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

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[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.

> 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.

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.

Continue to hold your position.

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

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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-

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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

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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 liv*e 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**.

> 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

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

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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.

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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;

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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** Boar**d** 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.

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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.

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

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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

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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

duties to Galectin, because that would expose him to liability and threaten his livelihood.

184. 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

185. 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, upon the resignation of the Company's CEO and half the Board of Directors, Czirr suddenly became the new Chairman of the Board and Martin became the Vice Chairman of the Board and Chairman of the Nominating Committee and filled two empty directorships 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.

186. 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*, 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 the penny 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

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Securities Class Action and would expose himself to liability in this action. Neither Defendant Czirr, nor any director dominated by him, would do this.

187. As detailed herein, since a majority of the Board owe their directorships to Defendant Czirr and the 10X Fund 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

188. 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

189. 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*.

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

190. As detailed above, the Defendants knew that Defendant Mauldin was a stock promoter and brought him onto an already bloated board of directors for that purpose. 10X Fund Defendants Martin and Amelio controlled the Nominating Committee that identified, screened and nominated Mauldin to the Company's Board, and then concealed his identity as one of the

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nation's leading stock promoters from shareholders.

191. Defendant Martin was the Chairman of the Nominating Committee, which in 2011, proposed to expand the Board by two directorships and to fill one of the newly created director positions by appointing John Mauldin.

192. Defendant Martin, as Chairman of the Nominating Committee, led the selecting, screening and nominating Mauldin to the Board with knowledge that John Mauldin's primary business was stock promotion through his company Mauldin Economics, LLC.[43]

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

193. Defendant Amelio participated in bringing Defendant Mauldin onto the Company's board in order to utilize Mauldin's capacity in the area of stock promotion and was aware of and participated in Mauldin's 2013-2014 false and misleading promotion of Galectin stock described herein.

194. Defendant Gilbert Amelio is accurately described in the Company's Proxies as being the former CEO of Apple Computer until 1997, when he was ousted and replaced by Steven Jobs. As one of the three members of the Nominating Committee, of which Defendant Martin was Chairman, in 2011 Defendant Amelio knowingly voted to propose expanding the Board by two directorships and to fill one of the newly created director positions by appointing John Mauldin.

195. Defendant Amelio participated in selecting, screening and nominating Mauldin to the Board with knowledge that John Mauldin's primary business was stock promotion through his company Mauldin Economics and Defendant Amelio knowingly withheld that information from shareholders in the proxy announcing Mauldin's appointment and subsequent proxies.

196. Defendant Amelio participated in bringing Defendant Mauldin onto the Company's board in order to utilize Mauldin's capacity in the area of stock promotion and was

[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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aware of and participated in Mauldin's 2013-2014 false and misleading promotion of Galectin stock described herein.

197. Due to Defendant Amelio's knowledge of and participation in the Company's 2013-2014 false and misleading promotion of Galectin stock, Defendant Amelio faces a sufficiently significant likelihood of liability in the present litigation so as to render him non-impartial for purposes of demand.

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

198. Because of the above particularized facts indicating knowledge and participation of Defendants Mauldin, Martin, Amelio, Czirr and Traber in the deceptive stock promotion campaign, these 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.

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

199. 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").

200. 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.

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201. 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," "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.

202. 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.

7. Conclusion

203. 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.

204. 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.

205. 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

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numbers 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

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

207. 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.

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

209. 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.

210. 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.

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

SECOND CAUSE OF ACTION
Against All Defendants For Unjust Enrichment

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

213. By their wrongful acts and omissions, Defendants were unjustly enriched at the expense of and to the detriment of Galectin.

214. The Defendants were unjustly enriched as a result of the compensation they

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received while breaching their fiduciary duties owed to Galectin.

215. 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.

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

THIRD CAUSE OF ACTION
Waste Of Corporate Assets

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

218. 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.

219. 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.

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

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

FOURTH CAUSE OF ACTION
Breach of Fiduciary Duty for Insider Trading

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

223. 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.

224. 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.

225. 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.

226. 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.

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

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

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

DATED this 19th 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

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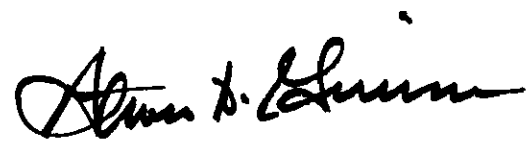

CLERK OF THE COURT

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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-

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[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

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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.

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[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.

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[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

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("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

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[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.

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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.

[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).

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> 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

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[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

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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

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[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).

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.

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[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."

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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

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.

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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.

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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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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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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 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.

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> 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 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...

94. 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

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misleadingly lent support to Mauldin's even more blatantly false and audacious claims.

95. 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 the Defendants caused the Company to issue a press release announcing 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 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 second phase of a safety trial was once again misleadingly interpreted as an indication of the efficacy of GR-MD-02.

96. 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

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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.

97. 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 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

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

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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 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

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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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98. 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 the Company (Galectin), and specific in-process research and development provided by SBH Sciences." Though the arrangement may have been 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."

99. Mauldin exceeded the Company and Emerging Growth's 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* announced that Galectin had announced "a major partnership with a household-name pharma company"; the dream of all

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

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]

100. 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." To date, there has been no clinical study result supporting the contention that either GR-MD-02 or GM-CT-01 works well for anything, and the Company had to admit on July 29, 2014.

101. 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:

> **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**.

[35] Available at http://www.mauldineconomics.com/landing/aff-3-hidden-companies-revealed.

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> New subscribers: Buy 50% of your Nasdaq: GALT position at the market.

102. 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.

103. 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, 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 left the Company.

104. 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 had 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. What Mr. Cox does not mention is that by 2013, Dr. Anatole Klyosov and Dr. Platt, the two scientists who founded the Company and together published the only book devoted to so-called "galectin" science, had long since departed the Company along with virtually all directors with any medical, scientific or biopharmaceutical education:

> 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

[36] Available at http://www.mauldineconomics.com/download/transformational-wealth-from-three-tiny-companies.

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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, these lymphocytes attack and kill cancer-infected cells, but galectin-3 acts as a shield that prevents the cancer from being discovered and corrected.

Build Transformational Wealth from Three Tiny Companies

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

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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]

105. Mauldin also failed to ever disclose that the Company spent ten years and a hundred million dollars on an abandoned effort to develop supposed cancer drug GM-CT-01. 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 not as a failure but as an intentional strategic business move cleverly positioning Galectin for "historic" profits in the future.

106. 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, 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

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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.

107. 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).

108. 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.

109. Mauldin's first article of 2014, issued on January 16, 2014, was typical of what would follow, gushing over the supposed "historic breakthrough" of Galectin's new lead drug candidate:

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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."

110. 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.

111. 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

By Patrick Cox

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

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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.

113. 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 included false and misleading jargon to create the impression that Galectin was onto big things:

Galectin Therapeutics (Nasdaq:GALT), the leading developer of therapeutics that target galectin proteins to treat fibrosis and cancer...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.

114. Emerging Growth followed up the Company's "announcement of the coming announcement" with one of their own, in an *Accesswire* "article" written by 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 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]

115. 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." Since the initial "first cohort" stage of the Phase 1 safety study (primarily 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, it had little 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).

116. In the press release the Company overstated and misstated the results of the initial stage of the safety study as, "GR-MD-02 had an effect on biomarkers that suggest a therapeutic effect on fibrosis, inflammation, and cellular injury," leading investors to believe that the early

[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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test results foreshadowed great things for the treatment of NASH with GR-MD-02. The press release 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.

117. The claim that test results and biomarker measurements showed that GR-MD-02 had efficacy in treating NASH was false, and the Company would have to admit on July 29, 2014. Form 8-K, Exhibit 99.1, at 13-14, filed on July 29, 2014.

118. Once again, Mauldin 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
>
> 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.

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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.

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

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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.

119. 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 Zucker, entitled "Treatments for Non-Alcoholic Steatohepatitis Making Clinical Strides,"[16] the article read in part:

> ***...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

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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]…

120. On the heels of the Emerging Growth article April 2014 edition of *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

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

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

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come to our attention.

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121. In the Company's Form 10-Q, filed on May 13, 2014, the Company made the false and misleading that GR-MD-02 had been demonstrated to be an effective treatment of NASH: "**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)."

122. 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" which favorably compared Galectin to its peers, falsely claiming that Galectin treats patients with NASH with advanced fibrosis.

123. 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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124. 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.

125. 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 "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

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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.

* * *

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.

http://secfilings.com/News.aspx?title=galectin,_intercept,_others_vying_for_lead_drugs_in_nash_epidemic&naid=804.

126. 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.

127. 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,

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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 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.

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> 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...

128. 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.

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

130. 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.

131. Defendants were aware of the above press releases and the hiring of Emerging Growth Corp. and the misrepresentations and campaign of misleading implications falsely

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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.

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

133. 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

134. The Company's false and misleading promotion campaign with Emerging Growth began in the Summer of 2013. On July 17, 2013, Emerging Growth published an 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]

135. 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.

136. The Company attempted to convert its conducting of a first cohort of a Phase 1 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." Emerging Growth reported Traber's comments in a July 25, 2013 article it published on its *SECFilings.com* webpage, repeating and

[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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amplifying Defendant Traber's pronouncement.[41]

137. 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.

138. 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:[6] "**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 test related indication that GR-MD-02 helped heal fibrosis or 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

139. 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]

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

140. 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 or causing entities controlled by them to sell shares.

---

[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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141. 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.

142. 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.

143. 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.

144. 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.

145. 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.

146. 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

147. On July 29, 2014, when Galectin had to announce the results of the second cohort of its Phase 1 study of GR-MD-02, the Company had to admit there were no statistically

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significant indications of efficacy. Though the Company still attempted to insist that "There is an indication of an effect in both cohorts," it had to admit the much vaunted biomarker indications were, "**not statistically significant.**" The "Interpretation" of the results indicated that the statistically insignificant biomarker data could not be taken as any indication of efficacy of the proposed drug: "**differences in the biomarker data between the cohorts is possibly due to differences in sampling dates.**" Form 8-K, Exhibit 99.1, at 13-14, filed on July 29, 2014.

148. The Company attempted to finesse away one of the placebo receiving patients showing more improvement than GR-MD-02 patients, with, "**The large difference in one placebo patient suggests more experience is required with this method in longitudinal studies.**" Form 8-K, Exhibit 99.1, at 21, filed on July 29, 2014.

149. 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…

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

150. 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

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"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":

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.

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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**.

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.

https://buyersstrike.wordpress.com/2012/11/28/the-shameless-moronic-patrick-cox-stsi/.

151. 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 (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 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

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> for Tuesday morning. The subject of the call: To discuss updated results from its phase I NASH study.

152. 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.

153. 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 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.

154. 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.

155. 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.

/ / /

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Don't Buy the Bear Attack on Galectin Therapeutics and Me

By Patrick Cox

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

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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 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

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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.

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.

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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 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

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DEFENDANTS' DUTIES

156. 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.

157. 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.

158. 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.

159. 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.

160. 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.

161. 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.

162. 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.

163. 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.

164. 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.

165. 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

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similar, duties on, among others, the Board, as those set forth above.

BREACHES OF DUTIES

166. 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.

167. 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.

168. 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.

169. 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.

170. 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.

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171. 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.

172. 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.

173. 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.

174. 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 or her overall contribution to and furtherance of the wrongdoing.

175. 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

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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.

176. 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 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**

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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.

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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

177. 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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178. 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

179. 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.

180. 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.

181. 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.

182. 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

183. 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 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

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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

APPENDIX TO APPELLANT'S OPENING BRIEF VOLUME II

Submitted by:

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APPELLANT'S APPENDIX

DOCUMENT DESCRIPTION	FILING DATE	BATES NUMBER	VOLUME NUMBER
Order re: Motion to Dismiss Shareholder Derivative Action	4/1/2016	APP000001 – APP000004	I
Notice of Entry of Order Denying Motion to Correct Order re: Motion to Dismiss Shareholder Derivative Action	6/16/2016	APP000005 - APP000010	I
Notice of Appeal	7/15/2016	APP000011 - APP000019	I
Verified Shareholder Derivative Complaint	8/29/2014	APP000020 - APP000045	I
Defendants' Motion to Stay the Case in Deference to Prior-Filed Parallel Derivative Litigation and Supporting Memorandum of Law	11/17/2014	APP000046 - APP000165	I
Court Minutes	12/19/2014	APP000166	I
Defendants' Motion for Reconsideration of Ruling Denying Defendants' Motion to Stay Case and Supporting Memorandum of Points and Authorities	1/8/2015	APP000167 - APP000189	I
Memorandum in Support of Plaintiff's Motion for Leave to file Plaintiff's Second Amended Shareholder Derivative Complaint	3/19/2015	APP000190 - APP000285	II
Plaintiff's Second Amended Shareholder Derivative Complaint	3/27/2015	APP000286 - APP000368	II
Individual Defendants' Motion to Dismiss the Second Amended Shareholder Derivative Complaint and Memorandum of Points and Authorities	4/22/2015	APP000369 - APP000559	III

DOCUMENT DESCRIPTION	FILING DATE	BATES NUMBER	VOLUME NUMBER
Nominal Defendant Galectin Therapeutics, Inc.'s Motion to Dismiss the Second Amended Shareholder Derivative Complaint and Memorandum of Points and Authorities	4/22/2015	APP000560 - APP000759	IV
Plaintiff's Combined Memorandum of Law in Opposition to the Nominal Defendant and Individual Defendants' Motions to Dismiss the Second Amended Shareholder Derivative Complaint	5/20/2015	APP000760 - APP000798	IV
David L. Hasbrouck and Siu Yip's Motion to Intervene	5/29/2015	APP000799 - APP000992	V
Individual Defendants' Reply Memorandum in Support of their Motion to Dismiss the Second Amended Shareholder Derivative Complaint	6/4/2015	APP000993 - APP000999	V
Nominal Defendant Galectin Therapeutic, Inc.'s Reply Memorandum in Support of its Motion to Dismiss the Second Amended Shareholder Derivative Complaint	6/4/2015	APP001000 - APP001043	V
Notice of Entry of Order Re: June 11, 2015 Motions to Dismiss and Motion to Join Additional Plaintiffs	8/10/2015	APP001044 - APP001049	VI
Individual Defendants' and 10X Fund, L.P.'s Motion to Dismiss Shareholder Derivative Action	1/19/2016	APP001050 - APP001054	VI
Nominal Defendant Galectin Therapeutic, Inc.'s Motion to Dismiss Shareholder Derivative Action	1/19/2016	APP001055 - APP001470	VI VII

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DOCUMENT DESCRIPTION	FILING DATE	BATES NUMBER	VOLUME NUMBER
Court Minutes	3/3/2016	APP001471 - APP001472	VII
Transcript of Proceedings on November 3, 2015	11/3/2015	APP001473 – APP001549	VIII
Corrected Transcript of Proceedings on March 3, 2016	3/16/2016	APP001550 – APP001560	VIII

DATED this 14th day of March, 2017.

LEE, HERNANDEZ, LANDRUM & GAROFALO, A.P.C.

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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 Date of Hearing: See Below Time of Hearing: See Below

MEMORANDUM IN SUPPORT OF PLAINTIFF'S MOTION FOR LEAVE TO FILE PLAINTIFF'S SECOND AMENDED SHAREHOLDER DERIVATIVE COMPLAINT

COMES NOW Plaintiff, by and through its attorneys, LEE, HERNANDEZ, LANDRUM, GAROFALO & BLAKE, and submits the following Memorandum in support of Plaintiff's

Motion for Leave to File Plaintiff's Second Amended Shareholder Derivative Complaint.

DATED this 19th day of March, 2015.

LEE, HERNANDEZ, LANDRUM & GAROFALO

By: _____

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NOTICE OF MOTION

TO: ALL PARTIES AND THEIR COUNSEL OF RECORD

YOU WILL PLEASE TAKE NOTICE that the undersigned will bring the foregoing **MEMORANDUM IN SUPPORT OF PLAINTIFF'S MOTION FOR LEAVE TO FILE PLAINTIFF'S SECOND AMENDED SHAREHOLDER DERIVATIVE COMPLAINT** on for hearing before the above-entitled court on the 24 day of April, 2015, at the hour of In Chambers a.m., or as soon thereafter in Dept. 11, at the Regional Justice Center.

DATED this _____ day of March, 2015.

LEE, HERNANDEZ, LANDRUM & GAROFALO

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MEMORANDUM OF POINTS AND AUTHORITIES

I.

PRELIMINARY STATEMENT

Plaintiff respectfully moves the Court to grant (i) the present Motion for Leave to File the Second Amended Shareholder Derivative Complaint, a copy of which is attached hereto as Exhibit "1;" and (ii) maintain the Hearing Date scheduled for May 14, 2015 on Nominal Defendant's and Individual Defendants' Motions to Dismiss.

II.

BACKGROUND

Plaintiff Michael Kirsch ("Plaintiff" or "Kirsch") commenced this action on August 29, 2014 (the "Action"), when he filed his Verified Shareholder Derivative Complaint (the "Complaint"). On November 17, 2014, Defendants filed a Motion to Stay the Action. Pursuant to Stipulation and Order dated November 17, 2014, the parties set a schedule for an amended complaint and briefing schedule (entered into prior to Defendants' Motion to Stay). On December 1, 2014, Plaintiff filed his First Amended Shareholder Derivative Complaint (the "First Amended Complaint"). On December 19, 2014 and February 6, 2015, the Court denied Defendants' Motion to Stay the Case and Motion for Reconsideration, respectively. On February 26, 2015, the Individual Defendants and Nominal Defendant Galectin Therapeutics Inc. ("Galectin"), filed Motions to Dismiss the First Amended Complaint. [The parties have stipulated to and expect the court to schedule a hearing on May 14, 2015, (the "Hearing Date") to hear both the Nominal Defendant's and Individual Defendants' Motions to Dismiss.]

In the Individual Defendants' Motion to Dismiss, Defendants argued in part that Plaintiff's First Amended Complaint should be dismissed for failure to allege fraud with particularity. Specifically, Defendants took issue with the viability of Plaintiff's claim that Defendants had falsely and deceptively caused articles promoting Galectin to be published appearing as disinterested third party analysis, when in fact the articles were paid for by Galectin and/or its affiliates. Individual Defendants' Motion to Dismiss the First Amended Complaint, at 12

("Motion to Dismiss").

Following further investigation in anticipation of Defendants' Motion to Dismiss, and just days prior to receipt of such motion, Plaintiff discovered information that Defendants should have previously disclosed to shareholders. The Company failed to disclose since May 2011, when John Mauldin ("Mauldin") first became a director of the Company, that he is the owner and Chief Executive Officer of one of the largest stock promotion operations in the United States, Mauldin Economics, LLC,[1] which disseminates investment advice through various Mauldin Economics' websites and weekly newsletters. Such websites and newsletters include: *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*; *Transformational Technology Alert*; *Conversations*; *Mauldin PRO*; *Tony Sagami's Rational Bear*; and *Over My Shoulder*.

Through Defendant Mauldin's newsletter, *Transformational Technology Alert*, he published approximately two-dozen articles promoting Galectin and encouraging investors to buy Galectin stock. Starting from its first issue in November 2013, through the present day, *Transformational Technology Alert's* coverage of Galectin was and is presented as impartial disinterested third party analysis and fails to inform investors that it is published by a director of Galectin with significant stock holdings therein.

The inauguration of Mauldin Economics, LLC's *Transformational Technology Alert* in November 2013 offered subscribers a "free pamphlet" entitled "*The 3 Hidden Companies About to Change Every Life on Earth*," which introduced Galectin with the totally false claim that, "***this company has figured out how to make T cells in the body work at shutting cancer down***," continued by falsely representing that, "GR-MD-02 has cleared out liver fibrosis..." and "GR-MD-02 is the first of its kind in both effectiveness and safety." Mauldin's introductory teaser for *Transformational Technology Alert* - as always in *Transformational Technology Alert* - did not disclose that the publisher of the newsletter was a director of Galectin with significant holdings therein. The introduction concluded by assuring investors that investing in Galectin along with

[1] Available at http://www.mauldineconomics.com.

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the other two "hidden companies" will "***make you wealthier than you ever imagined***" because Galectin, "has as much long-term potential as the Pfizer or Merck stories you've seen here today."[2]

The present motion for leave to file the Second Amended Shareholder Derivative Complaint (the "Second Amended Complaint") is brought primarily to add the facts surrounding the Company's false and misleading statements promoting Galectin through Mauldin Economics' *Transformational Technology Alert* newsletter.

This information was only located recently because Defendants have and continue to conceal in their public statements and SEC filings, Mauldin's identity as the owner and operator of Mauldin Economics, LLC, one of the largest stock promotion companies in the country. Adding to the difficulty of access, other than the teaser introducing *Transformational Technology*, the newsletter itself is available only by subscription (at a price of $995.00 per year).

As detailed in the Proposed Second Amended Complaint attached hereto, Defendants are and were aware of (i) John Mauldin's background; (ii) existence of Mauldin Economics, LLC and (iii) Defendant Mauldin's newsletter *Transformational Technology Alert*, which relentlessly promoted Galectin stock utilizing false and misleading statements to do so.

Defendants Martin and Amelio nominated Mauldin for appointment to the Board, and Defendants Czirr and Traber were often "interviewed" and even videoed by *Transformational Technology Alert*. Thus, five of the ten directors, a majority for purposes of demand futility in a derivative action, were directly involved in the campaign of false and misleading statements.

Plaintiff's [Proposed] Second Amended Complaint includes detailed fact specific allegations of: (1) how the Defendants added a directorship to the board in order to appoint Defendant Mauldin as a director, while concealing his true identity as one of America's foremost stock promoters; and, (2) how the Defendants meticulously coordinated a campaign of deception working with Company press releases, and "articles" by Mauldin Economics, LLC, and Emerging

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[2] 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.

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Growth, to deceive investors who bought Defendants' promise that investing in Galectin would "make you wealthier than you ever imagined."

III.

STANDARD OF REVIEW

The Nevada Rules of Civil Procedure for the District Courts state that "a party may amend the party's pleading only by leave of court...and leave shall be freely given when justice so requires." N.R.C.P. §15(a). In the absence of any undue delay, bad faith, or dilatory motive on the part of the movant, leave to amend should be freely given. *Fernandez v. Blanck*, 2014 Nev. Unpub. LEXIS 247(Nev. 2014); *see also Stephens v. Southern Nev. Music Co.*, 89 Nev. 104, 106 (1973); *Morris v. Morris*, 83 Nev. 412, 414 (1967) (The Nevada Rules of Civil Procedure enable litigants to try fully their issues before the court, whether raised expressly by the pleadings or not. NRCP 15(a), (b), (c) and (d) indicate the great liberality with which pleadings can be amended and issues raised before, during or after trial); *Cohen v. Mirage Resorts, Inc.*, 119 Nev. 1, 23 (2003).

When considering a motion to dismiss, a district court must draw every fair inference in favor of the plaintiff; when a complaint can be amended to state a claim for relief, leave to amend, rather than dismissal, is the preferred remedy. *Cohen*, 119 Nev. at 22 (finding that the district court abused its discretion in refusing to allow the amendment and dismissing the complaint). The court should be particularly inclined to freely allow amendments when such a request comes at an early stage of the proceedings and in response to the motion to dismiss). *See id.* at 23.

Plaintiff's Motion for Leave to Amend his First Amended Complaint in favor of his [Proposed] Second Amended Complaint, should be granted because "leave to amend should be freely given." *See* N.R.C.P. §15(a). Furthermore, such amendment will not cause undue delay, is not made in bad faith, and is without dilatory motive. The Nevada Courts have routinely allowed amendments in such cases. *Fernandez*, 2014 Nev. Unpub. LEXIS 247 (Nev. 2014); *Cohen*, 119 Nev. at 23.

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IV.

LAW AND ARGUMENT

A. Plaintiff's Motion for Leave to Amend Will Not Cause Undue Delay, Is Not Made in Bad Faith and Is Without Dilatory Motive

1. Plaintiff's Motion for Leave to Amend Will Not Cause Undue Delay

Amending the present complaint will not cause undue delay in litigating the instant action. Nevada courts have found undue delay to occur when a party seeks leave to amend his or her filing on the "eve" of trial or near or at the end of discovery. *See Kantor v. Kantor*, 116 Nev. 886, 892 (2000) (finding that granting the party's motion for leave to amend seven weeks before trial would have necessitated extensive delay); *see also Garmong v. Rogney & Sons Constr.*, 2011 Nev. Unpub. LEXIS 683, at *9 (Nev. 2011) (finding that plaintiff's second amended complaint would have prejudiced the respondents by causing undue delay because plaintiff filed just two months before discovery deadline and several months before the trial was scheduled to begin); *Wolverton v. On Demand Sedan Servs.*, 2011 Nev. Unpub. LEXIS 1067 (Nev. 2011) (finding that the district court properly denied leave to amend because the plaintiff had unduly delayed amending her complaint until after the close of discovery).

Unlike the above cases, in which the courts found that an amended complaint would result in undue delay, no such circumstances exist in this case. This case is at an early stage and Defendants cannot possibly claim that the litigation has proceeded so far as to claim it is at the "eve of trial."

Allowing Plaintiff to amend his complaint will not prejudice defendants in any way and the purpose of N.R.C.P §§15(a), (b), (c) and (d) is to provide "great liberality with which pleadings can be amended and issues raised before, during or after trial." *Cohen*, 119 Nev. at 23. In this instance, a trial date has not been set; indeed, discovery has not even commenced. Thus, allowing Plaintiff's proposed amendment falls squarely within the Nevada Court's interpretation of N.R.C.P §15.

/ / /

2. Plaintiff's Motion for Leave to Amend is Not Made in Bad Faith

Plaintiff's motion for leave to amend should be granted because it was not made in bad faith and "in the absence of any apparent or declared reason, such as…bad faith…on the part of the movant, leave to amend should be freely given." *Stephens*, 89 Nev. at 106. The Nevada Supreme Court has held that in the absence of bad faith or an improper motive, it is not proper to deny leave to amend the complaint. *See Fernandez*, 2014 Nev. Unpub. LEXIS 247, at *2.

Plaintiff has filed his Motion for Leave to Amend to incorporate new findings of alleged wrongdoings by the Individual Defendants that continue to date. These wrongdoings were concealed by Defendants who have never publicly disclosed that Defendant Mauldin's primary occupation and source of income is the owner and operator of Mauldin Economics, LLC, and that Defendant Mauldin is a stock promoter.

Shockingly, the scheme to boost Galectin stock by Defendants continues to this day. As recently as March 5, 2015, *Transformational Technology Alert* informed investors, without disclosing that Mauldin was a director and significant holder of Galectin, that recent declines in Galectin stock prices are not an indication of anything negative about the company or its product, but are in fact, "a huge buying opportunity." *Transformational Technology Alert*, March 5, 2015, as detailed in the Second Amended Complaint.

Plaintiff has worked diligently to gather, identify, process and draft the information into the [Proposed] Second Amended Complaint. Plaintiff now seeks to amend his pleadings to fully incorporate the wrongdoing by defendants. Plaintiff has made no bad faith attempt to stall litigation or unduly burden the Court with delays.

3. Plaintiff's Motion for Leave to Amend is Without Dilatory Motive

In *Cohen*, the court granted plaintiff's motion for leave to amend because the request came at an early stage of the proceedings, in response to a motion to dismiss, and "[t]here was no reason to believe the request to amend was…for any dilatory motive." *Cohen*, 119 Nev. at 23.

Just like the plaintiff in *Cohen*, Plaintiff in the instant action seeks leave to amend at an early stage of the proceedings, in response to a motion to dismiss, and in light of newly

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discovered evidence concerning the alleged wrongdoing.

This Court should follow the Nevada Supreme Court's decision in *Cohen* and grant Plaintiff's request for leave to amend because there has been no trial date set, no discovery schedule set, and Plaintiff's request is in response to the newly discovered information which goes to the heart of the original complaint. Allowing Plaintiff to amend in such circumstances follows the purpose of N.R.C.P §15(a).

B. The Hearing Date on Defendants' Motions to Dismiss Should Not Be Altered

The Hearing Date scheduled should not be adjourned in accordance with Rule 15(a):

> A party shall plead in response to an amended pleading within the time remaining for response to the original pleading or within 10 days after service of the amended pleading, whichever period may be the longer, unless the court otherwise orders.

N.R.C.P. §15(a).

The Parties and the Court have ample time in accordance with Rule 15(a) to respond to the Second Amended Complaint and for the Parties to be heard on May 14, 2015. Moreover, Defendants should not be given the opportunity to rewrite or supplement their motion to dismiss because the defendants knew that Defendant Mauldin was the owner and operator of Mauldin Economics, LLC, and was responsible for the false and misleading promotion of Galectin stock. None of this comes as a surprise to the Individual Defendants, as described above, and in the Second Amended Complaint.

The Chairman of the Nominating Committee, Defendant Martin, and Nominating Committee member, Defendant Amelio, along with the Board, failed to disclose in both the announcement of the appointment of Defendant Mauldin as a director and Schedule 14As filed with the SEC Defendant Mauldin's identity and background as a stock promoter, all as detailed in the Second Amended Complaint.

Defendants seek dismissal based upon the premise that in all promotional articles there has been appropriate disclosures of the relationship between the Company and stock promoters promoting Galectin. To make such an argument, knowing full well that one of the Individual

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Defendants did precisely this, is inexcusable. Just because Plaintiff has discovered that which Defendant knew all along, is hardly a reason to permit Defendants to return to the drawing board and recast their moving papers.

Defendants will have the opportunity to submit Reply Memoranda, responding to Plaintiff's Memorandum in Opposition to their motions to dismiss due to be filed on March 30, 2014. To the extent that Defendants claim prejudice and that it is burdensome, it is a problem of their own making. Defendants were aware of the information concerning Defendant Mauldin's identity and background in both the Company's SEC filings and Mauldin's publications.

Plaintiff's failure to locate the evidence earlier in the case is excusable since defendants concealed the information concerning Mauldin's identity and background ever since he was appointed to the Board.

V.

CONCLUSION

Noting that the N.R.C.P. "indicates the great liberality with which pleadings can be amended and issues raised before, during or after trial," the Court cited N.R.C.P. §15 explicitly permitting amendment of a complaint when such request comes at an early stage of the proceedings and in response to the motion to dismiss. *Cohen*, 119 Nev. at 22-23. There is no possibility of prejudice to defendants in this instance where the facts/evidence are known to defendants - who have concealed such information illegally from the investing public - constituting no unfair surprise.

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For all the above reasons, Plaintiff respectfully moves the Court to grant (i) the present Motion for Leave to File a Second Amended Complaint, a copy of which is attached hereto; and (ii) the Hearing Date scheduled for May 14, 2015 shall not be adjourned.

DATED this 19th day of March, 2015.

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CERTIFICATE OF MAILING

Michael Kirsch v. Peter Traber, et al.
(In Re: Galectin Therapeutics)

I HEREBY CERTIFY that on the 19th day of March, 2015, I mailed a copy of the above and foregoing **MEMORANDUM IN SUPPORT OF PLAINTIFF'S MOTION FOR LEAVE TO FILE PLAINTIFF'S SECOND AMENDED SHAREHOLDER DERIVATIVE COMPLAINT** in a sealed envelope, postage prepaid to the following counsel/person(s):

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ATTORNEY FOR DEFENDANT

By: _____
An employee of LEE, HERNANDEZ, LANDRUM & GAROFALO

EXHIBIT "1"

EXHIBIT "1"

ACOMP
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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**

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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 the Company to block T-cells and chemotherapeutic drugs from killing these diseased cells) and

[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.

therefore "might significantly decrease the toxicity" of chemotherapies.[3] However, after the Phase I and II studies were non-conclusive, and years of the Company promising but not conducting a Phase III 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 progress 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-MD-02 is the first of its kind in both effectiveness and safety."[6] Based upon that

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[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.

[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 (Ex. _).

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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 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.

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[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 (Ex. _).

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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 in a single day.

13. Because Defendants Czirr, Traber, Martin, Amelio and Mauldin, five of the Company's ten directors, arranged for and directly participated in Mauldin's false and misleading stock promotion campaign, a pre-suit demand upon Galectin's Board is a useless and futile act 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,

[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").

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(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.

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

[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/ (Ex. A).

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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.

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

[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/ (Ex. _).

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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' CAMPAIGN TO PROMOTE THE VALUE OF GALECTIN STOCK AND ATTRACT INVESTMENT CAPITAL

A. How Defendant Mauldin Was Appointed To The Board

1. Mass Resignation of the Company's Scientific Leadership and Takeover by 10X Fund

30. After nearly a decade since the Company was founded in 2000, by 2009, the Company's only drug candidate GM-CT-01 appeared to be a failure. As a result, by the start of

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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.

31. On February 12, 2009, for reasons never disclosed by the Company, virtually all of the Company's scientific leadership resigned including 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), a founder of the Company and, in the words of the Company, "*the co-developer of our core technology.*" Form 8-K, February 18, 2009.

32. 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 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 on the same day together with CEO Dr. Platt. Form 8-K, filed on February 18, 2009; Form DEF 14A, filed on April 16, 2008.

33. 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.

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2. Defendants Czirr and Martin Takeover the Company Through the 10X Fund

34. The 2009 mass resignation coincided with a takeover of the company by Defendants Czirr and Martin. Defendants Czirr and Martin, who had previously held no position on the Company's Board and had no medical, scientific or biopharmaceutical education, became the Company's Chairman and Vice Chairman of the Board respectively, with the power to nominate or appoint a majority of the Board.

35. The Company reported on the same day of the mass resignation, February 12, 2009, that four empty directorships were filled - at the behest of Defendants Czirr and Martin, by Defendants Czirr, Martin, Amelio and Traber, and an additional directorship created and filled by Defendant Greenberg:

> 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.

36. The new directors, Defendants Amelio, Traber and Greenberg were selected by Defendants Czirr and Martin through the following series of events: Czirr and Martin through 10X Fund, L.P.[10] purchased Dr. Platt's shares for an undisclosed price at the time of his resignation, making 10X Fund the owners of 34% of the Company's outstanding shares and by far the Company's largest single shareholder." *See 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-

[10] Defendants Czirr and Martin are the co-founders and general partners of 10X 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").

warrants/; Form 10-K, at 21, filed March 21, 2014.

37. Also at the time of the mass resignation, 10X Capital 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 14A, at 6, filed on April 21, 2009; http://www.martinorganization.com /galectin-therapeutics-reports-exercise-of-another-200000-warrants/; Form 2013 SEC Form 10-K, at 21, filed March 21, 2014.

38. 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).

39. As detailed above, on the day of the February 12, 2009 mass resignation, Defendants Czirr and Martin took over the Company and its Board of Directors by assuming directorships and positions of Chairman and Vice Chairman of the Board, designating Defendant Martin as the Chairman of the Nominating and Corporate Governance Committee and Compensation Committee, and selecting Defendant Amelio for the board as well as a member of the Nominating and Compensation Committees.

40. Czirr and Chairman of the Nominating Committee Martin next arranged for the appointment of Defendant Arthur R. Greenberg (an investor in 10X Capital[11]) to the Galectin

[11] Form DEF 14A, at 8, filed on March 26, 2010. Greenberg also is the beneficial owner of 500,000 shares. Form DEF 14A, at 7, filed on March 26, 2010.

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Board by intentionally leaving one board directorship unfilled,[12] and having the Board fill the vacant directorship by appointment of "10X nominee" Greenberg. August 24, 2009 SEC Form 8-K. In subsequent years, 10X Fund would directly appoint Defendant Greenberg to a "Series B directorship." Form DEF 14A, at 10, filed on April 12, 2011; Form DEF 14A, at 9, filed on April 20, 2012; Form DEF 14A, at 4, filed on April 12, 2013.

3. The 10X Fund Controlled Board, Which was Devoid of Scientific, Medical or Biopharmaceutical Education, Appoints Defendant Mauldin to the Board

41. Defendants Czirr and Martin 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.

42. 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.

43. 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, 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."

[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." Form DEF 14A, filed on April 21, 2009.

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Form 8-K, filed on August 24, 2009.

44. 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.

45. 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.

46. In April, 2011, the 10X Fund Defendants (Vice Chairman of the Board and Chairman of the Nominating Committee[13] Martin, Nominating Committee member and 10X Fund nominee director Defendant Amelio,[14] 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[15] (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."

Form DEF 14A, at 30, filed on April 12, 2011.

47. 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.

48. 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,

[13] April 20, 2012 SEC Form 14A, at 17.

[14] April 26, 2010 SEC Form 14A, at 9.

[15] The additional two directorships would make the board twice the size of the Company's six-person workforce.

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clinical trials, drug approval regulatory matters, pharmaceutical commercialization or international health care trends" or any scientific, medical, or biopharmaceutical education or work experience.

49. John Mauldin, the owner and CEO of one of the largest stock promotion operations in the United States, Mauldin Economics, LLC,[16] 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*.

50. 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,[17] 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.

51. Though Defendants presented shareholders with detailed employment histories for other directors, Defendants listed only 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

[16] *See* http://www.mauldineconomics.com.

[17] Mauldin also operates as a registered securities dealer under the apparently intentionally easily confused names, "Millennium Wave Management, LLC," "Millennium Wave Investments," and, "Millennium Wave Advisors, LLC."

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independent economics research organization in the United States and home to many of the American winners of the Nobel Memorial Prize in Economic Sciences).

52. 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.,"[18] a publisher of radical-right conspiracy theory and Christian Reconstructionist pamphlets.

53. 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 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.[19]

54. From their selection and screening of Mauldin for a directorship, Defendants Martin and Amelio were also no doubt aware that Mauldin's FINRA[20] records indicate that in 2003 Defendant Mauldin was personally Censured and Fined $35,000 by the National Association of Securities Dealers 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

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[18] By deleting the "Inc." from Mauldin's 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.

[19] NASD Case #20050001884-01), *available at* http://www.finra.org/sites/default/files/DisciplinaryAction/p015524.pdf; NASD Case #CAF030031), *available at* http://www.finra.org/industry/monthly-disciplinary-actions-july-2003-0703; NASD Case #CMS020220), *available at* http://www.finra.org/sites/default/files/DisciplinaryAction/p007453.pdf.

[20] "FINRA" is the Financial Industry Regulatory Authority and leading non-governmental regulator for all securities firms doing business with the U.S. public. FINRA's chief role is to protect investors by maintaining the fairness of the U.S. capital markets by writing and enforcing rules.

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

55. 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.

56. 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."

57. From their selection and screening of Defendant Freeman for a directorship, Chairman of the Nominating Committee Martin and member Amelio were no doubt ware that Defendant 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]

[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, before launching into an over fifteen minute discussion of Biblical prophesies).

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58. 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.

59. Defendant Czirr, Company co-founder, Chairman of the Board and Executive Chairman, is 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.

60. 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 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.

61. The bloated 10X Fund controlled Board added two additional directorships in part to appoint Defendant 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 for the Company.

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4. The Failure of The Company's Lead Drug Candidate GM-CT-01

62. 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.

63. After over a decade with no significant progress towards FDA approval of GM-CT-01 and 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 altogether 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.

64. 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]

65. 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 and fully disassociated himself 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 SEC filings. Form DEF 14A, filed on March 21, 2014.

66. Prior to 2010 and the resignation of Dr. Platt, the Company's Form DEF 14A and Form 10-K filings had always prominently identified Dr. Platt and Dr. Klyosov as key employees and prominently stated that GM-CT-01 and the Company's *core technology* (upon which GR-MD-02 was also based) had been *invented by company founders*, David Platt, Ph.D., CEO, and

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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.

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; Form DEF 14A, filed on April 12, 2011; Form DEF 14A, filed on April 20, 2012.

67. By late 2013, having spent over ten years and more than $100 million in an unsuccessful effort to develop supposed cancer drug 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]

68. With no substantial progress towards FDA approval of its lead drug candidate, GM-CT-01, with inconclusive Phase I and II studies, and having promised for two years, but not commenced, a Phase III Trial of 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.

B. The False and Misleading Stock Promotion Campaign

1. The Launch of *Transformational Technology Alert*

69. 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 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

[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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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."

70. Mauldin's introductory posting presented investors with a powerful 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." (emphasis added).

71. 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]

72. 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

[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* http://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 free online newsletters: *Outside the Box* (December 20, 2011) and *Thoughts from the Frontline* (October 1, 2011, May 3 and 4, 2013).

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> 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]

73. 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.

74. 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.

75. 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 (GALT) 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.

76. 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

[28] Available at http://www.mauldineconomics.com/investor-resources.
[29] Available at https://www.mauldineconomics.com/tech/trans-tech/biotime-shows-23andme-how-its-done1.

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> 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, December 19, 2013, Mauldin Economics, LLC.

77. 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]

78. 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.

2. The Deceptive Stock Promotion Campaign Misleadingly Conceals the Ten Year Hundred Million Dollar Failure of GM-CT-01 and Misleadingly Presents a Patent and Phase 1 Testing as Indications of Drug Efficacy

79. 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.

80. 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.

[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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81. 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.

82. 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 (such as in the Emerging Growth articles published on YahooFinance.com, which contained a hyperlink to such a disclaimer).

83. 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 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

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possibility.'

84. 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]

85. The January 7, 2014 Emerging Growth article also falsely stated that preclinical 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), the incomplete study had little statistical significance 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."***

86. 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.

87. As January 15, 2014 approached - the date upon which the Company would announce its discontinuation of testing of GM-CT-01 - 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.

[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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- 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."

88. 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 feared announcement of the discontinuation of efforts to develop GM-CT-01.

89. 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.

90. 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.

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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.

91. 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

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> 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.

92. 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 GM-CT-01.

93. On January 16, 2014, *Transformational Technology* devoted most of its issue to Galectin. The article contained the false representation that GR-MD-02 had been demonstrated to "stop cancers from shutting down T-cells" and "actually reverse[s] fibrosis" in preclinical animal and human cell tests – none of which was true. Building upon the false and misleading statements, the article concluded that objective criteria indicate that Galectin had "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 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

[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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