of the Company promising but not conducting a Phase 3 study, the Company placed clinical studies of GM-CT-01 "on hold." Form 10-K, at 2, filed March 21, 2014.

3. With a $100 million deficit and no substantial clinical testing proceeding towards FDA approval of any drug candidate, by June 30, 2013, the Company had just two employees in research and development and $5.1 million in cash, enough to fund operations through the first quarter of 2014.[4]

4. Desperate to raise cash, Defendants: (1) renamed the Company "Galectin Therapeutics, Inc."[5]; (2) repackaged fruit pectin based GM-CT-01 for treatment of cancer by neutralizing galectin, as fruit pectin based "GR-MD-02" for treatment of fatty liver disease or "NASH" (a precursor to cirrhosis and/or liver cancer with advanced fibrosis) by neutralizing galectin; and (3) launched a stock promotion campaign promoting Galectin and its "new" lead drug candidate, GR-MD-02, through one of the nation's biggest stock promoters, Mauldin Economics, LLC, owned and operated by Defendant-Director John Mauldin, and stock promotion firm Emerging Growth Corporation ("Emerging Growth").

5. In September 2013, Defendant Mauldin launched a new pay to subscribe stock newsletter, "Transformational Technology Alert" ("Transformational Technology"), offering subscribers a "free pamphlet" supposedly providing information, "with the power to make you wealthier than you ever imagined." The pamphlet, titled "Revealed: The 3 Hidden Companies About to Change Every Life on Earth," stated that "GR-MD-02 has cleared out liver fibrosis…GR-

[3] Form 424B3 (Prospectus and Registration Statement), at 11, filed August 18, 2003.

[4] Form 10-Q, at 15, filed August 14, 2013; Form 10-K, at 10, filed March 29, 2013; Form 10-Q, at 7, filed November 12, 2013.

[5] Form 8-K, Ex. 99.1, at 4, 20, 27-35, filed on May 26, 2011.

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MD-02 is the first of its kind in both effectiveness and safety."[6] Based upon that false statement, the article encouraged subscribers to invest in the Company because Galectin "has as much long-term potential as the Pfizer or Merck stories you've seen here today."[6]

6. Since its inception, Transformational Technology has on a non-stop monthly and sometimes weekly basis praised Galectin and GR-MD-02 and encouraged subscribers to invest in Galectin. Mauldin's newsletter interpreted virtually every rise in Galectin stock price as a confirmation of value and reason to invest in Galectin, while virtually every decline was presented as "a great buying opportunity." For example, on November 6, 2013, after a dip in Galectin's stock price, Mauldin published a "Flash Alert" stating, "We believe this is a bullish sign and a great opportunity to buy into a company that has a ton of potential. That's why **we want you to allocate 1/3 of your planned capital to NASDAQ:GALT at the market**."

7. Defendant Mauldin never disclosed in his Transformational Technology newsletter that he is a director of Galectin with significant Galectin stock holdings, thereby fraudulently misleading readers to believe that Transformational Technology "expert researcher" Patrick Cox and his supposed "team of analysts" were offering impartial third party analysis and opinion in praising Galectin and advising investment therein.

8. Defendants also paid stock promotion firm Emerging Growth, through its parent company TDM Financial ("TDM") - a penny stock promotion firm - to draft and publish over a dozen articles falsely promoting the prospects for GR-MD-02. The Emerging Growth articles were published in a fashion that falsely and misleadingly led readers to believe the articles were impartial

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[6] Mauldin Economics, Build Transformational Wealth from Three Tiny Companies, A Special Alert by the Transformational Technology Team, Mauldin Economics, LLC (3/9/15, 2:36 pm), available at http://www.mauldineconomics.com/download/transformational-wealth-from-three-tiny-companies.

[6] Patrick Cox, Revealed: The 3 Hidden Companies About to Change Every Life on Earth, Mauldin Economics, LLC (March 5, 2015, 12:20 pm), available at http://www.mauldineconomics.com/landing/aff-3-hidden-companies-revealed.

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third party analysis, as opposed to the paid advertisements they actually were.

9. As a result of the Mauldin Economics/Emerging Growth promotional campaign, investors were led to believe Galectin was endorsed by neutral third party stock analysts and were enticed to buy its stock, causing Galectin's stock to trade at artificially inflated levels, doubling and tripling in price until the promotional campaign was discovered and made public.

10. Prior to the stock pumping scheme being uncovered and investing public finding out about the true nature of Mauldin Economics/Emerging Growth's promotional campaign, certain of the Defendants capitalized on the artificially inflated Galectin stock price and sold their shares in the Company.

11. On July 28, 2014, in articles published on SeekingAlpha.com by Bleecker Street Research and TheStreet.com by Adam Feuerstein, it became public knowledge that the glowing reports concerning the Company by Patrick Cox, in Transformative Technology and Emerging Growth, had been generated by the Company through stock promoters.

12. On the news that months of positive reviews of the Company's supposed scientific developments had in fact been paid-for advertisement - contrary to representations by Mauldin Economics and Emerging Growth - the Company's stock price collapsed by more than 60% to close at $5.70 per share on July 29, 2014, decreasing Galectin's market cap by more than $190 million.

13. Because Defendants Czirr, Traber, Martin, Amelio and Mauldin, five of the Company's ten directors, clearly were aware of, tolerated and participated in Mauldin's false and misleading stock promotion campaign, a pre-suit demand upon Galectin's Board is futile since:

(a) Czirr and Traber worked directly with Mauldin Economics' employee, Patrick Cox, as reflected in the pages of Transformational Technology and further detailed below;

(b) In March, 2011, Defendant Martin, Chairman of the Nominating Committee, and Defendant Amelio, a member of the Nominating Committee, decided

that the nine director board of the six employee Company[7] needed to add two additional directorships by appointment and selected, screened, and nominated John Mauldin because he "is an expert in a particular field needed by the Company." Defendants were no doubt aware that Mauldin was the owner and operator of Mauldin Economics, LLC, and an expert in stock promotion and brought him onto the Board for that purpose; and,

(c) The Galectin Board of Directors is controlled by the primary perpetrator of and benefiter of the wrongful conduct complained of herein, Defendant Czirr. In 2009, 10X Fund LLC (of which Defendants Czirr and Martin are general partners and Defendant Greenberg an investor) acquired all of the Company's Series B preferred stock (in addition to its already owned 34% of the Company's outstanding non-preferred stock) and the right to appoint two directors and nominate three directors, amounting to what Defendant Martin describes on 10X Fund's webpage as 10X Fund's "takeover" of the Company.[8]

JURISDICTION AND VENUE

14. The Court has jurisdiction over all claims because each defendant is either a corporation that does sufficient business in Nevada, or is an individual who has sufficient minimum contacts with Nevada so as to render the exercise of jurisdiction by the Nevada courts permissible under traditional notions of fair play and substantial justice.

15. Venue is proper in this District Court because many of the acts and practices complained of herein occurred in this District and Galectin is incorporated in Nevada.

THE PARTIES

16. Plaintiff is, and at all relevant times has been, a holder of Galectin common stock.

17. Nominal Defendant Galectin is incorporated in Nevada with its principal place of business in Georgia. The Company's common stock is traded on the NASDAQ Capital Markets under the ticker symbol "GALT." The Company has more than 21 million shares outstanding.

[7] Form 10-K, at 10, filed on March 15, 2011 (only two employees were engaged in research and development and four were involved in "financial management").

[8] Form Def 14A, at 7, filed March 21, 2014; Form DEF 14A, at 4, 6, filed April 21, 2014; Form DEF 14A, at 8, filed March 26, 2010; The Martin Organization (Mar. 6, 2015, 11:49 a.m.), available at http://www.martinorganization.com/business-portfolio/10x-fund-llc/.

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18. Defendant James C. Czirr ("Czirr") co-founded Galectin in July 2000 and has been Chairman of the Board since February 2009 and "Executive Chairman" since February 2010 for which full time executive officer employment Czirr was paid $437,214 in total compensation in 2013 and $292,192 in 2012. Czirr is a defendant in the Securities Class Action and is the primary individual accused of actually generating the false and misleading statements and the false and misleading stock promotion campaign.

19. Defendant Rod D. Martin ("Martin") has been Vice Chairman of the Galectin Board of Directors, Chairman of the Nominating and Corporate Governance Committee ("the Nominating Committee") and Chairman of the Compensation Committee since February 2010 after he, along with Czirr, led a takeover of the Company through the 10X Fund, as more fully detailed herein.[9] Defendant Martin was Chairman of the Nominating Committee that proposed adding two additional director positions to expand the Board from nine to eleven directors (for the six employee Company) and the appointment of Defendant Mauldin to one of the newly created directorships. Form 10-K, at 10, filed on March 15, 2011.

20. Defendant Arthur R. Greenberg ("Greenberg") has been a director of the Company and member of the Audit and Compensation Committees since August 2009 when the 10X Fund appointed Defendant Greenberg to the Board.

21. Defendant Gilbert F. Amelio ("Amelio"), a 10X Fund director nominee, has been a director of the Company since February 2009, a member of the Compensation Committee and a member of the three director Nominating Committee that proposed adding two director positions to the Board and appointing Defendant Mauldin to one of the newly created directorships. Form 10-K, at 10, filed on March 15, 2011.

[9] "The 10X Fund is especially noted for its takeover and restructuring of Galectin Therapeutics." The Martin Organization (March 6, 2015, 11:49 a.m.), available at http://www.martinorganization.com/business-portfolio/10x-fund-llc/.

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22. Defendant John F. Mauldin ("Mauldin") has been a director of the Company since May 2011 when the Board, upon the proposal of the 10X fund directors (Czirr, Martin, Amelio and Greenberg), added two additional director positions to expand the Board to eleven directors and appointed Defendant Mauldin to one of the newly created directorships. Form 10-K, at 10, filed on March 15, 2011.

23. Defendant Peter G. Traber, M.D. ("Traber"), a 10X Fund director nominee, has, since March 2011, been Galectin's President and Chief Executive Officer ("CEO") and Chief Medical Officer for which employment Defendant Dr. Traber was paid $612,690 in total compensation from Galectin in 2013 and $1,089,299 in total compensation from Galectin in 2012. Defendant Dr. Traber is and has been a director of the Company since February 2009. Defendant Dr. Traber is a named defendant in the Securities Class Action.

24. Defendant Kevin D. Freeman ("Freeman") has been a director of the Company and member of the Audit Committee since May 2011 when the Board, upon the proposal of the above 10X fund directors, added two additional director positions to expand the Board to eleven directors and appointed Defendant Mauldin to one of the newly created directorships. Form 10-K, at 10, filed on March 15, 2011.

25. Defendant Steven Prelack ("Prelack") has been a director of the Company and Chairman of the Audit Committee since April 2003.

26. Defendant Herman Paul Pressler, III ("Pressler") has been as a director of the Company and member of the Nominating Committee since May 2011.

27. Defendant Dr. Marc Rubin ("Rubin") has been as a director of the Company since October 2011. Doctor Rubin is the only purportedly "independent" director on Galectin's Board with any scientific, medical or biopharmaceutical education.

28. Defendant Jack W. Callicutt ("Callicutt") has been the Chief Financial Officer

("CFO") of the Company since July 2013. In 2013, Defendant Callicutt received substantial compensation from the Company as his primary means of income in the amount of $853,919 in total compensation.

29. The defendants identified in paragraphs 18 through 28 above shall be referred to as the "Defendants" herein.

FACTS

DEFENDANTS' FALSE AND MISLEADING CAMPAIGN TO PROMOTE THE VALUE OF GALECTIN STOCK AND ATTRACT INVESTMENT CAPITAL

A. How Defendant Mauldin Was Appointed To The Board

1. Defendants Czirr and Martin Takeover the Company Through the 10X Fund

30. On February 12, 2009 Defendants Czirr and Martin, through 10X Fund, L.P.,[10] became the largest single shareholder of the Company by purchasing all the shares of Company co-founder, Chief Executive Officer and Chairman of the Board, Dr. David Platt, for an undisclosed price. With the purchase 10X Fund became the owner of a total of 34% of the Company's outstanding shares and by far the Company's largest single shareholder."[11]

31. On February 12, 2009, 10X Capital also acquired all the Company's Series B preferred stock, and together with it the right: (1) to select and appoint two directors of the Company's Board of Directors; and (2) to nominate three directors. DEF 14A, at 4, filed April 21, 2014. Accordingly, the Company announced a "Change in Control," because, "10X Fund will have the right to elect or nominate five of nine members, or a majority, of our Board of Directors." DEF

[10] Defendants Czirr and Martin are the co-founders and general partners of l0X Fund, L.P. and managing members of 10X Capital Management LLC, the general partner of 10X Fund, L.P. (collectively referred to as "10X Fund").

[11] Galectin Therapeutics Reports Exercise of Another 200,000 Warrants, The Martin Organization (Mar. 18, 2015), available at http://www.martinorganization.com/galectin-therapeutics-reports-exercise-of-another-200000-warrants/; Form 10-K, at 21, filed March 21, 2014.

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14A, at 6, filed on April 21, 2009; http://www.martinorganization.com/galectin-therapeutics-reports-exercise-of-another-200000-warrants/; Form 10-K, at 21, filed March 21, 2014.

32. With their newly acquired control, Defendants Czirr and Martin, who had previously held no position on the Company's Board and had no medical, scientific or biopharmaceutical education, appointed themselves directors and Chairman and Vice Chairman of the Board, respectively, with the power to nominate or appoint a majority of the Board.

33. In a single day, February 12, 2009 Defendants Czirr and Martin replaced a majority of the Board. Defendants Czirr and Martin utilized their newly acquired power to nominate Defendants Amelio and Traber as 10X Fund Directors, appoint Defendant Amelio to the Nominating Committee and create an additional directorship to which 10X Fund nominated and appointed Defendant Greenberg[12] (an investor in 10X Capital[13]). Form 8-K, filed on August 24, 2009.

> On February 12, 2009, James C. Czirr, Rod Martin, Dr. Gil Amelio and Dr. Peter Traber were elected to the Company's Board of Directors. Mr. Czirr and Mr. Martin were designated as the Series B Directors and Dr. Amelio and Dr. Traber will be the Series B Nominees. Mr. Czirr will serve as the Chairman of the Board of Directors. Dr. Amelio and Mr. Martin were appointed to serve as members of each of the Compensation Committee and the Nomination and Corporate Governance Committee of the Company's Board of Directors. Bobby Greenberg, who will become a Series B Nominee upon issuance of the Maximum Amount, was also appointed to serve on the Compensation Committee.

Form 8-K, filed on February 18, 2009.

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[12] "If all of the nominees are elected at the Annual Meeting, our Board of Directors will have eight members, and one vacancy, which may be filled by the appointment of Arthur R. Greenberg, whom 10X Fund has named as the third Series B nominee." DEF 14A, filed on April 21, 2009.

[13] DEF 14A, at 8, filed on March 26, 2010. Greenberg also is the beneficial owner of 500,000 shares. DEF 14A, at 7, filed on March 26, 2010. In subsequent years, 10X Fund would directly appoint Defendant Greenberg to a "Series B directorship" ("10X Fund directorship, herein"). Form DEF 14A, at 10, filed on April 12, 2011; DEF 14A, at 9, filed on April 20, 2012; DEF 14A, at 4, filed on April 12, 2013.

34. Defendants Martin and Czirr describe themselves as having "taken over" Galectin:

> The 10X Fund, LP and its general partner, 10X Capital Management, LLC, were co-founded by Jim Czirr and Rod D. Martin as a technology-focused hedge fund headquartered in Niceville, Florida. It currently invests principally in the biotech space, **and is especially noted for its takeover and restructuring of Galectin Therapeutics**."
>
> See 10X Capital Management & 10X Fund, The Martin Organization (Mar. 18, 2015), available at http://www.martinorganization.com/business-portfolio/10x-fund-llc/ (emphasis added).

2. Mass Resignation of the Company's Scientific Leadership Coinciding with Takeover by 10X Fund

35. After nearly a decade since the Company was founded in 2000, by 2009, development of the Company's only drug candidate GM-CT-01 had bogged down and had yet to commence a Phase 3 study. Due to the lack of progress, by the start of 2009, the Company's stock was trading at under one dollar, a fraction of the average in excess of $20 per share the stock had traded at from the date the Company went public in 2003 through 2006.

36. At this low point and coinciding with the 10XFund/Czirr/Martin February 12, 2009 corporate takeover, virtually all of the Company's scientific leadership resigned. The Company's CEO and Chairman of the Board of Directors, Dr. David Platt (a Ph.D. in Chemistry and a former research scientist with the Department of Internal Medicine at the University of Michigan) resigned. According to the Company, Dr. Platt was not only a founder of the Company, but "the co-developer of our core technology." Form 8-K, filed on February 18, 2009.

37. Along with Dr. Platt, virtually all the directors with any scientific, medical or biopharmaceutical education resigned from the Company's nine director Board of Directors. Directors Dr. Henry J. Esber (a Ph.D. in Immunology and Microbiology with extensive successful experience leadership positions in biopharmaceutical drug research and development), Dr. James T. Gourzis (a Harvard A.B. in Biology and a Ph.D. in Pharmacology and Medicine with "extensive experience in formulating scientific and regulatory strategy and heading clinical development teams

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for pharmaceutical and biotechnology products, small molecules and biologics"), and Dr. Dale H. Conaway (a M.S. in Pathology and the former Chief Veterinary Medical Officer for the United States Office of Research Oversight, with extensive experience in animal clinical testing) all resigned together with CEO Dr. Platt, upon the Czirr/Martin/10X Fund takeover of the Company. Form 8-K, filed on February 18, 2009; DEF 14A, filed on April 16, 2008.

38. The Company reported that there had been "no disagreement" in connection with the February 12, 2009 mass resignation. The circumstances surrounding the most defining and devastating event in the Company's history, by which the Company's leadership was virtually drained of persons with scientific, medical or biopharmaceutical education in a single day mass resignation, was never reported to shareholders. Form 8-K, filed on February 18, 2009.

3. The 10X Fund Controlled Board, Which was Devoid of Scientific, Medical or Biopharmaceutical Education, Appoints Defendant Mauldin to the Board

39. Defendants Czirr and Martin, the Chairman of the Nominating Committee, themselves have no medical or scientific education and made no effort to refill the emptied directorships with doctors or scientists with medical, scientific or biopharmaceutical education necessary to advance the research and development of biopharmaceutical drugs.

40. New directors Amelio and Greenberg, who were selected and appointed by 10X Fund, have no medical, scientific or biopharmaceutical education or experience and Plaintiff therefore states on information and belief that they therefore have made no significant contribution to the direction of the Company in these areas.

41. Defendant Greenberg was an advertising and marketing expert brought onto the board for that purpose. Defendant Greenberg is the owner and CEO of Prism Technologies which describes itself on its website as follows:

> "Prism Technologies' core competency is providing a blend of technology and content to digitally present a company's message,

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> from a stated vision to the reality of what the customer sees on the screen. We begin with the specific objective for the project and then create a digital environment that attracts, engages and educates the customer to generate a positive ROI, answering specific business objectives such as higher brand recognition, better informed customers, improved customer service, lower perceived wait times, increased sales intent and alliance marketing revenue."

Form 8-K, filed on August 24, 2009.

42. Plaintiff alleges upon information and belief that in the role of Company director, Defendant Greenberg contributed his "core competency [of] providing a blend of technology and content to digitally present a company's message," in order to assist Galectin's public relations with investors and potential investors.

43. By late 2010, the Company had only two employees working in research and development, directed by a board of eight "independent" directors of whom only one - Defendant Dr. Rubin - had any scientific, medical or biopharmaceutical education or experience.

44. In April 2011, the 10X Fund Defendants (Vice Chairman of the Board and Chairman of the Nominating Committee[14] Martin, Nominating Committee member and 10X Fund nominee director Defendant Amelio,[15] Chairman of the Board Defendant Czirr, and 10X Fund investor and appointee Defendant Greenberg) and the rest of the Board advised shareholders that the Board required two additional directors[16] (to be appointed by the board) in order:

> to have a broader range of experience and expertise on the Board of Directors than is possible if the Board size is limited to nine persons. A company such as ours needs expertise in drug development and clinical trials, drug approval regulatory matters, pharmaceutical commercialization, international health care trends, corporate finance, financial reporting, and other matters.

DEF 14A, at 30, filed on April 12, 2011.

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[14] Form 14A, at 17, filed on April 20, 2012

[15] Form 14A, at 9, filed on April 26, 2010.

[16] With the additional two directorships, the board became twice the size of the Company's six-person workforce.

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45. On May 26, 2011, the shareholders approved the Board's request to appoint two additional directors; on the same day, the Board, acting upon the proposal of the Nominating Committee, appointed John Mauldin and Kevin D. Freeman to directorships.

46. As apparent from the director biographies included in Company Proxies, neither John Mauldin nor Kevin D. Freeman had any experience or expertise in "drug development, clinical trials, drug approval regulatory matters, pharmaceutical commercialization or international health care trends" or any scientific, medical, or biopharmaceutical education or work experience.

47. John Mauldin, the owner and CEO of one of the largest stock promotion operations in the United States, Mauldin Economics, LLC,[17] disseminates stock investment advice through various Mauldin Economics' websites and weekly newsletters, including: Yield Shark; Thoughts from the Frontline; Outside the Box; World Money Analyst; *Bull's Eye Investor*; Things That Make *You Go Hmmm...Just One Trade*; Conversations; Mauldin PRO; Tony Sagami's Rational Bear; Transformational Technology Alert; and Over My Shoulder.

48. In the Company's June 2, 2011 Form 8-K announcing expansion of the Board and appointment of Defendant Mauldin as a director, Nominating Committee Defendants Martin and Amelio, along with the Board, did not disclose that Defendant Mauldin's primary occupation and source of income is due to his position as the owner and operator of Mauldin Economics, LLC, and/or that Mauldin was a stock promoter. Instead, the Defendants described Mauldin as follows:

> Mr. Mauldin is President of Millennium Wave Advisors LLC, an investment advisory firm, and a registered representative of Millennium Wave Securities, LLC,[18] a FINRA registered broker-dealer. Previously he was Chief Executive Officer of the American Bureau of Economic Research. He has many publications on investments and financial topics, including a New York Times bestseller and articles in the Financial Times and The Daily

[17] See http://www.mauldineconomics.com.

[18] Mauldin also operates as a registered securities dealer under the apparently intentionally easily confused names, "Millennium Wave Management, LLC," "Millennium Wave Investments, LLC" and, "**Millenum** Wave Advisors, LLC." (emphasis added).

Reckoning, and is a frequent guest on CNBC, Yahoo Tech Ticker and Bloomberg TV. He holds a B.A. from Rice University and a M.Div. from Southwestern Baptist Theological Seminary.

49. Though Defendants presented shareholders with detailed employment histories for other directors, Defendants listed only a single prior position for Mauldin: "CEO of the American Bureau of Economic Research," a name indicative of a not-for-profit financial research organization easily confused with the "National Bureau of Economic Research" (the largest independent economics research organization in the United States and home to many of the American winners of the Nobel Memorial Prize in Economic Sciences).

50. Mauldin was, in fact, from 1980 to 1985, the "CEO" of his own self-created for-profit company named "American Bureau of Economic Research, Inc.,"[19] a publisher of radical-right conspiracy theory and Christian Reconstructionist pamphlets.

51. Nominating Committee Chairman Martin and member Amelio, who claim to have "selected and screened" their nominees, were also no doubt aware from their selection and screening of Mauldin that in Mauldin's publically accessible FINRA registration filing, Mauldin listed as his employment from September 2002 through February 2004, the "Williams Financial Group," a firm that was in three different disciplinary cases Censured and Fined by the National Association of Securities Dealers during the short period of Mauldin's employment.[20]

52. From their selection and screening of Mauldin for a directorship, Defendants Martin and Amelio were also no doubt aware that Mauldin's Financial Industry Regulatory Authority ("FINRA") records indicate that in 2003 Defendant Mauldin was personally Censured and Fined

[19] By deleting the "Inc." from the Company name, the title ("National Bureau of Economic Research") indicates a not for profit company. While in a benign context this misstatement of title would fairly be taken as a typographical error or innocent mistake, the context here is not benign given the concealment of Mauldin's primary occupation.

[20] NASD Case #20050001884-01), available at www.finra.org/sites/default/files/DisciplinaryAction/p015524. pdf; NASD Case #CAF030031), available at www.finra.org/industry/monthly-disciplinary-actions-july-2003-0703; NASD Case #CMS020220), available at www.finra.org/sites/default/files/DisciplinaryAction/ p007453.pdf.

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$35,000 by for writing in newsletters "**exaggerated and unwarranted statements and claims,**" "**unwarranted projection of future performance,**" and, "**failure to disclose his affiliation with the member firm by name in either of his newsletters**"...i.e. precisely what Mauldin did in the 2013-2014 false and misleading stock promotion campaign for Galectin:

> John Francis Mauldin (CRD #1945566, Registered Representative, Grapevine, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was censured, fined $35,000, and required to file with NASD's Advertising Regulation Department all sales literature—except for generic newsletters that do not discuss or otherwise reference specific securities—and advertisements written, distributed, or used by him at least 10 days prior to their first use for six months.
>
> Without admitting or denying the allegations, Mauldin consented to the described sanctions and to the entry of findings that he wrote newsletters recommending hedge funds sold by a member firm that had inadequate risk disclosures about investing in the hedge funds, made an unwarranted projection of future performance, and made an inaccurate statement that a hedge fund would be subject to NASD inspection, oversight, or audit. The findings also stated that Mauldin failed to fully disclose the amount of consideration he would receive from the member firm for referring customers to the firm to buy the hedge funds. In addition, NASD found that Mauldin failed to disclose his affiliation with the member firm by name in the newsletters. (NASD Case #CAF030032)

Disciplinary and Other NASD Actions, at 440 (July 2003), available at http://www.finra.org/sites/default/files/DisciplinaryAction/p007445.pdf

53. Since Defendant Mauldin has no scientific, medical or biopharmaceutical education or experience in the operation of a biopharmaceutical drug development company, Plaintiff alleges upon information and belief that Defendant Mauldin was assigned to the Board by Defendants for his core competency of stock promotions.

54. The Company's June 2, 2011 Form 8-K announcing the appointment of Defendant Freeman as a director, Nominating Committee Defendants Martin and Amelio, along with the Board, stated that Defendant Freeman was, "the author of a New York Times bestselling book about the stock market and economy."

55. From their selection and screening of Defendant Freeman for a directorship, Nominating Committee Chairman Martin and member Amelio knew that Freeman's books are all

on the subject of "economic cyberterrorism" and conspiracy theories such as "the evidence linking rogue elements in Communist China, Russia, and Islamic finance to economic warfare against the United States and why the Obama administration continues to look the other way."[21]

56. Since Defendant Freeman has no scientific, medical or biopharmaceutical education or experience in the operation of a biopharmaceutical drug development company, Plaintiff alleges upon information and belief that Defendant Freeman was assigned to the Board by Defendants for his position as CEO of Cross Consulting and Services, LLC, an investment advisory company, with the ability to steer investors to Galectin.

57. Defendant Czirr, Company co-founder, Chairman of the Board and Executive Chairman, is - like Defendant Mauldin - no stranger to violation of securities laws in order to steer investors to the Company. In a February 11, 2005 U.S. Department of Labor Administrative Law Judge ruling, which the Company did not appeal (and therefore has the authority of a final judicial finding of fact), the Company was found to have terminated its Vice President of Investor Relations for objecting to the Company's multiple violations of securities laws by paying disguised commissions to non-brokers for bringing investors to the Company's private placement. After the Complainant - who "was primarily responsible for directing and managing the Company's fund raising efforts" - objected to the illegal commission payments, she was terminated and the illegally compensated non-brokers steering investors to the Company "were to report to Mr. Czirr rather than to the Complainant." 2005 DOLSOX LEXIS 5, at *29.

58. It is no accident that as of the date of the filing of this action, of eight "independent" directors, Galectin's Board of Directors has only one director - Defendant Rubin - with any scientific, medical or biopharmaceutical education. DEF 14A, filed on March 21, 2014. The

[21] http://secretweapon.org/secret-weapon/; http://www.thevillagesteaparty.org/january-13-2014-with-kevinfreeman.html (at 1:07:35 in the video, Defendant Freeman shares his plan to train 5,000 investment consultants to manage a half trillion dollars to protect clients from economic cyberterrorism, followed by a discussion of Biblical prophesies).

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Company's Board reflected Defendants Czirr and Martin's priorities for, as detailed above, it was Czirr and Martin who were in large part responsible for the Board's composition.

59. The bloated 10X Fund controlled Board added two additional directorships in part to appoint John Mauldin to a directorship for his stock promoting abilities and were aware of and participated in the false and misleading stock promotion campaign which Mauldin spearheaded.

4. Halt in Testing of The Company's Lead Drug Candidate GM-CT-01

60. For ten years the Company represented that its fruit pectin[22] carbohydrate GM-CT-01 or "DAVANAT™" targets and neutralizes the galectin coating on cancerous cells (which according to the Company, blocks T-cells and chemotherapeutic drugs from killing cancerous cells) and therefore "might significantly decrease the toxicity" of chemotherapies. Form 424B3 (Prospectus and Registration Statement), at 11, filed August 18, 2003.

61. After a decade trying to develop GM-CT-01 which the Company would eventually discontinue testing upon, and after the departure of virtually its entire scientific leadership, unlike most companies that work toward building brand awareness, Defendants desired to distance the Company from its own failure and therefore changed its name (from Pro-Pharmaceuticals, Inc. to Galectin Therapeutics, Inc.). Form 8-K, Ex. 99.1, at 4, 20, 27-35, filed on May 26, 2011.

62. As the failure of GM-CT-01 was becoming apparent but before the Company officially announced discontinuation of its testing, the Company announced a new lead drug candidate, GR-MD-02, which was suspiciously similar to its failed predecessor (fruit pectin based carbohydrate) claiming similar chemical attributes (binding to and neutralizing galectin), though be it for a fatty liver disease or "NASH" (a precancerous condition), rather than cancer.[23]

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[22] Form 8-K, Ex. 99.1, at 3, filed on May 14, 2014; Form 8-K, Ex. 99.1, at 9, filed on February 10, 2014.

[23] GR-MD-02 was similar to GM-CT-01: "We believe the mechanism of action for GM-CT-01 and GR-MD-02 is based upon interaction with, and inhibition of, galectin proteins, which are expressed at high levels in certain pathological states including inflammation, fibrosis and cancer." Form 10-K, at 3, filed on March 21, 2013.

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63. As the Company's announcement of the discontinuation of testing on GM-CT-01 approached in 2013, Company co-founder and Chief Scientist Anatole Klyosov, Ph.D. resigned from the Company, a fact not reported by the Company but apparent by the lack of any mention of Dr. Klyosov in the Company's subsequent SEC filings. DEF 14A, filed on March 21, 2014.

64. Prior to 2010 and the resignation of Dr. Platt, the Company's Form DEF 14A and Form 10-K filings had prominently identified Dr. Platt and Dr. Klyosov as key employees and stated that GM-CT-01 and the Company's core technology had been invented by company founders, David Platt, Ph.D., CEO, and Anatole Klyosov, Ph.D., Chief Scientist. Form 10-K, March 12, 2010. After Dr. Platt resigned, the Company rested its claims of scientific expertise upon its Chief Scientist Dr. Klyosov: "We believe that his (Dr. Klyosov's) expertise, supplemented by members of our Scientific and Medical Advisory Boards, provides us with a substantial advantage in this relatively new area of drug development." Form 10-K, filed on March 15, 2011; DEF 14A, filed on April 12, 2011; DEF 14A, filed on April 20, 2012.

65. By late 2013, having spent over ten years and more than $100 million in its effort to develop its lead drug candidate, GM-CT-01, and losing its scientific leadership along the way, the Company was down to just two employees in research and development and $5.1 million of cash, enough to fund operations through the first quarter of 2014.[24]

66. After having promised for two years, but not commenced, a Phase 3 Trial of its sole lead drug candidate, GM-CT-01, the Company could no longer put off admitting to investors that it had placed clinical studies of GM-CT-01 "on hold." Form 10-K, at 2, filed March 21, 2014. It was in this context that Defendants executed the Company's false and misleading stock promotion campaign.

[24] Form 10-Q, at 15, filed August 14, 2013; Form 10-K, at 10, filed March 29, 2013; Form 10-Q, at 7, filed November 12, 2013.

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B. The False and Misleading Stock Promotion Campaign

1. The Launch of Transformational Technology Alert and the Coordinated Deceptive Campaign with Emerging Growth

67. In November 2013, Mauldin Economics, LLC (owned and operated by Defendant Mauldin), introduced a new newsletter named "Transformational Technology Alert" on the Mauldin Economics, LLC's website. Defendant Mauldin explained to readers in an introductory teaser titled, "Revealed: The 3 Hidden Companies About to Change Every Life on Earth," that the newsletter's author, Patrick Cox, had just "joined the team of expert researchers at Mauldin Economics."[25] Mauldin told his readers that he had "become close friends" with Mr. Cox because "we share a vision of the future and I am proud to announce Patrick has joined my team at Mauldin Economics,"[26] where "Patrick's job is to uncover the most urgent (new technology) work and report his findings directly to you."

68. Mauldin's introductory posting presented investors with a promise of huge profits to be made by investing in Galectin, as reflected by lines such as, "**when you finish this letter, please speak to your children and grandchildren**," and that following Mr. Cox's investment advice, "could release you from worries about struggles in retirement, providing for your family, or making certain your children and grandchildren have every advantage starting out in life."

69. There was no disclosure of Mauldin's Galectin directorship or stock holdings in Maudlin Economics' Transformational Technology or any other Mauldin Economics' publication since the introduction of Transformational Technology in November 2013.[27]

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[25] Patrick Cox, Revealed: The 3 Hidden Companies About to Change Every Life on Earth, Mauldin Economics, LLC (March 5, 2015, 12:20 pm), available at www.mauldineconomics.com/landing/aff-3-hidden-companies-revealed.

[26] Patrick Cox, identifies himself as: "Patrick Cox, Editor, Transformational Technology Alert at Mauldin Economics." See http://www.mauldineconomics.com/; http://www.mauldineconomics.com/tech; http://www.Financialsense.com/contributors/patrick-cox; http://www.businessinsider.com/author/patrick-cox#ixzz3SeP3xPO2.

[27] On four occasions prior to the publication of Transformation Technologies, Defendant Mauldin referenced Galectin in two of his newsletters: Outside the Box (12/20/11) and Thoughts from the Frontline (10/1/11, 5/3/13, 5/4/13).

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70. Mauldin's Transformational Technology newsletter is sold to subscribers at a price of $995.00 per year for twelve issues. The description of Transformational Technology on the Mauldin Economics' website reads as follows:

> Transformational Technology Alert
>
> At **Transformational Technology Alert**, Patrick Cox uses his 30 years of technology research experience to uncover the breakthroughs that could transform the future. Each month, you get specific buy and sell recommendations and the full story behind the publicly traded firms working on disease treatments, life extension tools, and breakthrough computing ideas that could deliver transformational benefits to society and transformational gains to your portfolio. Few readers are prepared to witness the amazing advances Patrick covers in **Transformational Technology Alert**.[28]

71. Defendants understood that investors who valued the investment analysis of "expert researcher Patrick Cox" and the "Mauldin team of analysts" sufficiently to pay $995.00 for an annual subscription to Transformational Technology, would be more likely to follow misleading "analysis" and advice to buy Galectin stock.

72. From its inception, Defendant Mauldin's Transformational Technology has promoted Galectin to investors and advised them to buy Galectin stock. At key moments when the Company's stock price declined or the Company faced negative news, Transformational Technology rushed to the Company's defense and served as the Company's advocate, pumping Galectin stock with full force.

73. On November 21, 2013, after Galectin stock declined 50% in one month, Transformational Technology leapt into action informing subscribers that,

> "I understand that Galectin Therapeutics was also targeted recently. I'm not going to read or answer it, but I'm hoping to have Dr. Peter Traber on video for you in the next week or so. Seriously, check out his CV (hyperlink) and tell me who you're inclined to trust."

Transformational Technology, November 21, 2013, Mauldin Economics, LLC.

[28] Available at http://www.mauldineconomics.com/investor-resources.

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74. Mauldin Economics worked hand in hand with Defendants to push Galectin stock prices back up by producing a video "interview" of Defendant Traber[29] posted in Transformational Technology on December 19, 2013, where Mauldin Economics described the decline in Galectin stock as a buying "opportunity for your portfolio's benefit" because of the company's "historic" technological breakthroughs:

> "It's come under attack recently by shorters and, if experience is a guide, this could continue for a while. If the price is driven down and you believe in the company, use the opportunity for your portfolio's benefit. This video should remind you just how historic and disruptive the company's galectin-blocker platform really is."

Transformational Technology, Mauldin Economics, December 19, 2013.

75. Building upon the unrestrained hype of Galectin ("make you wealthier than you ever imagined") contained in Mauldin's introductory teaser, the "The 3 Hidden Companies About to Change Every Life on Earth" pamphlet and virtually every issue of Transformational Technology, contained false and misleading statements concerning Galectin and advised subscribers to invest in the Company.[30]

76. By not disclosing that the publisher of Transformational Technology newsletter was a director of Galectin with significant holdings therein, Mauldin misled readers to believe that they were receiving impartial third party analysis and advice regarding Galectin, its products and whether or not to invest in Galectin.

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[29] Available at https://www.mauldineconomics.com/tech/trans-tech/biotime-shows-23andme-how-its-done1.

[30] Transformational Technology dated, November 27, 2013, January 2, 2014, January 23, 2014, February 27, 2014, March 27, 2014, April 24, 2014, May 22, 2014, June 26, 2014, July 24, 2014, August 28, 2014, September 25, 2014, October 23, 2014, November 26, 2014, December 26, 2014, January 29, 2015, February 26, 2015, and, March 5, 2015, along with monthly undated monthly issues.

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2. The Deceptive Stock Promotion Campaign Misleadingly Conceals the Halt of Testing on GM-CT-01 after ten years and $100 million, in a Flurry of False and Misleading 'Good News' Releases and Articles

77. The Company prepared for the disclosure that it had discontinued testing of its long time lead drug candidate GM-CT-01 with an avalanche of supposed good news, and carefully embedded and concealed the disclosure itself within a much larger "good news" article.

78. Defendants utilized Company press releases, Mauldin Economics' Transformational Technology newsletter and articles by paid stock promoter Emerging Growth (through its parent company TDM) in their deceptive campaign to convert non-news (the granting of a patent) into big news (government endorsement of the efficacy of the Company's new lead drug candidate) and bad news (announcement of the ten year $100 million failure of the Company's previous lead drug candidate) into non-news.

79. The Company paid Emerging Growth for approximately thirteen articles starting in 2013 to praise the Company and prospects of GR-MD-02. These articles were false and misleading for appearing to be objective assessments of Galectin and its leading drug candidate, and also for containing false and misleading statements.

80. Although the Emerging Growth articles were devoted exclusively to Galectin, in the body of the articles there was no disclosure that the articles were paid for by Galectin. Emerging Growth circulated their articles through SECFilings.com and through the Accesswire service with the knowledge and intent that the articles would be republished by financial news outlets such as MarketWatch.com without any disclaimer whatsoever of the paid-for nature of the article (unlike Emerging Growth articles on YahooFinance.com, which contain a hyperlink to such a disclaimer).

81. On January 6, 2014, Galectin issued a press release entitled "Galectin Therapeutics Receives US Patent for Combination Treatment for Liver Fibrosis." The title and tone of the article created the impression that the grant of a patent was an indication that Galectin's GR-MD-02 had

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efficacy as a "treatment for liver fibrosis." The granting of a patent indicates only that a compound is unique and not previously patented. The release stated in part:

> **Galectin Therapeutics Receives US Patent for Combination Treatment for Liver Fibrosis.**
>
> Galectin Therapeutics, the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, today announced that it has received a notice of allowance from the U.S. Patent and Trademark Office for patent application number 13/550,962 titled "Galactose-Pronged Polysaccharides in a Formulation for Antifibrotic Therapies." The patent covers both composition claim for and uses of the Company's carbohydrate-based galectin inhibitor compound GR-MD-02 for use in patients with liver fibrosis in combination with other potential therapeutic agents. The patent covers use of GR-MD-02 with agents directed at multiple targets, some of which are currently in clinical development for fibrotic disorders including monoclonal antibodies to connective tissue growth factor, integrins, and TGF-β1.
>
> 'This patent provides additional coverage in the U.S. for the use of GR-MD-02 in combination with other potential anti-fibrotic agents in the treatment of liver fibrosis,' said Peter G. Traber, MD, President, CEO and CMO of Galectin Therapeutics. 'In the future, liver fibrosis could be treated with a combination of agents, and this patent provides important intellectual property for this possibility.'

82. On January 7, 2014, Emerging Growth added to the hype in an "article" issued via Accesswire, again announcing the grant of the patent as if it were major news (Galectin has hundreds of patents, but has yet to patent an item of any proven marketable value). The article, without any disclosure in its text indicating that it was paid for by Galectin, was entitled "Galectin Therapeutics Receives Patent for Combination Treatment for Liver Fibrosis."[31]

83. The January 7, 2014 Emerging Growth article also falsely stated that data from a Phase 1 study indicated that GR-MD-02 was a "breakthrough." Because Phase 1 trials are designed to test whether a proposed drug is dangerous to patients and there were only eight subjects in the early stage of the Company's Phase 1 study (two of whom were given placebos and six GR-MD-02) which was itself only at an initial stage, the incomplete study had little statistical significance

[31] Available at http://www.marketwatch.com/story/galectin-therapeutics-receives-us-patent-for-combination-treatment-for-liver-fibrosis-2014-01-06.

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for anything other than its initial indication that the drug did not cause significant harm to six patients (not a surprise given that GR-MD-02 is a fruit pectin based compound). Nonetheless, the January 7, 2014 article stated in part, **"With no approved treatments for fatty liver disease with fibrosis, the breakthrough is very important for investors."**

84. Mauldin Economics repeated and amplified the Company's and Emerging Growth's deceptive statements by blatantly declaring GR-MD-02's efficacy to have now become a "fact": "**The fact that the drug showed real benefit,**" a scientifically preposterous statement for a drug that had not yet even completed its Phase 1 study. Transformational Technology, June 25, 2014, Galectin Therapeutics Announces Preclinical Oral Efficacy, Mauldin Economics, LLC.

85. As January 15, 2014 approached - the date upon which the Company would announce that testing of GM-CT-01 was "on hold" - the magnitude of the Company's deceptive 'good news' campaign intensified:

- On January 8, 2014, the Company issued a press release entitled "Galectin Therapeutics Reports on Key 2013 Scientific, Development and Regulatory Milestones, Highlights Corporate and Financial Activity," further touting the Company's purported 2013 accomplishments.

- On January 13, 2014, the Company issued a press release entitled "Galectin Therapeutics Announces Completion of Enrollment in First Cohort of Phase 1 Trial of GR-MD-02 in Fatty Liver Disease with Advanced Fibrosis" announcing that patient enrollment in the first cohort of the Phase 1 GR-MD-02 was complete. In the January 13, 2014 press release, defendant Traber claimed that "[c]ompletion of enrollment in the first cohort is an important step toward Galectin Therapeutics' objective of bringing a first- in-class treatment to the millions of Americans suffering from fatty liver disease with advanced fibrosis."

86. In the face of all of the supposed good news in the first half of January 2014, Galectin's stock nearly doubled shooting up from $8.47 per share to $15.10 per share on heavy volume. With the witching hour of January 15, 2014 rapidly approaching, the 10X Fund Defendants shamelessly cashed in just days before the announcement that the Company had placed testing of GM-CT-01 "on hold."

87. On January 10 and 13, 2014, days before the Company announces its halt of testing on GM-CT-01, Defendants Czirr and Martin caused the 10X Fund to sell 42,000 shares of its Galectin stock at $16 per share and 58,000 shares at $14 per share, reaping proceeds of $672,000 and $812,000, respectively, and by January 10, 2014, through the at-the-market financing vehicle (the "ATM Offering"), the Company sold a total of 2,391,204 shares of common stock for gross proceeds of $23,883,137.

88. On January 15, 2014 the Company buried its announcement of its discontinuation of efforts to develop GM-CT-01 within a long "good news" article bearing the "good news" title: "Galectin Therapeutics Supports Investigational New Drug (IND) Application for its Galectin Inhibitor GR-MD-02 in Metastatic Melanoma," stating in part:

> **Norcross, GA (January 15, 2014) – Galectin Therapeutics Inc. (NASDAQ: GALT)**, the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer, today announced that Providence Portland Medical Center filed an Investigational New Drug (IND) application with the U.S. Food and Drug Administration (FDA) on December 27, 2013 to study GR-MD-02 in combination with Yervoy (ipilimumab) in a Phase 1B study of patients with metastatic melanoma. GR-MD-02 is Galectin Therapeutics' proprietary molecule that binds to and inhibits galectin proteins, predominantly galectin-3.
>
> The application was prompted by findings from a preclinical study led by tumor immunology expert William L. Redmond, Ph.D., of the Providence Portland Medical Center's Earle A. Chiles Research Institute (EACRI). The preclinical study found that GR-MD-02 increased tumor shrinkage and enhanced survival in immune competent mice with prostate and breast cancers when combined with one of the immune checkpoint inhibitors, anti-CTLA-4 or anti-PD-1. These findings suggest a role for GR-MD-02 in cancer immunotherapy.
>
> "The IND filing to study GR-MD-02 in conjunctive use with Yervoy in patients with metastatic melanoma is an important milestone for both Providence Portland Medical Center and Galectin Therapeutics," said Dr. Peter G. Traber, President, Chief Executive Officer and Chief Medical Officer, Galectin Therapeutics. "Preclinical data have shown that GR-MD-02 holds immense potential for increasing the effectiveness of other therapies and may be an important approach in enhancing cancer immunotherapy."
>
> If the application is approved by the FDA, the Phase 1B study will be conducted by the EACRI under principal investigator Brendan D. Curti, M.D. EACRI and Providence Cancer Center researchers have been leaders in immunotherapy

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research and translational clinical trials in melanoma and other cancers.

"The Phase 1B study will determine if GR-MD-02 enhances the probability of melanoma response with ipilimumab by inducing proliferation, activation and memory function of CD8+ T cells," said Dr. Curti, the trial's principal investigator, a medical oncologist and director of the Providence Biotherapy Program at EACRI. "The combination of GR-MD-02 and ipilimumab has a strong scientific rationale based on Dr. Redmond's laboratory work. This study represents a novel approach for patients with metastatic melanoma."

The study will employ a 3+3 Phase 1 design with dose escalation of GR-MD-02 in conjunction with the standard therapeutic dose of ipilimumab in patients with advanced melanoma for whom ipilimumab would be considered standard of care. In addition to monitoring for toxicity and clinical response, blood samples will be obtained to assess immunologic measures relevant to galectin biology and ipilimumab T-cell check-point inhibition. Galectin Therapeutics will provide its proprietary compound GR-MD-02 to EACRI researchers, as well as supply researchers with supporting analysis of the pharmacokinetics of GR-MD-02 and the right to reference the Company's open IND on GR-MD-02.

89. Buried deep within the body, at the end of the exceptionally long and scientifically detailed press release it was mentioned that GM-CT-01, had been "placed on hold":

Separately, the Cancer Centre at the Cliniques universities Saint-Luc and the Ludwig Institute for Cancer Research (LICR), in agreement with Galectin Therapeutics, placed on hold its Phase 1/2 trial evaluating the safety and efficacy of another galectin inhibitor, GM-CT-01, in combination with an experimental peptide vaccine for the treatment of advanced metastatic melanoma. Dr. Jean-Francois Baurain, the trial's principal investigator, medical oncologist and director of the melanoma clinic of the Cancer Center at CUSL, said, "The trial was unable to enroll sufficient patients with advanced stage melanoma due to the high selection criteria of patient candidates for the peptide vaccine and the recent availability of Yervoy in Europe as a treatment increasing the overall survival of metastatic melanoma patients." A total of three patients completed the trial with no serious adverse events attributed to drug treatment and with two patients having a mixed response and one having progressive disease.

90. However, the most critical misinformation undertaking of the Company's campaign was delegated to the most skilled professional stock promoter, Defendant Mauldin, who was tasked with the "day after" job of pumping Galectin the day after the January 15, 2014 announcement of the discontinuation of testing on GM-CT-01.

91. On January 16, 2014, Transformational Technology devoted most of its issue to

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Galectin. The article contained the false representation that GR-MD-02 had been demonstrated to be, "one of the most important anti-cancer breakthroughs of all time." The article failed to disclose that the proceeding day Galectin had announced discontinuation of testing on GM-CT-01, to which the Company had devoted ten years and $100 million.

> "The company's carbohydrate drugs have a powerful binding affinity to the T cell receptors that are attacked by cancers' galectin-3s. This means that, with the help of these carbohydrates, cancers can no longer shut down T cells. As a result, the immune system is much more able to recognize, adapt to, and deal with cancers. When this technology is combined with one of several new anti-cancer drugs, I believe that the disease will be largely beaten."[32]

Galectin Therapeutics Moves as Liver Drugs Gain Spotlight

By Patrick Cox

January 16, 2014

Dear TransTech Reader,

You've probably noticed that Galectin Therapeutics (GALT) has moved strongly upwards. This is due to several complementary forces...

Because the Intercept study did not use late-stage NASH patients, we wouldn't really expect data regarding changes in fibrosis. That would require testing in late-stage NASH patients, which is what the Galectin Therapeutics ongoing Phase 1 trial should determine...

Nevertheless, the news was good for Intercept as well as Galectin Therapeutics. Investors seemed to grasp, for the first time, the enormous value of the unmet liver disease market...

While we don't yet know to what extent OCA prevents fibrosis, it's clear to me that it won't actually reverse fibrosis. Galectin Therapeutics' complex carbohydrates, however, do just that. In preclinical animal and human cell tests, we've seen that fibrosis can't take place if galectin-3 activity is blocked. This results in the elimination of fibrotic, or scar, tissue...

Sometimes, unfortunately, scar tissues form for the wrong reasons, such as

[32] Quotes from articles are, to the extent possible, reprinted herein in the original fonts and font size in which they were published.

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autoimmune dysfunction, excess radiation, chemical irritants, or pathogens such as bacteria, fungi, or viruses. When fibrosis occurs in the lungs, it is called pulmonary fibrosis.

The buildup of connective tissue in the lungs impedes normal respiration and can be fatal. In the liver, it results in cirrhosis which can interfere with liver function. Currently, the only treatment for either condition is transplantation using a healthy organ, which is obviously not optimal even when possible.

Preclinical tests by Galectin Therapeutics indicate, however, that it is possible to reverse fibrosis by blocking galectin-3 activity in both the lungs and the liver. Other tests show the same reversal of the scarification process in the kidneys. I hope, of course, that Intercept Pharmaceuticals' OCA drug does help prevent liver disease. The promise of Galectin Therapeutics' anti-fibrotic platform, though, is orders of magnitude greater.

The Three Great Accelerators of Aging

The dawn of the 21st century has seen enormous unexpected progress in sciences that impact length of healthy life spans (health spans). What has emerged is that most people's lives are prematurely shortened by one of at least three mechanisms. We have only begun to understand these mechanisms in the last few decades.

The premature killers are mitochondrial dysfunction, autoimmune inflammation, and fibrosis. In truth, all three of these mechanisms are probably interrelated in ways that we don't yet understand. Nevertheless, the evidence indicates that each of these causes of accelerated aging can be addressed separately through very different therapies.

Galectin Therapeutics' platform addresses the entire range of fibrotic diseases and the accelerated aging it causes. I'm not talking only about the lungs, liver, and kidney, however. Fibrosis is a major contributor to most organ failures. It is also the root cause of diseases and conditions ranging from arthritis and cataracts to wrinkled skin and Peyronie's disease.

On a personal note, I have Dupuytren's contracture, a relatively minor fibrotic condition of the hand also known as "Viking disease" or "Celtic hand." President Reagan had surgery for the condition, as do many, but I'd prefer to reverse my collagen deposition via Galectin Therapeutics' non-toxic plant sugars.

The only company in our portfolio with a comparably enormous biotech platform is the leader in regenerative medicine, BioTime (BTX). Very few people outside the research community understand the potential of either company, which is why they remain undervalued. Oh, and I haven't even mentioned that the same natural plant sugars responsible for reversing the process of fibrotic deposition are also one of the most important anti-cancer

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> breakthroughs of all time.
>
> Cancers attack and blind our immune system using the same galectin-3 proteins that are central to fibrotic scarification. **The company's carbohydrate drugs have a powerful binding affinity to the T cell receptors that are attacked by cancers' galectin-3s. This means that, with the help of these carbohydrates, cancers can no longer shut down T cells. As a result, the immune system is much more able to recognize, adapt to, and deal with cancers. When this technology is combined with one of several new anti-cancer drugs, I believe that the disease will be largely beaten...**
>
> Personally, I don't spend a lot of time thinking about short-term returns as I'm focused far more on the long rollout of this platform. The Mauldin Economics analysts, however, are doing their best to make short-term gains as good as possible and I appreciate efforts to duplicate some of the success that my channel traders have enjoyed...

92. False and misleading Company "press releases" and Emerging Growth "articles" provided Mauldin the grist he needed for his announcements that Galectin was on the cusp of a "historic breakthrough." Company and Emerging Growth articles bookending Mauldin's articles misleadingly lent support to Mauldin's even more blatantly false and audacious claims.

93. In a coordinated campaign of deception, after Mauldin's January 16th article cited above, the Company issued the following press releases in short order:

- January 21, 2014: Galectin press release: "Preclinical Study Demonstrates Effect of Galectin Inhibitor on Serum Biomarker in Fatty Liver Disease with Fibrosis," further touting GR-MD-02's potential with Defendant Traber representing that "these results in this preclinical model of NASH show that improvement in NASH and fibrosis with GR-MD- 02 treatment appear to correlate with plasma levels of hyaluronic acid, a biomarker that has been shown in multiple human studies to correlate with liver fibrosis."

- January 27, 2014: Galectin press release announces that Galectin had established and formed Galectin Sciences, LLC ("Galectin Sciences") with SBH Sciences, Inc., a company located in Natick, Massachusetts, which describes itself as a world leader in cell-based assays to measure biological activity and developer of cytokines, growth factors, biologics and monoclonal antibodies. According to the January 27, 2014 press release, Galectin Sciences "will build on the scientific body of knowledge amassed by SBH Sciences, coupled with Galectin Therapeutics' knowledge and expertise of galectins' pathological role and mechanism of action in inflammation, fibrosis and many cancers" and defendant Traber touted the formation of Galectin Sciences as representing "a significant step forward in the research of galectin proteins and

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demonstrates both companies' confidence in galectin inhibitors as potential treatment options for diseases with large unmet medical need."

- February 3, 2014: Galectin press release announces that the FDA "agreed that a Phase 1B clinical trial of the galectin inhibitor GR-MD-02 in combination with Yervoy (ipilimumab) in patients with metastatic melanoma may proceed," with Defendant Traber touting this development as "a critical step in seeking a new treatment option for metastatic melanoma."

- February 6, 2014: Mauldin Economics LLC publishes What Does the IND Phase 1B Trial for Galectin Therapeutics Really Mean? in which the Phase 1 safety trial was once again misleadingly interpreted as an indication of the efficacy of GR-MD-02.

94. Building upon and reprinting the Company's January 27, 2014 press release, on February 13, 2014, Emerging Growth issued an "article" via Accesswire and published on MarketWatch.com, entitled "Galectin Therapeutics Leaps Ahead with SBH Sciences Partnership."[33] The article claimed that the Galectin-SBH Sciences had entered a joint venture which was an "ideal strategic fit" transforming Galectin into an acquisition target. For reasons detailed below, this was a false statement.

95. The February 13, 2014 Emerging Growth article, as published on MarketWatch.com, reads as follows in its entirety. The article contains no disclosure whatsoever of the fact that it was a paid advertisement, nor any disclaimer hyperlink to any such disclosure:

ACCESSWIRE

Galectin Therapeutics Leaps Ahead with SBH Sciences Partnership

Published: Feb 13, 2014 11:02 a.m. ET

Feb 13, 2014 (ACCESSWIRE via COMTEX) -- A growing body of research on galectins is demonstrating the important role that this family of carbohydrate-binding proteins plays in T-cell survival, fibrosis of organs, allergies, deadly

[33] Available at http://www.marketwatch.com/story/galectin-therapeutics-leaps-ahead-with-sbh-sciences-partnership-2014-02-13.

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diseases like cancer, regulation of many immune responses and much more. Only defined about two decades ago, 15 different mammalian galectins have now been identified, with overexpression of specific galectins implicated in a variety of diseases. The potential of this emerging science is tremendous, to say the least, to help bridge gaps in a broad range of deadly or debilitating disorders with great unmet medical need.

Galectin Therapeutics Inc. GALT, +3.61% a pioneer in research and development of galectin-inhibiting compounds, scored a big win for their company and the industry in January by forging a new alliance with SBH Sciences. The companies established Galectin Sciences, LLC, a joint venture that will initially focus on developing small organic molecule inhibitors of galectin-3 for oral administration. The two companies are an ideal strategic fit. Galectin Therapeutics has a promising pipeline of drug candidates, with GR-MD-02 in a phase 1 clinical trial for treatment of nonalcoholic steatohepatitis (NASH) with advanced fibrosis. GR-MD-02 was also was recently approved by the FDA to proceed with a phase 1b clinical trial in combination with Bristol-Myers Squibb's BMY, +1.24% Yervoy to treat metastatic melanoma patients.

As a Contract Research Organization, SBH Sciences is primarily a services company, providing products and services to more than 120 clients worldwide, mostly in the areas of oncology and inflammation. Using its expertise in computer molecular modeling and in vitro screening, SBH is becoming more involved with its own drug development programs, rather than just shepherding other companies into clinical trials. According to the press release announcing the partnership, SBH has already identified several small molecules that act to inhibit galectin-3 that are worthy of more extensive research.

Forming Galectin Sciences, rather than SBH contracting Galectin Therapeutics or vice-versa, is a succinct move that incentivizes both companies because now they each have skin in the game. Galectin Therapeutics gains access to promising new drug candidates while mitigating R&D expenses and SBH gets Galectin Therapeutics' decades of experience and knowledge in galectin proteins.

Galectin Sciences was assembled to focus its resources on the development of new oral drugs targeting galectins, which will serve a great complement to the drugs already in clinical trials by GALT. GR-MD-02 and GM-CT-01 are designed for intravenous administration and work very well for fatal diseases like liver fibrosis and cancer that can be treated with a weekly dosing regimen. Every disease has a target product profile and while IV administration will provide the best results in some indications, oral delivery can be more appropriate for others, such as chronic diseases and conditions. These diseases where a pill is best served will be the initial targets for the new JV. With diversified delivery systems, GALT is well positioned to develop a broad range of galectin inhibitors that match target product profiles.

Pills are generally the drug delivery method of choice by patients and physicians regarding chronic conditions simply because of convenience, which often improves quality of life and compliance. From a payer perspective, oral medications are often

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favorable because they are less expensive. Consider why Gilead Sciences GILD, -0.21% was willing to dish-out $11 billion to acquire Pharmasset in 2011. The main driver was Pharmasset's PSI-7977, an all-oral hepatitis C therapy that was pegged by many as the replacement for injections of interferon, the standard of care for the disease.

We reached out to Dr. Peter Traber, president, CEO and CMO at Galectin Therapeutics, who explained that the sights are set for Galectin Sciences to explore new target indications where oral therapies are the most viable and favorable. This includes chronic conditions such as allergies, eczema, arthritis and atherosclerosis. "Blockbuster drugs like Pfizer's PFE, +0.35% Lipitor likely would never have achieved the incredible success that they have if they didn't come in pill form," Traber said in a phone conversation. In addition to the promising compounds already identified, Traber believes that SBH Sciences' proficiency in assays and compound-screening technologies will play a key role in new drug discoveries in the future.

It is evident that this bolt-on drug discovery machine that Traber describes could allow Galectin Therapeutics to maintain its leadership position in the galectin space for years to come. It is also arguable that the new portfolio company will make Galectin Therapeutics more attractive as a partner or acquisition target in the future. The clinical advancements of GR-MD-02 and GM-CT-01 in the past year have resulted in significant share appreciation for GALT. Rightfully so, these flagship programs are clearly the backdrop of the company and measuring stick for its market valuation. Going forward, though, Wall Street should start to factor-in the new Galectin Sciences asset as it builds and discloses the products in its pipeline, which could add significant value if comparable to the drugs candidates that Galectin Therapeutics has already taken into the clinic.

http://www.accesswire.com/img.ashx?id=411904.

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96. The February 13, 2014 Emerging Growth article made false and misleading statements by presenting the Galectin–SBH Sciences transaction as a partnership or joint venture. In fact, SBH Sciences is a contract testing lab that Galectin paid $400,000 to perform research and development, as indicated in the Company's 2014 Form 10-K: "a $400,000 cash investment to fund future research and development activities, which was provided by Galectin, and specific in-process research and development provided by SBH Sciences." Though the arrangement may have been

[34] Available at http:www.marketwatch.com/story/galectin-therapeutics-leaps-ahead-with-sbh-sciences-partnership-2014-02-13.

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legally dressed up as a partnership, it was not true that it was **a succinct move that incentivizes both companies because now they each have skin in the game.** Galectin paid SBH Sciences $400,000 for research and development – SBH Sciences had no "skin in the game."

97. Mauldin exceeded the above false and misleading claim that Galectin had entered into a joint venture with a scientifically respected company, with an even more blatantly false statement. Transformative Technology reported that Galectin had announced "a major partnership with a household-name pharma company," the dream of all biopharmaceutical development stage companies and something that never happened for Galectin:

> In other words, this company might hold the cure to cancer.
>
> In all its forms.
>
> **Plus, this company recently announced a major partnership with a household-name pharma company.**
>
> **This collaboration could, in time, have enormous stock market implications.**[35]

98. The February 13, 2014 Emerging Growth article also falsely stated that "GR-MD-02 and GM-CT-01 work very well for fatal diseases like liver fibrosis and cancer that can be treated with a weekly dosing regimen." There was no clinical study result supporting this contention, as the Company would have to admit on July 29, 2014.

99. The Company's January-February full court press of false and misleading "good news" articles, amplified by Mauldin's even more blatantly false statements, culminated in a February, 2014 Mauldin Economics issue of Transformational Technology in which "the analysts" urged investors to buy Galectin up to a target price of $20 per share:

[35] Available at http://www.mauldineconomics.com/landing/aff-3-hidden-companies-revealed.

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Galectin Therapeutics

GALT has been very busy over the last month. As Patrick mentioned in his weekly update, the company announced the formation of Galectin Sciences LLC, which aims to develop oral forms of its drugs for cancers and fibrosis. This new business is a partnership with SBH Sciences, which was described in GALT's press release as "a world leader in cell-based assays to measure biological activity and developer of cytokines, growth factors, biologics and monoclonal antiobodies."

After taking this and other positive news related to GALT into account, we feel it's prudent to **raise the company's target price to $20**. For those who have been following our instructions, **continue to hold your position**.

New subscribers: Buy 50% of your Nasdaq: GALT position at the market.

100. Defendants had effectively buried the bad news of the ten year-hundred million dollar failure of GM-CT-01 in a mass of false and misleading supposed good news. As a result, by the end of February, Galectin stock rose to over $18 per share, an all-time high.

101. From its first issue in late 2013 through the present date, Mauldin's newsletter supposedly provided exhaustive analysis of the Company by Mauldin's "team of analysts" led by "expert researcher" Patrick Cox, but failed to disclose that virtually the entire scientific leadership of the Company had resigned on February 12, 2009 and that the two scientists who had founded the Company and had "invented GM-CT-01 and the Company's core technology" had resigned.

102. In its introductory pamphlet, Transformational Wealth From Three Tiny Companies,[36] Patrick Cox told his readers a captivating story about how after Dr. Anatole Klyosov fled the Soviet Union, the "brilliant biochemist called a friend in Moscow who still had access to his old office and asked that a particular container be sent to him." Cox informed investors that Galectin now had the supposedly huge scientific breakthrough held in the container, but did not mention that by 2013, Dr. Klyosov and Dr. Platt, the two scientists who founded the Company and together published the only book devoted to so-called "galectin" science, had resigned along with

[36] Available at http://www.mauldineconomics.com/download/transformational-wealth-from-three-tiny-companies.

virtually all directors with any medical, scientific or biopharmaceutical education:

> Build Transformational Wealth from Three Tiny Companies
>
> For a very long time, Western and Eastern science took separate but often parallel paths. While science and technology moved forward in Europe and North America, it diverged somewhat in Eurasian Russia and Eastern Europe. Before modern telecommunications and air travel, this was due primarily to the great distance and language barriers. With the rise of Communism, the Iron Curtain reinforced the distrust and division between the scientific communities. Some communication took place between the East and West, but there were also many secrets.
>
> The Soviet Union was brutal and inefficient in many ways, but it funneled massive resources into endeavors such as athletics, ballet, and science. Excellence in these areas was a ticket to the good life, and as a result, many brilliant scientists emerged in the USSR.
>
> One of the most notable was biochemist Alexander Oparin, sometimes called the Darwin of the 20th century. As a founder of the prestigious Biochemistry Institute at the Academy of Sciences of the USSR, he had privileges that few (other than top party officials) enjoyed. This allowed him to indulge his obsession with the complex carbohydrates that provide the structural strength for plants.
>
> Oparin had no apparent utilitarian goal in mind as he studied these plant sugars. Though the molecular structure of these complex carbohydrates is undoubtedly fascinating, it's also true that his research provided a reason for him to travel the world in search of exotic plants.
>
> When Oparin retired, he handed control of the Biochemistry Institute to his protégé, the brilliant biochemist, Anatole Klyosov. The work on plant sugars, including travel to exotic locales, continued under Klyosov, who secretly detested Communism.
>
> When the USSR collapsed, funding for science came to an end, and the West enjoyed an unprecedented wave of emigrant scientists. Klyosov took a job at Harvard Medical School. Coincidentally, work was being done on a new class of cellular receptors called galectins.
>
> Every cancer is slightly different, and different cancers are often treated in different ways. However, a common feature among most cancers is that cancerous cells protect and hide themselves from the body's cancer detectors. The way that cancer does this is through a process known as the "galectin effect."
>
> According to research, galectin-3—a protein produced by most human cancers—binds to and blocks T lymphocytes. Under normal conditions,

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> these lymphocytes attack and kill cancer-infected cells, but galectin-3 acts as a shield that prevents the cancer from being discovered and corrected.
>
> Klyosov watched this research unfold from his position at Harvard Medical School, and it occurred to him that the complex plant sugars he had studied in Russia included similar molecular elements. He called a friend in Moscow who still had access to his old office and asked that a particular container be sent to him.
>
> A series of experiments with those plant sugars proved to him that his plant sugars bonded to the same receptors as galectin-3s. In fact, these harmless carbohydrates (which actually qualify as food) seemed to have stronger bonding properties.
>
> Following many missteps as a young startup, the company has recovered and is testing GM-CT-01 (Davanat), which binds to T cells at the same site targeted by galectin-3s. The prestigious Ludwig Institute of Cancer Research in Brussels, Belgium, is currently moving the drug candidate through Phase 1/2 clinical trials in conjunction with a tumor vaccine in patients with advanced melanoma.
>
> Prior to the human trial, however, cancer cells along with T cells infected by their galectin-3s were exposed to the company's plant sugar, technically a galactomannan. Remarkably, the dying T cells were resurrected and began to aggressively kill the cancer cells.[37]

103. Mauldin also failed to ever disclose that the Company spent ten years and $100 million on an effort to develop supposed cancer drug GM-CT-01 which was "on hold." Instead, Defendant Mauldin's Transactional Technology published a false and misleading narrative for the Company, casting the move from GM-CT-01 to GR-MD-02 as an intentional strategic business move cleverly positioning Galectin for "historic" profits in the future.

104. In the February 2014 issue of Transactional Technology, Mauldin Economics, explained that the Company had shifted from the "cancer business" to the "liver business" (GR-MD-02 supposedly treats fatty liver disease) because cancer is becoming a "minor and treatable disease," while liver disease is "such an enormous unaddressed market," an outrageously false spin on the Company's history which Transactional Technology repeats to this day. In part on that basis,

[37] Available at http://www.mauldineconomics.com/download/transformational-wealth-from-three-tiny-companies.

Mauldin advised investors to buy Galectin up to a price of $20 per share:

> New oncology drugs coming on to the market in the next several years will transform cancer into a minor and treatable disease, meaning that the company would share revenues in an increasingly crowded market."
>
> Fibrotic diseases, however, have no effective therapies. This includes fatty-liver disease, kidney disease, and pulmonary fibrosis, among many others. So Galectin Therapeutics stands to dominate this new and incredibly lucrative field. For example, in terms of revenues, fatty-liver disease is smaller than cancer, but Galectin Therapeutics' lion share of the profits would be historic.

Transformational Technology, What Does the IND Phase 1B Trial for Galectin Therapeutics Really Mean?, February 6, 2014.

> Despite extremely positive data in their liver fibrosis trials, which I've discussed in depth, the company's stock price is vacillating wildly, providing huge opportunities for channel traders.
>
> Incidentally, I spoke recently with Galectin Therapeutic's chair, Jim Czirr. He mentioned that the company is now recruiting patients for the trial of their anticancer drug for metastatic melanoma in combination with Yervoy.
>
> As you probably know, the company started out in the cancer business but added liver disease to their pipeline because it's such an enormous unaddressed market. Cancers and fibrosis, however, both require the presence of galectin-3 proteins, which the company's carbohydrates block.

Transformational Technologies, March 5, 2015.

105. Mauldin's "team of analysts" led by "expert researcher" Patrick Cox, also failed to ever disclose that the Company's replacement lead drug candidate GR-MD-02 was suspiciously similar to its failed predecessor (fruit pectin based carbohydrate) claiming similar chemical attributes (binding to and neutralizing galectin), though be it supposedly for a different disease (fatty liver disease or "NASH" - a precancerous condition - rather than cancer).

106. During the first six months of 2014, Transformational Technology served as a virtual mouthpiece for Galectin. Fawning over the Company month after month and sometimes week after week, Mauldin Economics' Transformational Technology promoted Galectin's share price up, never revealing that the Company's owner was a Galectin director.

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