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

FORM 10-Q

(Mark One)

☒QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

☐ TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from to .

Commission File Number 001-35798

Humanigen, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**77-0557236**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

533 Airport Boulevard, Suite 400 Burlingame, CA 94010
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: **(650) 243-3100**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of November 6, 2018, there were 109,872,526 shares of common stock of the issuer outstanding.

TABLE OF CONTENTS
HUMANIGEN, INC.
FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Humanigen, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share data)
(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 2,038	$ 737
Prepaid expenses and other current assets	504	813
Total current assets	2,542	1,550
Property and equipment, net	-	19
Restricted cash	71	101
Total assets	$ 2,613	$ 1,670
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 2,895	$ 3,330
Accrued expenses	3,224	3,307
Advance notes	726	-
Term loans payable	-	18,018
Notes payable to vendors	1,409	-
Total current liabilities	8,254	24,655
Convertible notes	1,052	-
Notes payable to vendors	-	1,351
Total liabilities	9,306	26,006
Stockholders' deficit:		
Common stock, $0.001 par value: 225,000,000 and 85,000,000 shares authorized at September 30, 2018 and December 31, 2017, respectively; 109,872,526 and 14,946,712 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	110	15
Additional paid-in capital	265,725	238,246
Accumulated deficit	(272,528)	(262,597)
Total stockholders' deficit	(6,693)	(24,336)
Total liabilities and stockholders' deficit	$ 2,613	$ 1,670

See accompanying notes.

Humanigen, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Operating expenses:				
Research and development	$ 535	$ 3,807	$ 1,808	$ 10,328
General and administrative	1,804	1,993	7,793	5,987
Total operating expenses	2,339	5,800	9,601	16,315
Loss from operations	(2,339)	(5,800)	(9,601)	(16,315)
Other income (expense):				
Interest expense	(116)	(1,269)	(542)	(2,245)
Other income (expense), net	319	(14)	318	(38)
Reorganization items, net	(40)	(102)	(106)	(289)
Net loss	(2,176)	(7,185)	(9,931)	(18,887)
Other comprehensive income	-	-	-	-
Comprehensive loss	$ (2,176)	$ (7,185)	$ (9,931)	$ (18,887)
Basic and diluted net loss per common share	$ (0.02)	$ (0.48)	$ (0.11)	$ (1.26)
Weighted average common shares outstanding used to calculate basic and diluted net loss per common share	109,766,974	14,981,346	89,655,878	14,978,728

See accompanying notes.

Humanigen, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30,	
	2018	**2017**
Operating activities:		
Net loss	$ (9,931)	$ (18,887)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	19	38
Noncash interest expense	512	2,226
Stock based compensation expense	4,170	1,773
Change in fair value of warrants issued in connection with acquisition of licenses	-	(97)
Issuance of common stock in lieu of cash compensation	85	
Issuance of common stock in exchange for services	67	12
Gain on forgiveness of accrued legal fees	(275)	-
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	308	303
Accounts payable	(159)	327
Accrued expenses	219	2,253
Liabilities subject to compromise	-	(259)
Net cash used in operating activities	(4,985)	(12,311)
Investing activities:		
Changes in restricted cash	30	-
Net cash provided by investing activities	30	-
Financing activities:		
Net proceeds from issuance of common stock	2,781	-
Net proceeds from term loan	50	10,500
Net proceeds from issuance of convertible debt	2,500	-
Net proceeds from issuance of advance notes	925	-
Net cash provided by financing activities	6,256	10,500
Net increase (decrease) in cash and cash equivalents	1,301	(1,811)
Cash and cash equivalents, beginning of period	737	2,906
Cash and cash equivalents, end of period	$ 2,038	$ 1,095
Supplemental cash flow disclosure:		
Cash paid for interest	$ 6	$ 6
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of notes payable and related accrued interest and fees to common stock	$ 18,432	$ -
Change in fair value of warrants issued in connection with acquisition of licenses	$ -	$ (97)
Beneficial conversion feature of Advance notes	$ 271	$ -
Beneficial conversion feature of Convertible notes	$ 1,465	$ -
Issuance of stock options in lieu of cash compensation	$ 303	$ -
Issuance of common stock in lieu of cash compensation	$ 85	$ -
Issuance of common stock in exchange for services	$ 67	$ 12

See accompanying notes.

Humanigen, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Nature of Operations

Description of the Business

Humanigen, Inc. (the "Company") was incorporated on March 15, 2000 in California and reincorporated as a Delaware corporation in September 2001 under the name KaloBios Pharmaceuticals, Inc. Effective August 7, 2017, the Company changed its legal name to Humanigen, Inc.

As disclosed in the Company's 2017 Form 10-K, since August 29, 2017 the Company has shifted its primary focus toward developing its proprietary monoclonal antibody portfolio, which comprises lenzilumab, ifabotuzumab and HGEN005, for use in addressing significant, serious and potentially life-threatening unmet needs in oncology and immunology. These product candidates are at various stages of development and will require substantial time, expenses, clinical development, testing, and regulatory approval prior to commercialization, if they are approved at all. Furthermore, none of these product candidates has advanced into a pivotal registration study. While the Company plans to do so with its lead projects, it may be years before any such studies are initiated, if at all.

Lenzilumab is a recombinant monoclonal antibody, or mAb, that neutralizes soluble granulocyte-macrophage colony-stimulating factor, or GM-CSF, a critical cytokine in the inflammatory cascade associated with serious and potentially life-threatening CAR-T-related side effects and in the growth of certain hematologic malignancies, solid tumors and other serious conditions. The Company expects to study lenzilumab's potential to reduce the serious and potentially life-threatening side effects associated with CAR-T therapy and potentially improve efficacy. Pre-clinical work has demonstrated lenzilumab's effectiveness in preventing or ameliorating neurotoxicity and cytokine release syndrome ("CRS") associated with CAR-T therapy. Pre-clinical animal data also shows that there may be an increase in CAR-T cell expansion when CAR-T is combined with lenzilumab, which potentially could translate into improved CAR-T efficacy. This is likely to be an area of further study. In addition, the Company has completed enrollment of patients in a Phase 1 clinical trial for chronic myelomonocytic leukemia ("CMML"), to identify the maximum tolerated dose, ("MTD"), or recommended Phase 2 dose ("RPTD") of lenzilumab and to assess lenzilumab's safety, pharmacokinetics, and clinical activity. Fifteen patients in the 200, 400 and 600 mg dose cohorts of the CMML trial have been enrolled, and the Company is evaluating subjects in the highest dose cohort of 600 mg and potentially continuing to accrue up to eighteen patients. The Company also plans to review preliminary safety data and may use data from this study to determine the feasibility of commencing a Phase 1 study in juvenile myelomonocytic leukemia ("JMML") patients, or to explore a Phase 2 CMML study. JMML is a rare pediatric cancer, is associated with poor outcomes and a very high unmet medical need, for which there are no United States Food and Drug Administration ("FDA") -approved therapies.

Ifabotuzumab is an anti-Eph Type-A receptor 3, or EphA3, mAb that has the potential to offer a novel approach to treating solid tumors and hematologic malignancies, serious pulmonary conditions such as idiopathic pulmonary fibrosis (IPF) and as part of an antibody drug conjugate (ADC) or a CAR construct potentially targeting glioblastoma multiforme (GBM). EphA3 is aberrantly expressed on the surface of tumor cells and stroma cells in certain cancers. The Company completed the Phase 1 dose escalation portion of a Phase 1/2 clinical trial for ifabotuzumab in multiple hematologic malignancies for which the preliminary results were published in the journal Leukemia Research in 2016. An investigator-sponsored Phase 0/1 radio-labeled imaging trial of ifabotuzumab in GBM, a particularly aggressive and deadly form of brain cancer, has begun at the Olivia-Newton John Cancer Institute in Melbourne, Australia, which is also developing an ADC comprising ifabotuzumab. The trial has enrolled five patients to date, with more expected. The Company is also in discussions with a leading center in the U.S. to develop a series of CAR constructs based on ifabotuzumab and may take these constructs, if developed, into pre-clinical testing for a range of cancer types. The Company is continuing to explore partnering opportunities to enable further development of ifabotuzumab.

HGEN005 is a pre-clinical stage anti-human epidermal growth factor-like module containing mucin-like hormone receptor 1, or EMR1, mAb. EMR1 is a therapeutic target for eosinophilic disorders. Eosinophils are a type of white blood cell. If too many are produced in the body, chronic inflammation and tissue and organ damage may result. Analysis of blood and bone marrow shows that surface expression of EMR1 is restricted to mature eosinophils and correlated with eosinophilia. Tissue eosinophils also express EMR1. In pre-clinical work, the Company has demonstrated that eosinophil killing is enhanced in the presence of HGEN005 and immune effector cells. A major limitation of current eosinophil targeted therapies is incomplete depletion of tissue eosinophils and/or lack of cell selectivity, which may mean that HGEN005 could offer promise in a range of eosinophil-driven diseases, such as eosinophilic asthma, eosinophilic esophagitis and eosinophilic granulomatosis with polyangiitis. The Company is in discussion with a leading center in the U.S. to develop a series of CAR constructs based on HGEN005 and may take or partner these constructs, if developed, into pre-clinical testing for eosinophilic leukemia, an orphan condition with significant unmet need.

The Company's monoclonal antibody portfolio was developed with its proprietary, patent-protected Humaneered® technology, which consists of methods for converting antibodies (typically murine) into engineered, high-affinity antibodies designed for human therapeutic use.

Liquidity and Going Concern

The Company has incurred significant losses since its inception in March 2000 and had an accumulated deficit of $272.5 million as of September 30, 2018. At September 30, 2018, the Company had a working capital deficit of $5.7 million. On February 27, 2018, the Company issued 91,815,517 shares of common stock in exchange for the extinguishment of all term loans, related fees and accrued interest and received $1.5 million in cash proceeds. See Note 8 for a more detailed discussion of these restructuring transactions. On March 12, 2018 the Company issued 2,445,557 shares of common stock for proceeds of $1.1 million to accredited investors. On June 4, 2018, the Company issued 400,000 shares of common stock for proceeds of $0.2 million to an accredited investor. In June, July and August of 2018, the Company received aggregate proceeds of $0.9 million from advances made to the Company (the "Advance Notes") by four different lenders including Dr. Cameron Durrant, the Company's Chairman and Chief Executive Officer; Cheval Holdings, Ltd., an affiliate of Black Horse Capital, L.P., the Company's controlling stockholder; and Ronald Barliant, a director of the Company. Commencing September 19, 2018, the Company delivered a series of convertible promissory notes (the "Notes") evidencing an aggregate of $2.5 million of loans made to the Company by six different lenders, including an affiliate of Black Horse Capital, L.P., the Company's controlling stockholder. See Note 6 for further description of the Advance Notes and the Notes. To date, none of the Company's product candidates has been approved for sale and therefore the Company has not generated any revenue from product sales. Management expects operating losses to continue for the foreseeable future. The Company will require additional financing in order to meet its anticipated cash flow needs during the next twelve months. As a result, the Company will continue to require additional capital through equity offerings, debt financing and/or payments under new or existing licensing or collaboration agreements. If sufficient funds are not available on acceptable terms when needed, the Company could be required to significantly reduce its operating expenses and delay, reduce the scope of, or eliminate one or more of its development programs. The Company's ability to access capital when needed is not assured and, if not achieved on a timely basis, could materially harm its business, financial condition and results of operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Condensed Consolidated Financial Statements for the nine months ended September 30, 2018 were prepared on the basis of a going concern, which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability of the Company to meet its total liabilities of $9.3 million at September 30, 2018 and to continue as a going concern is dependent upon the availability of future funding. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Basis of Presentation

The accompanying interim unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and on a basis consistent with the annual consolidated financial statements and include all adjustments necessary for the presentation of the Company's condensed consolidated financial position, results of operations and cash flows for the periods presented. The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. These financial statements have been prepared on a basis that assumes that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The December 31, 2017 Condensed Consolidated Balance Sheet was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. These interim financial results are not necessarily indicative of the results to be expected for the year ending December 31, 2018, or for any other future annual or interim period. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Company's 2017 Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures reported in the Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates. The Company believes judgment is involved in determining the valuation of the fair value-based measurement of stock-based compensation, accruals and warrant valuations. The Company evaluates its estimates and assumptions as facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates and assumptions, and those differences could be material to the Condensed Consolidated Financial Statements.

2. Chapter 11 Filing

On December 29, 2015, the Company filed a voluntary petition for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The filing was made in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") (Case No. 15-12628 (LSS) (the "Bankruptcy Case").

Plan of Reorganization

On May 9, 2016, the Company filed with the Bankruptcy Court a Plan of Reorganization and related amended disclosure statement (the "Plan") pursuant to Chapter 11 of the Bankruptcy Code. On June 16, 2016, the Bankruptcy Court entered an order confirming the Plan.

The Plan became effective on June 30, 2016 (the "Effective Date") and the Company emerged from its Chapter 11 bankruptcy proceedings.

Bankruptcy Claims Administration

The reconciliation of certain proofs of claim filed against the Company in the Bankruptcy Case, including certain General Unsecured Claims, Convenience Class Claims and Other Subordinated Claims, is complete. As a result of its examination of the claims, the Company asked the Bankruptcy Court to disallow, reduce, reclassify, subordinate or otherwise adjudicate certain claims the Company believes are subject to objection or otherwise improper. On July 11, 2018, the Company filed an objection to the remaining claims. By objection, the Company sought to disallow in their entirety the remaining claims totaling approximately $0.5 million. On September 17, 2018 the Bankruptcy Court issued a Final Decree and Order to close the Bankruptcy Case and terminate the remaining claims and noticing services.

Financial Reporting in Reorganization

The Company applied Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, *Reorganizations*, which is applicable to companies under bankruptcy protection, and requires amendments to the presentation of key financial statement line items. It requires that the financial statements for periods subsequent to the Chapter 11 filing distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business must be reported separately as reorganization items in the Condensed Consolidated Statements of Operations and Comprehensive Loss. The balance sheet must distinguish pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities that may be subject to a plan of reorganization must be reported at the amounts expected to be allowed in the Company's Chapter 11 case, even if they may be settled for lesser amounts as a result of the plan of reorganization or negotiations with creditors.

For the nine months ended September 30, 2017, the Company wrote off approximately $0.2 million in claims that had been reduced or for which a settlement had been reached at a lower amount than had been previously accrued. Remaining amounts will be paid based on terms of the Plan.

For the three and nine months ended September 30, 2018 and 2017, Reorganization items, net consisted of the following charges:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Legal fees	$ 32	$ 97	$ 85	$ 263
Professional fees	8	5	21	26
Total reorganization items, net	**$ 40**	**$ 102**	**$ 106**	**$ 289**

Cash payments for reorganization items totaled $0.1 million and $0.2 million for the three and nine months ended September 30, 2018, respectively. Cash payments for reorganization items totaled $0.2 million and $0.8 million for the three and nine months ended September 30, 2017, respectively.

3. Summary of Significant Accounting Policies

There have been no material changes in the Company's significant accounting policies since those previously disclosed in the 2017 Annual Report.

4. Potentially Dilutive Securities

The Company's potentially dilutive securities, which include stock options, restricted stock units and warrants, have been excluded from the computation of diluted net loss per common share as the effect of including those securities would be to reduce the net loss per common share and be antidilutive. Therefore, the denominator used to calculate both basic and diluted net loss per common share is the same in each period presented.

The following outstanding potentially dilutive securities have been excluded from the computations of diluted net loss per common share:

	As of September 30,	
	2018	2017
Options to purchase common stock	15,551,023	2,578,948
Warrants to purchase common stock	331,193	356,193
	15,882,216	2,935,141

5. Fair Value of Financial Instruments

Cash, accounts payable and accrued liabilities are carried at cost, which approximates fair value given their short-term nature. Marketable securities and cash equivalents are carried at fair value. The Company has money market funds of $71 and $101 at September 30, 2018 and December 31, 2017, respectively, that are reported as restricted cash on the balance sheet. The amortized cost of these funds equals their fair value as there were no unrealized gains or losses at September 30, 2018 or December 31, 2017.

The fair value of financial instruments reflects the amounts that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value hierarchy is based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable, and the third is considered unobservable, as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs other than those included in Level 1 that are directly or indirectly observable, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company measures the fair value of financial assets and liabilities using the highest level of inputs that are reasonably available as of the measurement date. The following tables summarize the fair value of financial assets that are measured at fair value and the classification by level of input within the fair value hierarchy:

	Fair Value Measurements as of September 30, 2018			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Money market funds	$ 71	$ —	$ —	$ 71
Total assets measured at fair value	$ 71	$ —	$ —	$ 71

	Fair Value Measurements as of December 31, 2017			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Money market funds	$ 101	$ —	$ —	$ 101
Total assets measured at fair value	$ 101	$ —	$ —	$ 101

6. Debt

Notes Payable to Vendors

On June 30, 2016, the Company issued promissory notes in an aggregate principal amount of approximately $1.2 million to certain claimants in accordance with the Plan. The notes are unsecured, bear interest at 10% per annum and are due and payable in full, including principal and accrued interest on June 30, 2019. As of September 30, 2018 and 2017, the Company has accrued $0.3 million and $0.1 million in interest related to these promissory notes, respectively.

Term Loans

Term Loans consisted of the following at December 31, 2017:

As of December 31, 2017

	Original Principal Amount	Accrued Interest	Loan Balance	Fees	Balance Due
December 2016 Loan	$ 3,315	$ 324	$ 3,639	$ 153	$ 3,792
March 2017 Loan	5,978	452	6,430	275	6,705
July 2017 Loan	5,435	249	5,684	250	5,934
Bridge Loan	1,500	6	1,506	-	1,506
Claims Advances Loan	80	1	81	-	81
Totals	$ 16,308	$ 1,032	$ 17,340	$ 678	$ 18,018

On December 21, 2016, the Company entered into a Credit and Security Agreement, as amended on March 21, 2017 and on July 8, 2017 (as amended, the "Term Loan Credit Agreement"), with Black Horse Capital Master Fund ("BHCMF") as administrative agent and lender, and lenders Black Horse Capital ("BHC"), Cheval Holdings, Ltd. ("Cheval" and collectively with BHCMF and BHC, the "Black Horse Entities") and Nomis Bay LTD ("Nomis Bay") (collectively the "Lenders"). The Term Loan Credit Agreement provided for the December 2016 Loan, the March 2017 Loan and the July 2017 Loan (the "Term Loans").

In accordance with the terms of the Term Loan Credit Agreement, the Company used the proceeds of the Term Loans for general working capital, the payment of certain fees and expenses owed to BHCMF and the Lenders and other costs incurred in the ordinary course of business. Dr. Dale Chappell, one of the Company's former directors, is an affiliate of each of BHCMF, BHC and Cheval.

The Term Loans bore interest at 9% and were subject to certain customary representations, warranties and covenants, as set forth in the Term Loan Credit Agreement.

On December 1, 2017 the Term Loans matured and began bearing interest at the default rate of 14%. The Company's obligations under the Term Loan Credit Agreement were secured by a first priority interest in all of the Company's real and personal property, subject only to certain carve outs and permitted liens, as set forth in the agreement.

On December 21, 2017, the Company entered into a Forbearance and Loan Modification Agreement, where among other things, it obtained a $1.5 million bridge loan (the "Bridge Loan") from Cheval and a credit facility with Nomis Bay (the "Claims Advances Loan"). Both loans bear interest at 14% and are treated as secured loans under the Term Loan Credit Agreement.

On February 27, 2018 the Term Loans, the Bridge Loan and the Claims Advances Loan along with all related fees and accrued interest, were extinguished in connection with the Restructuring Transactions described in Note 8.

Advance Notes

In June, July and August, 2018 the Company received an aggregate of $0.9 million of proceeds from advances made to the Company (the "Advance Notes") by four different lenders including Dr. Cameron Durrant, the Company's Chairman and Chief Executive Officer; Cheval Holdings, Ltd., an affiliate of Black Horse Capital, L.P., the Company's controlling stockholder; and Ronald Barliant, a director of the Company (collectively the "Lenders"). The Advance Notes will accrue interest at a rate of 7% per year, compounded annually.

The intention of the parties is that the amounts due under the Advance Notes will be converted automatically into the same type and class of securities as may be sold by the Company in a future financing transaction with an aggregate sales price of at least $5 million (a "Qualifying Financing").

The Advance Notes generally are not convertible at the option of the lender into the Company's common stock until June 21, 2019 (the "Expiration Date"); however, if prior to completing a Qualifying Financing, the Company experiences a change of control or makes a public announcement that it has entered into a collaboration arrangement with a strategic partner relating to clinical studies of lenzilumab in connection with certain CAR-T therapies in a transaction that would not otherwise constitute a Qualifying Financing, the lenders may elect to convert the amounts due under the Advance Notes into the Company's common stock at a conversion price of $0.45 per share. Additionally, if neither a Qualifying Financing nor a change of control has occurred by the Expiration Date, then at any time from and after the Expiration Date the Lenders may, at their option, convert the Advance Notes, plus any accrued and unpaid interest, into a number of shares of the Company's common stock at the lesser of (i) the volume weighted average sales price per share over the 20 most recent trading days prior to the conversion or (ii) $0.45 per share.

Convertible Notes

Commencing September 19, 2018, the Company delivered a series of convertible promissory notes (the "Notes") evidencing an aggregate of $2.5 million of loans made to the Company by six different lenders, including an affiliate of Black Horse Capital, L.P., the Company's controlling stockholder. The Notes bear interest at a rate of 7% per annum and will mature on the earliest of (i) twenty-four months from the date the Notes are signed, (ii) the occurrence of any customary event of default, or (iii) the certain liquidation events including any dissolution or winding up of the Company or merger or sale by the Company of all or substantially all of its assets (in any case, a "Liquidation Event"). The Company plans to use the proceeds from the Notes for working capital.

The Notes are convertible into equity securities in the Company in three different scenarios:

If the Company sells its equity securities on or before the date of repayment of the Notes in any financing transaction that results in gross proceeds to the Company of at least $10 million (a "Qualified Financing"), the Notes will be converted into either (i) such equity securities as the noteholder would acquire if the principal and accrued but unpaid interest thereon (the "Conversion Amount") were invested directly in the financing on the same terms and conditions as given to the financing investors in the Qualified Financing, or (ii) common stock at a conversion price equal to $0.45 per share (subject to ratable adjustment for any stock split, stock dividend, stock combination or other recapitalization occurring subsequent to the date of the Notes).

If the Company sells its equity securities on or before the date of repayment of the Notes in any financing transaction that results in gross proceeds to the Company of less than $10 million (a "Non-Qualified Financing"), the noteholders may convert their remaining Notes into either (i) such equity securities as the noteholder would acquire if the Conversion Amount were invested directly in the financing on the same terms and conditions as given to the financing investors in the Non-Qualified Financing, or (ii) common stock at a conversion price equal to $0.45 per share (subject to ratable adjustment for any stock split, stock dividend, stock combination or other recapitalization occurring subsequent to the date of the Notes).

The Notes may convert in the event the Company enters into or publicly announces its intention to consummate a Liquidation Event. Immediately prior to the completion of any such Liquidation Event, in lieu of receiving payment in cash, noteholders may convert the Conversion Amount into common stock at a conversion price equal to $0.45 per share (subject to ratable adjustment for any stock split, stock dividend, stock combination or other recapitalization occurring subsequent to the date of the Notes).

The Advance Notes and Notes have an optional voluntary conversion feature in which the holder could convert the notes in the Company's common stock at maturity at a conversion rate of $0.45 per share. The intrinsic value of this beneficial conversion feature was $1.7 million upon the issuance of the Advance Notes and Notes and was recorded as additional paid-in capital and as a debt discount which is accreted to interest expense over the term of the Advance Notes and Notes. Interest expense includes debt discount amortization of $0.1 million for the three- and nine-month periods ended September 30, 2018.

The Company evaluated the embedded features within the Advance Notes and Notes to determine if the embedded features are required to be bifurcated and recognized as derivative instruments. The Company determined that the Advance Notes and the Notes contain contingent beneficial conversion features ("CBCF") that allow or require the holder to convert the Advance Notes and Notes to Company common stock at a conversion rate of $0.45 per share, but did not contain embedded features requiring bifurcation and recognition as derivative instruments. Upon the occurrence of a CBCF that results in conversion of the Advance Notes or Notes to Company common stock, the remaining unamortized discount will be charged to interest expense.

7. Commitments and Contingencies

Contractual Obligations and Commitments

As of September 30, 2018, other than the Restructuring Transactions described in Note 8, there were no material changes to the Company's contractual obligations from those set forth in the 2017 Annual Report.

Guarantees and Indemnifications

The Company has certain agreements with service providers with which it does business that contain indemnification provisions pursuant to which the Company typically agrees to indemnify the party against certain types of third-party claims. The Company accrues for known indemnification issues when a loss is probable and can be reasonably estimated. The Company would also accrue for estimated incurred but unidentified indemnification issues based on historical activity. As the Company has not incurred any indemnification losses to date, there were no accruals for or expenses related to indemnification issues for any period presented.

8. Stockholders' Equity

This summarizes the activity in Stockholders' Equity discussed below:

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balances at December 31, 2017	14,946,712	$ 15	$ 238,246	$ (262,597)	$ (24,336)
Conversion of notes payable and related accrued interest and fees to common stock	76,007,754	76	18,356	-	18,432
Issuance of common stock	18,653,320	19	2,762	-	2,781
Beneficial conversion feature of Advance notes	-	-	271	-	271
Beneficial conversion feature of Convertible notes	-	-	1,465	-	1,465
Issuance of stock options in lieu of cash compensation	-	-	303	-	303
Stock-based compensation expense	-	-	4,170	-	4,170
Issuance of common stock in lieu of cash compensation	151,407	-	85	-	85
Issuance of common stock in exchange for services	113,333	-	67	-	67
Comprehensive loss	-	-	-	(9,931)	(9,931)
Balances at September 30, 2018	109,872,526	$ 110	$ 265,725	$ (272,528)	$ (6,693)

Restructuring Transactions

On December 21, 2017, the Company entered into a Securities Purchase and Loan Satisfaction Agreement (the "Purchase Agreement") and a Forbearance and Loan Modification Agreement (the "Forbearance Agreement" and, together with the Purchase Agreement, the "Agreements"), each with the Lenders. The Agreements provided for a series of transactions (the "Restructuring Transactions") pursuant to which, at the closing of the Restructuring Transactions (the "Transaction Closing"), which occurred on February 27, 2018, the Company would: (i) in exchange for the satisfaction and extinguishment of the entire balance of the Term Loans, (a) issue to the Lenders an aggregate of 59,786,848 shares of Common Stock (the "New Lender Shares"), and (b) transfer and assign to Madison Joint Venture LLC ("Madison"), an affiliate of Nomis Bay, all of the assets of the Company related to benznidazole (the "Benz Assets"), the Company's former drug candidate; and (ii) issue to Cheval an aggregate of 32,028,669 shares of Common Stock (the "New Black Horse Shares" and, collectively with the New Lender Shares, the "New Common Shares") for total consideration of $3.0 million.

Issuance of the New Lender Shares

Under the Purchase Agreement, at the Transaction Closing, the Company issued to the Lenders the New Lender Shares, of which 29,893,424 shares of Common Stock were issued to the Black Horse Entities and 29,893,424 shares of Common Stock were issued to Nomis Bay. The issuance of the New Lender Shares to the Lenders and the assignment of the Benz Assets to Madison resulted in the satisfaction and extinguishment of the Company's outstanding obligations under the Credit Agreement and the cancellation of the Term Loans, including the Bridge Loan and the Claims Advances Loan, described below and all security interests of the Lenders in the Company's assets were released. The conversion of the Term Loans, Bridge Loan and Claims Advances Loan was accounted for as a decrease to Long-term debt and an increase to Common stock and Additional paid-in capital in the amount of the liabilities outstanding at the time of conversion.

Transfer of the Benz Assets; Claims Advances

Under the Purchase Agreement, at the Transaction Closing, the Company transferred and assigned the Benz Assets to Madison. The Company also agreed to retain, but provide Madison the benefits of, any Benz Assets which are not permitted to be assigned absent receipt of third-party consents. On August 23, 2018 Madison elected to keep the Benz Assets (a "Positive Election").

In connection with the transfer of the Benz Assets to Madison, Nomis Bay paid certain amounts incurred by the Company and Madison after December 21, 2017 and prior to the Transaction Closing in investigating certain causes of action and claims related to or in connection with the Benz Assets (the "Claims Advances Loan"), including the right to pursue causes of action and claims related to potential misappropriation of the Company's trade secrets by a competitor in connection with such competitor's submissions to FDA (the "Claims"). In addition, as a result of a Positive Election: (i) Nomis Bay assumed certain legal fees and expenses owed by the Company to its litigation counsel totaling $0.3 million, and (ii) the Company will be entitled to receive a ratable portion, based on the Company's then-current ownership percentage in Madison of any amounts realized from the successful prosecution of the Claims or otherwise from the Benz Assets, after Nomis Bay is reimbursed for certain expenses in connection with funding the Claims Advances Loan and after giving effect to any payments that Madison may be required to make to any third parties. The assumption of the $0.3 million of legal fees is recorded as Other income on the Statement of Operations for the three and nine months ended September 20, 2018.

Nomis Bay has full control, in its sole discretion, over the management of Madison, any development of or realization on the Benz Assets and the prosecution of the Claims. Since the Benz Assets had no carrying value on the Company's Condensed Consolidated Balance Sheet, the initial investment in Madison was recorded at $0.

Issuance of the New Black Horse Shares; Bridge Loan

Under the Purchase Agreement, at the Transaction Closing, the Company issued to Cheval the New Black Horse Shares for total consideration of $3.0 million, including extinguishment of the Bridge Loan. The Company used the proceeds from the issuance of the New Black Horse Shares for working capital and other costs incurred in the ordinary course of business. At the Transaction Closing, the entire amount of the Bridge Loan was credited to Cheval's $3.0 million payment obligation and was converted into New Black Horse Shares and all security interests of Cheval in the non-benznidazole assets was released.

Equity Financings

On March 12, 2018, the Company issued 2,445,557 shares of its common stock for total proceeds of $1.1 million to accredited investors.

On June 4, 2018, the Company issued 400,000 shares of its common stock for total proceeds of $0.2 million to an accredited investor.

Amendments to Articles of Incorporation

Effective February 26, 2018, the Company amended its Amended and Restated Certificate of Incorporation, as amended (the "Charter"), to amend Article IV of the Charter to (i) increase the number of authorized shares of Common Stock from 85,000,000 to 225,000,000, and (ii) authorize the issuance of 25,000,000 shares of preferred stock of the Company, par value $0.001 (the "Preferred Stock"), with such powers, rights, terms and conditions as may be designated by the Company's board of directors upon the issuance of shares of Preferred Stock at one or more times in the future (the "Charter Amendment"). The Charter Amendment was approved and adopted by the written consent of a majority of the stockholders of the Company in accordance with the applicable provisions of the Delaware General Corporation Law, the Charter, and the Company's Second Amended and Restated Bylaws.

Termination of Equity Financing Facility

On August 24, 2017, the Company entered into a Common Stock Purchase Agreement, dated as of August 23, 2017 (the "ELOC Purchase Agreement"), with Aperture Healthcare Ventures Ltd. ("Aperture") pursuant to which the Company could, subject to certain conditions and limitations set forth in the ELOC Purchase Agreement, require Aperture to purchase up to $15 million worth of newly issued shares (the "Put Shares") of the Company's common stock, over the 36-month term.

The Company terminated the ELOC Purchase Agreement on March 12, 2018. No Put Shares were issued pursuant to the ELOC Purchase Agreement prior to such termination.

2012 Equity Incentive Plan

Under the Company's 2012 Equity Incentive Plan, the Company may grant shares, stock units, stock appreciation rights, performance cash awards and/or options to employees, directors, consultants, and other service providers. For options, the per share exercise price may not be less than the fair market value of a Company common share on the date of grant. Awards generally vest and become exercisable over three to four years and expire 10 years from the date of grant. Options generally become exercisable as they vest following the date of grant.

On March 9, 2018, the Board of Directors of the Company approved an amendment to the Company's 2012 Equity Incentive Plan (the "Equity Plan") to increase the number of shares of the Company's common stock authorized for issuance under the Equity Plan by 16,050,000 shares, and to increase the annual maximum aggregate number of shares subject to stock option awards that may be granted to any one person under the Equity Plan during a calendar year to 7,500,000.

A summary of stock option activity for the nine months ended September 30, 2018 under all of the Company's options plans is as follows:

	Options	Weighted Average Exercise Price
Outstanding at December 31, 2017	2,448,383	$ 3.67
Granted	13,575,038	0.66
Cancelled (forfeited)	(431,269)	3.14
Cancelled (expired)	(41,129)	37.82
Outstanding at September 30, 2018	15,551,023	$ 0.97

The weighted average fair value of options granted during the nine months ended September 30, 2018 was $0.51 per share.

The Company valued the options granted using the Black-Scholes options pricing model and the following weighted-average assumption terms for the nine months ended September 30, 2018:

	Nine months ended September 30, 2018
Exercise price	$0.45 - $0.67
Market value	$0.45 - $0.67
Risk-free rate	2.74% - 2.80%
Expected term	5-6 years
Expected volatility	92.6% - 96.9%
Dividend yield	-

Stock-Based Compensation

The Company recorded stock-based compensation expense in the Condensed Consolidated Statements of Operations and Comprehensive Loss as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
General and administrative	$ 715	$ 278	$ 3,969	$ 1,477
Research and development	-	67	201	296
Total stock-based compensation	$ 715	$ 345	$ 4,170	$ 1,773

At September 30, 2018, the Company had $3.5 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to outstanding stock options that will be recognized over a weighted-average period of 1.6 years.

9. Savant Arrangements

On February 29, 2016, the Company entered into a binding letter of intent (the "LOI") with Savant Neglected Diseases, LLC ("Savant"). The LOI provided that the Company would acquire certain worldwide rights relating to benznidazole (the "Compound") from Savant.

On the Effective Date, as authorized by the Plan and the Confirmation Order, the Company and Savant entered into an Agreement for the Manufacture, Development and Commercialization of Benznidazole for Human Use (the "MDC Agreement"), pursuant to which the Company acquired certain worldwide rights relating to the Compound. The MDC Agreement consummates the transactions contemplated by the LOI.

In addition, on the Effective Date the Company and Savant also entered into a Security Agreement (the "Security Agreement"), pursuant to which the Company granted Savant a continuing senior security interest in the assets and rights acquired by the Company pursuant to the MDC Agreement and certain future assets developed from those acquired assets.

On the Effective Date, the Company issued to Savant a five year warrant (the "Warrant") to purchase 200,000 shares of the Company's Common Stock, at an exercise price of $2.25 per share, subject to adjustment. The Warrant is exercisable for 25% of the shares immediately and exercisable for the remaining shares upon reaching certain regulatory related milestones. As of September 30, 2018 the number of shares for which the Warrant is currently exercisable totals 100,000 shares at an exercise price of $2.25 per share.

The Company reevaluated the performance conditions and expected vesting of the Warrant as of September 30, 2017 and recorded a reduction in expense of approximately $0.06 and $0.1 million during the three and nine months ended September 30, 2017, respectively, due to a decline in the fair value, which reduction is included in Research and development expense in the accompanying Condensed Consolidated Statement of Operations and Comprehensive Loss. As a result of the FDA granting accelerated and conditional approval of a benznidazole therapy manufactured by a competitor for the treatment of Chagas disease and awarding such competitor a neglected tropical disease PRV in August 2017, the Company re-evaluated the final two vesting milestones and concluded that the probability of achievement of these milestones had decreased to 0%.

Before a compound receives regulatory approval, the Company records upfront and milestone payments made to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred and milestone payments are recorded when the specific milestone has been achieved.

On May 26, 2017, the Company submitted its benznidazole IND to FDA which became effective on June 26, 2017. The Company recorded expense of $1.0 million during the year ended December 31, 2017 as Research and development expense related to the milestone achievement associated with the IND being declared effective.

On July 10, 2017 FDA notified the Company that it granted Orphan Drug Designation to benznidazole for the treatment of Chagas disease. The Company recorded expense of $1.0 million during the year ended December 31, 2017 as Research and development expense related to the milestone achievement associated with Orphan Drug Designation.

In July 2017, the Company commenced litigation against Savant alleging that Savant breached the MDC Agreement and seeking a declaratory judgement. Savant has asserted counterclaims for breaches of contract under the MDC Agreement and the Security Agreement. The dispute primarily concerns the Company's right under the MDC Agreement to offset certain costs incurred by the Company in excess of the agreed upon budget against payments due Savant. See Note 10, below, for more information regarding the Savant litigation. The aggregate cost overages as of June 30, 2017 that the Company asserts are Savant's responsibility total approximately $3.4 million, net of a $0.5 million deductible. The Company asserts that it is entitled to offset $2.0 million in milestone payments due Savant against the cost overages, such that as of June 30, 2017, Savant owed the Company approximately $1.4 million. As of September 30, 2018, the cost overages totaled $4.1 million such that Savant owed the Company approximately $2.1 million in cost overages. Such cost overages have been charged to Research and development expense as incurred. Recovery of such cost overages, if any, will be recorded as a reduction of Research and development expense in the period received.

The $2.0 million in milestone payments due Savant are included in Accrued expenses in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2018 and December 31, 2017

10. Litigation

Bankruptcy Proceeding

The Company filed for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code on December 29, 2015. See Note 2 for additional information related to the bankruptcy.

Savant Litigation

On July 10, 2017, the Company filed a complaint against Savant Neglected Diseases, LLC ("Savant") in the Superior Court for the State of Delaware, New Castle County (the "Delaware Court"). *KaloBios Pharmaceuticals, Inc. v. Savant Neglected Diseases, LLC*, No. N17C-07-068 PRW-CCLD. The Company asserted breach of contract and declaratory judgment claims against Savant arising under the MDC Agreement. See Note 9 - "Savant Arrangements" for more information about the MDC Agreement. The Company alleges that Savant has breached its MDC Agreement obligations to pay cost overages that exceed a budgetary threshold as well as other related MDC Agreement representations and obligations. In the litigation, the Company has alleged that as of June 30, 2017, Savant was responsible for aggregate cost overages of approximately $3.4 million, net of a $0.5 million deductible under the MDC. The Company asserts that it is entitled to offset $2.0 million in milestone payments due Savant against the cost overages, such that as of June 30, 2017 Savant owed the Company approximately $1.4 million.

On July 12, 2017, Savant removed the case to the Bankruptcy Court, claiming that the action is related to or arises under the Bankruptcy Case from which we emerged in July 2016. On July 27, 2017, Savant filed an Answer and Counterclaims. Savant's filing alleges breaches of contracts under the MDC Agreement and the Security Agreement, claiming that the Company breached its obligations to pay the milestone payments and other related representations and obligations.

On August 1, 2017, the Company moved to remand the case back to the Delaware Court (the "Motion to Remand").

On August 2, 2017, Savant sent a foreclosure notice to the Company, demanding that it provide the Collateral as defined in the Security Agreement for inspection and possession on August 9, 2017, with a public sale to be held on September 1, 2017. The Company moved for a Temporary Restraining Order (the "TRO") and Preliminary Injunction in the Bankruptcy Court on August 4, 2017. Savant responded on August 7, 2017. On August 7, 2017, the Bankruptcy Court granted the Company's motion for a TRO, entering an order prohibiting Savant from collecting on or selling the Collateral, entering our premises, issuing any default notices to us, or attempting to exercise any other remedies under the MDC Agreement or the Security Agreement. The parties have stipulated to continue the provisions of the TRO in full force and effect until further order of the appropriate court.

On January 22, 2018, Savant wrote to the Bankruptcy Court requesting dissolution of the TRO. On January 29, 2018, the Bankruptcy Court granted the Motion to Remand and denied Savant's request to dissolve the TRO, ordering that any request to dissolve the TRO be made to the Delaware Court.

On February 13, 2018 Savant made a letter request to the Delaware Superior Court to dissolve the TRO. Also on February 13, 2018, Humanigen filed its Answer and Affirmative defenses to Savant's Counterclaims. On February 15, 2018 Humanigen filed a letter opposition to Savant's request to dissolve the TRO and requesting a status conference. A hearing on Savant's request to dissolve the TRO was held before the Delaware Superior Court on March 19, 2018. The Delaware Superior Court denied Savant's request to dissolve the TRO and the TRO remains in effect.

On April 11, 2018, Humanigen advised the Delaware Superior Court that it would meet and confer with Savant regarding a proposed case management order and date for trial. On April 26, 2018 the Delaware Superior Court so-ordered a proposed case management order submitted by the Company and Savant. The schedule in the case management order was modified by stipulation on August 24, 2018.

There have been no further proceedings in this matter to date.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis together with our financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. This Quarterly Report on Form 10-Q contains statements that discuss future events or expectations, projections of results of operations or financial condition, trends in our business, business prospects and strategies and other "forward-looking" information. In some cases, you can identify "forward-looking statements" by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential" or "continue" or the negative of those words and other comparable words. These statements may relate to, among other things, our expectations regarding the scope, progress, expansion, and costs of researching, developing and commercializing our product candidates; our opportunity to benefit from various regulatory incentives; expectations for our financial results, revenue, operating expenses and other financial measures in future periods; and the adequacy of our sources of liquidity to satisfy our working capital needs, capital expenditures, and other liquidity requirements. Actual events or results may differ materially due to known and unknown risks, uncertainties and other factors such as:

- *our lack of revenues, history of operating losses, bankruptcy, limited cash reserves and ability to obtain additional capital to develop and commercialize our product candidates, including the additional capital which will be necessary to complete the clinical trials that we have initiated or plan to initiate, and continue as a going concern;*
- *the effect on our stock price and the significant dilution to the share ownership of our existing stockholders that resulted from conversion of the term loans into equity of the company or that may result in the future upon additional issuances of our equity securities;*
- *our ability to execute our new strategy and business plan focused on developing our proprietary monoclonal antibody portfolio;*
- *our ability to preserve our stock quotation on the OTCQB Venture Market or, in the future, to list our common stock on a national securities exchange, whether through a new listing or by completing a reverse merger or other strategic transaction;*
- *the success, progress, timing and costs of our efforts to evaluate or consummate various strategic alternatives if in the best interests of our stockholders;*
- *the success, cost, timing and potential indications of our product development activities and clinical trials;*
- *the potential timing and outcomes of pre-clinical and clinical studies of lenzilumab, ifabotuzumab, HGEN005 or any other product candidates and the uncertainties inherent in pre-clinical and clinical testing;*
- *the timing of the initiation, enrollment and completion of planned clinical trials;*
- *our ability to timely source adequate supply of our development products from third-party manufacturers on which we depend;*
- *the potential, if any, for future development of any of our present or future products;*
- *our ability to successfully progress, partner or complete further development of our programs;*
- *our plans to research, develop and commercialize our product candidates;*
- *our ability to identify and develop additional products;*
- *our ability to attain market exclusivity or to protect our intellectual property;*

- *our ability to reach agreement with a partner to effect a successful commercialization of any of our product candidates;*
- *our ability to attract and retain collaborators with development, regulatory and commercialization expertise;*
- *the outcome of pending or future litigation;*
- *the ability of the Black Horse Entities (as defined below) to exert control over all matters of the Company, including their ability to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction;*
- *competition;*
- *our ability to obtain and maintain regulatory approval of our product candidates, and any related restrictions,*
- *limitations, and/or warnings in the label of an approved product candidate; and*
- *changes in the regulatory landscape that may prevent us from pursuing or realizing any of the expected benefits from the various regulatory incentives, or the imposition of regulations that affect our products.*

These are only some of the factors that may affect the forward-looking statements contained in this Form 10-Q. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see "Risk Factors" in Item 1A of Part I of our 2017 Form 10-K. You should review these risk factors for a more complete understanding of the risks associated with an investment in our securities. However, we operate in a competitive and rapidly changing environment and new risks and uncertainties emerge, are identified or become apparent from time to time. It is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Form 10-Q. You should be aware that the forward-looking statements contained in this Form 10-Q are based on our current views and assumptions. We undertake no obligation to revise or update any forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date hereof or to reflect new information or the occurrence of unanticipated events, except as required by law. The forward-looking statements in this Form 10-Q are intended to be subject to protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Overview

We were incorporated on March 15, 2000 in California and reincorporated as a Delaware corporation in September 2001 under the name KaloBios Pharmaceuticals, Inc. We completed our initial public offering in January 2013. Effective August 7, 2017, we changed our legal name to Humanigen, Inc.

As disclosed in our 2017 Form 10-K, since August 29, 2017, we have shifted our primary focus toward developing our proprietary monoclonal antibody portfolio, which comprises lenzilumab, ifabotuzumab and HGEN005, for use in addressing significant unmet needs in oncology and immunology. These product candidates are at various stages of development and will require substantial time, expenses, clinical development, testing, and regulatory approval from the FDA prior to commercialization, if they are approved at all. Furthermore, none of these product candidates has advanced into pivotal registration studies. While we plan to do so with our lead projects, it may be years before any such studies are initiated, if at all.

Lenzilumab is a recombinant mAb that neutralizes soluble GM-CSF, a critical cytokine in the inflammatory cascade associated with serious and potentially life-threatening CAR-T-related side effects and in the growth of certain hematologic malignancies, solid tumors and other serious conditions. We are studying lenzilumab's potential in reducing the serious and potentially life-threatening side effects associated with CAR-T therapy and potentially improving efficacy. Pre-clinical work has demonstrated lenzilumab's effectiveness in preventing or ameliorating neurotoxicity and CRS associated with CAR-T therapy. Pre-clinical animal data also suggests there may be an increase in CAR-T cell expansion when combined with lenzilumab, which potentially could translate into improved CAR-T efficacy and this is likely to be an area of further study. In addition, we have completed enrollment of patients in a Phase 1 clinical trial for CMML to identify the MTD, or RPTD of lenzilumab and to assess lenzilumab's safety, pharmacokinetics, and clinical activity. Fifteen patients in the 200, 400 and 600 mg dose cohorts of the CMML trial have been enrolled, and we are evaluating subjects in the highest dose cohort of 600 mg and potentially continuing to accrue up to eighteen patients. We also plan to review preliminary safety data and may use the data from this study to determine the feasibility of commencing a Phase 1 study in JMML patients, or to explore progressing a Phase 2 CMML study. JMML is a rare pediatric cancer, is associated with a very high unmet medical need and there are no FDA-approved therapies.

Ifabotuzumab is an EphA3 mAb that has the potential to offer a novel approach to treating solid tumors and hematologic malignancies, serious pulmonary conditions such as idiopathic pulmonary fibrosis (IPF) and as part of an antibody drug conjugate (ADC) or a CAR construct potentially targeting glioblastoma multiforme (GBM). EphA3 is aberrantly expressed on the surface of tumor cells and stroma cells in certain cancers. We completed the Phase 1 dose escalation portion of a Phase 1/2 clinical trial for ifabotuzumab in multiple hematologic malignancies for which the preliminary results were published in the journal Leukemia Research in 2016. An investigator-sponsored Phase 0/1 radio-labeled imaging trial of ifabotuzumab in GBM, a particularly aggressive and deadly form of brain cancer, has begun at the Olivia-Newton John Cancer Institute in Melbourne, Australia, which is also developing an ADC comprising ifabotuzumab. The trial has enrolled five patients to date, with more expected. We are also in discussions with a leading center in the U.S. to develop a series of CAR constructs based on ifabotuzumab and may take these constructs, if developed, into pre-clinical testing for a range of cancer types. We will also continue to explore partnering opportunities to enable further development of ifabotuzumab.

HGEN005 is a pre-clinical stage anti-EMR1 mAb. EMR1 is a therapeutic target for eosinophilic disorders. Eosinophils are a type of white blood cell. If too many are produced in the body, chronic inflammation and tissue and organ damage may result. Analysis of blood and bone marrow shows that surface expression of EMR1 is restricted to mature eosinophils and correlated with eosinophilia. Tissue eosinophils also express EMR1. In pre-clinical work, we demonstrated that eosinophil killing is enhanced in the presence of HGEN005 and immune effector cells. A major limitation of current eosinophil targeted therapies is incomplete depletion of tissue eosinophils and/or lack of cell selectivity, which may mean that HGEN005 could offer promise in a range of eosinophil-driven diseases, such as eosinophilic asthma, eosinophilic esophagitis and eosinophilic granulomatosis with polyangiitis. We are in discussion with a leading center in the U.S. to develop a series of CAR constructs based on HGEN005 and may take or partner these constructs, if developed, into pre-clinical testing for eosinophilic leukemia, an orphan condition with significant unmet need.

Our monoclonal antibody portfolio was developed with our proprietary, patent-protected Humaneered® technology, which consists of methods for converting antibodies (typically murine) into engineered, high-affinity antibodies designed for human therapeutic use.

We have incurred significant losses and had an accumulated deficit of $272.5 million as of September 30, 2018. We expect to continue to incur net losses for the foreseeable future as we develop our drug candidates, expand pre-clinical and clinical trials for our drug candidates currently in development, expand our development activities and seek regulatory approvals. Significant capital is required to continue to develop and to launch a product and many expenses are incurred before revenue is received, if any. We are unable to predict the extent of any future losses or when we will receive revenue or become profitable, if at all.

Despite completing the Restructuring Transactions, the common stock financings, the Advance Note financings (as discussed below) and the Convertible note financings (as discussed below), we will require substantial additional capital to continue as a going concern and to support our business efforts, including obtaining regulatory approvals for our product candidates, clinical trials and other studies, and, if approved, the commercialization of our product candidates. We anticipate that we will seek additional financing from a number of sources, including, but not limited to, the sale of equity or debt securities, strategic collaborations, and licensing of our product candidates. Additional funding may not be available to us on a timely basis or at acceptable terms, if at all. Our ability to access capital when needed is not assured and, if not achieved on a timely basis, would materially harm our business, financial condition and results of operations. If adequate funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our development programs. We may also be required to sell or license to others our technologies, product candidates, or development programs that we would have preferred to develop and commercialize ourselves and on less than favorable terms, if at all. If in the best interests of our stockholders, we may also find it appropriate to enter into a strategic transaction that could result in, among other things, a sale, merger, consolidation or business combination.

If management is unsuccessful in efforts to raise additional capital, based on our current levels of operating expenses, our current capital is not expected to be sufficient to fund our operations for the next twelve months. These conditions raise substantial doubt about our ability to continue as a going concern.

The consolidated financial statements for the three and nine months ended September 30, 2018 were prepared on the basis of a going concern, which contemplates that we will be able to realize our assets and discharge liabilities in the normal course of business. Our ability to meet our liabilities and to continue as a going concern is dependent upon the availability of future funding. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Critical Accounting Policies and Use of Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of our financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. Our management believes judgment is involved in determining revenue recognition, valuation of financing derivative, the fair value-based measurement of stock-based compensation, accruals and warrant valuations. Our management evaluates estimates and assumptions as facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates and assumptions, and those differences could be material to the Condensed Consolidated Financial Statements. If our assumptions change, we may need to revise our estimates, or take other corrective actions, either of which may also have a material adverse effect on our statements of operations, liquidity and financial condition.

We are an emerging growth company under the JOBS Act. Emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

There were no significant and material changes in our critical accounting policies and use of estimates during the three months ended September 30, 2018, as compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Use of Estimates" in our 2017 Form 10-K, filed with the SEC on March 27, 2018.

Results of Operations

General

We have not generated net income from operations for any periods presented. At September 30, 2018, we had an accumulated deficit of $272.5 million primarily as a result of research and development and general and administrative expenses. While we may in the future generate revenue from a variety of sources, including license fees, milestone payments, and research and development payments in connection with strategic partnerships, our product candidates may never be successfully developed or commercialized and we may therefore never realize revenue from any product sales, particularly because most of our product candidates are at an early stage of development. Accordingly, we expect to continue to incur substantial losses from operations for the foreseeable future, and there can be no assurance that we will ever generate significant revenue or profits.

Research and Development Expenses

Conducting research and development is central to our business model. We expense both internal and external research and development costs as incurred. We track external research and development costs incurred by project for each of our clinical programs. Our external research and development costs consist primarily of:

- expenses incurred under agreements with contract research organizations, investigative sites, and consultants that conduct our clinical trials and a substantial portion of our preclinical activities;
- the cost of acquiring and manufacturing clinical trial and other materials; and
- other costs associated with development activities, including additional studies.

Other research and development costs consist primarily of internal research and development costs such as salaries and related fringe benefit costs for our employees (such as workers compensation and health insurance premiums), stock-based compensation charges, travel costs, lab supplies, overhead expenses such as rent and utilities, and external costs not allocated to one of our clinical programs. Internal research and development costs generally benefit multiple projects and are not separately tracked per project.

The following table shows our total research and development expenses for the three and nine months ended September 30, 2018 and 2017:

(in thousands)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
External Costs				
Lenzilumab	$ 422	$ 528	$ 1,359	$ 1,713
Ifabotuzumab	25	25	75	120
Benznidazole	-	3,138	-	6,956
Internal costs	88	116	374	1,539
Total research and development	$ 535	$ 3,807	$ 1,808	$ 10,328

General and Administrative Expenses

General and administrative expenses consist principally of personnel-related costs, professional fees for legal, consulting, audit and tax services, rent and other general operating expenses not otherwise included in research and development.

Comparison of Three Months Ended September 30, 2018 and 2017

(in thousands)	Three Months Ended September 30, 2018	2017	Increase/(Decrease) $'s	%
Operating expenses:				
Research and development	$ 535	$ 3,807	$ (3,272)	(86)
General and administrative	1,804	1,993	(189)	(9)
Loss from operations	(2,339)	(5,800)	(3,461)	(60)
Interest expense	(116)	(1,269)	(1,153)	(91)
Other income (expense), net	319	(14)	(333)	(2,379)
Reorganization items, net	(40)	(102)	(62)	(61)
Net loss	$ (2,176)	$ (7,185)	$ (5,009)	(70)

Research and development expenses decreased by $3.3 million, from $3.8 million for the three months ended September 30, 2017 to $0.5 million for the three months ended September 30, 2018. The decrease is primarily due to the discontinuation of the development of benznidazole in August 2017, lower internal costs, and lower spending on the development of lenzilumab, primarily in connection with the CMML trial.

General and administrative expenses decreased $0.2 million from $2.0 million for the three months ended September 30, 2017 to $1.8 million for the three months ended September 30, 2018. The decrease is primarily due to lower legal and consulting costs partially offset by higher wage and stock-based compensation costs.

Interest expense decreased $1.2 million from $1.3 million recognized for the three months ended September 30, 2017 to $0.1 million for the three months ended September 30, 2018. The decrease in interest expense was related to the conversion of the Term Loans in February 2018 related to the Restructuring Transactions.

Other income for the three months ended September 30, 2018 primarily consisted of legal fees assumed by Madison Joint Venture LLC related to their positive election related to the Benz Assets (see Note 8).

Reorganization items, net, decreased $0.06 million for the three months ended September 30, 2018 versus the three months ended September 30, 2017. The decrease is primarily related to the decrease in legal and professional fees in the current three-month period.

Comparison of Nine Months Ended September 30, 2018 and 2017

(in thousands)	Nine Months Ended September 30, 2018	2017	Increase/(Decrease) $'s	%
Operating expenses:				
Research and development	$ 1,808	$ 10,328	$ (8,520)	(82)
General and administrative	7,793	5,987	1,806	30
Loss from operations	(9,601)	(16,315)	(6,714)	(41)
Interest expense	(542)	(2,245)	(1,703)	(76)
Other income (expense), net	318	(38)	(356)	(937)
Reorganization items, net	(106)	(289)	(183)	(63)
Net loss	$ (9,931)	$ (18,887)	$ (8,956)	(47)

Research and development expenses decreased by $8.5 million, from $10.3 million for the nine months ended September 30, 2017 to $1.8 million for the nine months ended September 30, 2018. The decrease is primarily due to the discontinuation of the development of benznidazole in August 2017 and lower internal costs.

General and administrative expenses increased $1.8 million from $6.0 million for the nine months ended September 30, 2017 to $7.8 million for the nine months ended September 30, 2018. The increase is primarily due to a $2.5 million increase in stock-based compensation expense related to the issuance of options to management, consultants and board members subsequent to the completion of the Restructuring Transactions and $0.6 million in wage and related costs, partially offset by decreases in consultant and legal fees of $1.5 million.

Interest expense decreased $1.7 million from $2.2 million recognized for the nine months ended September 30, 2017 to $0.5 million for the nine months ended September 30, 2018. The decrease in interest expense was related to lower average Term Loans balances for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 as a result of the conversion of the Term Loans in February 2018 related to the Restructuring Transactions.

Other income for the nine months ended September 30, 2018 primarily consisted of legal fees assumed by Madison Joint Venture LLC related to their positive election related to the Benz Assets (see Note 8).

Reorganization items, net, decreased $0.2 million for the nine months ended September 30, 2018 versus the nine months ended September 30, 2017. The decrease is primarily related to the decrease in legal and professional fees in the current nine-month period.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through proceeds from the public offerings of our common stock, private placements of our preferred stock, debt financings, interest income earned on cash, and cash equivalents, and marketable securities, and borrowings against lines of credit. At September 30, 2018, we had cash and cash equivalents of $2.0 million. As of November 6, 2018, we had cash and cash equivalents of $1.5 million.

The following table sets forth the primary sources and uses of cash and cash equivalents for each of the periods presented below:

	Nine Months Ended September 30,	
(in thousands)	**2018**	**2017**
Net cash (used in) provided by:		
Operating activities	$ (4,985)	$ (12,311)
Investing activities	30	-
Financing activities	6,256	10,500
Net increase (decrease) in cash and cash equivalents	$ 1,301	$ (1,811)

Net cash used in operating activities was $5.0 million and $12.3 million for the nine months ended September 30, 2018 and 2017, respectively. Cash used in operating activities of $5.0 million for the nine months ended September 30, 2018 primarily related to our net loss of $10.0 million, adjusted for non-cash items, such as $4.2 million in stock-based compensation, $0.5 million in noncash interest expense, and net increases in working capital items of $0.1 million.

Cash used in operating activities of $12.3 million for the nine months ended September 30, 2017 primarily related to our net loss of $18.9 million, adjusted for non-cash items, such as $1.8 million in stock based compensation, $2.2 million in noncash interest expense and net increases in working capital items, primarily $2.3 million of Accrued expenses.

Net cash provided by financing activities was $6.3 million for the nine months ended September 30, 2018. This amount consists primarily of $1.5 million received from Cheval related to the Restructuring Transactions (see "Restructuring Transactions" below), $1.1 million from the issuance of 2,445,557 shares of our common stock to accredited investors on March 12, 2018, $0.2 million received from the issuance of 400,000 shares of our common stock to an accredited investor on June 4, 2018, $0.9 million received from the issuance of the Advance Notes in June, July and August 2018 and $2.5 million received for the issuance of the Notes in September 2018. Net cash provided by financing activities was $10.5 million for the nine months ended September 30, 2017 related to the Term Loans.

Restructuring Transactions

On December 1, 2017, our obligations matured under the Term Loan Credit Agreement with the Term Loan Lenders. On December 21, 2017, we entered into the Restructuring Agreements, each with the Term Loan Lenders, in connection with a series of transactions providing for, among other things, the satisfaction and extinguishment of our outstanding obligations under the Term Loan Credit Agreement and the infusion of $3.0 million of new capital. As of February 27, 2018, the date the Restructuring Transactions were completed, the aggregate amount of our obligations under the Term Loan Credit Agreement, including the Bridge Loan, the Claims Advances Loan (each as discussed below) and all accrued interest and fees, approximated $18.4 million.

On February 27, 2018 (the "Restructuring Effective Date"), the Restructuring Transactions were completed in accordance with the Restructuring Agreements. As a result, on the Restructuring Effective Date, we: (i) in exchange for the satisfaction and extinguishment of the entire $18.4 million balance of the Term Loans, including the Bridge Loan, the Claims Advances Loan and all accrued interest and fees, (a) issued to the Term Loan Lenders an aggregate of 59,786,848 shares of our common stock (the "New Lender Shares"), and (b) transferred and assigned to Madison, an entity owned 70% by Nomis Bay and 30% by us, the Benz Assets, our former drug candidate, capable of being so assigned; and (ii) issued to Cheval an aggregate of 32,028,669 shares of our common stock (the "New Black Horse Shares" and, collectively with the New Lender Shares, the "New Common Shares") for total consideration of $3.0 million (collectively, the "Restructuring Transactions"), $1.5 million of which we received on December 22, 2017 in the form of a bridge loan (the "Bridge Loan").

On the Restructuring Effective Date, the aggregate amount of the Term Loans that were deemed to be satisfied and extinguished (i) previously owed to the Black Horse Entities, including the Bridge Loan and all accrued interest and fees, totaled $9.9 million, and (ii) previously owed to Nomis Bay, including the Claims Advances Loan totaling $0.1 million and all accrued interest and fees, totaled $8.5 million. In addition, on the Restructuring Effective Date, (i) each of the Term Loan Credit Agreement, all promissory notes issued thereunder and the Intellectual Property Security Agreement, dated as of December 21, 2016, by and between us and the Term Loan Lenders, were terminated and are of no further force or effect, and (ii) all security interests of the Black Horse Entities and Nomis Bay in our assets were released. In addition, as a result of Madison's Positive Election regarding the Benz Assets, Madison became obligated to pay $0.3 million in legal fees and expenses owed by us to our litigation counsel, which they paid in August 2018.

Upon completion of the Restructuring Transactions, the Black Horse Entities collectively held 66,870,851 shares of our common stock, or approximately 62.6% of our outstanding common stock. Accordingly, the completion of the Restructuring Transactions on the Restructuring Effective Date resulted in a change in control of our company, as the Black Horse Entities and their affiliates owning more than a majority of our outstanding common stock. Dr. Dale Chappell, a member of our board of directors from June 30, 2016 until November 10, 2017, controls the Black Horse Entities and accordingly, will be able to exert control over matters of our company and will be able to determine all matters of our company requiring stockholder approval.

Despite completing the Restructuring Transactions, the March 12, 2018 and the June 4, 2018 common stock issuances, the June, July and August 2018 Advance Notes and the September 2018 Notes, we will require substantial additional capital to continue as a going concern and to support our business efforts, including obtaining regulatory approvals for our product candidates, clinical trials and other studies, and, if approved, the commercialization of our product candidates. The amount of capital we will require and the timing of our need for additional capital will depend on many factors, including:

- the type, number, timing, progress, costs, and results of the product candidate development programs that we are pursuing or may choose to pursue in the future;
- the scope, progress, expansion, costs, and results of our pre-clinical and clinical trials;
- the timing of and costs involved in obtaining regulatory approvals;
- the success, progress, timing and costs of our efforts to evaluate or consummate various strategic alternatives if in the best interests of our stockholders;
- our ability to preserve our stock quotation on the OTCQB Venture Market or, in the future, to list our common stock on a national securities exchange, whether through a new listing or by completing a strategic transaction;
- our ability to establish and maintain development partnering arrangements and any associated funding;
- the emergence of competing products or technologies and other adverse market developments;
- the costs of maintaining, expanding, and protecting our intellectual property portfolio, including potential litigation costs and liabilities;
- the resources we devote to marketing, and, if approved, commercializing our product candidates;
- the scope, progress, expansion and costs of manufacturing our product candidates; and
- the costs associated with being a public company.

We are pursuing efforts to raise additional capital from a number of sources, including, but not limited to, the sale of equity or debt securities and strategic collaborations. Additional funding may not be available to us on a timely basis or at acceptable terms, if at all. Our ability to access capital when needed is not assured and, if not achieved on a timely basis, would materially harm our business, financial condition and results of operations. Any financing we may obtain may be dilutive to existing stockholders. If adequate funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our development programs. We may also be required to sell or license to others our technologies, product candidates, or development programs that we would have preferred to develop and commercialize ourselves and on less than favorable terms, if at all. If in the best interests of our stockholders, we may also find it appropriate to enter into a strategic transaction that could result in, among other things, a sale, merger, consolidation or business combination.

If management is unsuccessful in efforts to raise additional capital, based on our current levels of operating expenses, our current capital will not be sufficient to fund our operations for the next twelve months. These conditions raise substantial doubt about our ability to continue as a going concern.

Our common stock currently trades on the OTCQB Venture Market under the ticker symbol “HGEN”. Although our common stock is listed for quotation on the OTCQB Venture Market, trading is limited and an active market for our common stock may never develop in the future, which could harm our ability to raise capital to continue to fund operations.

Termination of Equity Financing Facility

On March 12, 2018, we notified Aperture of our decision to terminate the ELOC Purchase Agreement, pursuant to which Aperture had agreed to provide us with an equity line of credit. We did not sell any shares pursuant to the equity line of credit prior to its termination.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements, such as structured finance, special purpose entities or variable interest entities.

Item 4. Controls and Procedures.

Management's Evaluation of our Disclosure Controls and Procedures

"Disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Disclosure controls and procedures include, without limitation, those designed to ensure that this information is accumulated and communicated to our management to allow timely decisions regarding required disclosure. Management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon the evaluation our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were not effective as of September 30, 2018 to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussion regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). Our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of September 30, 2018. In making this assessment, our Chief Executive Officer and Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in *Internal Control—Integrated Framework*. Based on that assessment and using the COSO criteria, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2018, our internal control over financial reporting was not effective because of the material weaknesses described below.

A material weakness is defined as "a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."

The ineffectiveness of our internal control over financial reporting at September 30, 2018, was due to an insufficient degree of segregation of duties among our accounting and financial reporting personnel.

During 2018, we intend to work to remediate the material weaknesses identified above, which could include the addition of accounting and financial reporting personnel and/or the engagement of accounting and personnel consultants on a limited-time basis until we add a sufficient number of personnel. However, our current financial position could make it difficult for us to add the necessary resources.

Inherent Limitations of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. Controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Please see Note 10 to the Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q for a summary of legal proceedings and developments during the quarter ended September 30, 2018.

Item 6. Exhibits.

Exhibit No.	Exhibit Description
2.1	Findings of Fact, Conclusions of Law, and Order Confirming Second Amended Chapter 11 Plan of Reorganization of the Registrant (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-035798) filed on June 22, 2016).
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-035798) filed on July 6, 2016).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.4 to the Registrant's Current Report on Form 8-K (File No. 001-035798) filed on August 7, 2017).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant, as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-035798) filed on February 28, 2018).
3.4	Second Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-035798) filed on August 7, 2017).
4.1	Specimen of Stock Certificate evidencing shares of Common Stock (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-184299) filed on January 15, 2013).
4.2	Warrant to Purchase Stock, by and between the Registrant and MidCap Financial SBIC, LP, dated as of June 19, 2013 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-35798) filed on June 24, 2013).
4.3	Registration Rights Agreement, dated December 3, 2015, between the Registrant and each of the several purchasers signatory thereto (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-35798) filed on December 9, 2015).
4.4	Common Stock Purchase Warrant, by and between the Registrant and Armistice Capital Fund, dated as December 4, 2015 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-35798) filed on December 9, 2015).
4.5†	Common Stock Purchase Warrant, dated June 30, 2016, by and between the Registrant and Savant Neglected Diseases, LLC (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-035798) filed on September 23, 2016, as amended by Amendment No. 1 filed on December 30, 2016).
4.6	Registration Rights Agreement, dated December February 27, 2018 between the Registrant and Black Horse Capital Master Fund, Black Horse Capital, Cheval Holdings, Ltd., and Nomis Bay LTD.
10.1	Form of Convertible Note
10.2*	Amended Employment Agreement dated August 22, 2018, between the Company and Jon. G. Jester.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

* Denotes management or director compensation plan or arrangement.

** The Certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Humanigen, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUMANIGEN, INC.

Date: November 6, 2018

By: /s/ Cameron Durrant
Cameron Durrant
Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2018

By: /s/ Greg Jester
Greg Jester
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

THE SECURITIES REPRESENTED HEREBY (THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED, EXCHANGED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE COMPANY SHALL HAVE RECEIVED AN OPINION OF COUNSEL FOR THE HOLDER, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

CONVERTIBLE PROMISSORY NOTE

$[NUMBER] [DATE]

For value received, Humanigen, Inc., a Delaware corporation (the "***Company***"), promises to pay to [HOLDER NAME] or its assigns (the "***Holder***") the principal sum of $[NUMBER] together with accrued and unpaid interest thereon, each due and payable on the date and in the manner set forth below.

This convertible promissory note (this "***Note***") is issued as part of a series of similar convertible promissory notes (collectively, the "***Notes***") pursuant to the terms of that certain Convertible Note Purchase Agreement dated as of [DATE], by and among the Company, Holder, and the other purchasers identified therein, as the same may be amended from time to time (the "***Agreement***"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement. This Note is an unsecured obligation of the Company.

1 . **Repayment.** Unless otherwise converted as provided herein, all unpaid principal together with the unpaid and accrued interest payable hereunder shall be due and payable on the date repayment by the Holder is demanded which may be any day on or after the earliest of (i) twenty-four months from the date of this Note, (ii) the occurrence of an Event of Default (as described in Section 7 below), or (iii) the occurrence of a Liquidation Event (the earliest date of which being the "***Maturity Date***"). "***Liquidation Event***" means (i) any event pursuant to which (A) any Person or Persons acting as a group acquires all or substantially all of the assets of the Company by sale, exclusive license or otherwise, or (B) any Person or Persons acting as a group (other than the equity holders of the Company existing as of the date hereof), whether by merger, consolidation or otherwise, shall become the beneficial owner(s) of greater than an aggregate of 50% of the Company's outstanding voting equity interests (other than in connection with a Qualified Financing (as defined below) or Non-Qualified Financing (as defined below)), or (ii) any dissolution or winding-up of the Company. This Note shall rank *pari passu* with each of the other Notes such that all Notes shall rank equally and no payment will be made under any Note unless a pro rata payment is simultaneously made under all Notes.

2 . **Interest Rate.** The Company promises to pay simple interest on the outstanding principal amount hereof from the date hereof until payment in full, which interest shall be payable at the rate of 7% per annum or the maximum rate permissible by law, whichever is less. Interest shall be due and payable on the Maturity Date and shall be calculated on the basis of a 365-day year for the actual number of days elapsed.

3. **Conversion.**

(a) *Mandatory Conversion Upon Qualified Financing.* If the Company issues and sells its Equity Securities (as defined below) to investors (the "***Qualified Financing Investors***") on or before the date of the repayment in full of this Note in any bona fide financing transaction that results in gross proceeds to the Company of at least $10,000,000 (excluding conversion of this Note and other indebtedness), (a "***Qualified Financing***"), then the Company will give the Holder at least ten days' prior written notice of the anticipated closing date of such Qualified Financing, and the outstanding principal balance and any unpaid accrued interest of this Note (the "***Conversion Amount***") will automatically be converted, upon such closing date, into into either (x) such Equity Securities as the Holder would acquire if the Conversion Amount were invested directly in the Qualified Financing on the same terms and conditions as given to the Qualified Financing Investors, or (y) Common Stock at a conversion price equal to $0.45 per share (subject to ratable adjustment for any stock split, stock dividend, stock combination or other recapitalization occurring subsequent to the date of this Note), as each Holder shall elect and notify the Company at least five days prior to the anticipated closing date of such Qualified Financing. For purposes of this Note, "***Equity Securities***" shall mean Common Stock or any securities issued by the Company (other than convertible indebtedness) and conferring the right to purchase Common Stock or that are convertible into or exercisable or exchangeable for (with or without additional consideration) Common Stock, whether sold independently or as part of a unit of one or more securities issued by the Company.

(b) *Optional Conversion Upon Non-Qualified Financing*. In the event that the Company issues and sells shares of its Equity Securities to investors (the "***Non-Qualified Financing Investors***") on or before the date of the repayment in full of this Note in any bona fide financing transaction that is not a Qualified Financing (a "***Non-Qualified Financing***"), then the Company will give the Holders at least ten days' prior written notice of the anticipated closing date of such Non-Qualified Financing and each of the Holders may elect to convert, upon such closing date either (x), all, but not less than all, of the Conversion Amount of the Notes held by such Holder into such Equity Securities as the Holder would acquire if the Conversion Amount were invested directly in the Non-Qualified Financing on the same terms and conditions as given to the Non-Qualified Financing Investors, or (y) Common Stock at a conversion price equal to $0.45 per share (subject to ratable adjustment for any stock split, stock dividend, stock combination or other recapitalization occurring subsequent to the date of this Note). In order to exercise the option to convert this Note pursuant to this Section 3(b), each Holder must notify the Company of the Holder's election to so convert at least five days prior to the anticipated closing date of the Non-Qualified Financing.

(c) *Optional Conversion Upon Liquidation Event*. In the event that the Company enters into any agreement providing for, or publicly announces the intention to consummate, a Liquidation Event prior to the conversion or repayment in full of this Note, (i) the Company will give the Holder at least ten days' prior written notice of the anticipated closing date of such Liquidation Event, and (ii) the Holder may elect to convert, upon such closing date, all, but not less than all, of the Conversion Amount into Common Stock at a conversion price equal to $0.45 per share (subject to ratable adjustment for any stock split, stock dividend, stock combination or other recapitalization occurring subsequent to the date of this Note). In order to exercise the option to convert the Notes pursuant to this Section 3(c), the Holder must notify the Company of the Holder's election to so convert or require payment at least five days prior to the anticipated closing date of the Liquidation Event.

(d) No fractional units will be issued on conversion of this Note. If the Holder would otherwise be entitled to a fractional unit, the Holder shall receive in lieu thereof a cash payment equal to the applicable per unit price of the Equity Securities or Common Stock into which the Conversion Amount is proposed to be converted, multiplied by the fraction of the unit the Holder would otherwise be entitled to receive.

4 . **Maturity.** If this Note has not been previously converted pursuant to Section 3 above, then, effective upon the Maturity Date, the Holders may elect to convert the Conversion Amount of the Notes into Common Stock at a conversion price equal to $0.45 per share (subject to ratable adjustment for any stock split, stock dividend, stock combination or other recapitalization occurring subsequent to the date of this Note). Any election to convert the Notes pursuant to this paragraph must be made in writing and delivered to the Company at least five days prior to the Maturity Date. Unless this Note has been previously converted in accordance with the terms of Section 3 above or pursuant to the preceding sentences of this Section 4, the entire outstanding principal balance and all unpaid accrued interest shall become fully due and payable on the Maturity Date.

5 . **Expenses.** In the event of any default hereunder, the Company shall pay all reasonable attorneys' fees and court costs incurred by the Holder in enforcing and collecting this Note.

6 . **Prepayment.** The Company may not prepay this Note (including accrued interest), in whole or in part, prior to the Maturity Date without the consent of the Holder.

7. **Default.** If there shall be any Event of Default (as defined below) hereunder, at the option and upon the declaration of the Holder and upon written notice to the Company (which election and notice shall not be required in the case of an Event of Default under Section 7(c), 7(d) or 7(e)), this Note shall accelerate and all principal and unpaid accrued interest shall become due and payable. The occurrence of any one or more of the following shall constitute an "***Event of Default***":

(a) The Company fails to pay timely any of the principal amount due under this Note on the date the same becomes due and payable or any accrued interest or other amounts due under this Note on the date the same becomes due and payable;

(b) The Company shall default in its performance of any covenant under the Agreement or this Note, and such default is not cured by the Company within 30 days after written notice thereof is given to the Company by the Holder;

(c) The Company files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing;

(d) An involuntary petition is filed against the Company (unless such petition is dismissed or discharged within 60 days) under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of the Company;

(e) A liquidation, termination of existence or dissolution of the Company; or

(f) Any representation, warranty or statement of fact made by the Company in the Agreement, or any other agreement, schedule, confirmatory assignment or otherwise in connection with the transactions contemplated hereby or thereby, shall when made or deemed made be false or misleading in any material respect; provided, however, that such failure shall not result in an Event of Default to the extent it is corrected by the Company within a period of 30 days after the Company's receipt of written notice from the Holder specifying such failure.

8. **Waiver.** The Company hereby waives demand, notice, presentment, protest and notice of dishonor.

9. **Notices.** All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and faxed, emailed, mailed or delivered to each party as follows: (i) if to the Holder, at the Holder's address, email address or facsimile number set forth in the Agreement, or at such other address, email address or facsimile number as the Holder shall have furnished the Company in writing, or (ii) if to the Company, at the Company's address, email address or facsimile number set forth on the signature page to the Agreement, or at such other address, email address or facsimile number as the Company shall have furnished to the Holder in writing. All such notices and communications will be deemed effectively given the earliest of (a) when received, (b) when delivered personally, (c) one business day after being delivered by facsimile or email (with receipt of appropriate confirmation), (d) one business day after being deposited with an overnight courier service of recognized standing or (e) three days after being deposited in the U.S. mail, first class with postage prepaid.

10. **Governing Law.** This Note shall be governed by and construed under the internal laws of the State of New York, without giving effect to conflicts of laws principles.

11. **Modification; Waiver.** Any term of this Note may be amended or waived with the written consent of the Company and the Holder. In the event that the Company amends or otherwise modifies any other of the Notes, the Company shall give notice thereof to the Holder and, upon request by the Holder, this Note shall be similarly amended or modified.

12. **Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default**. No right or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy. No delay or omission of the Holder to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Note or by law may be exercised from time to time, and as often as shall be deemed expedient, by the Holder.

13. **Transfer Rights.** The Holder may not transfer this Note to a third party without the prior written consent of the Company, not to be unreasonably withheld, conditioned or delayed; provided, however, that the Holder shall have the right to transfer and assign this Note without any consent of the Company to a Permitted Transferee (as defined below). Each new Note issued upon any transfer of this Note shall bear a legend as to the applicable restrictions on transferability to ensure compliance with the Act, unless in the opinion of counsel for the Company such legend is not required in order to ensure compliance with the Act. The Company may issue stop transfer instructions to its Transfer Agent, if any, in connection with such restrictions. Subject to the foregoing, transfers of this Note shall be registered upon registration books maintained for such purpose by or on behalf of the Company. Prior to presentation of this Note for registration of transfer, the Company shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever, whether or not this Note shall be overdue and the Company shall not be affected by notice to the contrary. "***Permitted Transferee***" means, as to any Holder, any of the following: (i) if a natural person, his/her ancestors, descendants, siblings, or spouse, any executor or administrator of his/her estate, or to a custodian, trustee (including a trustee of a voting trust), executor, or other fiduciary primarily for the account of such Holder or his/her ancestors, descendants, siblings, or spouse, whether step, in-law or adopted, and, in the case of any such trust or fiduciary, to the Holder who transferred this Note to such trust or fiduciary, but only with respect to transfers made for bona fide estate planning purposes, either during his or her lifetime or on death by will or intestacy; (ii) with respect to any Holder which is an entity, (A) the then-existing members, shareholders or other investors in the Holder in connection with the dissolution or winding-up of the Holder, or (B) any Person in connection with any consolidation or reorganization of the Holder directly or indirectly with or into one or more other investment vehicles; or (iii) any affiliate of the Holder (other than any investment portfolio company of the Holder that is an affiliate) which controls, is controlled by or is under common control with the Holder.

14. **Most Favored Nation Amendment Provisions**. Prior to the conversion or payment in full of the Note, if the Company issues any indebtedness which is convertible into the Company's Equity Securities ("***Subsequent Convertible Securities***"), the Company will promptly provide Holder with written notice thereof, together with a copy of all documentation relating to such Subsequent Convertible Securities and, upon written request of Holder, any additional information related to such Subsequent Convertible Securities as may be reasonably requested by Holder. Within 30 days after the Holder's receipt of such information, if the Holder determines that the terms of the Subsequent Convertible Securities are preferable to the terms of the Note, Holder will notify the Company in writing. Promptly after receipt of such written notice from the Holder, the Company agrees to amend and restate the Note to be identical to the instruments evidencing the Subsequent Convertible Securities and any purchase documents related thereto.

15. **Assignment by the Issuer.** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part, by the Company, without the prior written consent of the Holder.

16. **Successors and Assigns.** Subject to the restrictions on transfer provided herein, the rights and obligations of the Company and the Holder shall be binding upon and benefit the respective successors, assigns, heirs, administrators and transferees of the Company or the Holder, as applicable.

ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER(S)) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the Company has caused this Convertible Promissory Note to be issued as of the date first set forth above.

COMPANY:

HUMANIGEN, INC.

By:/s/ Cameron Durrant
Name: Dr. Cameron Durrant
Title: Chief Executive Officer

[Signature Page to Convertible Promissory Note]

Exhibit 10.2

EMPLOYMENT AGREEMENT ("Agreement"), as of August 22, 2018, by and between Humanigen, Inc., a Delaware corporation with offices at 533 Airport Blvd, Suite 400, Burlingame, CA 94010 (the "Corporation"), and Jon G. Jester, an individual ("Executive").

W I T N E S S E T H

WHEREAS, the Corporation desires to employ Executive as its Chief Financial Officer upon the terms and conditions hereinafter set forth; and

WHEREAS, Executive desires to serve as the Chief Financial Officer of the Corporation upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties mutually agree as follows:

Section 1. Employment. Commencing on August 22, 2018 (hereinafter referred to as the "Effective Date"), the Corporation shall employ Executive and Executive shall commence such employment, as an executive of the Corporation, on the terms and conditions set forth in this Agreement.

Section 2. Duties. As of the Effective Date, Executive shall serve as Chief Financial Officer of the Corporation. The duties and services required to be performed are described in the job description previously provided to you and shall be consistent with your position and as may be assigned from time to time by the President and Chief Executive Officer and the Corporation's Board of Directors (the "Board"). From and after the Effective Date and during the term of this Agreement, Executive shall devote substantially all of his business time to the performance of his duties hereunder unless otherwise authorized by the Board; provided, that Executive may not serve on any public company outside boards without the prior written consent of the Board.

Section 3. Term. This Agreement shall become effective as of the date written above (the "Effective Date") and shall terminate three (3) years from the Effective Date of this Agreement; provided, however, that this Agreement shall remain in effect for successive one year periods thereafter unless, not less than six (6) months prior to the scheduled expiration of the term of this Agreement, either you or the Company shall deliver to the other written notice of his, her or its intention not to continue in effect this Agreement, in which case this Agreement shall terminate as of the scheduled expiration date of the year in which such notice is given; and provided further, that the Agreement is not otherwise terminated as provided below (the "Term").

Section 4. Compensation of Executive.

4.1. Compensation**.** As compensation for his services hereunder the Corporation shall pay Executive an annual salary ("Salary") equal to Three Hundred Ten Thousand ($310,000) Dollars. The Salary shall be payable according to the salary payment cycle of the Corporation, less such deductions as shall be required to be withheld by applicable law and regulations. Upon each anniversary of the Effective Date during the term of this Agreement, Executive's Salary shall be reviewed by the Compensation Committee of the Board (the "Compensation Committee"), or earlier at the sole discretion of the Compensation Committee and the Board.

4.2. Bonus; Stock Options.

(a) In addition to his Salary, Executive may receive a cash or cash equivalent bonus ("Bonus") in respect of each calendar year during the Term. The Bonus for each calendar year shall be determined by the Compensation Committee and the Board in their sole discretion. The Target Bonus shall be fifty percent (50%) of the Salary in any one year, with a maximum amount at the sole discretion of the Compensation Committee and the Board. Such Bonus may be a mix of cash and stock, as determined by the Board in its sole discretion. Objectives for the Bonus will be set and agreed to by the Board and Executive at the beginning of each calendar year. The Bonus for any particular calendar year, if any, will be paid by March 15 of the following calendar year.

(b) Subject to Compensation Committee and Board approval, Executive shall be eligible to receive, as promptly as possible following the Effective Date, an option to purchase one hundred and fifty thousand (150,000) shares of the Corporation's Common Stock, subject to and in accordance with the terms and provisions of the Corporation's 2012 Equity Incentive Plan, as amended (the "Plan") and the applicable award agreement. Such stock options will vest quarterly over three years in equal installments.

(c) Subject to Compensation Committee and Board approval, for each fiscal year during the term of his employment following the first fiscal year, Executive may be eligible to receive, at such time as the Compensation Committee and Board may deem appropriate, options to purchase additional shares of the Corporation's Common Stock in accordance with the terms and provisions of the Plan or any successor plan.

4.3. Expenses. The Corporation shall pay or reimburse Executive for all reasonable and necessary business, travel or other expenses incurred by him, upon proper documentation thereof, in accordance with the Corporation's travel and expense policy, which may be incurred by him in connection with the rendition of the services contemplated hereunder.

4.4. Benefits. From and after the Effective Date and during the Term, Executive shall be entitled to participate in such pension, profit sharing, group insurance, term life, option plans, hospitalization, and group health benefit plans and all other benefits and plans as the Corporation provides to its senior executives, subject to the terms and conditions of such plans.

4.5. Vacations. Executive shall be entitled to vacation time in accordance with the Corporation's vacation time policy.

4.6. Sick Time. Executive shall be entitled to sick time in accordance with the Corporation's sick time policy.

Section 5. Termination.

5.1. Termination. This Agreement and Executive's employment hereunder shall terminate immediately upon: (i) Executive's death or Total Disability (as defined below); or (ii) termination of Executive's employment by the Corporation For Cause (as defined below); or (iii) termination of Executive's employment by the Corporation other than For Cause; or (iv) a Change in Control Termination (as defined below); or (v) termination of Executive's employment by Executive without Good Reason (as defined below); or (vi) termination of Executive's employment by Executive for Good Reason.

5.2. Termination Upon Death or Total Disability. In the event of a termination upon the death or Total Disability of Executive, the Corporation shall pay to Executive, or any person designated by Executive in writing or, if no such person is designated, to his estate, the Salary which has been earned but unpaid. As used herein, the term "Total Disability" shall mean that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one year.

5.3. Termination For Cause or without Good Reason. In the event Executive's employment is terminated by the Corporation For Cause or by Executive without Good Reason, Executive shall be paid his Salary through the date of termination. As used herein, the term "For Cause" shall mean (i) Executive's failure to perform Executive's material duties hereunder (other than such failure resulting from incapacity due to physical or mental illness); (ii) Executive's substantiated misappropriation of the Corporation's assets or substantiated perpetration of fraud against or proven dishonesty in dealings with the Corporation; (iii) Executive's plea of guilty or nolo contendere to, or conviction in a court of law of, any crime or offense which constitutes a felony, in each case whether or not involving the Corporation; (iv) Executive's willful misconduct; (v) Executive's habitual drunkenness or habitual use of illegal substances; (vi) Executive's failure to cooperate with a governmental or regulatory investigation concerning the Corporation or Executive; (vii) Executive's behavior which is materially detrimental to the Corporation's reputation; (viii) Executive's willful refusal to follow, or reckless disregard of, the policies and directives of the Corporation or the Board; or (ix) Executive's material breach of this Agreement, which material breach, if curable, is not cured within fifteen (15) calendar days after notice thereof by the Corporation. Whether a termination is "For Cause," as such term is defined in this Section 5.3, shall be determined by the Board in its sole discretion. For purposes of this Section 5.3, no act or failure to act by Executive shall be considered "willful" if such act is done by Executive in the good faith belief that such act is or was in the best interests of the Corporation or one or more of its businesses.

5.4. Termination for Good Reason. Executive may terminate this Agreement, upon notice to the Corporation, for Good Reason, which Good Reason is not remedied by the Corporation within thirty (30) calendar days after notice thereof by Executive. The term "Good Reason" shall include any of the following, (i) any assignment to Executive of duties inconsistent with Executive's position of its Executive Vice President, Chief Financial Officer and Chief Administration Officer or which constitutes a significant reduction in authority, responsibilities, or status; (ii) any demotion, including, but not limited to, reporting to someone other than the Chief Executive Officer; (iii) any material reduction in Executive's base salary, or other benefit plans available to executive officers of the Corporation, or the level, amount or value of any accrued benefit; or (iv) any attempted reduction of Executive's bonus potential which is inconsistent with the provisions of this Agreement.

5.5. Termination by the Corporation other than For Cause or by Executive for Good Reason. If, other than as set forth in Section 10.1, Executive's employment is terminated during the Term by the Corporation other than For Cause or by Executive as a result of Good Reason, then the Corporation shall pay to Executive after such termination, subject to his execution and non-revocation of the release described in Section 5.6, severance payments ("Severance") equal to (i) twelve (12) months of Executive's Salary for the year in which the termination for Good Reason occurs plus (ii) the amount of the actual bonus earned by Executive under Section 4.2(a) hereof for the year prior to the year of termination, pro-rated based on the number of days Executive was employed by the Corporation during the year of termination as compared to the total number of days in such year. The Severance shall be paid in a lump sum within thirty (30) days after the Release Effective Date (as defined below), less such deductions as shall be required to be withheld by applicable law and regulations. In addition, if Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), then, subject to his execution and non-revocation of the release described in Section 5.6, the Corporation shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive's eligible dependents. Executive shall be eligible to receive such reimbursement until the earliest of: (x) the twelve (12) month anniversary of the date of Executive's termination of employment; (y) the date Executive is no longer eligible to receive COBRA continuation coverage; or (z) the date on which Executive either receives or becomes eligible to receive substantially similar coverage from another employer.

5.6. Release. Executive agrees that, as a condition to receiving the payments and benefits set forth in Section 5.5 or Section 10.1, as applicable, Executive will execute a release of claims substantially in the form of the release attached hereto as Exhibit A. Within five business days of the date of Executive's termination of employment, the Corporation shall deliver to Executive the release for Executive to execute. Executive will forfeit all rights to the payments and benefits set forth in Section 5.5 or Section 10.1, as applicable, unless, within sixty (60) days of delivery of the release by the Corporation to Executive, Executive executes and delivers the release to the Corporation and such release has become irrevocable by virtue of the expiration of the revocation period without the release having been revoked (the first such date, the "Release Effective Date"). In the event that the Release Effective Date could occur in one of two taxable years of Executive, the Release Effective Date shall be deemed to occur on the earliest date in the later such taxable year as otherwise would apply hereunder. The Corporation shall have no obligation to provide the payments and benefits set forth in Section 5.5 or Section 10.1, as applicable, prior to the Release Effective Date.

Section 6. Confidential Information; Restrictive Covenants.

6.1. Disclosure. Executive hereby acknowledges that he will acquire confidential information concerning the Corporation, its business, products, product development, formulas, research and development, know-how, names and contact information of the Corporation's customers, suppliers, contract manufacturers, and vendors, and the Corporation's current and future business plans and that, among other things, his knowledge of the Corporation's business will be enhanced through his employment by the Corporation. Executive acknowledges that such information is of great value to the Corporation, is the sole property of the Corporation, other than those customers, suppliers, contract manufacturers, and vendors introduced to the Corporation by Executive, and has been and will be acquired by him in confidence.

6.2. Confidentiality. In consideration of the obligations undertaken by the Corporation herein, Executive will not, at any time during or after the Term, directly or indirectly, use for Executive's own benefit or any other party's benefit, or reveal, divulge or make known to any person, any information which is treated as confidential by the Corporation and not otherwise in the public domain. Confidential information shall not include information which was previously known by Executive, information which was given to Executive by any third party under no obligation of confidentiality, or information which Executive is required to disclose as a result of a governmental investigation or by a court order. Executive agrees that all materials or copies thereof containing confidential information of the Corporation in Executive's custody or possession will not, at any time, be removed from the Corporation's premises without the prior written consent of the Board. The parties hereto acknowledge that pursuant to 18 USC § 1833(b), an individual may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The parties hereto further acknowledge that an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

6.3. Restrictive Covenants. Executive recognizes that the services to be performed by him hereunder are special, unique and extraordinary. The parties confirm that it is reasonably necessary for the protection of the Corporation that Executive agrees, and, accordingly, Executive does hereby agree, that he will not, either on Executive's own behalf or as an officer, director, stockholder, partner, principal, consultant, associate, employee, owner, agent, creditor, independent contractor, or co-venturer of any third party or in any other relationship or capacity, directly or indirectly, at any time during his employment and for the Restricted Period (as defined below) solicit, induce, persuade or encourage, or attempt to solicit, induce, persuade or encourage, any individual employed by the Corporation, with whom Executive has worked, to terminate such employee's position with the Corporation, whether or not such employee is a full-time or temporary employee of the Corporation and whether or not such employment is pursuant to a written agreement, for a determined period, or at will. The provisions of this Section 6.3 shall only apply to those individuals employed by the Corporation at the time of solicitation or attempted solicitation.

6.4. Restricted Period. "Restricted Period" shall mean the term following Executive's employment to last for as long as Executive receives Severance or his regular Salary and benefits from the Corporation.

6.5. Modification of Restrictions. If any of the restrictions contained in this Section 6 shall be deemed to be unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then after such restrictions have been reduced so as to be enforceable, in its reduced form this Section shall then be enforceable in the manner contemplated hereby.

Section 7. Work for Hire.

7.1. Executive agrees to make full and prompt disclosure to the Corporation of all inventions, improvements, discoveries, methods, developments, formulas, computer software (and programs and code) and works of authorship, whether or not patentable or copyrightable, which were or are created, made, conceived or reduced to practice by Executive or under Executive's direction or jointly with others during Executive's employment by the Corporation, whether or not during normal working hours or on the premises of the Corporation (all of which are collectively referred to in this Agreement as "Developments").

7.2. Executive agrees to assign and, by executing this Agreement, Executive does hereby assign, to the Corporation (or to any person or entity designated by the Corporation) all of Executive's rights, titles and interests, if any, in and to all Developments and all related patents, patent applications, copyrights and copyright applications. However, this Section 7.2 shall not apply to Developments (i) which do not relate to the present or planned business or research and development of the Corporation and (ii) which are made and conceived by Executive: (A) at a time other than during normal working hours, (B) not on the Corporation's premises and (C) not using the Corporation's tools, devices, equipment or proprietary information. Executive understands that to the extent that the terms of this Agreement shall be construed in accordance with the laws of any state which precludes a requirement in an employment agreement to assign certain classes of inventions made by an employee, this Section 7 shall be interpreted not to apply to any invention which a court rules and/or the Corporation agrees falls within such class or classes. Executive also agrees to waive all claims to moral and/or equitable rights in any Developments.

7.3. Executive agrees to cooperate fully with the Corporation, both during and after Executive's employment with the Corporation, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Developments. Executive agrees that he will sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which the Corporation may deem necessary or desirable in order to protect its rights and interests in any Development. Executive further agrees that if the Corporation is unable, after reasonable effort, to secure Executive's signature on any such papers, any executive officer of the Corporation shall be entitled to execute any such papers as Executive's agent and attorney-in-fact, and Executive hereby irrevocably designates and appoints each executive officer of the Corporation as Executive's agent and attorney-in-fact to execute any such papers on Executive's behalf, and to take any and all actions as the Corporation may deem necessary or desirable, in order to protect its rights and interests in any Development, under the conditions described in this sentence.

Section 8. Conflicts of Interest; Insider Trading.

8.1. Conflicts of Interest. Further, in order to avoid actual or apparent conflicts of interest, except with the Corporation's consent, Executive shall not have any direct or indirect ownership or financial interest in any company, person or entity which is: (i) a service provider to, or vendor of the Corporation; (ii) a customer of the Corporation; or (iii) a competitor of the Corporation. Executive shall not be deemed to have any direct or indirect ownership or financial interest for any such interest that does not exceed five (5%) percent of the issued and outstanding voting securities of any class of any corporation whose voting capital stock is traded on a national securities exchange or in the over-the-counter market.

8.2. General Requirements. Executive shall observe such lawful policies of the Corporation as may from time to time be in effect.

8.3. Insider Trading. Considering that the Corporation is a publicly-traded corporation, Executive hereby agrees that Executive shall comply with the Corporation's Insider Trading Policy and any and all federal and state securities laws, including but not limited to those that relate to non-disclosure of information, insider trading and individual reporting requirements and shall specifically abstain from discussing the non-public aspects of the Corporation's business affairs with any individual or group of individuals (e.g., Internet chat rooms) who does not have a business need to know such information for the benefit of the Corporation. Executive hereby agrees to immediately notify the Corporation's Compliance Officer or Chief Financial Officer in accordance with the Corporation's Insider Trading Policy prior to Executive's acquisition or disposition of Corporation's securities.

Section 9. Indemnification.

9.1. Indemnification. The Corporation hereby agrees to indemnify and hold harmless Executive to the fullest extent permitted by the Corporation's Certificate of Incorporation, By-Laws, the Delaware General Corporation Law or any other applicable law, as any or all may be amended from time to time. Such reimbursements shall include but not be limited to Executive's reasonable and necessary out of pocket expenses including attorneys and expert fees, losses, judgments, claims, and settlement payments and any other such costs and expenses.

9.2. Undertaking. To the extent that the Corporation advances payment for any fees or expenses to Executive pursuant to this Section 9, such advance shall be accompanied by a written undertaking by Executive to repay such amounts if it shall be ultimately determined by a court of competent jurisdiction in a final disposition, that Executive (i) is not entitled to be indemnified by the Corporation or (ii) that the amount advanced exceeded the indemnification to which he is entitled, in which case the amount of such excess shall be repaid to the Corporation.

9.3. Notice. As a condition precedent to his right to be indemnified hereunder, Executive shall give the Corporation notice in writing as soon as practicable of any claim made against him for which indemnity will or could be sought under this Agreement.

9.4. Cooperation. Executive shall fully cooperate with the Corporation in connection with any matter, which results in the assertion of a claim by Executive for indemnification hereunder. The Corporation shall be entitled at its own expense to participate in the defense of any proceeding, claim or action, or, if it shall elect, to assume such defense, in which event such defense shall be conducted by counsel chosen by the Corporation, subject to the consent of Executive, which consent shall not be unreasonably withheld or delayed.

9.5. Exceptions. The Corporation shall not be liable under this Agreement to make any payment in connection with any claim:

(a) For which payment is actually made to Executive under valid and collectable insurance policies, the premiums of which are paid by the Corporation or any of its affiliates, except in respect of any deductible and excess beyond the amount of payment under such insurance;

(b) For which Executive is indemnified by the Corporation otherwise than pursuant to this Agreement, provided such amount has previously been paid to Executive;

(c) Brought about or contributed to by the dishonesty of Executive;

(d) For which Executive fails to cooperate in a criminal or civil investigation involving the claim; and

(e) By Executive who acts as a plaintiff suing the Corporation, its affiliates or directors, officers or shareholders of the Corporation or its affiliates, except with regard to Executive's successful enforcement of Section 9.1 hereof**.**

9.6. Survival. The obligations of the Corporation hereunder will survive (i) any actual or purported termination of this Agreement by the Corporation or its successors or assigns, whether by operation of law or otherwise, (ii) any change in the Corporation's Certificates of Incorporation or By-laws, and (iii) termination of Executive's services to the Corporation or its affiliates (whether such services were terminated by the Corporation, such affiliate or Executive), if such claim arises as a result of an occurrence prior to the termination of this Agreement, whether or not a claim is made or an action or proceeding is threatened or commenced before or after the actual or purported termination of this Agreement, change in the Corporation's Certificate of Incorporation or By-laws, or termination of Executive's services.

Section 10. Change in Control.

10.1. Payment on Change in Control Termination. The Corporation will provide or cause to be provided to Executive the rights and benefits described below if, during the Term, within the three (3) month period prior to and the twelve (12) month period following a Change in Control, (x) Executive terminates his employment for Good Reason, or (y) the Corporation or its successor terminates Executive's employment ("Change in Control Termination"); provided however, that a Change in Control Termination shall not include a termination For Cause or a termination as a result of Executive's death or Total Disability. In the event of a Change in Control Termination during the Term, the Corporation shall pay or cause its successor to pay to Executive, in cash, in a lump sum within thirty (30) days after the Release Effective Date, less such deductions as shall be required to be withheld by applicable law and regulations, and subject to his execution and non-revocation of the release described in Section 5.6, an amount equal to one (1) times Executive's base compensation which equals the sum of the following: (i) Executive's annual Salary on the day preceding the Change in Control Termination, plus (ii) an amount equal to the aggregate bonus received by Executive for the year immediately preceding the Change in Control Termination or if no Bonus had been received, then at minimum fifty percent (50%) of the Target Bonus. In addition, if Executive timely and properly elects continuation coverage under COBRA, then, subject to his execution and non-revocation of the release described in Section 5.6, the Corporation shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive's eligible dependents. Executive shall be eligible to receive such reimbursement until the earliest of: (x) the twelve (12) month anniversary of the date of Executive's termination of employment; (y) the date Executive is no longer eligible to receive COBRA continuation coverage; or (z) the date on which Executive either receives or becomes eligible to receive substantially similar coverage from another employer. In addition, in the event of a Change in Control Termination, subject to Executive's execution and non-revocation of the release described in Section 5.6, any and all outstanding stock options held by Executive shall become fully vested and exercisable. Executive shall have six (6) months to exercise any such stock options following his termination of employment, provided that in no event may Executive exercise a stock option following the original expiration date of such stock option as set forth in the applicable award agreement.

10.2. Change in Control Defined. A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events;

(a) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Corporation representing more than fifty percent (50%) of the total voting power represented by the Corporation's then-outstanding voting securities;

(b) The consummation of the sale or disposition by the Corporation of all or substantially all of the Corporation's assets;

(c) The consummation of a merger or consolidation of the Corporation with or into any other entity, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Corporation or such surviving entity or its parent outstanding immediately after such merger or consolidation; or

(d) Individuals who are members of the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the members of the Board over a period of 12 months; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Corporation's securities immediately before such transaction.

Section 11. Miscellaneous.

11.1. Section 409A. The parties intend for the payments and benefits under this Agreement to be exempt from Section 409A of the Internal Revenue Code ("Section 409A") or, if not so exempt, to be paid or provided in a manner which complies with the requirements of such section, and intend that this Agreement shall be construed and administered in accordance with such intention. Any payments that qualify for the "short-term deferral" exception or another exception under Section 409A shall be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation. All in-kind benefits, reimbursements, and tax-gross-ups (if any) to be provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirements that (x) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year, (y) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (z) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, (i) no amounts payable under this Agreement to Executive on termination of employment shall be paid until Executive would be considered to have incurred a separation from service from the Corporation within the meaning of Section 409A and (ii) amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the Applicable Period (as defined below) shall instead be paid on the first business day after the expiration of the Applicable Period, with interest from the date such amounts would otherwise have been paid at the short-term applicable federal rate, compounded semi-annually, as determined under Section 1274 of the Internal Revenue Code of 1986, as amended, for the month in which payment would have been made but for the delay in payment required to avoid the imposition of an additional rate of tax on Executive under Section 409A. The "Applicable Period" shall be the period commencing on Executive's separation from service and ending on the date that is six (6) months following Executive's separation from service.

11.2. Survival. The provisions of Sections 5, 6.1, 6.2, 6.4, 6.5, 7, 8, 9, 10 and 11 shall indefinitely survive Executive's employment with the Corporation. The provisions of Section 6.3 shall survive for the Restricted Period, as defined therein.

11.3. Injunctive Relief. Executive agrees that any breach or threatened breach by him of Sections 6, 7 or 8 of this Agreement shall entitle the Corporation, in addition to all other legal remedies available to it, to apply to any court of competent jurisdiction to enjoin such breach or threatened breach without proving actual damage or posting a bond or other security. The parties understand and intend that each restriction agreed to by Executive herein shall be construed as separable and divisible from every other restriction, that the unenforceability of any restriction shall not limit the enforceability, in whole or in part, of any other restriction, and that one or more or all of such restrictions may be enforced in whole or in part as the circumstances warrant. In the event that any restriction in this Agreement is more restrictive than permitted by law in the jurisdiction in which the Corporation seeks enforcement thereof, such restriction shall be limited to the extent permitted by law.

11.4. Entire Agreement. This Agreement constitutes and embodies the entire and complete understanding and agreement of the parties with respect to Executive's employment by the Corporation, supersedes all prior understandings and agreements, if any, whether oral or written, between Executive and the Corporation, including, without limitation, the Prior Agreement, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

11.5. Assignment; Binding Effect. Executive may not assign or delegate any of his or duties under this Agreement. This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors and permitted assigns.

11.6. Captions. The captions contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

11.7. Notices. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or sent by fax or certified, mail, postage prepaid, to the party at the address set forth above or to such other address as either party may hereafter give notice of in accordance with the provisions hereof.

11.8. Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of California applicable to contracts made and to be performed therein without giving effect to the principles of conflict of laws thereof. Except in respect of any action commenced by a third party in another jurisdiction, the parties hereto agree that any legal suit, action, or proceeding against them arising out of or relating to this Agreement may be brought in the United States Federal Courts in the State of California or the state courts, in the State of California. By its execution hereof, the parties hereby irrevocably waive any objection and any right of immunity on the ground of venue, the convenience of the forum or the jurisdiction of such courts or from the execution of judgments resulting therefrom. The parties hereby irrevocably accept and submit to the jurisdiction of the aforesaid courts in any such suit, action or proceeding.

11.9. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY ACTION OR PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

11.10. Counterparts. This Agreement may be executed and delivered in counterparts, including by facsimile transmission or portable document format (".pdf"), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

Humanigen, Inc.

By: /s/ Cameron Durrant
Cameron Durrant, President and CEO
Date: August 22, 2018

Executive

By: /s/ Jon G. Jester
Jon G. Jester
Date: August 22, 2018

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
CERTIFICATIONS

I, Cameron Durrant, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Humanigen, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2018

/s/ Cameron Durrant
Cameron Durrant,
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
CERTIFICATIONS

I, Greg Jester, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Humanigen, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2018

/s/ Greg Jester
Greg Jester
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Cameron Durrant, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Humanigen, Inc. for the quarter ended September 30, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Humanigen, Inc.

Date: November 6, 2018

By: /s/ Cameron Durrant
Name: Cameron Durrant
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Greg Jester, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Humanigen, Inc. for the quarter ended September 30, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Humanigen, Inc.

Date: November 6, 2018

By: /s/ Greg Jester
Name: Greg Jester
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)