HEMISPHERX BIOPHARMA INC
Form 10-K
March 19, 2015

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File No. 1-13441

HEMISPHERX BIOPHARMA, INC.
(Exact name of registrant as specified in its charter)

Delaware	52-0845822
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1617 JFK Boulevard, Ste. 500, Philadelphia, Pennsylvania	19103
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (215) 988-0080

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.001 par value

Securities registered pursuant to Section 12(g) of the Act:
(Title of Each Class)
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

Indicate by check mark whether the registrant (1) has filed all reports 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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): ¨Large accelerated filer ¨Accelerated filer ¨Non-accelerated filer ýSmaller Reporting Company ¨

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

The aggregate market value of Common Stock held by non-affiliates at June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter was $57,685,937.

The number of shares of the registrant's Common Stock outstanding as of March 1, 2015 was 215,095,559.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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PART IV

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K (the "Form 10-K"), including statements under "Item 1-Business," "Item 1A-Risk Factors" and "Item 3-Legal Proceedings" in PART I and "Item 7-Management's Discussion and Analysis of Financial Condition and Result of Operations" in PART II, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995 (collectively, the "Reform Act"). Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "should", or "anticipates" or the negat thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. All statements other than statements of historical fact included in this Form 10-K regarding our financial position, business strategy and plans or objectives for future operations are forward-looking statements.

Among the factors that could cause actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties inherent in our business including, without limitation: the potential therapeutic effect of our products, the possibility of obtaining regulatory approval, our ability to manufacture and sell any products, our ability to enter into arrangements with third party vendors, market acceptance or our products, our ability to earn a profit from sales or licenses of any drugs, our ability to discover new drugs in the future, changing market conditions, changes in laws and regulations affecting our industry, and issues related to the improvements and construction at of our New Brunswick, New Jersey facility. We have disclosed that in February 2013, we received a Complete Response from the FDA declining to approve our Ampligen® New Drug Application ("NDA") for Chronic Fatigue Syndrome Treatment ("CFS") stating that we should conduct at least one additional clinical trial, complete various nonclinical studies and perform a number of data analyses. Accordingly, the remaining steps to potentially gain FDA approval of the Ampligen® NDA, the final results of these and other ongoing activities could vary materially from our expectations and could adversely affect the chances for approval of the Ampligen® NDA. These activities and the ultimate outcomes are subject to a variety of risks and uncertainties, including but not limited to risks that (i) the FDA may ask for additional data, information or studies to be completed or provided; and (ii) the FDA may require additional work related to the commercial manufacturing process to be completed or may, in the course of the inspection of manufacturing facilities, identify issues to be resolved. With regard to our New Drug Application ("NDA") for Ampligen® to treat Chronic Fatigue Syndrome ("CFS"), we note that there are additional steps which the FDA has advised Hemispherx to take in our seeking approval. The final results of these and other ongoing activities, and of the FDA review, could vary materially from Hemispherx' expectations and could adversely affect the chances for approval of the Ampligen® NDA. Any failure to satisfy the FDA's requirements could significantly delay, or preclude outright, approval of our drugs for commercial sale. We recently completed our $8 million facility enhancement project which should provide for a higher capacity, more cost effective manufacturing process for the production of Alferon N Injection®. Commercial sales of Alferon® will not resume until new batches of commercial filled and finished product are produced and released by the FDA. We are continuing the validation of Alferon® production. The production of new Alferon® API inventory commenced in February 2015. While the facility is approved by the FDA under the Biological License Application ("BLA") for Alferon®, this status will need to be reaffirmed by an FDA pre-approval inspection. We will also need FDA's approval to release commercial product once we have submitted satisfactory stability and quality release data. Assuming we commence production of inventory in February 2015, we anticipate that it will take approximately until at least the 2nd half of 2015 before we will have Alferon® approved for commercial sales; however, we are in preparation to manufacture Alferon that could possibly be available for emergency use as soon as the first half of 2015. If we are unable to gain the necessary FDA approvals related to the manufacturing process and/or final product of new Alferon® inventory, our operations most likely will be materially and/or adversely affected. In light of these contingencies, there can be no assurances that the approved Alferon N Injection® product will be returned to production on a timely basis, if at all, or that if and when it is again made commercially available, it will return to prior sales levels.

Our overall objectives include plans to continue seeking approval for commercialization of Ampligen® in the United States and abroad as well as to widen existing commercial therapeutic indications of Alferon N. Injection® presently approved in the United States and Argentina. In addition, we have formed collaborations with multiple research laboratories around the world to examine Ampligen®, an experimental therapeutic, and Alferon N, an FDA-approved commercial product (for refractory venereal warts (HPV)) as potential preventatives for, and treatments of, Ebola Virus Disease (EVD). Our ability to commercialize our products, widen commercial therapeutic indications of Alferon N. Injection® and/or capitalize on our collaborations with research laboratories to examine our products as potential preventatives for, and treatments of, EVD are subject to a number of significant risks and uncertainties including, but not limited to our ability to enter into more definitive agreements with some of the research laboratories and others that we are collaborating with, to fund and conduct additional testing and studies, whether or not such testing is successful or requires additional testing and to the requirements of the FDA and comparable foreign regulatory agencies. We do not know when, if ever, our products will be generally available for commercial sale for any indication.

We outsource certain components of our manufacturing, quality control, marketing and distribution while maintaining control over the entire process through our quality assurance and regulatory groups. We cannot provide any guarantee that the facility or our contract manufacturer will necessarily pass an FDA pre-approval inspection for Alferon® manufacture.

We do not undertake and specifically decline any obligation to publicly release the results of any revisions which may be made to any forward-looking statement to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

PART I

ITEM 1. Business

GENERAL

Hemispherx Biopharma, Inc. and its subsidiaries (collectively, “Hemispherx”, “Company”, “we or “us”) are a specialty pharmaceutical company headquartered in Philadelphia, Pennsylvania and engaged in the clinical development of new drug therapies based on natural immune system enhancing technologies for the treatment of viral and immune based disorders. We were founded in the early 1970s doing contract research for the National Institutes of Health. Since that time, we have established a strong foundation of laboratory, pre-clinical and clinical data with respect to the development of natural interferon and nucleic acids to enhance the natural antiviral defense system of the human body and to aid the development of therapeutic products for the treatment of certain chronic diseases. We have three domestic subsidiaries BioPro Corp., BioAegean Corp., and Core BioTech Corp., all of which are incorporated in Delaware and are dormant. Our foreign subsidiary is Hemispherx Biopharma Europe N.V./S.A. established in Belgium in 1998. All significant intercompany balances and transactions have been eliminated in consolidation.

Our flagship products include Alferon N Injection® and the experimental therapeutic Ampligen®. Alferon N Injection® is approved for a category of STD infection, and Ampligen® represents an experimental RNA being developed for globally important viral diseases and disorders of the immune system. Hemispherx' platform technology includes components for potential treatment of various severely debilitating and life threatening diseases. Alferon® LDO (Low Dose Oral) is a formulation under development targeting influenza.

In September 2014, we initiated a series of collaborations designed to determine the potential effectiveness of Alferon® N and Ampligen® as potential preventative and/or therapeutic treatments for Ebola related disorders. Our two platform drugs Alferon® N and Ampligen®, have certain unique structural attributes and developmental histories which suggest potential incremental value with respect to inclusion in various Ebola therapeutic cocktails under development. Ampligen®, an experimental therapeutic, is a new class of specifically-configured ribonucleic acid (RNA) compounds targeted as potential treatment of diseases with immunologic defects and/or viral causation. Ebola virus specifically inhibits the dsRNA within cells via a sequestration process. Such RNA would otherwise cause a robust antiviral response to be mounted: Ampligen may be able to overcome this deficiency in host response. Positive results against Ebola in vitro have been reported to the Company by the United States Army Medical Research Institute of Infectious Diseases (USAMRIID) and other research/academic institutions. Clinical trial data will be necessary to establish human efficacy of Ampligen® for Ebola viruses. Please see the discussion in "Ebola" below for more detail.

We own and operate a 43,000 sq. ft. FDA approved facility in New Brunswick, NJ to produce Alferon® and Ampligen® and recently completed our $8 million facility enhancement project which should provide for a higher capacity, more cost effective manufacturing process for the production of Alferon N Injection®. Please see ”Manufacturing” section below for more information on the recommencement of commercial sales of Alferon®. Approximately $7,337,000 has been spent on the project through December 31, 2014.

On February 1, 2013, we received a Complete Response Letter (“CRL”) from the FDA declining to approve our NDA for Ampligen® for Chronic Fatigue Syndrome ("CFS"). Please see the discussion in "Our Products - Ampligen®" below for more detail.

Our principal executive office is located at One Penn Center, 1617 JFK Boulevard, Philadelphia, Pennsylvania 19103, and our telephone number is 215-988-0080.

AVAILABLE INFORMATION

We file our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K pursuant to Section 13(a) or 15(d) of the Exchange Act electronically with the Securities and Exchange Commission, or SEC. The public may read or copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is

http://www.sec.gov.

You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports on the day of filing with the SEC on our website on the World Wide Web at http://www.hemispherx.net under the Investor Relations tab for SEC Filings or by contacting the Investor Relations Department by calling (518) 398-6222 or sending an e-mail message to ir@hemispherx.net.

OUR PRODUCTS

Our primary pharmaceutical product platform consists of our experimental compound, Ampligen®, our FDA approved natural interferon product, Alferon N Injection®, and our experimental liquid natural interferon for oral administration, Alferon® LDO (Low Dose Oral).

Ampligen®

Ampligen® is an experimental drug currently undergoing clinical development for the treatment of CFS. As noted above and discussed below, the FDA in its recent CRL declined to approve our NDA for the treatment of CFS with Ampligen®. Over its developmental history, Ampligen® has received various designations, including Orphan Drug Product Designation (FDA), Treatment IND (e.g., treatment investigational new drugs, or "Emergency" or "Compassionate" use authorization) with Cost Recovery Authorization (FDA) and "promising" clinical outcome recognition based on the evaluation of certain summary clinical reports ("AHRQ" or Agency for Healthcare Research and Quality). Ampligen® represents the first drug in the class of large (macromolecular) RNA (nucleic acid) molecules to apply for NDA review. Based on the results of published, peer reviewed pre-clinical studies and clinical trials, we believe that Ampligen® may have broad-spectrum anti-viral and anti-cancer properties.

We believe that nucleic acid compounds represent a potential new class of pharmaceutical products as they are designed to act at the molecular level for treatment of human diseases. There are two forms of nucleic acids, DNA and RNA. DNA is a group of naturally occurring molecules found in chromosomes, the cell's genetic machinery. RNA is a group of naturally occurring informational molecules which orchestrate a cell's behavior which, in turn, regulates the action of groups of cells, including the cells which compromise the body's immune system. RNA directs the production of proteins and regulates certain cell activities including the activation of an otherwise dormant cellular defense against viruses and tumors. Our drug technology utilizes specifically-configured RNA. Our double-stranded RNA drug product, trademarked Ampligen®, is an experimental, unapproved drug, that would be administered intravenously. Ampligen® has been assigned the generic name rintatolimod by the United States Adopted Names Council (USANC) and has the chemical designation poly(I) poly($C_{12}U$).

Clinical trials of Ampligen® already conducted by us include studies of the potential treatment of CFS, Hepatitis B, HIV and cancer patients with renal cell carcinoma and malignant melanoma. All of these potential uses will require additional clinical trials to generate the safety and effectiveness data necessary to support regulatory approval.

In May 1997, the FDA approved an open-label treatment protocol, ("AMP 511"), allowing patient access to Ampligen® for treatment in an open-label safety study under which severely debilitated CFS patients have the opportunity to be on Ampligen® to treat this very serious and chronic condition. The data collected from the AMP 511 protocol through a consortium group with active clinical sites in New York City, NY, Charlotte, NC, Miami, FL, Incline Village, NV and Salt Lake City, UT, provide safety information regarding the use of Ampligen® in patients with CFS. As of December 31, 2014, there were 49 patients participating in this open label treatment protocol with 23 taking treatment, 8 on drug holiday and 18 untreated. We are establishing an enlarged data base of clinical safety information which we believe will provide further documentation regarding the absence of autoimmune disease associated with Ampligen® treatment. We believe that continued efforts to understand existing data, and to advance the development of new data and information, will ultimately support our future filings for Ampligen® and/or the design of future clinical studies.

On February 1, 2013, we received a CRL from the FDA declining to approve our New Drug Application ("NDA" for Ampligen® for CFS. In its CRL, the FDA communicated that Hemispherx should conduct at least one additional clinical trial, complete various nonclinical studies and perform a number of data analyses. The additional clinical study should address, among other things, Ampligen®'s efficacy in treating CFS patients, be of sufficient size and duration to assess the safety of Ampligen® and be sufficient to determine appropriate dosing. The FDA set forth the reasons for this action and provided recommendations to address certain of the outstanding issues. The FDA stated that the submitted data does not provide substantial evidence of efficacy of Ampligen® for the treatment of CFS and that the data does not provide sufficient information to determine whether the product is safe for use in CFS due to the limited size of the safety database and multiple discrepancies within the submitted data. In addition to the safety and effectiveness issues recommended to be addressed in at least one additional clinical trial, the CRL states that

Hemispherx should conduct complete rodent carcinogenicity studies in two species prior to approval and also conduct additional animal toxicology studies providing more comprehensive evaluation of Ampligen® fragments and degradation products. The CRL also requests evaluation of variation between lots of Ampligen® tested in the development process and recommends tighter control of the Ampligen® manufacturing process.

In response to the CRL, we continue to plan to avail ourselves of the opportunity for an “end-of-review” meeting with representatives of the Office of Drug Evaluation II which issued the CRL, in order to clarify and seek to narrow the outstanding issues regarding the further development of Ampligen® for the treatment of CFS.

FDA regulations provide a formal dispute resolution process to obtain review of any FDA decision, including a decision not to approve an NDA, by raising the matter with the supervisor of the FDA office that made the decision. The formal dispute

resolution process exists to encourage open, prompt discussion of scientific (including, medical) disputes and procedural (including, administrative) disputes that arise during the drug development, new drug review, and post-marketing oversight processes of the FDA. Depending on the outcome of a number of initiatives in the CFS community, including the FDA's Patient Focused Drug Development Initiatives, forthcoming drug guidance and other scientific initiatives by the Institute of Medicine, Center for Disease Control and National Institute of Health, we will continue to examine the opportunity for an "end-of-review" meeting. Depending on the results of these initiatives, we may request an "end-of-review" conference with the FDA as a precursor to a possible submission of a formal appeal to the Office of New Drugs within the FDA's Center for Drug Evaluation and Research regarding the FDA's decision. Please see "Risks Associated With Our Business" in Item 1A. Risk Factors below.

Until we undertake the end-of-review conference(s) with the FDA, we are unable to reasonably estimate the nature, costs, necessary efforts to obtain FDA clearance or anticipated completion dates of any additional clinical study or studies. Utilizing the industry norms for undertaking a Phase III clinical study, we estimate upon acceptance of the study's design that it would take approximately 18 months to three years to complete a new well-controlled Ampligen® clinical study for resubmission to the FDA. Industry norms suggest that it will require three to six months to initiate the study, one to two years to accrue and test patients, three to six months to close-out the study and file the necessary documents with the FDA. The actual duration to complete the clinical study may be different based on the length of time it takes to design the study and obtain FDA's acceptance of the design, the final design of an acceptable Phase III clinical study design, availability of suitable participants and clinical sites along with other factors that could impact the implementation of the study, analysis of results or requirements of the FDA and/or other governmental organizations. We anticipate that the time and cost to undertake clinical trial(s), studies and data analysis are beyond our current financial resources without gaining access to additional funding. Please see "Part I; Item 1A, Risk Factors: "We may require additional financing which may not be available. The limitation on the number of shares of common stock available for financing without prior stockholder approval eventually may hinder our ability to raise additional funding".

In January 2015, we reported that we have conducted new in vitro studies of natural killer (NK) cells obtained from CFS patients in conjunction with a comprehensive review of the medical literature to determine the relative incidence of NK cell functional deficiencies in CFS disease. This review indicates that low NK cell cytotoxicity (NKCC) has been consistently reported in CFS patients compared to normal controls. In the new laboratory studies, Ampligen® was found to increase in vitro NK activity utilizing cells from CFS patient donors. The authors of the new report are all affiliated with Hemispherx.

On July 12, 2012, we filed a new drug application for Ampligen® with the ANMAT (Administracion Nacional de Medicamentos, Alimentos y Tecnologia Medica), the agency responsible for the national regulation of drugs, foods and medical technology in Argentina, under the ANMAT's Orphan Drug regulations. We believe that the approval of Ampligen® as an Orphan Drug may allow reimbursement by the Health Services Authority (SSS), the central health authority in Argentina for patients seeking treatment for CFS.

See "Manufacturing" and "Marketing/Distribution" sections below for more details on the manufacture and marketing/distribution of Ampligen®.

Alferon N Injection®

Alferon N Injection® is the registered trademark for our injectable formulation of natural alpha interferon, which was approved by the FDA in 1989 for the treatment of certain categories of genital warts. Alferon® is the only natural-source, multi-species alpha interferon currently approved for sale in the U.S. for the intralesional (within lesions) treatment of refractory (resistant to other treatment) or recurring external genital warts in patients 18 years of age or older. Certain types of human papilloma viruses ("HPV") cause genital warts, a sexually transmitted disease ("STD"). The U.S. Centers for Disease Control and Prevention ("CDC") estimates that "approximately twenty million Americans are currently infected with HPV with another six million becoming newly infected each year. HPV is so common that at least 50% of sexually active men and women get it at some point in their lives." Although they do not usually result in death, genital warts commonly recur, causing significant morbidity and entail substantial health care costs.

Interferons are a group of proteins produced and secreted by cells to combat diseases. Researchers have identified four major classes of human interferon: alpha, beta, gamma and omega. Alferon N Injection® contains a multi-species form of alpha interferon. The world-wide market for injectable alpha interferon-based products has experienced rapid growth and various alpha interferon injectable products are approved for many major medical uses worldwide. Alpha interferons are manufactured commercially in three ways: by genetic engineering, by cell culture, and from human white blood cells. All three of these types of alpha interferon are or were approved for commercial sale in the U.S. Our natural alpha interferon is produced from human white blood cells.

The potential advantages of natural alpha interferon over recombinant (synthetic) interferon produced and marketed by other pharmaceutical firms may be based upon their respective molecular compositions. Natural alpha interferon is composed of a family of proteins containing many molecular species of interferon. In contrast, commercial recombinant alpha interferon products each contain only a single species. Researchers have reported that the various species of interferons may have differing antiviral

activity depending upon the type of virus. Natural alpha interferon presents a broad complement of species, which we believe may account for its higher activity in laboratory studies. Natural alpha interferon is also glycosylated (partially covered with sugar molecules). Such glycosylation is not present on the currently U.S. marketed recombinant alpha interferons. We believe that the absence of glycosylation may be, in part, responsible for the production of interferon-neutralizing antibodies seen in patients treated with recombinant alpha interferon. Although cell culture-derived interferon is also composed of multiple glycosylated alpha interferon species, the types and relative quantity of these species are different from our natural alpha interferon.

Alferon N Injection® [Interferon alfa-n3 (human leukocyte derived)] is a highly purified, natural-source, glycosylated, multi-species alpha interferon product. There are essentially no neutralizing antibodies observed against Alferon N Injection® to date and the product has a relatively low side-effect profile. The recombinant DNA derived alpha interferon formulations have been reported to have decreased effectiveness after one year, probably due to neutralizing antibody formation.

See "Manufacturing" and "Marketing/Distribution" sections below for more details on the manufacture and marketing/distribution of Alferon N Injection®.

Alferon® LDO (Low Dose Oral)

Alferon® LDO [Low Dose Oral Interferon Alfa-n3 (Human Leukocyte Derived)] is an experimental low-dose, oral liquid formulation of Natural Alpha Interferon and like Alferon N Injection®, should not cause antibody formation, which is a problem with recombinant interferon. It is an experimental immunotherapeutic believed to work by stimulating an immune cascade response in the cells of the mouth and throat, enabling it to bolster systemic immune response through the entire body by absorption through the oral mucosa. Oral interferon could be economically feasible for patients and logistically manageable globally for development programs for prevention and, or treatment of pandemic influenza, seasonal influenza and other emerging viruses. Oral administration of Alferon® LDO, with its anticipated affordability, low toxicity, no production of antibodies, and broad range of potential bioactivity, could be a breakthrough treatment or prevention for viral diseases.

Hemispherx currently has an FDA authorized protocol to conduct a Phase II, double-blind, adaptive-design, randomized, placebo-controlled, dose-ranging study of Alferon® LDO for the prophylaxis and treatment of seasonal influenza of more than 200 subjects. Our Phase II study has continued to be delayed as we have redirected many of our resources to complete the upgrades in the New Brunswick facility.

HISTORICAL COSTS RELATED TO OUR PRODUCTS

The following table sets forth the costs related to our major products for each of the prior three years. Our aggregate expenses from the time that we first started developing nucleic acid pharmaceutical technology in the mid 1980's through March 2003 were substantially related to the development of Ampligen®, and from that date through the current period were substantially related to Ampligen® and Alferon®.

(dollars in thousands)

Year Ended December 31, 2014

Costs and Expenses

	Ampligen® NDA	Alferon N Injection®	Alferon® LDO	Other	Total
Production costs	$—	$1,251	$—	$—	$1,251
Research and development	3,650	4,107	1,231	—	8,988
General and administrative	3,229	4,739	1,089	—	9,057
Total	$6,879	$10,097	$2,320	$—	$19,296

	(dollars in thousands) Year Ended December 31, 2013				
Costs and Expenses					
	Ampligen® NDA	Alferon N Injection®	Alferon® LDO	Other	Total
Production costs	$—	$1,234	$—	$—	$1,234
Research and development	4,962	—	3,173	225	8,360
General and administrative	3,994	993	2,554	182	7,723
Total	$8,956	$2,227	$5,727	$407	$17,317

	(dollars in thousands) Year Ended December 31, 2012				
Costs and Expenses					
	Ampligen® NDA	Alferon N Injection®	Alferon® LDO	Other	Total
Production costs	$—	$1,989	$—	$—	$1,989
Research and development	6,775	—	2,245	488	9,508
General and administrative	5,337	1,567	1,768	384	9,056
Total	$12,112	$3,556	$4,013	$872	$20,553

PATENTS AND NON-PATENT EXCLUSIVITY RIGHTS

As of December 31, 2014, we had 25 patents worldwide with 27 additional pending patent applications comprising our intellectual property. Please see “Note 5: Patents, Trademark Rights and Other Intangibles (FASB ASC 350 General Intangibles Other than Goodwill)” under Notes To Consolidated Financial Statements for more information on these patents.

We continually review our patents’ rights to determine whether they have continuing value. Such review includes an analysis of the patent’s ultimate revenue and profitability potential. In addition, Management’s review addresses whether each patent continues to fit into our strategic business plans for Ampligen®, Alferon N Injection® and Alferon® LDO. One U.S. patent relating to our Alferon® product expired on April 2, 2013 (#5,503,828) and another on October 14, 2014 (#5,676,942) (see discussion below on patent #5,503,828 and #5,676,942). One Alferon® patent also expires on December 22, 2017 (#5,989,441).

In 2014, we filed for three new patents that are currently pending. One patent pending is for use of Ampligen as a vaccine adjuvant for use with seasonal influenza vaccine to induce an enhanced immune response. The second is for use of Ampligen as a method of diagnosing and stabilizing CFS symptoms in patients. The third is for use of Alferon N Injection® as a possible treatment for Oseltamivir Resistant Avian Origin Influenza A (H7N9 virus). In 2013, we were granted four new patents, one in Singapore for the use of Ampligen to initiate innate immunity and to treat or prevent viral infections and tumors, and three for the use of Alferon LDO to treat bacterial or protozoan infections in Australia, New Zealand and Singapore. In 2012, we were granted two new patents, one in Australia and the other in New Zealand, both for the use of Ampligen to initiate innate immunity and to treat or prevent viral infections and tumors.

Alferon® composition patent #5,503,828, which expired in April 2013, relates to the manufacturing process for Alferon® Active Pharmaceutical Ingredient (“API”), a complex mixture of natural interferon species that is manufactured from human leukocytes obtained from human blood donors. In addition, while it is the current standard by the FDA to treat biological drug products like interferon as “Well Characterized” biologics, a process for which chemical entities can have their identity, purity, impurities, potency, and quality controlled by chemical testing, Alferon®, as a natural interferon, does not lend itself well to such testing. Moreover, FDA continues to require that each lot or Alferon we produce be tested and released by the FDA before it can be distributed for commercial sales. Because of the complexity of the Alferon manufacturing process and these additional regulatory requirements, we

believe that potential manufacturers of generic, or so-called “bio-similar,” drug products are focused on developing recombinant interferon products, rather than natural interferon products. For these reasons, we believe the expiration of this Alferon® composition patent in April 2013 should have no or little impact on the Company. Additionally at the completion of the facility enhancement and receipt of the FDA certification for the revised Alferon® manufacturing process and techniques in New Brunswick, NJ, it is our intention to file for additional patent protection.

Alferon® patent #5,676,942 which expired on October 14, 2014, relates to a manufacturing methodology which is no longer in use. For this reason, we believe the expiration of this Alferon® patent should have no impact on the Company.

With respect to Ampligen®, the main U.S. CFS treatment patent (#6,130,206) expires October 10, 2017. Our main patents covering HIV treatment (#4,820,696, #5,063,209, and #5,091,374) expired on April 11, 2006, November 5, 2008, and February 25, 2009, respectively. Our U.S. Ampligen® Trademark (#73/617,687) has been renewed through December 6, 2018. New therapeutic use patent applications are pending including new patent applications for composition of alternative matter.

On May 13, 2014, the United States Patent Office issued patent U.S. 8,722,874 titled “Double-Stranded Ribonucleic Acids with Rugged Physiochemical Structure and Highly Specific Biologic Activity” to inventors Carter, et al. and assignee Hemispherx Biopharma, Inc. The patent claims a novel form of rugged dsRNA. Rugged dsRNA are nucleic acids with a unique composition and physical characteristic identified with high specificity of binding to Toll-Like Receptor 3 (TLR3), thereby conveying an important range of therapeutic opportunities. The newly discovered form of dsRNA has increased bioactivity and binding affinity to the TLR 3 receptor because of its reduced tendency to form branched dsRNA which can inhibit receptor binding. Pharmaceutical formulations containing the newly discovered nucleic acid as active ingredients, and methods of treatment with those formulations are also described in the issued patent. The issuance of U.S. Patent 8,722,874 will help ensure that Hemispherx Biopharma retains patent protection for novel formulations of Ampligen® products until at least 2029.

In addition to our patent rights relating to Ampligen®, the FDA has granted “orphan drug status” to the drug for CFS, HIV/AIDS, and renal cell carcinoma and malignant melanoma. Orphan drug status grants us protection against the potential subsequent approval of other sponsors’ versions of the drug for these uses for a period of seven years following FDA approval of Ampligen® for each of these designated uses. The first NDA approval for Ampligen® as a new chemical entity will also qualify for four or five years of non-patent exclusivity during which abbreviated new drug applications seeking approval to market generic versions of the drug cannot be submitted to the FDA. (See “GOVERNMENT REGULATION” below.)

In May 2011, a new United States Patent was granted for the use of Ampligen® as a vaccine adjuvant for use with seasonal influenza vaccine to induce an enhanced immune response against H5N1 avian influenza.

RESEARCH AND DEVELOPMENT (“R&D”)

Our general focus during the past three fiscal years has been on the clinical development of new drug therapies based on natural immune system enhancing technologies for the treatment of viral and immune based disorders.

The following table summarizes our research and development costs for the years 2014, 2013 and 2012 by project (in thousands):

	2014	2013	2012
Ampligen® New Drug Application for the treatment of Chronic Fatigue Syndrome	$3,650	$4,962	$6,775
Alferon® LDO	1,231	3,173	2,245
Alferon N Injection®	4,107	—	—
Other projects	—	225	488
Total research and development	$8,988	$8,360	$9,508

Due to the inherent uncertainty involved in the design and conduct of clinical trials and the applicable regulatory requirements, including the factors discussed above in “OUR PRODUCTS”, we cannot predict what additional studies and/or additional testing or information may be required by the FDA. Accordingly, we are unable to estimate the nature, timing, costs and necessary efforts to complete these projects nor the anticipated completion dates. In addition, we have no basis for estimating when material net cash inflows may commence. We have yet to generate significant revenues from the sale of these developmental products. As of December 31, 2014, we had approximately $16,108,000 in Cash, Cash Equivalents and Marketable Securities, (inclusive of approximately $13,952,000 in Marketable Securities). Please see ITEM 1A. Risk Factors; “We may require additional financing which may not be available” below.

In its CRL, the FDA communicated that Hemispherx should conduct at least one additional clinical trial, complete various nonclinical studies and perform a number of data analysis. Until we undertake the end-of-review conference(s) with the FDA, we are unable to reasonably estimate the nature, costs, necessary efforts to obtain FDA clearance or anticipated completion dates of any additional clinical study or studies. Utilizing the industry norms for undertaking a Phase III clinical study, we estimate upon acceptance of the study's design that it would take approximately 18 months to three years to complete a new well-controlled Ampligen® clinical study for resubmission to the FDA. It can be reasonably anticipated that the time and cost to undertake clinical trial(s), studies and data analysis are beyond our current financial resources without gaining access to additional funding. The

actual duration to complete the clinical study may be different based on the length of time it takes to design the study and obtain FDA's acceptance of the design, the final design of an acceptable Phase III clinical study design, availability of suitable participants and clinical sites along with other factors that could impact the implementation of the study, analysis of results or requirements of the FDA and/or other governmental organizations. Please see "We most likely will require additional financing which may not be available. The limitation on the number of shares of common stock available for financing without prior stockholder approval eventually may hinder our ability to raise additional funding." in Item 1A. Risk Factors below.

Chronic Fatigue Syndrome ("CFS")

Chronic Fatigue Syndrome ("CFS"), also known as Chronic Fatigue Immune Dysfunction Syndrome ("CFIDS") and Myalgic Encephalomyelitis ("ME") is a serious and debilitating chronic illness and a major public health problem. CFS is recognized by both the government and private sector as a major health problem, including the U.S. National Institutes of Health ("NIH"), FDA and the CDC. The CDC states on its website at http://www.cdc.gov/cfs/index.html that "Chronic fatigue syndrome, or CFS, is a devastating and complex disorder characterized by overwhelming fatigue that is not improved by bed rest and that may be worsened by physical or mental activity. People with CFS most often function at a significantly lower level of activity than they were capable of before the onset of illness."

Many severe CFS patients become completely disabled or totally bedridden and are afflicted with severe pain and mental confusion even at rest. CFS is characterized by incapacitating fatigue with profound exhaustion and extremely poor stamina, sleep difficulties and problems with concentration and short-term memory. It is also accompanied by flu-like symptoms, pain in the joints and muscles, tender lymph nodes, sore throat and new headaches. A distinctive characteristic of the illness is a worsening of symptoms following physical or mental exertion, which do not subside with rest.

For their Case Definition, the CDC states that the cause or causes of CFS have not been identified and no specific diagnostic tests are available. Therefore, in order to be diagnosed with chronic fatigue syndrome, a patient must satisfy three criteria:

1. The individual has had severe chronic fatigue for six or more consecutive months that is not due to ongoing exertion or other medical conditions associated with fatigue (these other conditions need to be ruled out by a doctor after diagnostic tests have been conducted);
2. The fatigue significantly interferes with daily activities and work; and
3. The individual concurrently has four or more of the following eight symptoms:

- post-exertion malaise lasting more than twenty-four hour;
- unrefreshing sleep;
- significant impairment of short-term memory or concentration;
- muscle pain;
- pain in the joints without swelling or redness;
- headaches of a new type, pattern, or severity;
- tender lymph nodes in the neck or armpit; or
- a sore throat that is frequent or recurring.

These symptoms should have persisted or recurred during six or more consecutive months of illness and they cannot have first appeared before the fatigue.

Because no cause for CFS has been identified, current treatment programs are directed at relieving symptoms, with the goal of the patient regaining some level of function and well-being. Diagnosis of CFS is a time-consuming and challenging process for which there is no FDA approved diagnostic test or biomarker to clearly identify the disorder. Diagnosis is primarily arrived at by taking a patient's medical history, completing a physical exam and lab tests to rule out other conditions and excluding other illnesses with similar symptoms and comparing a patient's symptoms with the case definition. Overlapping symptoms can occur with several diseases, such as fibromyalgia, Gulf War Illnesses, chronic Lyme disease and multiple chemical sensitivities. Many diseases have similar symptoms including Lupus and Lyme disease which may closely mimic CFS that need to be considered when making a diagnosis to rule them out. If

there are no abnormal test results or other physical ailments identified, clinicians can use standardized tests to quantify the level of fatigue and evaluate symptoms. Diagnosis can be complicated by the fact that the symptoms and severity of CFS vary considerably from patient to patient. New diagnostic approaches to possibly accelerate the identification of CFS are being developed.

When she served as director of the CDC, Dr. Julie Gerberding stated that "The CDC considers Chronic Fatigue Syndrome to be a significant public health concern and we are committed to research that will lead to earlier diagnosis and better treatment of the illness." A variety of studies by the CDC and others have shown that between 1 and 4 million Americans suffer from CFS.

In June 2012, U.S. Senators Robert P. Casey, Richard Blumenthal and Kay R. Hagan sent a letter to Health and Human Services Secretary Kathleen Sebelius requesting the FDA hold a stakeholders meeting on CFS. Senators Casey and Hagan serve on the Committee on Health, Education, Labor & Pensions, which has Congressional oversight responsibility for FDA. The letter stated, "CFS/ME represents a significant unmet medical need, one that confers on patients a lifetime of illness. A stakeholder meeting would be of great benefit, as it would offer an opportunity to examine existing treatment protocols known to FDA, address how risk/benefit determinations should be made in relation to CFS/ME treatments and identify a path forward for regulatory science in this area."
While CFS strikes people in all age, racial, ethnic, and socioeconomic groups, it is most prevalent amongst women. Research has shown that CFS is about three times as common in women as men, a rate similar to that of many autoimmune diseases, such as multiple sclerosis and lupus.

Other Diseases
In July 2011, we received FDA authorization to proceed with the initiation of a new clinical trial of intranasal Ampligen® to be used in conjunction with commercially approved seasonal influenza vaccine. On April 16, 2012, a clinical trial was initiated in which Ampligen® is being nasally administered in conjunction with FluMist® to healthy human volunteers at the University of Alabama at Birmingham under the auspices of Dr. Paul Goepfert, Associate Professor of Medicine in the Division of Infectious Diseases and Director of the Alabama Vaccine Research Clinic. This study is a first use of Ampligen® with a seasonal vaccine in humans to assess the safety of Ampligen® when nasally delivered as a vaccine adjuvant. Another objective of this study is to determine the extent to which Ampligen® mobilizes potential protections against pandemic influenza by utilization of a seasonal flu vaccine. The study will evaluate the potential immunologic enhancement of Ampligen® by comparing immune parameters in the group receiving Ampligen® plus FluMist® with another group receiving FluMist® plus placebo. We intend to conduct a broad array of immune tests to compare the immune response for both its magnitude and breadth. It is our objective to qualify and enroll 72 patients for this clinical trial. Enrollment in this study was expanded in December 2013 based on an analysis of safety results to date conducted by both the FDA and a Data Monitoring Committee, the latter group comprised of a team of independent clinical, basic research, and statistical professionals. Enrollment of additional subjects into Stage 2 began in March 2014 and 25 subjects have been enrolled; 12 in Stage 1 and 13 subjects in Stage 2.
In June 2011, we entered into a Material Transfer and Research Agreement with the University of Pennsylvania's School of Medicine to provide Ampligen® for testing as a vaccine adjuvant in a human clinical study in ovarian cancer. This study is a Phase I/II randomized clinical trial for subjects with recurring ovarian, fallopian tube or primary peritoneal cancer to determine the feasibility and safety as well as immunogenicity of a vaccine comprised of autologous oxidized tumor cell lysate ("OC-L") administered by intradermal/subcutaneous injection in combination with intravenous Ampligen®. The OC-L vaccine is an experimental cancer immunotherapy under development by the University of Pennsylvania. This study represents the first use of Ampligen® as a cancer vaccine adjuvant in a randomized clinical study with and without Ampligen®. As of December 31, 2013, three patients have participated in this study. Further treatment of the existing three patients, as well as new enrollment into this study, are currently suspended pending additional data analyses and non-clinical experimentation by the University of Pennsylvania's School of Medicine in an attempt to modify the immune response elicited by the vaccine adjuvant combination. The treatment has been generally well-tolerated with no tumor regression seen in the first three patients. We have elected to discontinue this study as the principal investigator has left the University of Pennsylvania.
In August 2011, a study utilizing Ampligen® was initiated by investigators from the Tumor Vaccine Group ("TVG") at the University of Washington in Seattle, WA. As of June 30, 2014, 50 patients were enrolled in this ninety-eight patient Phase I-II Study of HER2 vaccination with Ampligen® as an adjuvant in optimally treated breast cancer patients. The goal of this study is to see how well the combination works in treating patients with Stage II-IV human epidermal growth factor receptor 2 ("HER2")-positive breast cancer. Vaccines made from synthetic HER2/neu peptides may help the body build an effective immune response to kill tumor cells that express HER-2/neu. The TVG has developed vaccines against several cancer proteins, and in this study, they are researching a new approach in an attempt to make the immune response to the vaccine even better. Compounds that specifically stimulate TLR

receptors are promising immune stimulators, and Ampligen® has the potential to provide a profile of immune stimulation that could be clinically beneficial. Data from these patients was evaluated and the Company concluded the Phase I study and redirected resources to other projects.

In December 2013, we announced that we are supporting the University of Pittsburgh's National Institutes of Health funded study (grant 1PO1CA132714) currently underway as part of the University's Chemokine Modulation Research initiative which includes Ampligen® as an adjuvant. As part of this collaboration, Hemispherx has supplied clinical grade Ampligen® (rintatolimod) to the University. The study, under the leadership of professor of surgery Pawel Kalinski, M.D., Ph.D. and involves the Chemokine Modulatory regimen developed by Dr. Kalinski's group, has successfully completed the lowest tier of dose escalation in patients with resectable colorectal cancer under the clinical leadership of Dr. Amer Zureikat, an assistant professor of surgery. To date, seven patients have been treated with Ampligen as an adjuvant in this study. In addition, the University has initiated

enrollment in an additional cancer study of peritoneal surface malignancies which includes Ampligen® as an adjuvant. To date, four patients have been treated with Ampligen as an adjuvant in this study.

In May 2014, we announced that one of our advanced stage biological products, Alferon® N, significantly inhibited the replication of the MERS virus in vitro. MERS-CoV is a recently emerged human coronavirus responsible for the lethal pulmonary syndrome known as MERS (Middle East Respiratory Syndrome). Recent testing in laboratories of the National Institute of Allergy and Infectious Diseases (NIAID), part of the National Institutes of Health, has revealed that Alferon® N was inhibitory to MERS-CoV both when used before test cells were exposed to MERS-CoV, as well as after the cells were exposed to the deadly virus. NIAID researchers led the Alferon® N MERS-CoV experiments. They treated monkey kidney cells with Alferon® N either 18 hours prior to infection with MERS-CoV ("pre-treatment") or 1 hour following infection with MERS-CoV ("post-treatment"). At Day 1 and Day 3, supernatants were collected from cells and virus titers were thereafter measured. In both cases, Alferon® N showed significant dose-dependent inhibitory effects, thus suggesting the potential of Alferon® N both as a preventive and a potential treatment. Laboratory (in vitro) studies of potential antiviral agents are not necessarily predictive of clinical benefits. The Company was not involved in the conduct of the experimentation.

In June 2014, we announced that we have confirmed that Alferon® N inhibits replication of the MERS virus in vitro. Chien-Te (Kent) Tseng, Ph.D., Associate Professor, Microbiology & Immunology at the University of Texas Medical Branch at Galveston, led the Alferon® N MERS-CoV experiments. Calu-3 cells were treated with Alferon® N 24 hours prior to infection with MERS-CoV. At 36 hours, supernatants were collected from cells and the virus titers were thereafter measured. Alferon(R) N showed significant dose-dependent inhibitory effects, thus suggesting the potential of Alferon® N as a preventative. Laboratory (in vitro) studies of potential antiviral agents are not necessarily predictive of clinical benefits. The Company supplied the Alferon® N, but was not directly involved in the conduct of the experimentation.

In June 2014, we concluded strategic discussions with Bioclones in Johannesburg with three principle goals; 1) initiating studies utilizing Ampligen®as a potential adjuvant enhancement of Bioclones' therapeutic cancer vaccine, currently in trials in Cape Town, including pre-clinical studies followed, potentially, by a Phase 1 clinical trial; 2) seeking South African Medicine's Control Council approval to conduct trials using Alferon®and/or Ampligen® to eradicate latent HIV in patients highly responsive to anti-retroviral therapy; and 3) initiating a joint effort to obtain commercial registration of both Ampligen® and Alferon® in the South African markets. This strategic alliance is subject to our entering into a formal agreement on any or all of the above points of understanding. Our current efforts have been mainly directed towards the Ebola virus disease as well as the recent developments on our CFS initiatives which has required our personnel to devote more of our time and resources towards these initiatives. We have informed Bioclones of our intention to put on hold any formal agreement until such time Bioclones would be able to obtain funding to initiate these HIV initiatives. We have also informed Bioclones that we would provide Ampligen® on an as needed basis for their clinical programs as long as adequate supply exists.

Ebola

We announced, in September 2014, a series of collaborations designed to determine the potential effectiveness of Alferon® N and Ampligen® as potential preventative and/or therapeutic treatments for Ebola related disorders. Our two platform drugs Alferon® N and Ampligen®, have certain unique structural attributes and developmental histories which suggest potential incremental value with respect to inclusion in various Ebola therapeutic cocktails under development. These collaborations have resulted in the following reports being issued:

* November 2014 - We received a report from the United States Army Medical Research Institute of Infectious Diseases ("USAMRIID") scientists that they have in-vitro data indicating that Alferon®, the only multi-species, natural alpha interferon commercially approved in the U.S., successfully protected human cells against the Ebola virus (EBOV).

* November 2014 - We announced that we had received a new research report from Professor Tramontano in the Department of Life and Environmental Sciences, University of Cagliari, Italy. The biochemical study demonstrates Ampligen® can successfully bind to the lethal Ebola Virus protein designated VP35. VP35 protein normally inactivates a patient's immune/antiviral system by binding to viral dsRNA thereby sequestering a critical antiviral/immune activator of the body, which leads to high morbidity and death rates. Ampligen® competes with

viral dsRNA for VP35 binding and this finding is consistent with recent studies at USAMRIID demonstrating that Ampligen® inhibits Ebola virus infectivity in vitro.

* December 2014 - We announced that we received a new research report from researchers at Howard University, Washington DC. The report describes a study in which Ampligen® strongly inhibited the Ebola minigenome in the human embryonic kidney cell system.

* February 2015 - We announced results of a new efficacy study of Ampligen® in a mouse model of EBOV infection performed by scientists at the USAMRIID. Ampligen® was utilized with a mouse adapted Ebola virus using multiple groups of mice with varying dosage schedules of Ampligen® given every other day. The most effective dose, resulting in 100% percent survival at Day 21, corresponded to a human dose of approximately 400 mg, which has been used clinically approximately 50,000 times and has been generally well-tolerated when administered twice weekly. When

higher doses of Ampligen® were used in the Ebola-infected mice, the survival rate dropped to 90%. The Ebola-infected mice treated with placebo had a 100% death rate by Day 7 post-infection.

Our European subsidiary, Hemispherx Biopharma Europe N.V./S.A., has been formally notified of a positive opinion from the COMP (Committee on Medical Products) regarding its Orphan Medicinal Product Application for Ampligen®, an experimental therapeutic, to treat Ebola Virus Disease (EVD). The EU Orphan application process consists of multiple steps and a final decision from the European Commission normally occurs sometime after the summary report of the COMP. No assurances can be given that the final decision will designate Ampligen as an Orphan Medical Product for treatment of EVD.

Our overall objectives include plans to continue seeking approval for commercialization of Ampligen® in the United States and abroad as well as to widen existing commercial therapeutic indications of Alferon® N Injection presently approved in the United States and Argentina. Laboratory experiments do not necessarily indicate clinical benefit. Some of the research both past and present has been, and may in the future be, sponsored in part by contracts or grants from us to various independent research entities.

Biosecurity / Biodefense

Our efforts in the biosecurity / biodefense have been redirected towards the Ebola virus disease. We have entered into material transfer and research agreements with multiple research laboratories around the world to examine whether Ampligen® and/or Alferon® exhibit antiviral activity against the Ebola virus (See "Ebola" section above).

MANUFACTURING

We own and operate a 43,000 sq. ft. FDA approved facility in New Brunswick, NJ to produce Alferon® and Ampligen® and recently completed our $8 million facility enhancement project which should provide for a higher capacity, more cost effective manufacturing process for the production of Alferon N Injection®.

On October 2, 2011, the Company finalized their Fourth Amendment to a Supply Agreement, effective through March 11, 2014, with Jubilant Hollister-Stier Laboratories LLC of Spokane, Washington (“Hollister-Stier”), pursuant to which Hollister-Stier would formulate and package Ampligen® from the key raw materials that Hemispherx would supply to them. This Supply Agreement expired March 11, 2014. The Company is working towards an amendment to the existing Supply Agreement, which may contain additional fees as part of entering into the extension.

In October 2014, we entered into a purchase commitment with Hollister-Stier for approximately $700,000 for the manufacture of clinical batches of Ampligen®.

Commercial sales of Alferon N Injection® were halted in March 2008 when our finished goods inventory expired. The production of Alferon N Injection® from the Work-In-Process Inventory was restarted in May 2010, continued into January 2011 with its conversion into API and is completed for the related Final Lot Release Test. To formulate, fill, finish and package (“fill and finish”) Alferon N Injection® Drug Product, we require a FDA approved third party Contract Manufacturing Organization (“CMO”). In January 2012, we agreed to a Technology, Transfer, Validation and Commercial Supply Agreement with Althea Technologies, Inc. (“Althea”) of San Diego, CA, regarding the fill and finish process for Alferon N Injection®.

In November 2014, we entered into a purchase commitment with Althea for approximately $622,000 for the production of validation batches of Alferon® N Injection for emergency use and/or commercial sale.

In 2012, FDA reviewers raised certain questions about the status of our existing lots of older Work-In-Process Alferon® materials and Alferon® Active Pharmaceutical Product (“API”), which would need to be released by the FDA before those materials could be used in commercial product. As of December 31, 2012, all of our existing lots of Alferon® Work-In-Process Inventory had completed the fill, finish and packaging process. After conducting all of the appropriate tests on samples of the inventory during 2013, we concluded that we could not alleviate certain questions the FDA had about the older Work-In-Process Alferon N Injection®. Accordingly, these lots were not be submitted to the FDA to request release for commercial sale and their remaining dollar value was written-off (see “Risks Associated With Our Business” in Item 1A. Risk Factors below for more information).

The production of new Alferon® API inventory commenced in February 2015. While the facility is approved by the FDA under the Biological License Application (“BLA”) for Alferon®, this status will need to be reaffirmed by an FDA pre-approval inspection. We will also need FDA’s approval to release commercial product once we have submitted

satisfactory stability and quality release data. We commenced production of inventory in February 2015 and we anticipate that it will take approximately until at least the 2nd half of 2015 before we will have Alferon® approved for commercial sales; however, we are in preparation to manufacture Alferon that could possibly be available for emergency use as soon as the first half of 2015.

We outsource certain components of our manufacturing, quality control, marketing and distribution while maintaining control over the entire process through our quality assurance and regulatory groups. We cannot provide any guarantee that the

facility or our contract manufacturer will necessarily pass an FDA pre-approval inspection for Alferon® manufacture (see “Risks Associated With Our Business” in Item 1A. Risk Factors below for more information).

MARKETING/DISTRIBUTION

Our marketing strategy for Ampligen® reflects the differing health care systems around the world along with the different marketing and distribution systems that are used to supply pharmaceutical products to those systems. We expect that, subject to receipt of FDA, ANMAT and/or other regulatory approval, Ampligen® may be utilized in four medical arenas: physicians’ offices; clinics; hospitals; and the home treatment setting. In preparation for the FDA’s consideration of our Ampligen® NDA, we undertook early stage development of pre-launch and launch driven marketing plans focusing on audience development, medical support and payor reimbursement initiatives which could facilitate product acceptance and utilization at the time of regulatory approval, if obtained. Similarly, we continued to consider distribution scenarios for the Specialty Pharmacy/Infusion channel which could provide market access, offer 3PL (third party logistics) capabilities and provide the requisite risk management control mechanisms. It is our intent to utilize third party service providers to execute elements of both the marketing/sales and distribution plans. As a possible option, we considered a plan to utilize a small group of Managed Market account managers to introduce the product to payor, employer and government account audiences. We believe that this approach could establish a market presence and facilitate the generation of revenue without incurring the substantial costs associated with a traditional sales force. Furthermore, Management believes that any approach considered should enable us to retain multiple options for future marketing strategies.

In October 2013, we entered into an Adviser’s Agreement for twenty-four months with The Sage Group, Inc. ("Sage"), effective June 15, 2013, which replaced a similar agreement that expired in June 2013. Pursuant to this agreement, Sage is to assist us to identify, qualify, negotiate and close one or more licensing, partnering, alliance or similar transactions pertaining to our products and technology including, but not limited to, any and all uses of Ampligen®, Alferon® and related intellectual property as well as acquisition of companies in whole or in part and the sale or the merger of our Company (“Transactions”). In consideration for services performed or attributed to Sage resulting in Transactions, Sage is entitled to a monthly “Adviser’s Fee” of $20,000, reimbursement of pre-approved expense, a one-time distribution of 250,000 Options that vest proportionately over 12 months with an exercise price of 110% of the closing price of our Stock on the NYSE MKT at the close of the day preceding the execution date of the agreement. The Agreement also allows us at our sole discretion to award a bonus for extraordinary performance or special projects not to exceed $250,000 per year, and provides for a “Success Fee” of five percent (5%) of all consideration that is capped at $5,000,000 per annum for Transactions introduced to us by Sage. A Transaction can occur during the term of the agreement or 18 months thereafter. This Agreement may be terminated by us for cause after we deliver written notice to Sage of a failure to perform and such failure is not cured within 15 days.

In January 2010, we engaged an Argentinean regulatory and business design entity to explore the possibility of initiating clinical trials of Alferon N Injection®, Ampligen® and Alferon® LDO during the influenza season in Argentina. On June 14, 2010, we executed a five year exclusive Sales, Marketing, Distribution and Supply Agreement for Argentina with GP Pharm Latinoamerica (“GP Pharm”), an affiliate company of Spanish GP Pharm SA. Under this Agreement, GP Pharm will be responsible for gaining regulatory approval in Argentina for Ampligen® to treat CFS in Argentina and for commercializing Ampligen® for this indication in Argentina. We granted GP Pharm the right to expand rights to sell this experimental therapeutic into other Latin America countries based upon GP Pharm achieving certain performance milestones. We also granted GP Pharm an option to market Alferon N Injection® in Argentina and other Latin America countries. Under these agreements, we will manufacture and supply Ampligen® and Alferon N Injection® to GP Pharm. On November 15, 2010, we amended our June 15, 2010 agreement with GP Pharm to include Mexico in the Territory under the Sales, Marketing, Distribution and Supply Agreement. Under this Agreement, GP Pharm Mexico will be responsible for seeking regulatory approval in Mexico for Ampligen®, an experimental therapeutic, to treat CFS in Mexico and, if approval is obtained, for commercializing Ampligen® for this indication in Mexico. We have granted GP Pharm the right to expand rights to sell this experimental therapeutic into other Latin America countries based upon GP Pharm achieving certain performance milestones.

In January 2012, the ANMAT approved the sale and distribution of Alferon N Injection® (under the brand name "Naturaferon") in Argentina. The receipt of the ANMAT approval for HPV is the first step of a regulatory process towards the commercial sales of Naturaferon. On September 20, 2012, we filed with ANMAT an amended NDA for the use of Alferon N Injection® in patients with chronic hepatitis C who have become refractory to recombinant interferon as a result of the appearance of neutralizing antibodies against recombinant interferon. On February 6, 2013, we received the ANMAT approval for the treatment of refractory patients that failed or were intolerant to the treatment with Interferon recombinant with Naturaferon in Argentina.

On September 6, 2011, we executed an amended agreement with Armada Healthcare, LLC ("Armada") to undertake the marketing, education and sales of Alferon N Injection® throughout the United States. This agreement also provides start-up along with ongoing sales and marketing support to the Company. On August 8, 2014, it was mutually agreed upon to extend this agreement through August 14, 2015 subject to the same terms and conditions. We previously extended this agreement in 2012 and 2013 also under the same terms and conditions.

On September 6, 2011, we executed a new agreement with specialty distributor, BioRidge Pharma, LLC (”BioRidge”) to warehouse, ship, and distribute Alferon N Injection® on an exclusive basis in support of U.S. sales. On August 8, 2014, it was mutually agreed upon to extend this agreement through August 15, 2015 subject to the same terms and conditions. We previously extended this agreement in 2012 and 2013 also under the same terms and conditions.

On March 9, 2015, we executed an agreement with Emerge Health Pty Ltd. ("Emerge") to seek approval of Ampligen® for CFS in Australia and New Zealand and to commence distribution of Ampligen in both countries on a named-patient basis, where deemed appropriate. The parties intend to collaborate on seeking regulatory approval from Australia's Therapeutic Goods Administration ("TGA") and New Zealand's Medicines and Medical Devices Safety Authority ("Medsafe"). Under this five year exclusive license to sell, market, and distribute Ampligen in Australia and New Zealand to treat CFS, Emerge will implement regulatory-compliant programs to educate physicians about Ampligen for CFS and seek orphan drug designation and approval of Ampligen to treat CFS. Hemispherx will support these efforts and will supply Ampligen at a predetermined transfer price. We have the right to buy out of the agreement at a price equal to three times Ampligen sales for the preceding 12 months if exercised within the first two years or two times such sales if exercised after year three.

COMPETITION

RNA based products and toll-like receptors (“TLRs”) have demonstrated great promise in pre-clinical and limited clinical applications resulting in active research and development by large pharmaceutical companies and emerging Biotech firms. As such, our potential competitors are among the largest pharmaceutical companies in the world, are well known to the public and the medical community, and have substantially greater financial resources, product development, and manufacturing and marketing capabilities than we have.

These companies and their competing products may be more effective and less costly than our products. In addition, conventional drug therapy, surgery and other more familiar treatments will offer competition to our products. Furthermore, our competitors have significantly greater experience than we do in pre-clinical testing and human clinical trials of pharmaceutical products and in obtaining FDA (in the US), European Medicines Agency (“EMA”) and Health Protection Branch ("HPB") (in Canada), and other regulatory approvals of products. Accordingly, our competitors may succeed in obtaining FDA, EMEA and HPB product approvals before we do. If any of our products receive regulatory approvals and we commence commercial sales of our products, we will also be competing with respect to manufacturing efficiency and marketing capabilities, areas in which we have no experience. Our competitors may possess or obtain patent protection or other intellectual property rights that prevent, limit or otherwise adversely affect our ability to develop or exploit our products.

The major pharmaceutical competitors with biotech capabilities/vaccine franchises include Pfizer, GlaxoSmithKline, Merck & Co., Novartis and AstraZeneca. Biotech competitors include Baxter International, Fletcher/CSI, AVANT Immunotherapeutics, AVI BioPharma and Genta. When we recommence sales of Alferon N Injection®, it will compete with Intron® A, an injectable from Merck & Co. that attempts to kill virus and prevent reproduction along with topical treatments that are normally applied by a doctor that have a risk of damaging the skin around the wart, such as:

- Aldara®, also known as Imiquimod®, is a cream which is marketed to boost the immune systems in an attempt to rid itself of genital warts;
- Veregen® is a herbal product made from green tea leaves which is self-administered as an ointment and is used to treat external genital warts in adult patients;
- Condylox® Solution (podofilox) and Podofin® (podophyllin resin) are liquids applied externally using a cotton applicator or finger which attempts to destroy genital warts by halting cell growth; and
- Trichloroacetic acid (TCA) or Bichloroacetic acid (BCA) are chemical treatments which attempt to externally "burn off" genital warts.

GOVERNMENT REGULATION

Regulation by governmental authorities in the U.S. and foreign countries is and will be a significant factor in the manufacture and marketing of Alferon® products and our ongoing research and product development activities. Ampligen® and other products developed from the ongoing research and product development activities will require regulatory clearances prior to commercialization. In particular, new drug products for humans are subject to rigorous

pre-clinical and clinical testing as a condition for clearance by the FDA and by similar authorities in foreign countries. The lengthy process of seeking these approvals, and the ongoing process of compliance with applicable statutes and regulations, has and will continue to require the expenditure of substantial resources. Any failure by us or our collaborators or licensees to obtain, or any delay in obtaining, regulatory approvals could materially adversely affect the marketing of any products developed by us and our ability to receive product or royalty revenue. We have received Orphan Drug designation for certain therapeutic indications, which we believe might under certain conditions, help to accelerate the process of drug development and commercialization. Alferon N Injection® is only approved for

use in intralesional treatment of refractory or recurring external genital warts in patients 18 years of age or older. Use of Alferon N Injection® for other applications requires regulatory approval.

We are subject to various federal, state and local laws, regulations and recommendations relating to such matters as safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the use of and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research work. Prior to our construction phase, our laboratory and production facility in New Brunswick, New Jersey was approved for the manufacture of Alferon N Injection®. While our facility had been granted approval of its BLA by the FDA for the manufacture of Alferon®, this status will need to be reaffirmed upon the completion of the facility's enhancements. Upon completion of our enhanced manufacturing process, we believe it will again be able to obtain FDA approval. However, there can be no assurance that this facility, or facilities owned and operated by third parties that are utilized in the manufacture of our products, will obtain and/or continue to maintain FDA approval. For information about the current status of our Ampligen® NDA please see "Our Products; Ampligen®" above.

HUMAN RESOURCES

As of February 1, 2015, we had personnel consisting of 37 full-time employees. Our employees are supported by 44 independent contractors, mostly undertaking regulatory, research and/or medical projects. Consultants are independent contractors that are paid on an hourly basis. 67 of the combined personnel are engaged in our research, development, clinical, and manufacturing effort with 14 performing regulatory, general administration, data processing, including bio-statistics, financial and investor relations functions. We have no union employees.

While we have been successful in attracting skilled and experienced scientific personnel, there can be no assurance that we will be able to attract or retain the necessary qualified employees and/or consultants in the future.

DATA MONITORING COMMITTEE

We meet with experts from time to time in areas of clinical and scientific interest.

In May 2010, we formed a Data Monitoring Committee ("DMC") that consists of two independent regulatory and medical experts along with a Biostatistics expert. The function of the DMC is to perform independent safety and efficacy analyses on our clinical trials. During 2012, 2013 and 2014, the DMC focused its attention on the clinical trial (AMP-600) in which Ampligen® is being nasally administered in conjunction with FluMist® to healthy human volunteers at the University of Alabama at Birmingham under the auspices of Dr. Paul Goepfert. As of December 31, 2014, 25 subjects have participated in this study. As required by the study's protocol, the DMC has held three meetings and has reviewed the safety data on the first 12 subjects enrolled in Stage 1 and approved the study to proceed to Stage 2 which began in March 2014.

ITEM 1A: Risk Factors

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this Form 10-K. Among the key factors that have a direct bearing on our results of operations are:

Risks Associated With Our Business

No assurance of successful product development.

Ampligen® and related products. The development of Ampligen® and our other related products is subject to a number of significant risks. Ampligen® may be found to be ineffective or to have adverse side effects, fail to receive necessary regulatory clearances, be difficult to manufacture on a commercial scale, be uneconomical to market or be precluded from commercialization by proprietary right of third parties. Our investigational products are in various stages of clinical and pre-clinical development and require further clinical studies and appropriate regulatory approval processes before any such products can be marketed. We do not know when, if ever, Ampligen® or our other products will be generally available for commercial sale for any indication. Generally, only a small percentage of potential

therapeutic products are eventually approved by the FDA for commercial sale. (Please see the next Risk Factor and Part 1, Item I Business, “Our Products” “Ampligen®” above for more information).

Alferon N Injection®. Although Alferon N Injection® is approved for marketing in the United States for the intralesional treatment of refractory or recurring external genital warts in patients 18 years of age or older, to date it has not been approved for other indications. We face many of the risks discussed above, with regard to developing this product for use to treat other ailments. (Please see the next Risk Factor and Part 1, Item I Business, “Our Products” “Alferon N Injection®” above for more information).

Our drug and related technologies are investigational and subject to regulatory approval. If we are unable to obtain regulatory approval in a timely manner, or at all, our operations will be materially harmed and our stock adversely affected.

All of our drugs and associated technologies, other than Alferon N Injection®, are investigational and must receive prior regulatory approval by appropriate regulatory authorities for commercial distribution and sale and are currently legally available only through clinical trials with specified disorders. At present, Alferon N Injection® is approved for the intralesional treatment of refractory or recurring external genital warts in patients 18 years of age or older. Use of Alferon N Injection® for other indications will require regulatory approval.

Our products, including Ampligen®, are subject to extensive regulation by numerous governmental authorities in the United States ("U.S.") and other countries, including, but not limited to, the FDA in the U.S., the Health Protection Branch ("HPB") of Canada, the Agency for the European Medicines Agency ("EMA") in Europe and the Administracion Nacional de Medicamentos, Alimentos y Tecnologia Medica ("ANMAT") in Argentina. Obtaining regulatory approvals is a rigorous and lengthy process and requires the expenditure of substantial resources. In order to obtain final regulatory approval of a new drug, we must demonstrate to the satisfaction of the regulatory agency that the product is safe and effective for its intended uses and that we are capable of manufacturing the product to the applicable regulatory standards. We require regulatory approval in order to market Ampligen® or any other proposed product and receive product revenues or royalties. We cannot assure you that Ampligen® will ultimately be demonstrated to be safe and efficacious. While Ampligen® is authorized for use in clinical trials in the U.S., we cannot assure you that additional clinical trial approvals will be authorized in the United States or in other countries, in a timely fashion or at all, or that we will complete these clinical trials. In addition, although Ampligen® has been authorized by the FDA for treatment use under certain conditions, including provision for cost recovery, there can be no assurance that such authorization will continue in effect.

On February 1, 2013, we received a CRL from the FDA declining to approve our Ampligen® NDA for the treatment of CFS. The FDA communicated that we should conduct at least one additional clinical trial, complete various nonclinical studies and perform a number of data analysis. For more detailed information about the current status of our Ampligen® NDA please see "Our Products; Ampligen®" in Part 1, Item 1. Business above.

The FDA's regulatory review and approval process is extensive, lengthy, expensive and inherently uncertain. To receive approval for a product candidate, we must, among other things, demonstrate to the FDA's satisfaction with substantial evidence from well-controlled pre-clinical and clinical trials that the product candidate is both safe and effective for each indication for which approval is sought. Before we can sell Ampligen® for any use, or promote Alferon® for any use other than as Alferon N Injection® for treatment of refractory or recurring genital warts, we will need to file the appropriate NDA with the FDA in the U.S. and the appropriate regulatory agency outside of the U.S. where we intend to market and sell such products. At present the only NDA we have filed with the FDA is the NDA for the use of Ampligen® to treat CFS. As discussed in the prior paragraph, the FDA declined to approve this NDA and indicated that we needed to conduct additional work. Therefore, ultimate FDA approval, if any, may be delayed by several years and may require us to expend more resources than we have available. It is also possible that additional studies, if performed and completed, may not be successful or considered sufficient by the FDA for approval or even to make our applications approvable. If any of these outcomes occur, we may be forced to abandon one or more of our future applications for approval, which might significantly harm our business and prospects. As a result, we cannot predict if or when we might receive regulatory approval for the use of Ampligen® to treat CFS or for the use of any other products. Even if regulatory approval from the FDA is received for the use of Ampligen® to treat CFS or eventually, for the use of any other product, any approvals that we obtain could contain significant limitations in the form of narrow indications, patient populations, warnings, precautions or contra-indications or other conditions of use, or the requirement that we implement a risk evaluation and mitigation strategy. In such an event,

our ability to generate revenues from such products could be greatly reduced and our business could be harmed.

Even if we believe that data collected from our preclinical studies and clinical trials of our product candidate are promising, these data have not been, and may not be in the future, sufficient to support marketing approval by the FDA, and regulatory interpretation of these data and procedures may continue to be unfavorable.

To the extent that we are required by the FDA pursuant to the Ampligen® NDA to conduct additional studies and take additional actions, approval of any applications that we submit may be delayed by several years, or may require us to expend more resources than we have available. It is also possible that additional studies, if performed and completed, may not be successful or considered sufficient by the FDA for approval or even to make our applications approvable. If any of these outcomes occur, we may be forced to abandon one or more of our future applications for approval, which might significantly harm our business and prospects. As a result, we cannot predict when or whether regulatory approval will be obtained for any product candidate we develop.

Obtaining approval of a NDA by the FDA, or a comparable foreign regulatory authority, is inherently uncertain. Even after completing clinical trials and other studies, a product candidate could fail to receive regulatory approval for many reasons, including the following:

- not be able to demonstrate to the satisfaction of the FDA that our product candidate is safe and effective for any indication;
- the FDA may disagree with the design or implementation of our clinical trials or other studies;
- the results of the clinical trials or other studies may not demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA may disagree with our interpretation of data from clinical trials or other studies;
- the data collected from clinical trials and other studies of a product candidate may not be sufficient to support the submission of a NDA;
- the approval policies or regulations of the FDA may significantly change in a manner rendering our clinical and other study data insufficient for approval; and
- the FDA may not approve the proposed manufacturing processes and facilities for a product candidate.

In 2012, FDA reviewers raised certain questions about the status of our existing lots of older Work-In-Process Alferon® materials and Alferon® Active Pharmaceutical Product (“API”), which would need to be released by the FDA before those materials could be used in commercial product. After conducting all of the appropriate tests on samples of the inventory during 2013, we concluded that we could not alleviate certain questions the FDA had about the older Work-In-Process Alferon N Injection®. Accordingly, these lots were not submitted to the FDA to request release for commercial sale and their remaining dollar value was written-off. In the absence of FDA approvals for product manufactured from existing inventory, commercial sales of Alferon® will not resume until new batches of Alferon® inventory and API can be produced, filled and finished, and released by the FDA for commercial sale. (Please see Part I, Item 1 - "Business; Manufacturing” above for more information).

Alferon® LDO has been approved for pre-clinical testing for possible use as prophylaxis and treatment against influenza. While the studies to date have been encouraging, preliminary testing in the laboratory and in animal models is not necessarily predictive of successful results in clinical testing or human treatment. No assurance can be given that similar results will be observed in clinical trials. Use of Alferon® as a possible treatment of influenza requires prior regulatory approval. In October 2009, we originally submitted a protocol to the FDA proposing to conduct a Phase II, double-blind, adaptive-design, randomized, placebo-controlled, dose-ranging study of Alferon® LDO for the prophylaxis and treatment of seasonal and pandemic influenza of more than 200 subjects. In December 2010, the FDA authorized this Phase II, double-blind, adaptive-design, randomized, placebo-controlled, dose-ranging study of Alferon® LDO for the prophylaxis and treatment of seasonal and pandemic influenza of more than 200 subjects. Our Phase II study has been delayed. The outcome of this confirmatory study, if and when resumed, will allow us to better evaluate the potential effectiveness of this product and to proceed with this study of seasonal and pandemic influenza. We are unable to provide any assurances that the Phase II Alferon® LDO study for the prophylaxis and treatment of seasonal and pandemic influenza will be undertaken.

If we are unable to gain necessary FDA approvals related to Ampligen® and Alferon® on a timely basis, our operations most likely will be materially and/or adversely affected. Additionally, if we are unable to generate the additional data, successfully complete inspections or obtain approvals as required by the FDA on a timely manner, or at all, or determine that any of our clinical studies are not cost/justified to undertake or if, for that or any other reason, Ampligen®, Alferon® or one of our other products or production processes do not receive necessary regulatory approval in the U.S. or elsewhere:

- our ability to generate revenues to sustain our operations will be substantially impaired, which would increase the likelihood that we would need to obtain additional financing for our other development efforts;

- our reputation among investors might be harmed, which might make it more difficult for us to obtain equity capital on attractive terms or at all; and
- our profitability would be delayed, our business will be materially harmed and our stock price may be adversely affected.

Biotechnology stock prices, including our stock price, have declined significantly in certain instances where companies have failed to meet expectations with respect to FDA approval or the timing for FDA approval.

We may continue to incur substantial losses and our future profitability is uncertain.

We last reported net profit from 1985 through 1987. Since 1987, with a major emphasis on new drug diagnostic and development, we have incurred substantial operating losses, as we pursued our clinical trial effort to get our experimental drug, Ampligen®, approved. As of December 31, 2014, our accumulated deficit was approximately $(277,769,000). We have not yet generated significant revenues from our products and may incur substantial and increased losses in the future. We cannot assure that we will ever achieve significant revenues from product sales or become profitable. We require, and will continue to require,

the commitment of substantial resources to develop our products. We cannot assure that our product development efforts will be successfully completed or that required regulatory approvals will be obtained or that any products will be manufactured and marketed successfully, or be profitable.

We most likely will require additional financing which may not be available. The limitation on the number of shares of common stock available for financing without prior stockholder approval eventually may hinder our ability to raise additional funding.

The development of our products requires the commitment of substantial resources to conduct the time consuming research, preclinical development, and clinical trials that are necessary to bring pharmaceutical products to market. As of December 31, 2014, we had approximately $16,108,000 in cash, cash equivalents and marketable securities (inclusive of approximately $13,952,000 in Marketable Securities). However, if we are unable to commercialize and sell Ampligen® or Alferon® LDO and/or recommence material sales of Alferon N Injection®, our operations, financial position and liquidity may be adversely impacted.

In its CRL, the FDA communicated that Hemispherx should conduct at least one additional clinical trial, complete various nonclinical studies and perform a number of data analyses. Until we undertake the end-of-review conference(s) with the FDA, we are unable to reasonably estimate the nature, costs, necessary efforts to obtain FDA clearance or anticipated completion dates of any additional clinical study or studies. Utilizing the industry norms for undertaking a Phase III clinical study, we estimate upon acceptance of the study's design that it would take approximately 18 months to three years to complete a new well-controlled Ampligen® clinical study for resubmission to the FDA. It can be reasonably anticipated that the time and cost to undertake clinical trial(s), studies and data analysis are beyond our current financial resources without gaining access to additional funding. The actual duration to complete the clinical study may be different based on the length of time it takes to design the study and obtain FDA's acceptance of the design, the final design of an acceptable Phase III clinical study design, availability of suitable participants and clinical sites along with other factors that could impact the implementation of the study, analysis of results or requirements of the FDA and/or other governmental organizations.

Given the challenging economic conditions, we continue to review every aspect of our operations for cost and spending reductions to assure our long-term financial stability while maintaining the resources necessary to achieve our primary objectives of obtaining NDA approval of Ampligen® along with the manufacturing, marketing and distribution of our products, including Alferon N Injection®. We may also need additional capital to eventually commercialize and sell Ampligen® or Alferon® LDO and/or recommence and increase sales of Alferon N Injection® or our other products. We anticipate considering multiple options in an attempt to secure funding, including but not limited to such methods as the sales of additional equity, licensing agreements, partnering with other organizations, debt financing or other sources of capital.

In this regard, on July 23, 2012, we entered into a New Equity Distribution Agreement with Maxim (the “EDA”) pursuant to which we may sell up to $75,000,000 worth of our shares of Common Stock from time to time through Maxim, as sales agent (See Part I; Item 7 - “Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources”). We cannot assure how much funding will be obtained from the EDA or whether it will be sufficient in conjunction with current financial resources to permit us to take all actions needed to obtain FDA approval for Ampligen® and manufacturing, commercialization, marketing and distribution of our products.

Our ability to raise additional funds from the sale of equity securities may be limited due to limitations on our ability to sell stock for funding purposes. Pursuant to our Amended and Restated Certificate of Incorporation, the purpose for which 75,000,000 of 150,000,000 of our authorized shares (the “Restricted Shares”) may be utilized is limited. Specifically, without stockholder approval, the Restricted Shares can only be issued where such issuance would be

primarily in connection with strategic transactions or other non-fundraising purpose that met certain significant criteria. In this regard, 27,679,018 shares are authorized but unissued and unreserved at December 31, 2014 with an additional 74,924,242 of the Restricted Shares approved by Stockholders for certain generally defined business purposes.

There can be no assurances that we can obtain the requisite stockholder approval to use any additional Restricted Shares for funding purposes or raise adequate funds from other sources. If we are unable to obtain additional funding, through the New EDA or otherwise, our ability to develop our products, commercially produce inventory or continue our operations may be materially adversely affected.

We have recently concluded talks to enter into a strategic alliance to develop multiple projects with Bioclones (Pty) Ltd. ("Bioclones"), a leading South African biotechnology company. If we are unable to finalize our arrangement with Bioclones, obtain regulatory approval for these projects, jointly obtain source funding through Bioclones to initiate the projects, and obtain positive test results at the conclusion of the projects, our operations may be materially harmed and our stock adversely affected.

On June 25, 2014, Bioclones and Hemispherx concluded strategic discussions in Johannesburg with three principle goals; 1) initiating studies utilizing Ampligen® as a potential adjuvant enhancement of Bioclones' therapeutic cancer vaccine, currently in trials in Cape Town, including pre-clinical studies followed, potentially, by a Phase 1 clinical trial; 2) seeking South African Medicine's Control Council approval to conduct trials using Alferon® to eradicate the HIV virus in patients highly responsive to anti-retroviral therapy (HAART); and 3) initiating a joint effort to obtain commercial registration of both Ampligen® and Alferon® in the South African markets. The first clinical program builds on the Bioclones patented (US Patent 7,981,673 entitled "Process for the maturation of dendritic cells and a vaccine") therapeutic human dendritic cell (DC) cancer vaccination approach. This invention provides a method of producing mature DCs in vitro, which comprises the step of culturing the immature DCs, thereafter exposing said cells to tumor antigens before administration to patients. The team has successfully obtained the necessary Ethics approval to use Ampligen® as an adjuvant in the Bioclones pre-clinical cancer immunotherapy program utilizing patient derived samples. Pre-clinical studies will be directed towards the potential treatment of breast cancer in particular, followed by prostate cancer. These studies are part of the effort to develop patient-specific DC immunotherapy vaccines against breast cancer and prostate cancer, which elicit an immune response that will target and kill cancer cells. Human DCs matured with Ampligen® and transfected with autologous tumor-specific mRNA are designed to elicit a potent and autologous tumoricidal antigen-specific cytotoxic response to the cancer. This strategic alliance is subject to our entering into a formal agreement on any or all of the above points of understanding. Our current efforts have been mainly directed towards the Ebola virus disease as well as the recent developments on our CFS initiatives, which has required our personnel to devote more of our time and resources towards these initiatives. We have informed Bioclones of our intention to put on hold any formal agreement until such time Bioclones would be able to obtain funding to initiate these HIV initiatives. We have also informed Bioclones that we would provide Ampligen® on an as needed basis for their clinical programs as long as adequate supply exists. We cannot assure you that we will enter into a formal agreement, that these clinical trial approvals will be authorized in South Africa, in a timely fashion or at all, or that Bioclones will complete these trials. We cannot assure you that Bioclones and the Company will be able to jointly raise the necessary resources to develop these projects and, even if we believe that data collected from these preclinical studies and clinical trials of these product candidates are promising, this data has not been, and may not be in the future, sufficient to support marketing approval by the appropriate regulatory body, and regulatory interpretation, safety and efficacy of these data and procedures may be determined to be unfavorable.

Our Alferon N Injection® Commercial Sales were halted due to lack of finished goods inventory. If we are unable to gain the necessary FDA approvals related to Alferon®, our operations most likely will be materially and/or adversely affected.

Commercial sales of Alferon N Injection® were halted in March 2008 when our finished goods inventory expired. The production of Alferon N Injection® from the Work-In-Process Inventory was restarted in May 2010, continued into January 2011 with its conversion into API.

In April 2012, FDA reviewers raised certain questions about the status of our existing lots of older Work-In-Process Alferon® materials and Alferon® API, which would need to be released by the FDA before those materials could be used in commercial product. After conducting all of the appropriate tests on samples of the inventory during 2013, we concluded that we could not alleviate certain questions the FDA had about the older Work-In-Process Alferon N Injection® and their remaining dollar value has been written-off. As we no longer have any existing inventory, commercial sales of Alferon® will not resume until new batches of Alferon® inventory and API can be produced, filled and finished, and released by the FDA for commercial sale.

While our facility is FDA approved under the BLA by the FDA for Alferon®, this status will need to be reaffirmed upon the completion of the facility's upgrades for Alferon®. We cannot provide any guarantee that the facility will necessarily pass a FDA pre-approval inspection for Ampligen® or Alferon® manufacture, which are conducted in separately dedicated areas within the overall New Brunswick manufacturing complex. Please see “There is no

assurance that our manufacturing facility will again be granted a BLA certification by the FDA upon completion of the manufacturing enhancements or return to commercial, large-scale production" below for more information.

If we are unable to gain the necessary FDA approvals related to the manufacturing process and/or final product of new Alferon® inventory, our operations most likely will be materially and/or adversely affected. For more information on Alferon N Injection® regarding potential commercial sales, please see PART I, Item 1 - "Business; Manufacturing".

In light of these contingencies, there can be no assurances that the approved Alferon N Injection® product will be returned to production on a timely basis, if at all, or that if and when it is again made commercially available, it will return to prior sales levels.

We may not be profitable unless we can protect our patents and/or receive approval for additional pending patents.

We need to preserve and acquire enforceable patents covering the use of Ampligen® for a particular disease in order to obtain exclusive rights for the commercial sale of Ampligen® for such disease. We obtained all rights to Alferon N Injection®, and we plan to preserve and acquire enforceable patents covering its use for existing and potentially new diseases. Our success depends, in large part, on our ability to preserve and obtain patent protection for our products and to obtain and preserve our trade secrets and expertise. Certain of our know-how and technology is not patentable, particularly the procedures for the manufacture of our experimental drug, Ampligen®. We also have been issued patents on the use of Ampligen® in combination with certain other drugs for the treatment of chronic Hepatitis B virus, chronic Hepatitis C virus, and a patent which affords protection on the use of Ampligen® in patients with Chronic Fatigue Syndrome. We have not yet been issued any patents in the United States for the use of Ampligen® as a sole treatment for any of the cancers which we have sought to target.
For more information on our patent portfolio, please see PART I, Item 1 - "Business; Patents and Non-Patent Exclusivity Rights".

We cannot assure that our competitors will not seek and obtain patents regarding the use of similar products in combination with various other agents, for a particular target indication prior to our doing so. If we cannot protect our patents covering the use of our products for a particular disease, or obtain additional patents, we may not be able to successfully market our products.

The patent position of biotechnology and pharmaceutical firms is highly uncertain and involves complex legal and factual questions.

To date, no consistent policy has emerged regarding the breadth of protection afforded by pharmaceutical and biotechnology patents. There can be no assurance that new patent applications relating to our products, process or technology will result in patents being issued or that, if issued, such patents will afford meaningful protection against competitors with similar technology. It is generally anticipated that there may be significant litigation in the industry regarding patent and intellectual property rights. Such litigation could require substantial resources from us and we may not have the financial resources necessary to enforce the patent rights that we hold. No assurance can be made that our patents will provide competitive advantages for our products, process and technology or will not be successfully challenged by competitors. No assurance can be given that patents do not exist or could not be filed which would have a materially adverse effect on our ability to develop or market our products or to obtain or maintain any competitive position that we may achieve with respect to our products. Our patents also may not prevent others from developing competitive products or process using related technology.

There can be no assurance that we will be able to obtain necessary licenses if we cannot enforce patent rights we may hold. In addition, the failure of third parties from whom we currently license certain proprietary information or from whom we may be required to obtain such licenses in the future, to adequately enforce their rights to such proprietary information, could adversely affect the value of such licenses to us.

If we cannot enforce the patent rights we currently hold we may be required to obtain licenses from others to develop, manufacture or market our products. There can be no assurance that we would be able to obtain any such licenses on commercially reasonable terms, if at all. We currently license certain proprietary information from third parties, some of which may have been developed with government grants under circumstances where the government maintained certain rights with respect to the proprietary information developed. No assurances can be given that such third parties will adequately enforce any rights they may have or that the rights, if any, retained by the government will not adversely affect the value of our license.

There is no guarantee that our trade secrets will not be disclosed or known by our competitors.

To protect our rights, we require all employees and certain consultants to enter into confidentiality agreements with us. There can be no assurance that these agreements will not be breached, that we would have adequate and enforceable remedies for any breach, or that any trade secrets of ours will not otherwise become known or be independently developed by competitors.

We have limited marketing and sales capability. If we are unable to obtain additional distributors and our current and future distributors do not market our products successfully, we may not generate significant revenues or become profitable.

We have limited marketing and sales capability. We are dependent upon existing and, possibly future, marketing agreements and third party distribution agreements for our products in order to generate significant revenues and become profitable. As a result, any revenues received by us will be dependent in large part on the efforts of third parties, and there is no assurance that these efforts will be successful.

Our commercialization strategy for Ampligen® for CFS, if and when it is approved for marketing and sale by the FDA, may include licensing/co-marketing agreements utilizing the resources and capacities of a strategic partner(s). We continue to

seek a world-wide marketing partner with the goal of having a relationship in place before approval is obtained. In parallel to partnering discussions, appropriate pre-marketing activities will be undertaken. It is our current intention to control manufacturing of Ampligen® on a world-wide basis.

Our commercialization strategy for Alferon N Injection® may include the utilization of internal functions and/or licensing/co-marketing agreements that would utilize the resources and capacities of one or more strategic partners. Accordingly, we have engaged Armada Healthcare to undertake the marketing, education and sales of Alferon N Injection® throughout the United States along with GP Pharm for both Ampligen® and Alferon® in Argentina along with other South and Latin American countries.

We cannot assure that our U.S. or foreign marketing strategy will be successful or that we will be able to establish future marketing or third party distribution agreements on terms acceptable to us, or that the cost of establishing these arrangements will not exceed any product revenues. Our inability to establish viable marketing and sales capabilities would most likely have a materially adverse effect on us. There can be no assurances that the approved Alferon N Injection® product will be returned to prior sales levels.

There are no long-term agreements with suppliers of required materials and services for Ampligen® and there are a limited number of raw material suppliers. If we are unable to obtain the required raw materials and/or services, we may not be able to manufacture Ampligen®.

A number of essential raw materials are used in the production of Ampligen® as well as packaging materials utilized in the fill and finish process. We do not have, but continue to work towards having long-term agreements for the supply of such materials, when possible. There can be no assurance we can enter into long-term supply agreements covering essential materials on commercially reasonable terms, if at all.

There are a limited number of suppliers in the United States available to provide the raw and packaging materials for use in manufacturing Ampligen®. At present, we do not have any agreements with third parties for the supply of any of these materials. We have established relevant manufacturing operations within our New Brunswick, New Jersey facility for the production of Ampligen® polymers from raw materials in order to obtain a more consistent manufacturing basis in the quantities necessary for clinical testing. In September 2011 and similar to our prior agreements, Hollister-Stier has agreed to undertake the manufacturing sets to formulate, fill, finish and package Ampligen® from the key polymers that we would supply. Hollister-Stier would have the right of first refusal to manufacture certain Ampligen® related products. For more information on Ampligen®, please see Part I, Item 1 - "Business; Our Products; Ampligen®".

If we are unable to obtain or manufacture the required materials, and/or procure services needed in the final steps in the manufacturing process, we may be unable to manufacture Ampligen®. The costs and availability of products and materials we need for the production of Ampligen® are subject to fluctuation depending on a variety of factors beyond our control, including competitive factors, changes in technology, ownership of intellectual property, FDA and other governmental regulations. There can be no assurance that we will be able to obtain such products and materials on terms acceptable to us or at all. For more information on Ampligen® manufacturing, please see Part I, Item 1 - "Business; Manufacturing".

There are a limited number of organizations in the United States available to provide the final manufacturing steps of formulation, fill, finish and packing sets for Alferon N Injection® and Ampligen®.

There are a limited number of organizations in the United States available to provide the final steps in the manufacturing for Alferon N Injection® and Ampligen®. To formulate, fill, finish and package our products ("fill and finish"), we require a FDA approved third party CMO.

In January 2012, we agreed to a Technology, Transfer, Validation and Commercial Supply Agreement with Althea Technologies, Inc. regarding the fill and finish process for Alferon N Injection®. As we no longer have any existing inventory, commercial sales of Alferon® will not resume until new batches of Alferon® inventory and API can be produced, filled and finished, and released by the FDA for commercial sale.

Pursuant our Supply Agreement with Hollister-Stier, they will formulate, fill, finish and package Ampligen® from the key raw materials that we would supply. We are unable to provide any assurances that the FDA will approve the inventory manufactured by us or produced by Hollister-Stier. If this finish goods inventory is not granted approval by the FDA, our operations may be materially adversely affected. This Supply Agreement expired on March 11, 2014. The Company is working towards an amendment to the existing Supply Agreement which may contain additional fees as part of entering into the extension. In October 2014, we entered into a purchase commitment with a contract manufacturer (Hollister Stier) for approximately $700,000 for the manufacture of clinical batches of Ampligen®.

If we are unable to procure services needed in the final steps in the manufacturing process, we may be unable to manufacture Alferon N Injection® and/or Ampligen®. The costs and availability of products and materials we need for the production of Ampligen® and the commercial production of Alferon N Injection® and other products which we may commercially produce are subject to fluctuation depending on a variety of factors beyond our control, including competitive factors, changes in technology, and FDA and other governmental regulations and there can be no assurance that we will be able to obtain such products and materials on terms acceptable to us or at all. For more information on Ampligen® and Alferon N Injection® manufacturing, please see Part I, Item 1 - “Business; Manufacturing”.

There is no assurance that our manufacturing facility will again be granted a BLA certification by the FDA upon completion of the manufacturing enhancements or return to commercial, large-scale production.

We recently completed our $8 million facility enhancement project which should provide for a higher capacity, more cost effective manufacturing process for the production of Alferon N Injection®. The production of new Alferon® API inventory commenced in February 2015. While the facility is approved by FDA under the BLA for Alferon®, this status will need to be reaffirmed upon the completion of the facility's enhancements prior to commercial sale of newly produced inventory product. If and when we obtain a reaffirmation of FDA BLA status, we will need FDA approval to release the final product confirming the quality and stability to allow commercial sales to resume. For more information, please see Part 1, Item I "Business; Manufacturing”. There can be no assurance the BLA status will be recertified by the FDA upon the completion of the enhancement process or that the manufacturing facility will return to commercial, large-scale production for Alferon®. Additionally, there can be no assurance that any given product will be determined to be safe and effective, or capable of being manufactured under applicable quality standards. Only if and when our BLA status is recertified by the FDA to produce Alferon® API at our enhanced manufacturing facility and Althea gains FDA’s approval to formulate, fill and finish Alferon, can batches of Alferon® be released by the FDA for commercial sales. We are unable to provide any assurances that the FDA will approve our enhanced manufacturing process and/or newly created finish product lots formulated, filled and finished at Althea. Without FDA approval, our Alferon N Injection® will not be considered suitable for commercial sales.
In light of these contingencies, there can be no assurances that the approved Alferon N Injection® product will be returned to commercial production or sale on a timely basis, if at all, or that if and when it is again made commercially available, it will return to prior sales levels.

There is no assurance that upon successful manufacture of a drug on a limited scale basis for investigational use will lead to a successful transition to commercial, large-scale production.

Changes in methods of manufacturing, including commercial scale-up, may affect the chemical structure of Ampligen® and other RNA drugs, as well as their safety and efficacy. The transition from limited production of pre-clinical and clinical research quantities to production of commercial quantities of our products will involve distinct management and technical challenges and may require additional management, technical personnel and capital to the extent such manufacturing is not handled by third parties. While we believe that the Company could successfully upgrade our production capability at our New Brunswick, NJ facility in a commercial scale-up of Ampligen®, there can be no assurance that our manufacturing will be successful or that any given product will be determined to be safe and effective, or capable of being manufactured under applicable quality standards, economically, and in commercial quantities, or successfully marketed.

We have limited manufacturing experience for Ampligen® and Alferon®. We may not be profitable unless we can produce Ampligen®, Alferon® or other products in commercial quantities at costs acceptable to us.

Satisfactory inspection by the FDA of both our Ampligen® and Alferon® manufacturing process is required before commercial sale of project would be allowed. The CRL from the FDA on February 1, 2013, requests evaluation of variation between lots of Ampligen® tested in the development process and recommends tighter control of the Ampligen® manufacturing process. We cannot provide any guarantee that the facility will pass a FDA pre-approval inspection for Ampligen® or Alferon® manufacture, which are conducted in separately dedicated areas within the overall New Brunswick manufacturing complex. The failure to obtain FDA approval for either of our manufacturing process areas would most likely have a materially adverse impact upon us.

Ampligen® has been produced to date in limited quantities for use in our clinical trials, and we are dependent upon a qualified third party supplier for the manufacturing, filling, finish and packaging process. The failure to continue these arrangements or to achieve other such arrangements on satisfactory terms could have a material adverse effect on us.

In furtherance of the capital improvement program at our New Brunswick, NJ facility to upgrade our manufacturing capability to produce bulk quantities of Alferon N Injection® API, the validation phase of the Alferon® manufacturing project is currently underway. While the facility is approved by FDA under the BLA for Alferon®, this status will need to be reaffirmed upon the completion of the facility's enhancements prior to commercial sale of newly produced inventory product. If and when we obtain a reaffirmation of FDA BLA status, we will need FDA approval to release the final product confirming the quality and stability to allow commercial sales to resume. For more information, please see Part 1, Item I "Business; Manufacturing". In light of these contingencies, there can be no assurances that the approved Alferon N Injection® product will be returned to production on a timely basis, if at all. The failure to obtain FDA approval of any of our manufacturing process would most likely have a materially adverse impact upon us.

Also to be successful, our products must be manufactured in commercial quantities in compliance with regulatory requirements and at acceptable costs. We believe, but cannot assure, that our enhancements to our manufacturing facilities will be adequate for our future needs for the production of our proposed products for large-scale commercialization. We intend to ramp up our existing facility and/or utilize third party facilities if and when the need arises or, if we are unable to do so, to build or acquire commercial-scale manufacturing facilities. We will need to comply with regulatory requirements for such facilities, including those of the FDA pertaining to cGMP requirements or maintaining our BLA status. There can be no assurance that such facilities can be used, built, or acquired on commercially acceptable terms, or that such facilities, if used, built, or acquired, will be adequate for the production of our proposed products for large-scale commercialization or our long-term needs.

We have never produced Ampligen®, Alferon® or any other products in large commercial quantities. We must manufacture our products in compliance with regulatory requirements in large commercial quantities and at acceptable costs in order for us to be profitable. We intend to utilize third party manufacturers and/or facilities if and when the need arises or, if we are unable to do so, to build or acquire commercial-scale manufacturing facilities. If we cannot manufacture commercial quantities of Ampligen® and/or Alferon®, or continue to maintain third party agreements for its manufacture at costs acceptable to us, our operations will be significantly affected. If and when the Ampligen® NDA is approved, we may need to find an additional vendor to manufacture the product for commercial sales. Also, each production lot of Alferon N Injection® is subject to FDA review and approval prior to releasing the lots to be sold. This review and approval process could take considerable time, which would delay our having product in inventory to sell, nor can we provide any assurance as to the receipt of FDA approval of our finished inventory product. There can be no assurances that the Ampligen® and/or Alferon® can be commercially produced at costs acceptable to us.

Rapid technological change may render our products obsolete or non-competitive.

The pharmaceutical and biotechnology industries are subject to rapid and substantial technological change. Technological competition from pharmaceutical and biotechnology companies, universities, governmental entities and others diversifying into the field is intense and is expected to increase. Most of these entities have significantly greater research and development capabilities than us, as well as substantial marketing, financial and managerial resources, and represent significant competition for us. There can be no assurance that developments by others will not render our products or technologies obsolete or noncompetitive or that we will be able to keep pace with technological developments.

Our products may be subject to substantial competition.

Ampligen®. Competitors may be developing technologies that are, or in the future may be, the basis for competitive products. Some of these potential products may have an entirely different approach or means of accomplishing similar therapeutic effects to products being developed by us. These competing products may be more effective and less costly than our products. In addition, conventional drug therapy, surgery and other more familiar treatments may offer competition to our products. Furthermore, many of our competitors have significantly greater experience than we do

in preclinical testing and human clinical trials of pharmaceutical products and in obtaining FDA, HPB and other regulatory approvals of products. Accordingly, our competitors may succeed in obtaining FDA, HPB or other regulatory product approvals more rapidly than us. There are no drugs approved for commercial sale with respect to treating CFS in the United States. The dominant competitors with drugs to treat disease indications in which we plan to address include Pfizer, GlaxoSmithKline, Merck & Co., Novartis and AstraZeneca. Biotech competitors include Baxter International, Fletcher/CSI, AVANT Immunotherapeutics, AVI BioPharma and Genta. These potential competitors are among the largest pharmaceutical companies in the world, are well known to the public and the medical community, and have substantially greater financial resources, product development, and manufacturing and marketing capabilities than we have. Although we believe our principal advantage is the unique mechanism of action of Ampligen® on the immune system, we cannot assure that we will be able to compete.

Alferon N Injection®. Our competitors are among the largest pharmaceutical companies in the world, are well known to the public and the medical community, and have substantially greater financial resources, product development, and manufacturing and marketing capabilities than we have. Alferon N Injection® currently competes with Merck's injectable

recombinant alpha interferon product (INTRON® A) for the treatment of genital warts. In addition, other pharmaceutical firms offer self-administered topical cream, for the treatment of external genital and perianal warts such as Graceway Pharmaceuticals (Aldara®), Watson Pharma (Condylox®) and MediGene (Veregen®). Alferon N Injection® also competes with surgical, chemical, and other methods of treating genital warts. We cannot assess the impact products developed by our competitors, or advances in other methods of the treatment of genital warts, will have on the commercial viability of Alferon N Injection®. If and when we obtain additional approvals of uses of this product, we expect to compete primarily on the basis of product performance. Our competitors have developed or may develop products (containing either alpha or beta interferon or other therapeutic compounds) or other treatment modalities for those uses. There can be no assurance that, if we are able to obtain regulatory approval of Alferon N Injection® for the treatment of new indications, we will be able to achieve any significant penetration into those markets. In addition, because certain competitive products are not dependent on a source of human blood cells, such products may be able to be produced in greater volume and at a lower cost than Alferon N Injection®. Currently, our wholesale price on a per unit basis of Alferon N Injection® is higher than that of the competitive recombinant alpha and beta interferon products. Please see “We may not be profitable unless we can protect our patents and/or receive approval for additional pending patents" above for additional information.

General. Other companies may succeed in developing products earlier than we do, obtaining approvals for such products from the FDA more rapidly than we do, or developing products that are more effective than those we may develop. While we will attempt to expand our technological capabilities in order to remain competitive, there can be no assurance that research and development by others or other medical advances will not render our technology or products obsolete or non-competitive or result in treatments or cures superior to any therapy we develop.

Possible side effects from the use of Ampligen® or Alferon N Injection® could adversely affect potential revenues and physician/patient acceptability of our product.

Ampligen®. We believe that Ampligen® has been generally well tolerated with a low incidence of clinical toxicity, particularly given the severely debilitating or life threatening diseases that have been treated. A mild flushing reaction has been observed in approximately 15-20% of patients treated in our various studies. This reaction is occasionally accompanied by a rapid heartbeat, a tightness of the chest, urticaria (swelling of the skin), anxiety, shortness of breath, subjective reports of “feeling hot”, sweating and nausea. The reaction is usually infusion-rate related and can generally be controlled by reducing the rate of infusion. Other adverse side effects include liver enzyme level elevations, diarrhea, itching, asthma, low blood pressure, photophobia, rash, visual disturbances, slow or irregular heart rate, decreases in platelets and white blood cell counts, anemia, dizziness, confusion, elevation of kidney function tests, occasional temporary hair loss and various flu-like symptoms, including fever, chills, fatigue, muscular aches, joint pains, headaches, nausea and vomiting. These flu-like side effects typically subside within several months.

The FDA in its February 1, 2013 CRL, set forth the reasons for not approving Ampligen® at this time and provided recommendations to address certain of the outstanding issues. The Agency stated that the submitted data do not provide substantial evidence of efficacy of Ampligen® for the treatment of CFS and that the data do not provide sufficient information to determine whether the product is safe for use in CFS due to the limited size of the safety database and multiple discrepancies within the submitted data.

If approved, one or more of the potential side effects of the drug might deter usage of Ampligen® in certain clinical situations and therefore, could adversely affect potential revenues and physician/patient acceptability of our product.

Alferon N Injection®. At present, Alferon N Injection® is approved for the intralesional (within the lesion) treatment of refractory or recurring external genital warts in adults. In clinical trials conducted for the treatment of genital warts with Alferon N Injection®, patients did not experience serious side effects; however, there can be no assurance that unexpected or unacceptable side effects will not be found in the future for this use or other potential uses of Alferon N

Injection® which could threaten or limit such product's usefulness.

We may be subject to product liability claims from the use of Ampligen®, Alferon N Injection®, or other of our products which could negatively affect our future operations. We do not carry product liability or clinical trial insurance.

We elected not to maintain Products Liability and Clinical Trial insurance coverage world-wide for Ampligen® and Alferon® due to the minimal amount of historical loss claims regarding these products in the marketplace. Any claims against our products, Ampligen®, Alferon N Injection® and Alferon® LDO, could have a materially adverse effect on our business and financial condition.

We face an inherent business risk of exposure to product liability claims in the event that the use of Ampligen®, Alferon N Injection® or other of our products results in adverse effects. This liability might result from claims made directly by patients,

hospitals, clinics or other consumers, or by pharmaceutical companies or others manufacturing these products on our behalf. Our future operations may be negatively affected from the litigation costs, settlement expenses and lost product sales inherent to these claims. While we will continue to attempt to take appropriate precautions, we cannot assure that we will avoid significant product liability exposure.

The loss of services of key personnel including Dr. William A. Carter could hurt our chances for success.

Our success is dependent on the continued efforts of our staff, especially certain doctors and researchers along with the continued efforts of Dr. William A. Carter because of his position as a pioneer in the field of nucleic acid drugs, his being the co-inventor of Ampligen®, and his knowledge of our overall activities, including patents and clinical trials. The loss of the services of Dr. Carter or other personnel key to our operations could have a material adverse effect on our operations and chances for success. As a cash conservation measure, we have elected to discontinue the Key Man life insurance on the life of Dr. Carter. An employment agreement continues to exist with Dr. Carter that, as amended, runs until December 31, 2016. However, Dr. Carter has the right to terminate his employment upon not less than 30 days prior written notice. The loss of Dr. Carter or other key personnel or the failure to recruit additional personnel as needed could have a materially adverse effect on our ability to achieve our objectives.

Uncertainty of health care reimbursement for our products.

Our ability to successfully commercialize our products will depend, in part, on the extent to which reimbursement for the cost of such products and related treatment will be available from government health administration authorities, private health coverage insurers and other organizations. Significant uncertainty exists as to the reimbursement status of newly approved health care products, and from time to time legislation is proposed, which, if adopted, could further restrict the prices charged by and/or amounts reimbursable to manufacturers of pharmaceutical products. We cannot predict what, if any, legislation will ultimately be adopted or the impact of such legislation on us. There can be no assurance that third party insurance companies will allow us to charge and receive payments for products sufficient to realize an appropriate return on our investment in product development.

There are risks of liabilities associated with handling and disposing of hazardous materials.

Our business involves the controlled use of hazardous materials, carcinogenic chemicals, flammable solvents and various radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply in all material respects with the standards prescribed by applicable regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident or the failure to comply with applicable regulations, we could be held liable for any damages that result, and any such liability could be significant. We do not maintain insurance coverage against such liabilities.

A Securities Federal Class Action and Four Shareholder Derivative Actions Have Been Filed Against Us and We May Be Subject to Civil Liabilities.

As described below in Item 3. Legal Proceedings five actions have been filed against Hemispherx and certain of its Officers and Directors: a putative class action alleging violations of the federal securities laws and seeking monetary damages, costs, and attorneys' fees; and four shareholder derivative actions alleging various state law breach of fiduciary duty, waste of corporate assets and unjust enrichment claims along with seeking monetary damages, costs, attorneys' fees, and equitable and injunctive relief. Defending against these suits, even if meritless, can result in substantial costs to us and could divert the attention of our management.

The existence of these proceedings could have a material adverse effect on our ability to access the capital markets to raise additional funds. While Management believes that the lawsuits are without merit, we cannot predict or determine

the timing or final outcomes of the lawsuits and are unable to estimate the amount or range of loss that could result from unfavorable outcomes. Adverse results in some or all of these legal proceedings could be material to our results of operations, financial condition or cash flows.

Risks Associated With an Investment in Our Common Stock:

The market price of our stock may be adversely affected by market volatility.

The market price of our common stock has been and is likely to be volatile. This is especially true given the current significant instability in the financial markets. In addition to general economic, political and market conditions, the price and trading volume of our stock could fluctuate widely in response to many factors, including:

- announcements of the results of clinical trials by us or our competitors;
- announcements of availability or projections of our products for commercial sale;
- announcements of legal actions against us and/or settlements or verdicts adverse to us;
- adverse reactions to products;
- governmental approvals, delays in expected governmental approvals or withdrawals of any prior governmental approvals or public or regulatory agency comments regarding the safety or effectiveness of our products, or the adequacy of the procedures, facilities or controls employed in the manufacture of our products;
- changes in U.S. or foreign regulatory policy during the period of product development;
- developments in patent or other proprietary rights, including any third party challenges of our intellectual property rights;
- announcements of technological innovations by us or our competitors;
- announcements of new products or new contracts by us or our competitors;
- actual or anticipated variations in our operating results due to the level of development expenses and other factors;
- changes in financial estimates by securities analysts and whether our earnings meet or exceed the estimates;
- conditions and trends in the pharmaceutical and other industries;
- new accounting standards;
- overall investment market fluctuation;
- restatement of prior financial results;
- notice of NYSE MKT non-compliance with requirements; and
- occurrence of any of the risks described in these "Risk Factors".

Our common stock is listed for quotation on the NYSE MKT. For the twelve month period ended December 31, 2014, the trading price of our common stock has ranged from $0.22 to $0.55 per share. We expect the price of our common stock to remain volatile. The average daily trading volume of our common stock varies significantly.

In the past, following periods of volatility in the market price of the securities of companies in our industry, securities class action litigation has often been instituted against companies in our industry. In this regard, please see “A Securities Federal Class Action and Four Shareholder Derivative Actions Have Been Filed Against Us and We May Be Subject to Civil Liabilities" above.

Our stock price may be adversely affected if a significant amount of shares are sold in the public market.

We may issue shares to be used to meet our capital requirements or use shares to compensate employees, consultants and/or Directors. In this regard, we have registered $150,000,000 of securities for public sale pursuant to a universal shelf registration statement and we have been selling shares under this shelf registration statement and the EDA with Maxim. Through December 31, 2014, we had sold an aggregate of approximately 65,585,571 shares under the EDA.

Pursuant to the EDA, we may sell up to $75,000,000 worth of our shares of Common Stock from time to time through Maxim, as sales agent. While we have no obligation to sell any of the Shares and may at any time suspend offers under the EDA or terminate the EDA, the sale of substantial numbers of Shares under the EDA may have an adverse impact on the trading value of the stock.

We are unable to estimate the amount, timing or nature of future sales of outstanding common stock or instruments convertible into or exercisable for our common stock. Sales of substantial amounts of our common stock in the public market, including additional sale of securities pursuant to the EDA with Maxim or otherwise under the universal shelf

registration statement or upon exercise of outstanding options, could cause the market price for our common stock to decrease. Furthermore, a decline in the price of our common stock would likely impede our ability to raise capital through the issuance of additional shares of common stock or other equity securities.

Provisions of our Certificate of Incorporation and Delaware law could defer a change of our Management which could discourage or delay offers to acquire us.

Provisions of our Certificate of Incorporation and Delaware law may make it more difficult for someone to acquire control of us or for our stockholders to remove existing management, and might discourage a third party from offering to acquire us, even if a change in control or in Management would be beneficial to our stockholders. For example, our Certificate of Incorporation

allows us to issue shares of preferred stock without any vote or further action by our stockholders. Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board of Directors also has the authority to issue preferred stock without further stockholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In this regard, on November 2, 2012, we amended and restated our Stockholder Rights Plan ("Rights Plan") and, under the Rights Plan, our Board of Directors declared a dividend distribution of one Right for each outstanding share of Common Stock to stockholders of record at the close of business on November 29, 2002. Each Right initially entitles holders to buy one-hundredth unit of preferred stock for $30.00 and may be redeemed prior to November 19, 2017, the expiration date, at $0.001 per Right under certain circumstances. The Rights generally are not transferable apart from the common stock and will not be exercisable unless and until a person or group acquires or commences a tender or exchange offer to acquire, beneficial ownership of 15% or more of our common stock. At December 31, 2014, for Dr. Carter, our Chief Executive Officer and President, who already beneficially owns approximately 4.63% of our common stock, the Rights Plan's threshold will be 20%, instead of 15%.

Special Note Regarding Forward Looking Statements

Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, you should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Our research in clinical efforts may continue for the next several years and we may continue to incur losses due to clinical costs incurred in the development of Ampligen® for commercial application. Possible losses may fluctuate from quarter to quarter as a result of differences in the timing of significant expenses incurred and receipt of licensing fees and/or cost recovery treatment revenue.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

We currently lease through June 2018, our headquarters located in Philadelphia, Pennsylvania consisting of a suite of offices of approximately 6,760 square feet.

We also own, occupy and use our New Brunswick, New Jersey laboratory and production facility. These facilities consist of two buildings located on 2.8 acres. One building is a two story facility consisting of a total of 31,300 square feet. This facility contains offices, laboratories and production space. It also contains space designated for research and development, packaging, quality assurance and quality control laboratories. Building Two has 11,670 square feet consisting of offices, laboratories, warehouse space, shipping, receiving and packaging areas. The property has parking space for approximately 100 vehicles.

ITEM 3. Legal Proceedings.

(a) Stephanie A. Frater v. Hemispherx Biopharma, Inc., William A. Carter, David Strayer and Wayne Pambianchi, U.S. District Court for Eastern District of Pennsylvania, Case No. 2:12-cv-07152-WY.

(b) Mark Zicherman v. Hemispherx Biopharma, Inc., William A. Carter, Thomas K. Equels, Iraj E. Kiani, William M. Mitchell, Richard C. Piani, David Strayer and Charles T. Bernhardt, U.S. District Court for Eastern District of Pennsylvania, Case No. 2:13-cv-00243-WY.

(c) Michael Desclos v. Hemispherx Biopharma, Inc., William A. Carter, Charles T. Bernhardt, Thomas K. Equels, David R. Strayer, Richard C. Piani, William M. Mitchell, and Iraj E. Kiani, First Judicial District of Pennsylvania, Court of Common Pleas of Philadelphia, March 2013 Term, No. 110.

(d) Richard J. Sussman and Douglas T. Lowe v. Hemispherx Biopharma, Inc., William A. Carter, Charles T. Bernhardt, Thomas K. Equels, David R. Strayer, Richard C. Piani, William M. Mitchell, and Iraj E. Kiani, First Judicial District of Pennsylvania, Court of Common Pleas of Philadelphia, April 2013 Term, No. 3458.

(e) Rena A. Kastis and James E. Conroy v. Hemispherx Biopharma, Inc., William A. Carter, Thomas K. Equels, Richard C. Piani, William M. Mitchell, Iraj E. Kiani and Robert E Peterson, Chancery Court of the State of Delaware , June 18, 2013, Case No. 8657.

(f) Charles T. Bernhardt III v. Hemispherx Biopharma, Inc., Dr. William A. Carter, Thomas K. Equels, Esquire, Dr. Iraj Eqhbal Kiani, Dr. William M. Mitchell and Peter W. Rodino; Court of Common Pleas of Philadelphia County, Philadelphia, PA; Case: February Term, 2014 No. 000784.

(g) Hemispherx Biopharma, Inc. v. Johannesburg Consolidated Investments, et al., U.S. District Court for the Southern District of Florida, Case No. 04-10129-CIV.

(h) Cato Capital, LLC v. Hemispherx Biopharma, Inc., U.S. District Court for the District of Delaware, Case No. 09-549-GMS.

(a) On December 21, 2012, a putative Federal Securities Class Action Complaint was filed against the Company and three of its Officers in the United States District Court for the Eastern District of Pennsylvania. This action, Stephanie A. Frater v. Hemispherx Biopharma, Inc., et al., was purportedly brought on behalf of a putative class of Hemispherx investors who purchased the Company's publicly traded securities between March 14, 2012 and December 17, 2012. The Complaint generally asserted that Defendants made material misrepresentations and omissions regarding the status of the Company's New Drug Application for Ampligen®, which had been filed with the United States Food and Drug Administration, in alleged violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. On March 14, 2013, the Court appointed Hemispherx Investor Group as Lead Plaintiff pursuant to the Private Securities Litigation Reform Act of 1995 (“PSLRA”), 15 U.S.C. § 78u-4. Pursuant to the Court's March 29, 2013 scheduling order, Lead Plaintiff filed a Consolidated Amended Class Action Complaint (“Amended Complaint”) on May 20, 2013, and in its Amended Complaint, dropped Thomas K. Equels and Charles T. Bernhardt as Defendants and added David R. Strayer, M.D. and Wayne Pambianchi, an outside consultant, as Defendants. The Amended Complaint alleges an expanded Class Period of March 14, 2012 to December 20, 2012, which period encompasses statements made in the Company's 2011

Form 10-K filed on March 14, 2012, and at the FDA Advisory Committee Meeting on December 20, 2012. On July 19, 2013, Defendants filed a motion to dismiss the Amended Complaint. Lead Plaintiff filed its brief in opposition to Defendants' motion to dismiss is September 17, 2013, and Defendants filed their reply brief on October 17, 2013. On January 24, 2014, the court entered an order denying defendants' motion to dismiss the Amended Complaint, and on February, 20, 2014, entered a scheduling order imposing, inter alia, a March 31, 2015 deadline for the completion of all fact discovery. On February 25, 2014, defendants filed an answer and affirmative defenses to the Amended Compliant. Also on February 25, 2014, the Court entered a Stipulated

Protective Order, which will govern all confidential documents produced in discovery. After conducting significant fact discovery, the parties reached an agreement in principle to settle all claims on December 31, 2014. However, the settlement is subject to the Court's issuance of an order finally approving the terms of the parties' settlement agreement in all material respects. On March 11, 2015, the parties filed a joint motion with the Court seeking an order, inter alia, granting preliminary approval of their settlement agreement, preliminarily certifying a class for settlement purposes, and setting a date for a final settlement hearing.

(b) On January 15, 2013, a Shareholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the United States District Court for the Eastern District of Pennsylvania. Purporting to assert claims on behalf of the Company, the Complaint in this action, Mark Zicherman v. Hemispherx Biopharma, Inc., et al., alleges violations of state law, including breaches of fiduciary duties, waste of corporate assets, and unjust enrichment, arising from the alleged federal securities violations asserted in the securities class action. On February 22, 2013, the Court entered an order temporarily staying this case pending the outcome of the securities class action defendants' motion to dismiss that action. On July 3, 2013, Plaintiff filed an Amended Complaint, adding David R. Strayer, M.D., as a Defendant. On July 18, 2013, the Court entered an order staying the case as against Dr. Strayer pending the outcome of the motion to dismiss the securities class action. On January 24, 2014, the Court denied the defendants' motion to dismiss the securities class action. On March 26, 2014, the Court entered an order to continue the temporary stay, and on March 27, 2014, the Court entered an order placing the action in the Civil Suspense File. On April 11, 2014, the Court entered a Stipulated Protective Order, which will govern all confidential documents produced in discovery. On January 28, 2015, on request of the parties, the Court entered an Order continuing the temporary stay, subject to the requirement that the parties submit an updated joint status report within ten days of the court’s entry of an order granting or denying the securities class action parties’ motion for preliminary approval of their settlement agreement. On January 28, 2015, on request of the parties, the Court entered an Order continuing the temporary stay, subject to the requirement that the parties submit an updated joint status report within ten days of the court’s entry of an order granting or denying the securities class action parties’ motion for preliminary approval of their settlement agreement.

(c) On March 4, 2013, a Shareholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the First Judicial District of Pennsylvania of the Court of Common Pleas of Philadelphia. Purporting to assert claims on behalf of the Company, the Complaint in this action, Michael Desclos v. Hemispherx Biopharma, Inc., et al., alleges violations of state law, including breaches of fiduciary duties, waste of corporate assets, and unjust enrichment, arising from the alleged federal securities violations asserted in the securities class action. On April 10, 2013, the Court entered an order temporarily staying this case pending the outcome of the securities class action defendants' motion to dismiss that action. On January 24, 2013, the court in the federal securities class action denied the defendants' motion to dismiss. On January 29, 2014, the court entered an order consolidating this action with the shareholder derivative action, Richard J. Sussman and Douglas T. Lowe v. Hemispherx Biopharma, Inc., et al., described below. On March 26, 2014, the Court entered an order to continue the temporary stay. On June 9, 2014, the Court entered a Stipulated Protective Order, which will govern all confidential documents produced in discovery.

(d) On April 23, 2013, a Shareholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the First Judicial District of Pennsylvania of the Court of Common Pleas of Philadelphia. Purporting to assert claims on behalf of the Company, the Complaint in this action, Richard J. Sussman and Douglas T. Lowe v. Hemispherx Biopharma, Inc., et al., alleges violations of state law, including breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment, arising from the alleged federal securities violations asserted in the securities class action. On May 10, 2013, the Court entered an order staying this case pending the outcome of the ruling on the Federal Securities Class Action Defendants' motion to dismiss. On January 24, 2014, the court in the federal securities class action denied the defendants' motion to dismiss. On January 29, 2014, the Court entered an order consolidating this action with the shareholder derivative action, Michael Desclos v. Hemispherx Biopharma, Inc., et al., described above. On March 26, 2014, the Court entered an order to continue the temporary stay. On June 9, 2014, the Court entered a Stipulated Protective Order, which will govern all confidential documents produced in discovery.

(e) On June 18, 2013, a Stockholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the Court of Chancery of the State of Delaware. The Complaint in this action, Rena A. Kastis and James E. Conroy v. Hemispherx Biopharma, Inc., et al., alleges breaches of fiduciary duties, waste of corporate assets and unjust enrichment. The Company's Board of Directors has appointed a Special Litigation Committee ("SLC") to review the allegations set forth in the Complaint. On September 10, 2013, the Court entered a Stipulation and Order staying all proceedings in this action pending the SLC's review and recommendation concerning the allegations contained in the Complaint. On December 20, 2013, the SLC issued its Report, in which it concluded that dismissing the Complaint would be in the best interests of Hemispherx and its stockholders. On January 20, 2014, the SLC moved to dismiss the Complaint. During the time since the SLC filed its motion to dismiss, plaintiffs

have served document requests on the SLC, noticed the depositions of the two SLC members (on dates to be mutually agreed-upon following document production), served a subpoena on the SLC's counsel McCarter & English LLP, and served a subpoena on Sage Group, an outside advisor to Hemispherx. The SLC responded to plaintiffs' document requests on March 6, 2014, and produced responsive documents the same day. McCarter & English responded to plaintiff's subpoena, produced responsive documents on March 20, 2014, and produced additional responsive documents on April 7, 2014 and June 23, 2014. On June 25, 2014, plaintiffs served document requests on the Company, to which the Company responded on July 25, 2014. The deposition of Sage Group occurred on March 12, 2015. The depositions of the two members of the SLC and of McCarter & English have not yet been scheduled.

(f) On February 7, 2014, Charles T. Bernhardt III ("Bernhardt") filed a Complaint in the Philadelphia Court of Common Pleas asserting that under an employment agreement dated December 6, 2011, the Company currently owes Bernhardt certain wages, fringe benefits and severance payments by reason of his resignation from employment as Chief Financial Officer from the Company. The claims against the Company included breach of contract, violation of the Pennsylvania Wage Protection Collection Law ("WPCL") and anticipatory breach of the employment agreement. The suit also asserts claims against Dr. William A. Carter, Thomas K. Equels, Esquire, Dr. Iraj Eqhbal Kiani, Dr. William M. Mitchell and Peter W. Rodino, in their capacity as corporate officers and/or directors of the Company, for violation of the WPCL and for anticipatory breach of the employment agreement. In addition to compensatory damages on all counts, Bernhardt's claim includes a demand for attorneys' fees and liquidated damages under the WPCL. On February 27, 2014, the Defendants filed preliminary objections to Bernhardt's Complaint challenging the legal sufficiency of the Complaint for various reasons including that the Complaint did not properly state claims under the WPCL, nor did it assert a right to severance benefits. The preliminary objections further sought to strike certain improper allegations contained in the Complaint. Bernhardt filed an Amended Complaint supplementing and changing the allegations of the Complaint. The Company filed Preliminary Objections to the Amended Complaint asserting that the Amended Complaint contained legal deficiencies. On April 25, 2014, Bernhardt filed a Second Amended Complaint. On July 23, 2014, the Company answered and asserted its defenses to the Second Amended Complaint, and also asserted counterclaims against Bernhardt on behalf of the Company and the individual defendants named in the Complaint. These counterclaims included claims against Bernhardt for breach of contract, corporate defamation/false light and defamation. In addition, the Company has asserted a claim for the return of corporate property, which Bernhardt is believed to have taken at the time of his departure. Discovery in the matter is ongoing. The Company intends to vigorously defend against the allegations of the Second Amended Complaint, and to strongly pursue the affirmative claims of the Company and those of the other defendants. At this time no reasonable judgment can be made as to the likely outcome of the matter.

We believe we have meritorious defenses and we are vigorously defending against these claims by Bernhardt as unjustifiable. There is currently no projection as to the likely outcome of the case.

We believe that the claims asserted in the shareholder derivative litigation are without merit, and we are vigorously defending these actions. While we also believe that the claims asserted in the securities litigation are without merit, we have reached a settlement agreement in principle that is satisfactory to the Company. If the Court does not issue an order finally approving the terms of the parties' settlement agreement in all material respects, however, we intend to resume our vigorous defense of the securities litigation. The potential impact of these actions, which seek unspecified damages, equitable relief, attorneys' fees and expenses, is uncertain. There can be no assurance that an adverse result in these proceedings would not have a potentially material adverse effect on our business, results of operations and financial condition.

(g) In December 2004, the Company filed a multi-count complaint in U.S, Federal Court (Southern District of Florida) which was granted by the Court in August 2010 whereby Hemispherx was awarded $188 million, plus interest against Johannesburg Consolidated Investments ("JCI") and former JCI officers R.B. Kebble and H.C. Buitendag. The Company attempted to domesticate the Final Judgment in South Africa. The action to domesticate had been filed in South Africa. As required by South African law, on October 11, 2011, Hemispherx posted security bond of $66,873 related to the JCI proceedings and a second bond of $25,200 was posted in July 2012 related our proceedings against the Estate of Kebble. Hemispherx and the other parties to the domestication action convened an arbitral panel in South Africa to decide the domestication issue in Johannesburg on May 5 through 9, 2014. After deliberation, the panel

declined to domesticate the U.S. judgment in South Africa. These bonds have been forfeited and a fee award of approximately $200,000 has been issued. However, the final judgment still remains valid in the United States and vastly exceeds the amount of the South African fee award, thus in the United States it is fully set off.

(h) The Parties had a Non-Jury trial on March 4, 5 and 6, 2013 before the United States District Court for the District of Delaware. On April 22, 2013 the Parties submitted Proposed Findings of Fact and Conclusions of Law, and on April 26, 2013, submitted hyperlinked copies to the Court pursuant to the Court's Order. In February and March of 2014, the Company’s counsel advised the Court that certain rulings in a similar matter undercut certain factual and legal arguments advanced by the Plaintiff at, and subsequent to the trial. On September 9, 2014 the Court issued a Decision and Order finding for Hemispherx and codefendant the Sage Group, on all counts asserted by Cato. The Order dismissed all claims.

On October 14, 2014 Hemispherx filed a Motion seeking an award of attorney's fees and costs in the approximate amount of One Million Dollars pursuant to a cost and fee recovery provision of the Agreement between Cato and Hemspherx that was the subject of the underlying litigation. On October 21, 2014 Cato filed a Notice of Appeal to the United States Court of Appeals for the Third Circuit. On November 17, 2014 the United States District Court granted-in part and denied-in-part the Motion including granting Hemispherx leave to provide a cost accounting of its requested fees excluding any cost associated with representation of Sage. On December 11, 2014, Hemispherx submitted its supplemental application in which Hemispherx sought approximately $771,000 in fees and costs. On January 13, 2015 the Court granted Hemipsherx Motion and awarded Hemipsherx attorney's fees and costs against Cato Capital LLC in the amount of $770,853. No informed judgment can be made concerning the success of the Company's collection of attorney's fees and costs. No informed judgment can be made at this time as to the basis of Cato's appeal or the merits.
Summation.

In reference to Contingencies identified, there can be no assurance that an adverse result in these proceedings would not have a potentially material adverse effect on our business, results of operations, and financial condition. The Company believes it has meritorious defenses and is vigorously defending against the claims identified. There is currently no projection as to the likely outcome of the cases and the Company has not recorded any gain or loss contingencies as a result of the above matters for the years ended December 31, 2014 and 2013. Also with regards to Contingency (a), (b), (c), (d) and (e), the Company maintains insurance coverage which is expected to respond to certain claims and expenses.

ITEM 4. Mine Safety Disclosures.
Not Applicable.
PART II
ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
In 2014, we issued 229,031 shares of common stock in payment to vendors and consultants for services rendered. The foregoing issuances of securities were private transactions and exempt from registration under section 4(2) of the Securities Act and/or regulation D rule 506 promulgated under the Securities Act.
Since October 1997 our common stock has been listed and traded on the NYSE MKT (formerly AMEX) under the symbol HEB. The following table sets forth the high and low list prices for our Common Stock for the last two fiscal years as reported by the NYSE MKT. Such prices reflect inter-dealer prices, without retail mark-up, mark-downs or commissions and may not necessarily represent actual transactions.

	High	Low
COMMON STOCK		
Time Period:		
January 1, 2014 through March 31, 2014	$0.55	$0.25
April 1, 2014 through June 30, 2014	$0.42	$0.31
July 1, 2014 through September 30, 2014	$0.36	$0.26
October 1, 2014 through December 31, 2014	$0.40	$0.22
January 1, 2013 through March 31, 2013	$0.36	$0.18
April 1, 2013 through June 30, 2013	$0.29	$0.19
July 1, 2013 through September 30, 2013	$0.29	$0.22
October 1, 2013 through December 31, 2013	$0.41	$0.19

As of March 1, 2015, there were approximately 199 holders of record of our Common Stock. This number was determined from records maintained by our transfer agent and does not include beneficial owners of our securities whose securities are held in the names of various dealers and/or clearing agencies.

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On March 1, 2015, the last sale price for our common stock on the NYSE MKT was $0.24 per share.
We have not paid any cash dividends on our Common Stock in recent years. It is management's intention not to declare or pay dividends on our Common Stock, but to retain earnings, if any, for the operation and expansion of our business.
The following table gives information about our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2014:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average Exercise price of Outstanding options, warrants and rights	Number of securities Remaining available for future issuance under equity compensation plans (excluding securities reflected in column) (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders:	15,087,888	$1.57	1,490,547
Equity compensation plans not approved by security holders:	2,399,058	$0.56	0
Total	17,486,946	$1.43	1,490,547

ITEM 6. Selected Financial Data (in thousands except for share and per share data).
The selected consolidated financial data set forth below should be read in conjunction with our consolidated financial statements, and the related notes thereto, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in this Annual Report. The statement of operations and balance sheet data presented below for, and as of the end of, each of the years in the five year period ended December 31, 2014 are derived from our audited consolidated financial statements. Historical results are not necessarily indicative of the results to be expected in the future.

Year Ended December 31	2010	2011	2012	2013	2014
Statement of Operations Data:					
Revenues and License fee Income	$135	$161	$213	$150	$197
Total Costs and Expenses(1)	16,522	14,456	20,553	17,317	19,296
Interest Expense and Financing Costs	11	41	24	16	11
Redeemable warrants valuation adjustment	(879)	(2,425)	(85)	(281)	(14)
Net loss	(13,136)	(9,015)	(17,354)	(16,225)	(17,450)
Net loss applicable to common stockholders	(13,136)	(9,015)	(17,354)	(16,225)	(17,450)
Basic and diluted net loss per share	$(0.10)	$(0.07)	$(0.12)	$(0.10)	$(0.09)
Shares used in computing basic and diluted net loss per share	134,018,243	135,432,395	141,016,935	167,325,584	188,291,976
Balance Sheet Data:					
Working Capital	$33,842	$26,717	$32,079	$16,020	$12,071
Total Assets	51,680	43,513	57,699	31,867	29,440
Debt, net of discount	—	1,695	7,051	—	—

Stockholders' Equity	45,947	37,965	44,700	29,298	25,004
Cash Flow Data:					
Cash used in operating activities	(11,886)	(10,096)	(13,136)	(16,830)	(13,918)
Capital expenditures	$(729)	$(1,802)	$(5,755)	$(898)	$(504)

(1) General and Administrative expenses include stock compensation expense of $740, $377, $356, $376 and $326 for the years ended December 31, 2010, 2011, 2012, 2013 and 2014, respectively.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis is related to our financial condition and results of operations for the three years ended December 31, 2014. This information should be read in conjunction with ITEM 6 – "Selected Financial Data" and our consolidated financial statements and related notes thereto beginning on F-1 of this Form 10-K.

Statement of Forward-Looking Information

Certain statements in the section are "forward-looking statements". You should read the information before ITEM 1B above, "Special Note" Regarding Forward-Looking Statements" for more information about our presentation of information.

Background

We are a specialty pharmaceutical company headquartered in Philadelphia, Pennsylvania and engaged in the clinical development of new drug therapies based on natural immune system enhancing technologies for the treatment of viral and immune based disorders. We were founded in the early 1970s doing contract research for the National Institutes of Health. Since that time, we have established a strong foundation of laboratory, pre-clinical and clinical data with respect to the development of natural interferon and nucleic acids to enhance the natural antiviral defense system of the human body and to aid the development of therapeutic products for the treatment of certain chronic diseases.

We have reported net income only from 1985 through 1987. Since 1987, we have incurred, as expected, substantial operating losses due to our conducting research and development programs.

Fair Value

In connection with equity financings on May 11 and 19, 2009, we issued warrants (the "Warrants") that are single compound derivatives containing both an embedded right to obtain stock upon exercise (a "Call") and a series of embedded rights to settle the Warrants for cash upon the occurrence of certain events (each, a "Put"). Generally, the Put provisions allow the Warrant Holders liquidity protection; the right to receive cash in certain situations where the Holders would not have a means of readily selling the shares issuable upon exercise of the Warrants (e.g., where there would no longer be a significant public market for our common stock). However because the contractual formula used to determine the cash settlement value of the embedded Put requires use of certain assumptions, the cash settlement value of the embedded Put can differ from the fair value of the unexercised embedded Call option at the time the embedded Put option is exercised. Specifically, the Put rights would be triggered upon the happening of a "Fundamental Transaction" (as defined below) that also is (1) an all cash transaction; (2) a "Rule 13e-3 transaction" under the Exchange Act (where the Company would be taken private); or (3) a transaction involving a person or entity not traded on a national securities exchange. "Fundamental Transactions" include (i) a merger or consolidation of the Company with or into another person or entity; (ii) a sale, lease, license, transfer or other disposition of all or substantially all of the Company's assets; (iii) any purchase offer, tender offer or exchange offer in which holders of Company Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property, which offer has been accepted by the holders of 50% or more of the Company's outstanding Common Stock; (iv) a reclassification, reorganization or recapitalization of the Common Stock pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property; or (v) a stock purchase or other business combination with another person or entity is effected pursuant to which such other person or entity acquires more than 50% of the outstanding shares of Common Stock. Pursuant to the Warrants, the Put rights enable the Warrant Holders to receive cash in the amount of the Black-Scholes-Merton value obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Warrant expiration date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public

announcement of the applicable Fundamental Transaction and the Warrant expiration date.

The Company recomputes the fair value of the Warrants at the end of each quarterly reporting period. Such value computation includes subjective input assumptions that are consistently applied each period. If the Company were to alter its assumptions or the numbers input based on such assumptions, the resulting fair value could be materially different. The Warrants expired during 2014.

The Company utilized the following assumptions to estimate the fair value of the May 10, 2009, May 18, 2009 and May 21, 2009 warrants:

	2014	2013	2012
Underlying price per share	-	$0.19-$0.27	$0.25-$0.80
Exercise price per share	-	$1.31-$1.65	$1.31-$1.65
Risk-free interest rate	-	0.06%-0.23%	0.19%-0.44%
Expected holding period	-	0.38-1.64 years	1.38-2.63 years
Expected volatility	-	69.74%-113.56%	69.21%-110.27%
Expected dividend yield	-	None	None

The significant assumptions using the Monte Carlo Simulation approach for valuation of the Warrants are:

(i) Risk-Free Interest Rate. The risk-free interest rates for the Warrants are based on U.S Treasury constant maturities for periods commensurate with the remaining expected holding periods of the warrants.

(ii) Expected Holding Period. The expected holding period represents the period of time that the Warrants are expected to be outstanding until they are exercised. The Company utilizes the remaining contractual term of the Warrants at each valuation date as the expected holding period.

(iii) Expected Volatility. Expected stock volatility is based on daily observations of the Company’s historical stock values for a period commensurate with the remaining expected holding period on the last day of the period for which the computation is made.

(iv) Expected Dividend Yield. Expected dividend yield is based on the Company’s anticipated dividend payments over the remaining expected holding period. As the Company has never issued dividends, the expected dividend yield is $-0- and this assumption will be continued in future calculations unless the Company changes its dividend policy.

(v) Expected Probability of a Fundamental Transaction. The possibility of the occurrence of a Fundamental Transaction triggering a Put right is extremely remote. As discussed above, a Put right would only arise if a Fundamental Transaction 1) is an all cash transaction; (2) results in the Company going private; or (3) is a transaction involving a person or entity not traded on a national securities exchange. The Company believes such an occurrence is highly unlikely because:

a. The Company has one product that is FDA approved for which will not be available for commercial sales until approximately eighteen months;
b. The Company may have to perform additional clinical trials for FDA approval of its flagship product;
c. Industry and market conditions continue to include a global market recession, adding risk to any transaction;
d. Available capital for a potential buyer in a cash transaction continues to be limited;
e. The nature of a life sciences company is heavily dependent on future funding and high fixed costs, including Research & Development;
f. The Company has minimal revenues streams which are insufficient to meet the funding needs for the cost of operations or construction at their manufacturing facility; and
g. The Company's Rights Agreement and Executive Agreements make it less attractive to a potential buyer.

With the above factors utilized in analysis of the likelihood of the Put's potential Liability, the Company estimated the range of probabilities related to a Put right being triggered as:

Range of Probability	Probability
Low	0.5%
Medium	1.0%
High	5.0%

The Monte Carlo Simulation has incorporated a 5.0% probability of a Fundamental Transaction for the life to date for these securities.

(vi) Expected Timing of Announcement of a Fundamental Transaction. As the Company has no specific expectation of a Fundamental Transaction, for reasons elucidated above, the Company utilized a discrete uniform probability distribution over the Expected Holding Period to model in the potential announcement of a Fundamental Transaction occurring during the Expected Holding Period.

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(vii) Expected 100 Day Volatility at Announcement of a Fundamental Transaction. An estimate of future volatility is necessary as there is no mechanism for directly measuring future stock price movements. Daily observations of the Company's historical stock values for the 100 days immediately prior to the Warrants' grant dates, with a floor of 100%, were utilized as a proxy for the future volatility.
(viii) Expected Risk-Free Interest Rate at Announcement of a Fundamental Transaction. The Company utilized a risk-free interest rate corresponding to the forward U.S. Treasury rate for the period equal to the time between the date forecast for the public announcement of a Fundamental Transaction and the Warrant expiration date for each simulation.
(ix) Expected Time Between Announcement and Consummation of a Fundamental Transaction. The expected time between the announcement and the consummation of a Fundamental Transaction is based on the Company's experience with the due diligence process performed by acquirers, and is estimated to be six months. The Monte Carlo Simulation approach incorporates this additional period to reflect the delay Warrant Holders would experience in receiving the proceeds of the Put.

RESULTS OF OPERATIONS
Year ended December 31, 2014 versus December 31, 2013
Net Loss

Our net loss was approximately $17,450,000 for the year ended December 31, 2014, an increase in loss of approximately $1,225,000 or 8% when compared to the same period in 2013. This increase in loss for the year was primarily due to the following:

1) an increase in general and administrative expenses of approximately $1,334,000 or 17%;
2) an increase in research and development of approximately $628,000 or 8%;
3) a decrease in the value of the redeemable warrant liability valuation adjustment of $267,000 or 95%; offset by
4) an increase in the cash gain from sale of New Jersey State Net Operating Loss carry-forwards of approximately $440,000 or 64% as compared to the prior year; and
5) a decrease in other than temporary impairment loss on marketable securities of $655,000 or 82%.

Net loss per share was $(0.09) and $(0.10) for the year ended December 31, 2014 and 2013, respectively. The weighted average number of shares of our common stock outstanding as of December 31, 2014 was 188,291,976 as compared to 167,325,584 as of December 31, 2013.

Revenues

Revenues from our Ampligen® Cost Recovery Program were $197,000 and $150,000 for the year ended December 31, 2014 and 2013, respectively. Revenues increased approximately $47,000 or 31%, for the year ended December 31, 2014 as compared to the same time period of 2013. As of December 31, 2014, we had no Alferon N Injection® Finished Good product to commercially sell and all revenue was generated from the FDA approved open-label treatment protocol, ("AMP 511"), that allows patient access to Ampligen® for treatment in an open-label safety study.

Production Costs

Production costs were approximately $1,251,000 and $1,234,000, respectively, for the year ended December 31, 2014 and 2013. This increase of approximately $17,000 or 1% was primarily due to an increase in stability testing and pre-production costs related to the initiation of potential manufacturing of Alferon N Injection® offset by a write off of inventory of $453,000 incurred during the year ended December 31, 2013.

Research and Development Costs

Overall Research and Development ("R&D") costs for the year ended December 31, 2014 were approximately $8,988,000 as compared to $8,360,000 for the same period a year ago, reflecting an increase of approximately $628,000 or 8%. The primary reasons for the increase in research and development costs can be attributed to an increase in Alferon® related costs of approximately $1,149,000 associated with cGMP compliance testing, environmental studies, and clinical research at our New Brunswick manufacturing facility as well as higher salaries and wages of $667,000 associated with incentive compensation and bonuses awarded to executives as compared to the prior period, offset by a general decrease in costs associated with efforts regarding Ampligen® research and development, stability tests and polymer production of approximately $1,154,000.

General and Administrative Expenses

General and Administrative ("G&A") expenses for the year ended December 31, 2014 and 2013, were approximately $9,057,000 and $7,723,000, respectively, reflecting an increase of approximately $1,334,000 or 17%. The rise in G&A expenses in 2014 are due to: 1) higher legal fees of $1,144,000 (see "Part I - Item 3: Legal Proceedings" for details), and 2) higher salaries and wages of $787,000 associated with incentive compensation and bonuses awarded to executives; offset by 1) a decrease in consulting fees of $227,000 related to governmental affairs, 2) a net decrease in salaries, wages and severance resulting from the resignation of two executives in 2013 of approximately $348,000, and 3) a decrease in fees incurred from the Sage Group of $48,000.

Interest and Other Income

Interest and other income for the year ended December 31, 2014 and 2013 were approximately $665,000 and $791,000, respectively, representing a decrease of approximately $126,000 or 16%. The cause for the decrease in investment income was primarily due to investment performance as well as a greater value of funds available for investment purposes in the prior period.

Impairment Loss from Marketable Securities

Impairment loss from marketable securities was $145,000 and $800,000, respectively, for the years ended December 2014 and 2013. Our analysis in 2014 of the trading value for marketable securities for the year ended December 31, 2014 resulted in an observation that some of our investments had experienced a decrease in market value for a period of longer than the last twelve consecutive months. Accordingly, an estimated impairment loss of $145,000 was recognized in 2014 for the sustained decrease in the respective market value as compared to $800,000 in the prior period.

Redeemable Warrants

The quarterly fiscal revaluation of certain redeemable warrants for the year ended December 31, 2014 resulted in non-cash adjustments of $14,000 in the valuation of the redeemable warrants liability versus an approximate $281,000 gain for the same period in the prior year (see "Note 17: Fair Value" for the various factors considered in the valuation of redeemable warrants).

Sale of New Jersey Tax Net Operating Loss

In February 2014, we effectively sold $13,900,000 of our approximately $25,000,000 of New Jersey state net operating loss carryforwards (for the year 2012) for approximately $1,126,000. In January 2013, we effectively sold $8,500,000 of our approximately $17,000,000 of New Jersey State Net Operating Loss carryforwards (for the year 2011) for approximately $686,000, representing an increase in cash gain of $440,000 or 64% (see "Note 13: Income taxes") for the year ended December 31, 2014 as compared to the same period in 2013.

Year ended December 31, 2013 versus December 31, 2012

Net Loss

Our net loss of approximately $16,225,000 for the year ended December 31, 2013 was 7% lower when compared to the same period in 2012. This $1,129,000 decrease in loss was primarily due to:

1) a decrease in production/costs of goods sold costs in 2013 of approximately $755,000 or 38% as compared to the same period in 2012;

2) a decrease in research and development in 2013 of approximately $1,148,000 or 12%;

3)

a decrease in general and administrative of approximately $1,333,000 or 15% as compared to the same period in 2012; offset by

4) an increase in loss due to the recording of an impairment loss on marketable securities of $791,000;

5) sale in January 2013 of New Jersey state net operating loss carry-forwards (for the year 2011) for approximately $686,000 as compared to approximately $1,328,000 in January 2012 (for the years 2009 and 2010), representing a decrease in cash gain of approximately $642,000 or 48%; and

6) a decrease in interest and other income of approximately $815,000 from funds invested in marketable securities as compared to the prior period.

Net loss per share was $(0.10) for the current twelve month period versus $(0.12) per share for the same period in 2012. The weighted average number of shares of our common stock outstanding as of December 31, 2013 was 167,325,584 as compared to 141,016,935 as of December 31, 2012.

Revenues

Revenues from our Ampligen® Cost Recovery Treatment Program for the year ended December 31, 2013 were approximately $150,000 compared to revenues of $213,000 for the same period in 2012, a decrease of $63,000 or 30% primarily due to the number of patients decreasing 26% during the year ended December 31, 2013. As of December 31, 2013, we had no Alferon N Injection® Finished Good product to commercially sell and all revenue was generated from the FDA approved open-label treatment protocol, ("AMP 511"), that allows patient access to Ampligen® for treatment in an open-label safety study.

Production Costs

Production costs were approximately $1,234,000 and $1,989,000, respectively, for the years ended December 31, 2013 and 2012. This decrease of approximately $755,000 or 38% was primarily due to the write-down of Alferon® work in process inventory of approximately $1,024,000 in 2012 versus $453,000 in 2013 plus lower cost for the testing of finished goods inventory of approximately $113,000 which is being used for research purposes.

Research and Development Costs

Overall Research and Development ("R&D") costs for the year ended December 31, 2013 were approximately $8,360,000 as compared to approximately $9,508,000 for the same period a year ago, reflecting a decrease of approximately $1,148,000 or 12%. The decreased R&D costs during 2013 were primarily due to an incentive bonus paid to Dr. Carter in 2012 amounting to $1,159,000. In addition, we experienced higher Alferon® related costs for research and development of $809,000 offset by a decline in Ampligen® research and development expenses of $810,000 related to clinical studies, general research and polymer production.

General and Administrative Expenses

General and Administrative ("G&A") expenses for the year ended December 31, 2013 and 2012, were approximately $7,723,000 and $9,056,000, respectively, reflecting a decrease of $1,333,000 or 15%. The lower G&A expenses in 2013 were primarily due to bonuses paid to Mr. Equels in 2012 amounting to $1,159,000. Decreases in consulting fees of $185,000, director's fees of $240,000 and administrative costs within our NJ Facility of $244,000 were offset by an increase in legal fees of $525,000 due to the legal proceedings currently outstanding (see "Part I - Item 3: Legal Proceedings" for details).

Interest and Other Income

Interest and other income for the year ended December 31, 2013 and 2012 were approximately $791,000 and $1,606,000, respectively, representing a decrease of $801,000 or 51%. For the year ending December 31, 2012, the Company had sold an aggregate of 29,496,743 shares through the new ATM with Maxim that resulted in net cash proceeds of approximately $23,003,000, as compared to an aggregate of 973,411 shares sold with Maxim for net cash proceeds of approximately $249,000 for the same period in 2013. The cause for the decrease in investment income in 2013 was primarily due to greater value of funds available in 2012 for investment purposes during the period of the respective years.

Impairment Loss from Marketable Securities

Impairment loss from marketable securities was $800,000 and $9,000, respectively, for the years ended December 2013 and 2012. Our analysis in 2013 of the trading value for marketable securities for the year ended December 31, 2013 resulted in an observation that some of our investments had experienced a decrease in market value for a period of longer than the last twelve consecutive months. Accordingly, an estimated impairment loss of $800,000 was recognized in 2013 for the sustained decrease in the respective market value.

Redeemable Warrants

The revaluation of redeemable warrants resulted in non-cash adjustments to the redeemable warrants liability for the year ended December 31, 2013 and 2012 of approximately $281,000 and $85,000 gain, respectively, representing a non-cash, increase of $281,000 (see “Note 17: Fair Value” for the various factors considered in the valuation of redeemable warrants).

Sale of New Jersey Tax Net Operating Loss

In January 2013, the Company effectively sold $8,500,000 of our approximately $17,000,000 of New Jersey State Net Operating Loss carryforwards (for the year 2011) for approximately $686,000 as compared to January 2012 sale of approximately $16,000,000 of our $25,000,000 of New Jersey state net operating loss carryforwards (for the years 2009 and 2010) for approximately $1,328,000, representing a decrease in cash gain of $642,000 or 48% (see “Note 13: Income Taxes”) for the year ended December 31, 2013 as compared to the same period in 2012.

Liquidity and Capital Resources

Cash used in operating activities for the year ended December 31, 2014 was approximately $13,918,000 compared to approximately $16,830,000 for the same period in 2013, a decrease of $2,912,000 or 17%. Excluding the proceeds from the sale of New Jersey Net Operating Loss carry-forwards, cash used in operating activities for the year ended December 31, 2014 decreased by approximately $2,472,000 or 14% over the comparable period in 2013. The primary reason for this decrease in 2014 was due to the January 2013 payout of 2012 employee and strategic consultant bonuses for approximately $2,196,000 reflected in accrued expenses and a decrease in accounts payable due to the timing of payments of approximately $1,486,000 as of December 31, 2014 and 2013, respectively. This was offset by the write off of inventory valued at $453,000 and the impairment of other than temporary marketable securities of $800,000 during the year ended December 31, 2013.

As of December 31, 2014, we had approximately $16,108,000 in cash, cash equivalents and marketable securities inclusive of approximately $13,952,000 in Marketable Securities, or a decrease of approximately $2,086,000 from December 31, 2013. If we are unable to commercialize and sell Ampligen® or Alferon® LDO and/or recommence material sales of Alferon N Injection®, our operations, financial position and liquidity may be adversely impacted, and additional financing may be required. However, there is no assurance that such financing will be available.

In its February 1, 2013 CRL, the FDA communicated that we should conduct at least one additional clinical trial, complete various nonclinical studies and perform a number of data analyses. Until we undertake the end-of-review conference(s) with the FDA, we are unable to reasonably estimate the nature, costs, necessary efforts to obtain FDA clearance or anticipated completion dates of any additional clinical study or studies. Please see “Part II; Item 1A. Risk Factors; “We may require additional financing which may not be available. The limitation on the number of shares of common stock available for financing without prior stockholder approval eventually may hinder our ability to raise additional funding”. Utilizing the industry norms for undertaking a Phase III clinical study, we estimate upon acceptance of the study's design that it would take approximately 18 months to three years to complete a new well-controlled Ampligen® clinical study for resubmission to the FDA. We anticipate that the time and cost to undertake clinical trial(s), studies and data analysis are beyond our current financial resources without gaining access to additional funding. The actual duration to complete the clinical study may be different based on the length of time it takes to design the study and obtain FDA's acceptance of the study plan, the final design of an acceptable Phase III clinical study protocol, availability of suitable participants and clinical sites along with other factors that could impact the implementation of the study, analysis of results or requirements of the FDA and/or other governmental organizations which may require additional financing which may not be available. The limitation on the number of shares of common stock available for financing without prior stockholder approval eventually may hinder our ability to raise additional funding.

On July 23, 2012, we entered into a New EDA with Maxim (the "EDA”) pursuant to which we may sell up to $75,000,000 worth of our shares of common stock from time to time through Maxim, as sales agent. Under the EDA, Maxim is entitled to a fixed commission rate of 4.0% of the gross sales price of Shares sold under the EDA, up to aggregate gross proceeds of $10,000,000, and thereafter, at a fixed commission rate of 3.0% of the gross sales price of Shares sold under the EDA. Sales of the Shares, if any, may be made in transactions that are deemed to be “at-the-market” offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made by means of ordinary brokers' transactions, including on the NYSE MKT, at market prices or as otherwise agreed with Maxim. We have no obligation to sell any of the Shares and may at any time suspend offers under the EDA or terminate the EDA. The Shares are being sold pursuant to our Universal Shelf Registration Statement on Form S-3,

declared effective by the Securities and Exchange Commission on July 2, 2012. On September 14, 2012, we filed a Prospectus Supplement with the SEC increasing the number of shares covered by the Prospectus from 12,000,000 to 20,000,000 shares under the New EDA. On October 5, 2012, we filed an updated Prospectus Supplement increasing the number of shares covered by the Prospectus to 40,000,000 shares. On December 23, 2013, we filed an updated Prospectus Supplement with the Securities and Exchange Commission to revise the EDA for an aggregate of 90,000,000 shares to be allocated for public sale under the Prospectus Supplement pursuant to the EDA. For the year ended December 31, 2014, we sold an aggregate of 35,115,417 shares that resulted in net cash proceeds of approximately $12,817,000 after commissions paid to Maxim for approximately $396,000 (see “Note 7: Stockholders' Equity”). The impact of 2014 and 2013's fund raising effort through the EDA, which was limited in 2013, is reflected in the "Consolidated Statements of Cash Flows" Statement comparing the various financing activities for the year ended December 31, 2014 to the same period in 2013.

For the period January 1, 2015 through March 1, 2015, we have sold approximately 14,472,118 shares pursuant to the ATM that has resulted in net cash proceeds of approximately $3,545,000 after commissions paid to Maxim for approximately $110,000. On March 6, 2015, we filed an updated Prospectus Supplement increasing the number of shares covered by the Prospectus to 117,600,000 shares.

In January 2015, we effectively sold $14,291,000 of our New Jersey state net operating loss carryforward for the year 2013 for approximately $1,374,000.

In October 2014, we entered into a purchase commitment with a contract manufacturer (Hollister Stier) for approximately $700,000 for the manufacture of clinical batches of Ampligen®.

In November 2014, we entered into a purchase commitment with a contract manufacturer (Althea) for approximately $622,000 for the production of validation batches of Alferon® N Injection for emergency use and/or commercial sale.

There can be no assurances that, if needed, we will be able to raise adequate funds from these or other sources or enter into licensing, partnering or other arrangements to advance our business goals. Our inability to raise such funds or enter into such arrangements, if needed, could have a material adverse effect on our ability to develop our products. Also, we have the ability to curtail discretionary spending, including some research and development activities, if required to conserve cash. Because of our long-term capital requirements, we may seek to access the public equity market whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. We are unable to estimate the amount, timing or nature of future sales of outstanding common stock or instruments convertible into or exercisable for our common stock. Any additional funding may result in significant dilution and could involve the issuance of securities with rights, which are senior to those of existing stockholders. We may also need additional funding earlier than anticipated, and our cash requirements, in general, may vary materially from those now planned, for reasons including, but not limited to, changes in our research and development programs, clinical trials, acquisitions of intellectual property or assets, enhancements to the manufacturing process, competitive and technological advances, the regulatory processes including the commercializing of Ampligen® products or new utilization of Alferon® products. See Part I, ITEM 1A. Risk Factors; “We may require additional financing which may not be available. The limitation on the number of shares of common stock available for financing without prior stockholder approval eventually may hinder our ability to raise additional funding."

The proceeds from our financing have been used to fund infrastructure growth including manufacturing, regulatory compliance and market development along with our efforts regarding the Ampligen® NDA and preparedness for the FDA pre-approval inspections of the New Brunswick manufacturing facility. There can be no assurances that, if needed, we will raise adequate funds from these or other sources, which may have a material adverse effect on our ability to develop our products. Also, we have the ability to curtail discretionary spending, including some research and development activities, if required to conserve cash.

	(dollars in thousands)					
	Obligations Expiring by Period					
Contractual Cash Obligations	Total	2015	2016	2017	2018	2019
Capital Leases	$24	$23	$1	$—	$—	$—
Manufacture clinical batches - Ampligen®	700	700	—	—	—	—
Manufacture validation batches - Alferon®	622	622	—	—	—	—
Operating Leases	540	154	157	161	68	—
Total	$1,886	$1,499	$158	$161	$68	$—

Certain Relationships and Related Transactions

Refer to PART III, ITEM 13 - “Certain Relationships and Related Transactions, and Director Independence.”

New Accounting Pronouncements

Refer to “Note 2(i) – Recent Accounting Standards and Pronouncements” under Notes to Consolidated Financial Statements.

Disclosure About Off-Balance Sheet Arrangements
None.

Critical Accounting Policies

Financial Reporting Release No. 60 requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Our significant accounting policies are described in the Notes to Consolidated Financial Statements. The significant accounting policies that we believe are most critical to aid in fully understanding our reported financial results are the following:

Revenue

Revenue from the sale of Ampligen® under cost recovery clinical treatment protocols approved by the FDA is recognized when the treatment is provided to the patient.

Revenues from the sale of product are recognized when the product is delivered, as title is then transferred to the customer. We have no other obligation associated with our products once shipment has been accepted by the customer

Inventories

We use the lower of first-in, first-out ("FIFO") cost or market method of accounting for inventory.

Patents and Trademarks

Patents and trademarks are stated at cost (primarily legal fees) and are amortized using the straight-line method over the estimated useful life of 17 years. We review our patents and trademark rights periodically to determine whether they have continuing value. Such review includes an analysis of the patent and trademark's ultimate revenue and profitability potential. In addition, Management's review addresses whether each patent continues to fit into our strategic business plans.

Long-Lived Assets

The Company assesses long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in its use of the assets. The Company measures the recoverability of assets that it will continue to use in its operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping's carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired.

The Company measures the impairment by comparing the difference between the asset grouping's carrying value and its fair value. Long-lived assets are considered a non-financial asset and are recorded at fair value only if an impairment charge is recognized. Impairments are determined for groups of assets related to the lowest level of identifiable independent cash flows. The Company makes subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, as the Company reviews its manufacturing process and other manufacturing planning decisions, the Company must make subjective judgments regarding the remaining useful lives of assets. When the Company determines that the useful lives of assets are shorter than the Company had originally estimated, it accelerates the rate of depreciation over the assets' new, shorter useful lives.

Stock-Based Compensation

Under FASB ASC 718-Compensation-Stock Compensation ("ASC 718") share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period. We adopted the provisions of ASC-718, using a modified prospective application. Under this method, compensation cost is recognized for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption.

The fair value of each option award is estimated on the date of grant using a Black-Scholes-Merton pricing option valuation model. Expected volatility is based on the historical volatility of the price of our common stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the option. We use historical data to estimate expected dividend yield, expected life, which represents the period of time the options are expected to be outstanding until they are exercised, and forfeiture rates.

Redeemable Warrants

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We utilize the guidance contained in ASC 480 (formerly SFAS 150) in the determination of whether to record warrants and options as Equity and/or Liability. If the guidance of ASC 480 is deemed inconclusive, we continue our analysis utilizing ASC 815 (formerly EITF 00-19).

Our method of recording the related value attempts to be consistent with the standards as defined by the Financial Accounting Standards Board utilizing the concept of “Fair Value” from ASC 820-10-55-1 that states that any fair value measurement requires that the reporting entity to determine the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use in pricing the asset or liability and the level in the fair value hierarchy within which the inputs fall.

We recomputed the value of the redeemable warrants at the end of each quarterly period. We use the Monte Carlo Simulation approach which includes subjective input assumptions that are consistently applied each quarter. If we were to alter our assumptions or the numbers input based on such assumptions, the resulting fair value could be materially different. As discussed in greater detail in “Fair Value” at the beginning of this ITEM 7, the significant assumptions using this model are: (i) Risk-Free Interest Rate; (ii) Expected Holding Period; (iii) Expected Volatility; (iv) Expected Dividend Yield; (v) Expected Probability of a Fundamental Transaction; (vi) Expected Timing of Announcement of a Fundamental Transaction; (vii) Expected 100 Day Volatility at Announcement of a Fundamental Transaction; (viii) Expected Risk-Free Interest Rate at Announcement of a Fundamental Transaction; and (ix) Expected Time Between Announcement and Consummation of a Fundamental Transaction.

Concentration of Credit Risk

Our policy is to limit the amount of credit exposure to any one financial institution and place investments with financial institutions evaluated as being credit worthy, or in short-term money markets, which are exposed to minimal interest rate and credit risks. At and since January 1, 2013, we have had bank deposits and overnight repurchase agreements that exceed federally insured limits.

Concentration of credit risk, with respect to receivables, is limited through our credit evaluation process. We do not require collateral on our receivables. Our receivables historically consisted principally of amounts due from wholesale drug companies. At both December 31, 2014 and 2013 there were no receivables.

All sales for years ended December 31, 2014 and 2013 were prepaid by the customer related to the Ampligen® cost recovery treatment program.

ITEM 7A. Quantitative And Qualitative Disclosures About Market Risk.

We had approximately $16,108 in cash, cash equivalents and Marketable Securities at December 31, 2014. To the extent that our cash and cash equivalents exceed our near term funding needs, we intend to invest the excess cash in money market accounts or three to twelve month financial instruments. We employ established conservative policies and procedures to manage any risks with respect to investment exposure.

ITEM 8. Financial Statements and Supplementary Data.

The consolidated balance sheets as of December 31, 2014 and 2013, and our consolidated statements of comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2014, together with the report of McGladrey LLP, our independent registered public accountants, is included at the end of this report. Reference is made to the "Index to Financial Statements and Financial Statement Schedule" on page F-1.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None.

ITEM 9A. Controls and Procedures.

Effectiveness of Control Procedures

As of December 31, 2014, the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our Management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Our disclosure controls and procedures are intended to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the

Securities Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as the principal executive

and financial officers, respectively, to allow final decisions regarding required disclosures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the controls and procedures were effective as of December 31, 2014 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management has concluded that the financial statements included in this Form 10-K present fairly, in all material respects our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

Changes in Internal Control over Financial Reporting

We made no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Management's Report on Internal Control Over Financial Reporting

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) or 15d-15(f), under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and affected by our Board of Directors, Management and other personnel, and 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, Management used the criteria set forth in the framework in 2013 established by the Committee of Sponsoring Organizations of the Treadway Commission Internal Control—Integrated Framework, (COSO). Based on this assessment, Management has not identified any material weaknesses as of December 31, 2014. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has concluded that we did maintain effective internal control over financial reporting as of December 31, 2014, based on the criteria set forth in "Internal Control—Integrated Framework" issued by the COSO.

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors and Executive Officers and Corporate Governance.

The following sets forth biographical information about each of our Directors and Executive Officers as of the date of this report:

Name	Age	Position
William A. Carter, M.D.	77	Chairman of the Board, Chief Executive Officer, President and Chief Scientific Officer
Thomas K. Equels, Esq.	61	Executive Vice Chairman of the Board, Secretary, General Counsel and Chief Financial Officer
Peter W. Rodino III	63	Director
William M. Mitchell, M.D., Ph.D.	80	Director
Iraj E. Kiani, N.D., Ph.D.	69	Lead Independent Director
David R. Strayer, M.D.	69	Chief Medical Officer and Medical Director
Wayne S. Springate	43	Senior Vice President of Operations

Each Director has been elected to serve until the next annual meeting of stockholders, or until his earlier resignation, removal from office, death or incapacity. Each Executive Officer serves at the discretion of the Board of Directors, subject to rights, if any, under contracts of employment.

We believe our Board Members represent a desirable diversity of backgrounds, skills, education and experiences, and they all share the personal attributes of dedication to be effective directors. In recommending Board candidates, Corporate Governance and Nomination Committee considers a candidate's: (1) general understanding of elements relevant to the success of a publicly traded company in the current business environment; (2) understanding of our business; and (3) diversity in educational and professional background. The Committee also gives consideration to a candidate's judgment, competence, dedication and anticipated participation in Board activities along with experience, geographic location and special talents or personal attributes. The following are qualifications, experience and skills for Board members which are important to Hemispherx' business and its future:

Leadership Experience: We seek directors who have demonstrated strong leadership qualities. Such leaders bring diverse perspectives and broad business insight to our Company. The relevant leadership experience that we seek includes a past or current leadership role in a large or entrepreneurial company, a senior faculty position at a prominent educational institution or a past elected or appointed senior government position.

Industry or Academic Experience: We seek directors who have relevant industry experience, both with respect to the disease areas where we are developing new therapies as well as with the economic and competitive dynamics of pharmaceutical markets, including those in which our drugs will be prescribed.

Scientific, Legal or Regulatory Experience: Given the highly technical and specialized nature of biotechnology, we desire that certain of our directors have advanced degrees, as well as drug development experience. Since we are subject to substantial regulatory oversight, both here and abroad by the FDA and other agencies, we also desire directors who have legal or regulatory experience.

Finance Experience: We believe that our directors should possess an understanding of finance and related reporting processes, particularly given the complex budgets and long timelines associated with drug development programs.

WILLIAM A. CARTER, M.D., the co-inventor of Ampligen®, joined us in 1978, and has served as: (a) our Chief Scientific Officer since May 1989; (b) the Chairman of our Board of Directors since January 1992; (c) our Chief Executive Officer since July 1993; (d) our President from April 1995 to November 2006; and (e) a Director since 1987. From 1987 to 1988, Dr. Carter served as our Chairman. Dr. Carter was a leading innovator in the development of human interferon for a variety of treatment indications including various viral diseases and cancer. Dr. Carter received the first FDA approval to initiate clinical trials on a beta interferon product manufactured in the U.S. under his supervision. From 1985 to October 1988, Dr. Carter served as our Chief Executive Officer and Chief Scientist. He received his M.D. degree from Duke University and underwent his post-doctoral training at the National Institutes of Health and Johns Hopkins University. Dr. Carter also served as Professor of Neoplastic Diseases at Hahnemann Medical University, a position he held from 1980 to 1998. Dr. Carter served as Professor and Director of Clinical

Research for Hahnemann Medical University's Institute for Cancer and Blood Diseases, and as a member of the faculty at Johns Hopkins School of Medicine and the State University of New York at Buffalo. Dr. Carter is a Board certified physician and author of more than 200 scientific articles, including the editing of various textbooks on anti-viral and immune therapy.

WILLIAM A. CARTER, M.D. - Director Qualifications:

- Leadership Experience – Chairman, CEO, President and Chief Scientific Officer of Hemispherx;

- Industry Experience - Knowledge of new and existing technologies, particularly as they relate to anti-viral and immune therapies;
- Scientific, Legal or Regulatory Experience - M.D., co-inventor of Ampligen®, leading innovator in the development of interferon-based drugs and expertise in patent development; and
- Finance Experience – Extensive knowledge of financial markets and successfully completed numerous financing efforts on behalf of Hemispherx.

THOMAS K. EQUELS, Esq., has been a Director since 2008 and serves as our Executive Vice Chairman, Secretary and General Counsel. In addition, since December 2, 2013, when Charles T. Bernhardt resigned (see below for disclosure on Mr. Bernhardt's resignation), Mr. Equels has served as our Chief Financial Officer. Mr. Equels is the President and Managing Director of the Equels Law Firm headquartered in Miami, Florida that focuses on litigation. For over a quarter century, Mr. Equels has represented national and state governments as well as companies in the banking, insurance, aviation, pharmaceutical and construction industries. Mr. Equels received his Juris Doctor degree with high honors from Florida State University. He is a summa cum laude graduate of Troy University and also obtained his Masters' Degree from Troy. He is a member of the Florida Bar Association and the American Bar Association.

THOMAS K. EQUELS, Esq. - Director Qualifications:

- Leadership Experience – President, Managing Director of Equels Law Firm;
- Industry Experience –legal counsel to Hemispherx; and
- Scientific, Legal or Regulatory Experience - Law degree with over 25 years as a practicing attorney specializing in litigation.

PETER W. RODINO III was appointed a Director in July 2013 and presently serves as Chairman and Financial Expert of the Audit Committee, a member of the Compensation Committee and a member of the Governance and Nomination Committee of the Board of Directors. Mr. Rodino's appointment was the result of the resignation of Richard C. Piani due to health reasons. Mr. Rodino has broad legal, financial, and executive experience. In addition to being President of Rodino Consulting LLC and managing partner at several law firms during his many years as a practicing attorney, he served as Chairman and CEO of Crossroads Health Plan, the first major Health Maintenance Organization in New Jersey. He also has had experience as an investment executive in the securities industry and acted as trustee in numerous Chapter 11 complex corporate reorganizations. For the past 17 years, as founder and president of Rodino Consulting, Mr. Rodino has provided business and government relations consulting services to smaller companies with a focus on helping them develop business plans, implement marketing strategies and acquire investment capital. Mr. Rodino holds a B.S. in Business Administration from Georgetown University and a J.D. degree from Seton Hall University.

PETER W. RODINO III- Director Qualifications:

- Leadership Experience – Managing partner at several law firms during his many years as a practicing attorney;
- Industry Experience - Chairman and CEO of Crossroads Health Plan, the first major Health Maintenance Organization in New Jersey;
- Scientific, Legal or Regulatory Experience – Investment executive in the securities industry and acted as trustee in numerous Chapter 11 complex corporate reorganizations; and
- Finance Experience – Business and government relations consulting services to smaller companies with a focus on helping them develop business plans, implement marketing strategies and acquire investment capital.

WILLIAM M. MITCHELL, M.D., Ph.D., has been a Director since July 1998. Dr. Mitchell is a Professor of Pathology at Vanderbilt University School of Medicine and is a board certified physician. Dr. Mitchell earned a M.D. from Vanderbilt and a Ph.D. from Johns Hopkins University, where he served as House Officer in Internal Medicine, followed by a Fellowship at its School of Medicine. Dr. Mitchell has published over 200 papers, reviews and abstracts that relate to viruses, anti-viral drugs, immune responses to HIV infection, and other biomedical topics. Dr. Mitchell has worked for and with many professional societies that have included the American Society of Investigative

Pathology, the International Society for Antiviral Research, the American Society of Clinical Oncology, the American Society of Biochemistry and Molecular Biology and the American Society of Microbiology. Dr. Mitchell is a member of the American Medical Association. He has served on numerous government review committees, among them the National Institutes of Health, AIDS and Related Research Review Group. Dr. Mitchell previously served as one of our Directors from 1987 to 1989.

WILLIAM M. MITCHELL, M.D., Ph.D. - Director Qualifications:

- Leadership Experience – Professor at Vanderbilt University School of Medicine. He is a member of the Board of Directors for Chronix Biomedical and is Chairman of its Medical Advisory Board. Additionally, he has served on

multiple governmental review committees of the National Institutes of Health, Centers for Disease Control and Prevention and for the European Union, including key roles as Chairman;

- Academic and Industry Experience – Well published medical researcher with extensive investigative experience on virus and immunology issues relevant to the scientific business of Hemispherx along with being a Director of an entrepreneurial diagnostic company (Chronix Biomedical) that is involved in next generation DNA sequencing for medical diagnostics; and
- Scientific, Legal or Regulatory Experience - M.D., Ph.D. and professor at a top ranked school of medicine, and inventor of record on numerous U.S. and international patents who is experienced in regulatory affairs through filings with the FDA.

IRAJ E. KIANI, N.D., Ph.D., was appointed to the Board of Directors on May 1, 2002. On July 23, 2013, Dr. Kiani was appointed to be the Board's Lead Director due to the resignation of Mr. Piani due to health reasons. Dr. Kiani is a citizen of the United States and England and resides in Newport Beach, California. Dr. Kiani served in various local government positions including the Mayor and Governor of Yasoug, Capital of Boyerahmand, Iran. In early 1980, Dr. Kiani moved to England, where he established and managed several trading companies over a period of some 20 years. Dr. Kiani is a planning and logistic specialist who is now applying his knowledge and experience to build a worldwide immunology network. Dr. Kiani received his Ph.D. degree from the University of Ferdosi in Iran, and his ND from American University.

IRAJ E. KIANI, N.D., Ph.D. - Director Qualifications:

- Leadership Experience – former Mayor and Governor of Yasoi in Iran;
- Industry Experience – Broad international network and contacts within the field of immunology;
- Scientific, Legal or Regulatory Experience – N.D. and Ph.D. with trading company management experience; and
- Finance Experience – over 30 years of international business experience.

DAVID R. STRAYER, M.D. has acted as our Medical Director since 1986. He has served as Professor of Medicine at the Medical College of Pennsylvania and Hahnemann University. Dr. Strayer is Board Certified in Medical Oncology and Internal Medicine with research interests in the fields of cancer and immune system disorders. He has served as principal investigator in studies funded by the Leukemia Society of America, the American Cancer Society, and the National Institutes of Health. Dr. Strayer attended the School of Medicine at the University of California at Los Angeles where he received his M.D. in 1972.

WAYNE S. SPRINGATE was promoted to Senior Vice President of Operations on May 1, 2011. Mr. Springate joined Hemispherx in 2002 as Vice President of Business Development when Hemispherx acquired Alferon N Injection® and its New Brunswick, NJ manufacturing facilities. He led the consolidation of our Rockville facility to our New Brunswick location as well as coordinated the relocation of manufacturing polymers from South Africa to our production facility in New Brunswick. He was also responsible for preparing and having a successful Preapproval Inspection by the FDA for our New Brunswick manufacturing plant in connection with the filing of our Ampligen® NDA. Currently he is managing a capital improvement budget to enhance our Alferon® facility in accordance with cGMP. Previously, Mr. Springate served as President for World Fashion Concepts in New York and oversaw operations at several locations throughout the United States and overseas. Mr. Springate assists the CEO in details of operations on a daily basis and is involved in all aspects of manufacturing, warehouse management, distribution and logistics.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our Officers and Directors, and persons who own more than ten percent of a registered class of equity securities, to file reports with the Securities and Exchange Commission reflecting their initial position of ownership on Form 3 and changes in ownership on Form 4 or Form 5. Based solely on a review of the copies of such Forms received by us, we found that, during the fiscal year ended December 31, 2014, all of our Officers and Directors had complied with all applicable Section 16(a) filing requirements on a timely basis with regard to transactions occurring in 2014.

Audit Committee and Audit Committee Expert

The Audit Committee of our Board of Directors consists of Peter Rodino III, Committee Chairman, William Mitchell, M.D. and Iraj E. Kiani, N.D., Ph.D. Mr. Rodino, Dr. Mitchell, and Dr. Kiani are all determined by the Board of Directors to be Independent Directors as required under Section 803(2) of the NYSE: MKT Company Guide and Rule 10A-3 under the Exchange Act. The Board has determined that Mr. Rodino qualifies as an “audit committee financial expert” as that term is defined by Section 803B(2) of the NYSE: MKT Company Guide and the rules and regulations of the SEC.

We believe Mr. Rodino, Dr. Mitchell, and Dr. Kiani to be independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of this Committee. The principal functions of the Audit Committee are to (i) assist the Board in fulfilling its oversight responsibility relating to the annual independent audit of our consolidated financial statements and internal control over financial reporting, the engagement of the independent registered public accounting firm and the evaluation of the independent registered public accounting firm's qualifications, independence and performance; (ii) prepare the reports or statements as may be required by NYSE MKT or the securities laws; (iii) assist the Board in fulfilling its oversight responsibility relating to the integrity of our financial statements and financial reporting process and our system of internal accounting and financial controls; (iv) discuss the financial statements and reports with management, including any significant adjustments, management judgments and estimates, new accounting policies and disagreements with management; and (v) review disclosures by our independent registered public accounting firm concerning relationships with us and the performance of our independent accountants.

This Committee formally met nine times in 2014 with all committee members in attendance for all but one meeting. Our General Counsel and Chief Financial Officer support the Audit Committee in its work. The full text of the Audit Committee's Charter, as approved by the Board, is available on our website: www.hemispherx.net in the "Investor Relations" tab under "Corporate Governance".

The Audit Committee engages the services of a consultant who meets the SEC criteria of a Financial Expert to enhance the current structure and expertise of the Committee. After an extensive search, the Audit Committee selected Stewart L. Appelrouth, a Florida and North Carolina licensed Certified Public Accountant to directly support the efforts of the Audit Committee on an as-needed basis. Mr. Appelrouth is a Certified Valuation Analyst, Accredited in Business Valuation and a Diplomate of the American Board of Forensic Accounting. Mr. Appelrouth has a Masters' Degree in Finance from Florida International University and an undergraduate degree in Business Administration from Florida State University. He is one of the founding partners of Appelrouth Farah & Co., which serves Southern Florida as a full service accounting and international business advisory firm specializing in auditing, domestic and international taxation, litigation support, forensic accounting, fraud examination and business valuation. The Firm is affiliated with MGI, a worldwide association of independent auditing and accounting firms.

Disclosure Controls Committee

In August 2011, our Board formed the Disclosure Controls Committee ("DCC"). The DCC reports to the Audit Committee and is responsible for procedures and guidelines on managing disclosure information.

The purpose of the DCC is to make certain that information required to be publicly disclosed is properly accumulated, recorded, summarized and communicated to the Board and management. This process is intended to allow for timely decisions regarding communications and disclosures and to help ensure that we comply with related SEC rules and regulations, Wayne Springate one of our Senior Vice Presidents, is the DCC's Investor Relations Coordinator and Chairperson. The other members of the DCC are Thomas K. Equels, our General Counsel, William A. Carter, our Chief Scientific Officer, William Mitchell, one of our Independent Directors, and Adam Pascale, our Chief Accounting Officer. Ann Marie Coverly, Director of HR and Administration, serves the DCC as Deputy Investor Relations Coordinator. The full text of the DCC's Charter, as approved by the Board, is available on our website: www.hemispherx.net in the "Investor Relations" tab under "Corporate Governance".

Code of Ethics

Our Board of Directors adopted a revision to the 2003 Code of Ethics and business conduct for officers, directors, employees, agents and consultants on October 15, 2009. The principal amendments included broadening the Code's application to our agents and consultants, adoption of a regulatory compliance policy and adoption of a policy for protection and use of Company computer technology for business purposes only. On an annual basis, this Code is

reviewed and signed by each Officer, Director, employee and strategic consultants with none of the amendments constituting a waiver of provision of the Code of Ethics on behalf of our Chief Executive Officer, Chief Financial Officer, Controller, or persons performing similar functions.

You may obtain a copy of this Code by visiting our web site at www.hemispherx.net (Investor Relations / Corporate Governance) or by written request to our office at 1617 JFK Boulevard, Suite 500, Philadelphia, PA 19103.

ITEM 11. Executive Compensation.

COMPENSATION DISCUSSION AND ANALYSIS

This discussion and analysis describes our executive compensation philosophy, process, plans and practices as they relate to our "Named Executive Officers" ("NEO") listed below and gives the context for understanding and evaluating the more specific compensation information contained in the narratives, tables and related disclosures that follow:

- Dr. William A. Carter, Chief Executive Officer ("CEO"), President and Chief Scientific Officer ("CSO");
- Thomas K. Equels, General Counsel, Chief Financial Officer ("CFO"); and
- Dr. David Strayer, Chief Medical Officer ("CMO") and Medical Director.

Overview of Our Business Environment

Hemispherx is a specialty pharmaceutical company headquartered in Philadelphia, Pennsylvania and engaged in the clinical development of new drug therapies based on natural immune system enhancing technologies for the treatment of viral and immune based chronic disorders. We were founded in the early 1970s doing contract research for the National Institutes of Health. Since that time, we have established a strong foundation of laboratory, pre-clinical and clinical data with respect to the development of natural interferon and nucleic acids to enhance the natural antiviral defense system of the human body and to aid the development of therapeutic products for the treatment of certain chronic diseases.

Our flagship products include Alferon N Injection® and the experimental therapeutic Ampligen®. Alferon N Injection® is approved for a category of STD infection, and Ampligen® represents an experimental RNA being developed for globally important viral diseases and disorders of the immune system. Hemispherx' platform technology includes components for potential treatment of various severely debilitating and life threatening diseases. Alferon® LDO (Low Dose Oral) is a formulation under development targeting influenza.

In September 2014, we initiated a series of collaborations designed to determine the potential effectiveness of Alferon® N and Ampligen® as potential preventative and/or therapeutic treatments for Ebola related disorders. Our two platform drugs Alferon® N and Ampligen®, have certain unique structural attributes and developmental histories which suggest potential incremental value with respect to inclusion in various Ebola therapeutic cocktails under development. Ampligen®, an experimental therapeutic, is a new class of specifically-configured ribonucleic acid (RNA) compounds targeted as potential treatment of diseases with immunologic defects and/or viral causation. Ebola virus specifically inhibits the dsRNA within cells via a sequestration process. Such RNA would otherwise cause a robust antiviral response to be mounted: Ampligen may be able to overcome this deficiency in host response. Positive results against Ebola in vitro have been reported to the Company by the United States Army Medical Research Institute of Infectious Diseases (USAMRIID) and other research/academic institutions. Clinical trial data will be necessary to establish human efficacy of Ampligen® for Ebola viruses.

Governance of Compensation Committee

The Compensation Committee consists of the following three directors, each of whom is "independent" under applicable NYSE MKT rules, a "Non-Employee Director" as defined in Rule 16b-3 under the Exchange Act, and an "Outside Director" as defined under the U.S. Treasury regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"): Dr. Iraj E. Kiani, N.D (Chair), Dr. William Mitchell, M.D. and Peter W. Rodino. The Compensation Committee makes recommendations concerning salaries and compensation for senior management and other highly paid professionals or consultants to Hemispherx. The full text of the Compensation Committee's Charter, as approved by the Board, is available on our website: www.hemispherx.net in the "Investor Relations" tab under "Corporate Governance".

This Committee formally met five times in 2014 and all committee members were in attendance for the meetings. Our General Counsel, Chief Financial Officer and Director of Human Resources support the Compensation Committee in its work.

Results of Stockholder Advisory Vote on Executive Compensation

At the November 12, 2014 Annual Meeting of Stockholders, the Stockholders did not approve the annual, non-binding advisory vote on Executive Compensation with 44.48% of the shares cast to affirm the plan.

Our Compensation Committee reviews its executive compensation policies annually and takes into account the results of prior say-on-pay advisory votes. After reviewing the results of the 2011 say-on-pay advisory vote, the Committee had:

- Developed Company-wide goals and objectives with the intent to increase Stockholder value, enhance the "pay for performance" concept, attempted to address the needs of patients and enhance financial factors such as raising capital, reestablishing revenue streams, cost containment and/or improving the results of operations;
- Attempted to reinforce a Pay for Performance environment for the Executive Team with emphasis of sharing the economic goals of the Stockholders;
- Reviewed the Executive Team's Company-wide goals and individuals specific goals in relation to each job performance for each given year. In its review of each member of the Executive Team, the Committee utilized a weighted-average rating process regarding the goals and responsibilities specific to each individual as well as their contribution in meeting Company's overall goals;
- Reviewed peer group financial data of comparable publicly-traded companies for 2011 and 2010 with emphasis on a comparison of executive compensation as a factor to various Balance Sheet ratios to determine reasonableness to the respective companies;
- Considered the change in the market value of the Company's stock during the year in relation to Management's efforts and ability to impact the results;
- Mandated that the standard terms of future employee options issued by the Company require that such options not vest sooner than one year from the date of issuance and that, to the extent that any such options have not vested on the date of an Executive's termination, the options will expire;
- Issued new options to employees at the rate of 110% of the Company's NYSE MKT stock market trading value at the time of award; and
- Adopted a policy to facilitate compliance with Dodd-Frank's Claw-Back Compensation Recoupment provisions.

After reviewing the results of the 2014 say-on-pay advisory vote, the Committee has reviewed its executive compensation policies and believes that they are within industry standards for executive compensation.

Process

Our Compensation Committee is responsible for determining the compensation of our NEO included in the "Summary Compensation Table" below. For purposes of determining compensation for our NEO, our Compensation Committee takes into account the recommendation of our Chief Executive Officer. The Compensation Committee is also responsible for overseeing our incentive compensation plans and equity-based plans, under which stock option grants have been made to employees, including the NEO, as well as non-employee Directors and strategic consultants.

The following table summarizes the roles of each of the key participants in the executive compensation decision-making process:

Compensation Committee	• Fulfills the Board of Directors' responsibilities relating to compensation of Hemispherx' NEO, other non-officer Executives and non-Executives.
	• Oversees implementation and administration of Hemispherx' compensation and employee benefits programs, including incentive compensation and equity compensation plans.
	• Reviews and approves Hemispherx' goals and objectives and, in light of these, evaluates each NEO's performance and sets their annual base salary, annual incentive opportunity, long-term incentive opportunity and any special/supplemental benefits or payments.
	• Reviews and approves compensation for all other non-officer Executives of Hemispherx including annual base salary, annual incentive opportunity, long-term incentive opportunity and any special/supplemental benefits or payments.
	• In consultation with the CEO and CFO, reviews the talent development process within Hemispherx to ensure it is effectively managed and sufficient to undertake successful succession planning.
	• Reviews and approves employment agreements, severance arrangements, issuances of equity compensation and change in control agreements.
Chairman and CEO	• Presents to the Compensation Committee the overall performance evaluation of, and compensation recommendations for, each of the NEO and other non-officer Executives.
Chief Financial Officer and Director of Human Resources	• Reports directly or indirectly to the Chief Executive Officer.
	• Assists the Compensation Committee with the data for competitive pay and benchmarking purposes.
	• Reviews relevant market data and advises the Compensation Committee on interpretation of information, including cost of living statistics, within the framework of Hemispherx.
	• Informs the Compensation Committee of regulatory developments and how these may affect Hemispherx' compensation program.

Objectives and Philosophy of Executive Compensation

The primary objectives of the Compensation Committee of our Board of Directors with respect to Executive compensation are to attract and retain the most talented and dedicated Executives possible, to tie annual and long-term cash and stock incentives to achievement of measurable performance objectives, and to align Executives' incentives with stockholder value creation. To achieve these objectives, the Compensation Committee expects to implement and maintain compensation plans that tie a substantial portion of Executives' overall compensation to key strategic financial and operational goals such as the establishment and maintenance of key strategic relationships, the development of our products, the identification and advancement of additional products and the performance of our

common stock price. The Compensation Committee evaluates individual Executive performance with the goal of setting compensation at levels the Committee believes are comparable with Executives in other companies of similar size and stage of development operating in the biotechnology industry while taking into account our relative performance, our own strategic goals, governmental regulations and the results of Stockholder Advisory Votes regarding executive compensation.

Use of Compensation Data

Our compensation plans are developed by utilizing publicly available compensation data for national and regional companies in the biopharmaceutical industry as well as web sites that specialize in compensation and/or employment data. We believe that the practices of this group of companies and/or data obtained from employment industry organizations, provide us with appropriate compensation benchmarks necessary to review the compensation recommendations by the CEO, CFO and/or Human Resources Department. In 2014, 2013 and 2012, the Committee did not engage the services of an independent compensation consultant, but alternatively utilized web-based organizations and data bases such as Salary.com, to help them analyze compensation data and compare our programs with the practices of similar national and/or regional companies represented in the biopharmaceutical industry.

Elements of Executive Compensation

The Compensation Committee has adopted a mix among the compensation elements in order to further our compensation goals. The elements include:

- Base salary (impacted by cost of living adjustments);
- Variable compensation consisting of a cash bonus based upon individual and overall Company performance;
- Performance incentive bonus based on the accomplishment of Company sales milestones or activity;
- Long-term bonus incentive programs consisting of the Employee Bonus Pool Program;
- Stock option grants with exercise prices set in excess of fair market value at the time of grant and, effective December 2011, not vesting sooner than one year from the date of issuance; and
- Adoption of a policy to facilitate compliance with Dodd-Frank's Claw-Back Compensation Recoupment provisions.

Executive compensation consists of the following elements:

Base Salary

Base salaries for our Executives are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions. Generally, we believe that Executive base salaries should be targeted near the median of the range of salaries for executives in similar positions with similar responsibilities at comparable companies, in line with our compensation philosophy. For those NEO with employment agreements, base salary is determined and set forth in the agreement and the Compensation Committee reviews the base salary prior to renewal of such agreement. Base salaries for the other NEO are normally reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. While this review process would normally occur in the fourth quarter of each year, in recent years this review has occurred when NEO's employment agreements required restatement, amendment or replacement. However after analysis of overall Company compensation, the Committee authorized a non-discriminatory and universally applied cost of living increase to the base salaries of all full-time employees of record effective December 31, 2014, 2013 and 2012 at the rates of 1.5%, 0.0% and 2.1%, respectively. Additional changes to our NEO's base salaries could be undertaken in a future determination by the Compensation Committee at its discretion. During 2014 and 2013, none of the employment contracts of NEOs were created, amended or restated. Dr. David Strayer does not currently have an employment agreement with the Company.

Annual Bonus

Our compensation program includes eligibility for an annual performance-based cash bonus in the case of all NEO and certain senior, non-officer Executives. The amount of the cash bonus depends on the level of achievement of the stated corporate, department, and individual performance goals, with a target bonus generally set as a percentage of base salary. As provided in their respective employment agreement, during the year ended December 31, 2014, the following NEO were eligible for an annual performance bonus based on their salaries, the amount of which, if any, is

determined by the Board of Directors in its sole discretion based on the recommendation of the Compensation Committee:

- Dr. William Carter, Chairman & CEO (bonus opportunity up to 25%);
- Thomas Equels, General Counsel, Litigation Counsel, Secretary and Executive Vice Chairman of the Board (bonus opportunity up to 25%).

The Compensation Committee utilizes annual incentive bonuses to compensate NEO and certain senior, non-officer executives (the “Executive Team”) for attainment or success towards overall corporate financial and/or operational goals

along with achieving individual annual performance objectives. These objectives will vary depending on the individual Executive, but generally relate to strategic factors such as establishment and/or maintenance of key strategic relationships, development of our products, identification, research and/or development of additional products, enhancing financial factors such as raising capital, cost containment and/or improving the results of operations. The Compensation Committee, in light of established individual and Company-wide goals and objectives, evaluated the performance of each NEO, key executive and overall staff in order to determine each respective annual incentive opportunity including an analysis by the Compensation Committee that provides the following information:

1. The Company-wide goals and objectives along with individual performance goals for each NEO used to determine annual bonuses for the fiscal year;
2. How each goal individually or in totality was weighted, if applicable, to the extent that any of the performance goals were quantitatively and/or quantitatively measurable;
3. The threshold, target, and maximum levels of achievement of each performance goal, if applicable;
4. The intended relationship between the level of achievement of Company-wide performance goals and the amount of bonus to be awarded;
5. The intended relationship between the level of achievement of each NEO's individual performance goals and the amount of bonus to be awarded;
6. The evaluation by the Committee of the level of achievement by each NEO of the Company-wide and individual performance goals applicable to him/her individually;
7. If applicable, whether the Committee reviewed any report(s) from compensation consultant(s) and/or web based organizations and data bases;
8. The adequate disclosure of the percentage of base salary awarded in the form of an incentive bonus to each NEO as a result of their or the Company's performance; and
9. If applicable, how the Company's compensation policies and practices relate to the Company's risk management.

The Compensation Committee also undertook the initial steps to review and reestablish goals and objectives for the Executive Team regarding mid-year bonuses in 2014. On an overall basis, all bonus eligible member of the Executive Team would share the following Company-wide goals:

A. Regulatory approval and sales of Ampligen for the treatment of Chronic Fatigue Syndrome in any country or regional jurisdiction;
B. Significant regulatory advancement for the approval of Ampligen for any non-CFS indication in any country jurisdiction. These indications include cancer vaccines, vaccines for infectious indications including bioterror/biowarfare, burns or other inducers of traumatic immunodeficiency;
C. Regulatory approval and sales of Alferon for the treatment of any non-CFS indication in any country jurisdiction;
D. Any merger, acquisition, or partnership that quantitatively improves the value of the company;
E. Any governmental grant and/or contact, singly or in the aggregate for R & D or commercial product;
F. Continued productive interaction with the FDA concerning issues necessary for approval of Ampligen for CFS;
G. Continued progress towards non-USA approval of Ampligen® for Chronic Fatigue Syndrome;
H. An overall strategic plan for Ampligen® and Alferon® to be submitted to the Board;
I. Strategic plans for the marketing and partners for Ampligen® to be submitted to the Board;
J. Continued development of enhancement of vaccines requiring Ampligen®;
K. Success in the protection of Company Intellectual Property;
L. Continued development of Alferon® LDO;
M. Progress in the return to commercialization of Alferon N Injection®;
N. Continued development of Ampligen® and Alferon N Injection® for treatment of influenza;
O. Maintaining the overall financial strength of the Company and operations consistent with the budget;
P. Implementation of research & development partnerships;
Q. Implementation of Ampligen® clinical trials in cancer with commercial partner(s);

R. Implementation of Ampligen® clinical trials in cancer with academic partner(s);
S. Increase in clinical trials of Alferon N Injection® and additional indications; and,
T. Acquisition of complimentary pharmaceutical technologies and/or drugs/vaccines.

On an annual basis and at the sole discretion of the Compensation Committee, with input from the CEO or the Executive's direct supervisor, the Committee evaluates the individual performance of each member of the Executive Team as to his/her achievement and/or contribution towards meeting the overall Company-wide goals along with his/her accomplishments specific to his/her job description. The outcome of the Committee's analysis is utilized to determine if a bonus is warranted, and if so, the dollar amount or percentage of the Executive Team member's year-end base pay rate to be awarded.

Prior to year-end or during the first fiscal quarter of the subsequent year, the Compensation Committee would complete their analysis utilizing any internal and external documentation desired, including but not limited to reports from independent analysts and/or corporate benchmarking organizations. Upon analysis completion, the Compensation Committee made formal recommendations to the Board based on their findings with regard to bonuses for the respective year ended. Due to the subjective nature of the Company-wide goals regarding the success and analysis of an Executive in meeting or exceeding elements of his/her specific job duties, the goals were not designed to be weighted in value or quantitative in nature. The bonuses were designed to be awarded based on a subjective cumulate nature of the goals deemed attainable, employee performance and progress towards achievement. The bonus threshold was designed to range from zero percent to twenty-five percent, with a target bonus of approximately twenty or twenty-five percent, calculated from the individual's year-end base pay rate.

In June and July 2014, the Compensation Committee reviewed the Executive Team's Company-wide goals as detailed in the Committee's March 2014 meeting minutes along with specific goals documented in each individual's job description. Upon individual review of each member of the Executive Team, the Committee concluded that the Executive Team members had excelled in meeting their goals and responsibilities as documented in each individual's job description as well as made significant progress in meeting corporate goals with outstanding success. Additionally, the Committee observed that the employees had worked tirelessly over the first half of 2014 and that a performance bonus would be desirable to acknowledge the persistence, loyalty, effort and dedication of the Senior Management team.

The Compensation Committee in light of pre-established individual, along with position appropriate Company-wide goals (A. through T. as disclosed above) and objectives, undertook a weighted-average evaluation of the performance of each key executive in order to determine respective annual incentive opportunities considering base salary and fees, short and long-term incentive opportunity and any special/supplemental benefits or payments. Based upon all the foregoing and the recommendation of the Compensation Committee, the Board approved the following 2014 Performance Bonuses be granted to the following NEO at the rate of 25% of their respective 2014 year-end base compensation:

- William Carter (Chairman, CEO, President, Chief Scientific Officer) for $250,691;
- Thomas Equels (Executive Vice Chairman, Secretary & General Counsel) for $134,203;
- David Strayer (Chief Medical Officer & Medical Director) for $67,369;

There were no Performance Bonuses granted and/or paid to the NEO's for the year ended 2013.

Employee Appraisal And Merit Bonus Program

In 2012, the Compensation Committee approved an Employee Appraisal and Merit Bonus Program for those employees not eligible for the key employee annual bonus. This Program incorporates a team concept by conducting appraisals for eligible employees in each department throughout the calendar year and then averaging the total scores per department in order to determine year-end, department-wide merit bonuses. This Program is annually renewed and at the ultimate discretion of the Compensation Committee based on various factors, including the Company's overall accomplishment of milestones and access to Working Capital.

For the year ended 2013, no bonuses related to this program were granted to employees. In 2014, bonuses related to this program were granted to employees amounting to $57,841.

Executive Performance Incentive Bonus

As an element of their current employment contracts, William Carter (Chairman, CEO, President, Chief Scientific Officer) and Thomas Equels (Executive Vice Chairman, Secretary and General Counsel) are eligible for performance incentive bonus based on a percent, 2.5% and 5.0% respectively, of the Gross Proceeds paid to the Company as a result of sales of Alferon N Injection®, Alferon® LDO, Ampligen® or other Company products, or from any joint ventures or corporate partnering arrangements. For bonus purposes, Gross Proceeds is defined as cash amounts paid to

the Company by the other parties to the joint venture or corporate partnering arrangement, but shall not include any amounts paid to the Company as reimbursement of expenses incurred; and any amounts paid to the Company in consideration for the Company's assets (i.e., plant, property, equipment, investments, etc.), equity or other securities. After the termination of this Agreement, for any reason, Dr. Carter and Mr. Equels shall be entitled to receive the incentive bonus based upon Gross Proceeds received by the Company during the three year period commencing on the termination of their Agreement with respect to any joint ventures or corporate partnering arrangements entered into by the Company during the term of the Agreement. Furthermore, Dr. Carter

and Mr. Equels shall be entitled to a 5% bonus related to any sale of the Company, or any sale of a substantial portion of Company assets not in the ordinary course of its business. The aggregate incentive bonus hereunder as set forth above shall be capped not to exceed $5,000,000 annually.

During 2012, the Compensation Committee and Board of Directors sought out and received an opinion of independent legal counsel regarding the elements of the Executive Performance Incentive Bonus created by the current employment contracts of William Carter and Thomas Equels in relation to the shares of Company stock sold through the Maxim ATM. It was the opinion of independent counsel that Section 3(c)(ii) of Dr. Carter and Mr. Equels respective agreements could reasonably be interpreted to require the Company to pay them a 5% bonus on the net proceeds resulting from the sale of securities of the Maxim ATM Offering as either (a) constitutes any sale of the Company, or (b) is a sale of substantial portion of Company assets not in the ordinary course of its business. On November 26, 2012, all of the members of the Compensation Committee authorized the payment of bonus for the Company stock sold through the Maxim ATM based on the contractual obligation and opinion of independent counsel. For the years ended 2014, 2013 and 2012, compensation was granted or paid related to the Executive Performance Incentive Program, as set forth in Section 3(c)(ii) of their respective Employment Agreements, for approximately $641,000, $12,000, and $1,159,000 to each Dr. Carter and Mr. Equels.

Long-Term Bonus Incentive Programs

The Compensation Committee believes that team oriented performance by our NEO, non-officer Executive officers and all employees, consistent with our short and long-term goals, can be achieved through the use of goal or result oriented bonus programs. For the year ending 2014, the Employee Bonus Pool Program continued to exist to provide our employees, including our NEO and certain senior, non-officer Executives, with incentives to help align their financial interests with that of Hemispherx and its stockholders. For the year ending 2014, no compensation was granted or paid in relation to Long-Term Bonus Programs.

Employee Bonus Pool Program

An element of 2009's Employee Wage Or Hours Reduction Program was the establishment of a Bonus Pool (the "Pool") in the case of FDA Approval ("Approval") of Ampligen®. This bonus is to award to each employee of record at January 1, 2009 a pretax sum of 30% in wages, calculated on their base salary per annum compensation at the time of the Approval, and awarded within three months of Approval. Participants who terminate their employment prior to the Approval will not qualify for this bonus. For the year ended 2014, no compensation was granted or paid related to the Employee Bonus Pool Program.

Stock Options

The Compensation Committee believes that long-term performance is achieved through an ownership culture that encourages such performance by our NEO, non-officer Executives and all employees through the use of stock and stock-based awards. Our stock plans have been established to provide our employees, including our NEO and senior non-officer Executives, with incentives to help align their interests with the interests of stockholders. Accordingly, the Compensation Committee believes that the use of stock and stock-based awards offers the best approach to achieving long-term performance goals because:

- Stock options align the interests of Executives and employees with those of the stockholders, support a pay-for-performance culture, foster employee stock ownership, and focus the management team on increasing value for the stockholders;
- Stock options are performance based. All the value received by the recipient of a stock option is based on the growth of the stock price; and
- Stock options help to provide a balance to the overall executive compensation program as base salary and our discretionary annual bonus program focus on short-term compensation.

We have historically elected, and continue to use, stock options as the primary long-term equity incentive vehicle. We have adopted stock ownership guidelines and our stock compensation plans have provided the principal method, other than through direct investment for our executives to acquire equity in our Company. The Compensation Committee believes that the annual aggregate value of these awards should be set near competitive median levels for comparable companies. However, in the early stage of our business, we provided a greater portion of total compensation to our Executives through our stock compensation plans than through cash-based compensation.

In determining the number of stock options to be granted to NEO, non-officer Executives and employees, we take into account the individual's position, scope of responsibility, ability to affect profits and stockholder value and the individual's

historic and recent performance and the value of stock options in relation to other elements of the individual's total compensation.

Our stock plans authorize us to grant options to purchase shares of common stock to our NEO, employees, Directors and consultants. Our Compensation Committee oversees the administration of our stock option plan. The Compensation Committee reviews and recommends approval by our Board of Directors of stock option awards to NEO based upon a review of competitive compensation data, its assessment of individual performance, a review of each Executive's existing long-term incentives and retention considerations. Periodic stock option grants are made at the discretion of the Board of Directors upon recommendation of the Compensation Committee to eligible NEO and employees and, in appropriate circumstances, the Compensation Committee considers the recommendations of the CEO.

As a reinforcement to employees that one of the Company’s priorities continues to be that of increasing shareholder value, the Compensation Committee and Board have historically granted the replacement of expired stock options to all current employees at the same number of shares and exercise price as had been originally issued.

Effective as of December 2011, the Compensation Committee mandated that the standard terms of options to be issued to individuals in their role as Company employees to require that such options not vest sooner than one year from the date of issuance and that, to the extent that any such options have not vested on the date of an Executive’s termination, the options shall be void as to such unvested portion.

The following Options were issued to NEO in their role as employees during 2014:

- On June 6, 2014, we granted options to William A. Carter, Chairman, Chief Executive Officer and Chief Scientific Officer, consistent with his employment agreement, to purchase 500,000 ten year options to purchase common stock at $0.36 per share which vest in entirety in one year;

- On June 6, 2014, we granted options to Thomas K. Equels, Executive Vice Chairman, Secretary and General Counsel, consistent with his employment agreement 300,000 ten year options to purchase common stock at $0.36 per share which vest in entirety in one year; and

- On June 6, 2014, we granted options to Wayne Springate, SVP Operations, consistent with his employment agreement 50,000 ten year options to purchase common stock at $0.36 per share which vest in entirety in one year;

The following Options were issued to NEO in their role as employees during 2013:

- On June 6, 2013, we granted options to William A. Carter, Chairman, Chief Executive Officer and Chief Scientific Officer, consistent with his employment agreement, to purchase 500,000 ten year options to purchase common stock at $0.31 per share which vest in entirety in one year; and

- On June 6, 2013, we granted options to Thomas K. Equels, Executive Vice Chairman, Secretary and General Counsel, consistent with his employment agreement 300,000 ten year options to purchase common stock at $0.31 per share which vest in entirety in one year;

The following Options were issued to NEOs in their role as employees during 2012:

- On April 13, 2012, we granted 10 year term replacement options to purchase 10,000 shares of our common stock at an exercise price of $4.03 per share that vested immediately to both Dr. William Carter, Chairman, Chief Executive Officer and Chief Scientific Officer, and Dr. David Strayer, Chief Medical Officer and Medical Director, respectively;

- On June 5, 2012, we granted options to purchase 50,000 shares of our common stock at an exercise price of $0.29 per share, or 110% of the closing price of the stock on the NYSE MKT as of June 4, 2012 with total vesting in twelve months, to Robert Dickey, Senior Vice President;
- On June 11, 2012, we granted options to purchase 500,000 shares of our common stock at an exercise price of $0.31 per share, or 110% of the $0.28 closing price of the stock on the NYSE MKT as of June 10, 2012 with total vesting in twelve months, to William A. Carter, Chairman, Chief Executive Officer and Chief Scientific Officer, consistent with his employment agreement; and
- On June 11, 2012, we granted options to purchase 300,000 shares of our common stock at an exercise price of $0.31 per share, or 110% of the $0.28 closing price of the stock on the NYSE MKT as of June 10, 2012 with total vesting

in twelve months, to Thomas K. Equels, Executive Vice Chairman, Secretary and General Counsel, consistent with his employment agreement.

Claw-Back Compensation Recoupment Provisions

Effective December 2011, all Executive compensation including and without limitation to base salary, bonuses, stock options, and fringe benefits, shall be subject to recoupment from the Employee by the Company pursuant to the Company's Executive Compensation Recoupment Policies adopted December 1, 2011, as may be amended by the Company's Board of Directors from time to time to remain in compliance with the claw-back compensation recoupment provisions of the Dodd-Frank Act.

Other Compensation

We provide the following benefits to our NEO generally on the same bases as benefits provided to all full-time employees:

- Health, vision and dental insurance;
- Life insurance;
- Short and long-term disability insurance; and
- 401(k) with Company matching of up to 6% of employee's contribution or to the extent of IRS regulations, whichever is lower.

The Compensation Committee believes that these benefits are consistent with those offered by other companies, specifically those provided by our peers. Occasionally, certain Executives separately negotiate other benefits in addition to the benefits described above. The following additional benefits were provided in 2012 NEO as an element of their respective employment:

Dr. William Carter, Chief Executive Officer and Chief Scientific Officer:

- Automobile allowance;
- Reimbursement of home office, computer, internet, phone and telefax expenses;
- Health, vision and dental insurance fully paid by the Company; and
- Supplementary life and disability insurance policies.

Thomas Equels, General Counsel:

- Automobile allowance;
- Predetermined allowance for the Company's utilization of Florida offices of Equels Law Firm;
- Reimbursement of home office, computer, internet, phone and telefax expenses;
- Health, vision and dental insurance fully paid by the Company; and
- Supplementary life and disability insurance policies.

401(k) Plan

In December 1995, we established a defined contribution plan, effective January 1, 1995, entitled the Hemispherx Biopharma employees 401(k) Plan and Trust Agreement. All of our full-time employees are eligible to participate in the 401(k) plan following one year of employment. Subject to certain limitations imposed by Federal Tax laws, participants are eligible to contribute up to 15% of their salary (including bonuses and/or commissions) per annum. Through March 14, 2008, Participants' contributions to the 401(k) plan were matched by Hemispherx at a rate determined annually by the Board of Directors. Each participant immediately vests in his or her deferred salary contributions, while our contributions will vest over one year.

Effective March 15, 2008 and continuing through December 31, 2009, we halted our matching of 401(k) contributions provided to the account for each eligible participant. Effective January 1, 2010, our Compensation Committee reestablished Hemispherx' 100% matching of up to 6% of the 401(k) contributions provided to the account for each

eligible participant, to the dollar extent permitted by IRS regulations, including without exception each eligible Named Executive Officer.

Severance

In determining whether to approve and setting the terms of severance arrangements, the Compensation Committee recognizes that Executives, especially highly ranked Executives, often face challenges securing new employment following termination. Upon termination of employment, the following NEO currently are entitled to receive severance payments under their employment and/or engagement agreements:

- William A. Carter, Chairman of the Board, Chief Executive Officer, President and Chief Scientific Officer;
- Thomas K. Equels, Executive Vice Chairman of the Board, Secretary and General Counsel; and

The Compensation Committee believes that severance agreements provided to these individuals are generally in line with severance packages offered to executive officers of companies of similar size. Alternately, Dr. David Strayer is currently not covered under an existing severance agreement. Any severance benefits payable to them under similar circumstances would be determined by the Compensation Committee in its discretion. See “Estimated Payments Following Severance — Named Executive Officers”.

Conclusion

Our compensation policies are designed to retain and motivate our Executive Officers, other non-officer Executives and non-Executives and to ultimately reward them for outstanding individual and corporate performance.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of our Board of Directors oversees our compensation program on behalf of the Board. In fulfilling its oversight responsibilities, the Committee reviewed and discussed with Management the Executive Compensation Discussion and Analysis set forth in this Form 10-K for the fiscal year ended December 31, 2014.

In reliance on the review and discussions referred to above, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and Hemispherx’ Proxy Statement to be filed in connection with Hemispherx’ 2015 Annual Meeting of Stockholders.

COMPENSATION COMMITTEE
Dr. Iraj E. Kiani, Committee Chairman
Dr. William M. Mitchell
Mr. Peter W. Rodino

The foregoing Compensation Committee report shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, and shall not otherwise be deemed filed under these acts, except to the extent we incorporate by reference into such filings.

Compliance With Internal Revenue Code Section 162(m) and 409A & 409(b)

One of the factors the Compensation Committee considers in connection with compensation matters is the anticipated tax treatment to Hemispherx and to the Executives of the compensation arrangements. The deductibility of certain types of compensation depends upon the timing of an executive’s vesting in, or exercise of, previously granted rights. Moreover, interpretation of, and changes in, the tax laws and other factors beyond the Compensation Committee’s control also affect the deductibility of compensation. Accordingly, the Compensation Committee will not necessarily limit executive compensation to that deductible under Section 162(m) or 409A & 409(b) of the Code. The Compensation Committee will consider various alternatives to preserving the deductibility of compensation payments

and benefits to the extent consistent with its other compensation objectives.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our Compensation Committee of the Board of Directors, consisting of Dr. Iraj E. Kiani, the Committee Chair, Dr. William M. Mitchell and Peter W. Rodino are all independent directors. There are no interlocking relationships.

EXECUTIVE COMPENSATION

The following table provides information on the compensation during the fiscal years ended December 31, 2014, 2013 and 2012 of our Chief Executive Officer, Chief Financial Officer, and Chief Medical Officer constituting the Company's Named Executive Officers, based on the year ended 2014 for each fiscal year.

Summary Compensation Table

Name & Principal Position	Year	Salary / Fees (3)	Bonus	Stock Awards (15)	Option Awards (3) (10)	Non-Equity Incentive Plan Compensation	Change in Pension Value and NQDC Earnings ($)	All Other Compensation	Total (3)
William A. Carter CEO, President & CSO (1) (3)	2014	$1,185,225	$891,479	(4)(9) $—	$135,030	(1)(6) $ —	—	$ 153,141 (11)	$2,364,875
	2013	$1,167,711	$12,444	(4) —	$125,699	(1) —	—	$ 147,662 (11)	$1,453,516
	2012	$1,143,692	$1,401,099	(4)(8) —	$133,627	(1)(5) —	—	$ 148,938 (11)	$2,827,356
Thomas K. Equels General Counsel and Chief Financial Officer (2) (3)	2014	$719,273	$774,990	(4)(9) —	$69,199	(2) —	—	$ 104,987 (12)	$1,668,449
	2013	$708,644	$12,444	(4) —	$86,826	(2) —	—	$ 95,250 (12)	$903,164
	2012	$694,068	$1,288,693	(4)(8) —	$87,246	(2) —	—	$ 101,450 (12)	$2,171,457
David Strayer CMO & Medical Director	2014	$269,475	$67,369	(9) —	$746	(7) —	—	$ 29,744 (13)	$367,334
	2013	$265,493	$—	—	$—	—	—	$ 25,602 (13)	$291,095
	2012	$260,032	$65,008	(8) —	$1,534	(5) —	—	$ 10,030 (13)	$336,604

Notes:

(1) Dr. Carter renewed his Employment Agreements on June 11, 2010, which was amended on July 15, 2010, then amended and restated on December 6, 2011, that granted him the annual Option to purchase 500,000 shares of Hemispherx common stock as an element of his Employment Agreement.

(2) Mr. Equels transitioned from the role of external to internal General Counsel and Litigation Counsel effective June 1, 2010 with an Employment Agreement of June 11, 2010, which was amended on July 15, 2010, then amended and restated December 6, 2011, that granted him the annual Option to purchase 300,000 shares of Hemispherx common stock as an element of his Employment Agreement.

(3) For Named Executive Officers, who are also Directors that receive compensation for their services as a Director, the Salary/Fees and Option Awards columns include compensation that was received by them for their role as a member of the Board of Directors. As is required by Regulation S-K, Item 402(c), compensation for services as a Director have been reported within the "Summary Compensation Table" (above) for fiscal years of 2014, 2013 and 2012 as well as reported separately in the "Compensation of Directors" section (see below) for calendar year 2014.

(4) On November 26, 2012, the Compensation Committee authorized the payment of a bonus of 5% on the net dollar proceeds resulting from the sale of Company stock sold through the Maxim ATM to Dr. Carter and Mr. Equels based on the contractual obligation and opinion of independent legal counsel, as set forth in Section 3(c)(ii) of their respective Employment Agreements. Amounts include for 2012, 2013 and 2014, compensation was granted or paid

to each Dr. Carter and Mr. Equels, respectively, pursuant to this bonus.

(5) On April 13, 2012, the Compensation Committee granted 10 year term replacement options to purchase 10,000 shares of our common stock at an exercise price of $4.03 per share that vested immediately to both Dr. Carter and Dr. Strayer.

(6) On December 8, 2014, the Compensation Committee granted 10 year term replacement options to purchase 320,000 shares of our common stock at an exercise price of $2.60 per share that vest over a 12 month period to Dr. Carter.

(7) On December 8, 2014, the Compensation Committee granted 10 year term replacement options to purchase 10,000 shares of our common stock at an exercise price of $1.90 per share that vest over a 12 month period to Dr. Strayer.

(8) On January 10, 2013, our Compensation Committee of the Board of Directors awarded bonuses to certain NEO and senior, non-officer Executives in recognition for their achievement towards our Company-wide and individual goals in 2012.

(9) On July 3, 2014, our Compensation Committee of the Board of Directors awarded bonuses to certain NEO and senior, non-officer Executives in recognition for their achievement towards our Company-wide and individual goals in 2014.

(10) The value was obtained using the Black-Scholes-Merton pricing model for stock-based compensation in accordance with FASB ASC 718 (formerly SFAS 123R). See Note 2(j) Stock-Based Compensation in the financial statements.

(11) Dr. Carter's All Other Compensation Consists of:

	2014	2013	2012
Life and Disability Insurance	$93,295	$84,709	$79,322
Healthcare Insurance	14,246	17,653	24,616
Company Car Expenses / Car Allowance	30,000	30,000	30,000
Outside Office Expenses	—	—	—
401(k) Matching Funds	15,600	15,300	15,000
	$153,141	$147,662	$148,938

(12) Mr. Equels' All Other Compensation consists of:

	2014	2013	2012
Life and Disability Insurance	$35,280	$19,420	$27,350
Healthcare Insurance	36,107	42,530	41,100
Car Expenses / Allowance	18,000	18,000	18,000
Outside Office Expenses	—	—	—
401(k) Matching Funds	15,600	15,300	15,000
	$104,987	$95,250	$101,450

(13) Dr. Strayer's All Other Compensation consists of:

	2014	2013	2012
Life and Disability Insurance	$—	$—	$—
Healthcare Insurance	14,144	10,302	10,030
401(k) Matching Funds	15,600	15,300	-0-
	$29,744	$25,602	$10,030

Grants Of Plan Based Awards

Name	Grant Date (2)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities of Underlying Options (#)(2)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
		Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)				
William A. Carter, Chief Executive Officer	6/6/2014	—	200,553	250,691	—	75,617 (3)			500,000	$0.36	$115,331
Thomas K. Equels, General Counsel	6/6/2013	—	107,362	134,203	—	45,370 (3)	—	—	300,000	$0.36	$69,199
David Strayer, Medical Director		—	53,895	67,369	—	—	—	—	—	$—	$—

Notes:

(1) For 2014, the Compensation Committee continued its practice of not establishing or estimating possible future payouts to the NEO under a Cash Bonus Plan. All Bonuses are at the discretion of the Compensation Committee. Utilizing existing Employment Agreements as a benchmark and the respective employees' Base Salary at January 1, 2015, the "Target" was estimated at 20% of the Base Salary and "Maximum" was estimated at 25% of Base Salary. There were no Non-Equity Incentive Plan Awards granted and/or paid to the NEO's for the year ending 2014.

(2) Consists of stock options granted during 2014 under our 2009 Equity Incentive Plan. The stock options have a ten-year term and an exercise price equal to 110% of the NYSE MKT closing market price of our common stock on the date of grant. The value was obtained using the Black-Scholes-Merton pricing model for stock-based compensation in accordance with FASB ASC 718 (formerly SFAS 123R).

(3) Consists of stock options contractually required per the NEO's respective Employment Agreement to be granted during 2014 under our 2009 Equity Incentive Plan. The stock options have a ten-year term and an exercise price equal to 110% of the NYSE MKT closing market price of our common stock on the date of grant. For the purpose of this schedule, a NYSE MKT closing price at December 31, 2014 of $0.25 was assumed with an estimated exercise price of $0.36. The value was obtained using the Black-Scholes-Merton pricing model for stock-based compensation in accordance with FASB ASC 718 (formerly SFAS 123R).

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Outstanding Equity Awards At Fiscal Year End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (#)
William Carter, Chief Executive Officer	1,450,000	—	—	2.20	9/17/2018	—	—	—	—
	1,000,000	—	—	2.00	9/9/2017	—	—	—	—
	190,000	—	—	4.00	2/18/2018	—	—	—	—
	73,728	—	—	2.71	12/12/2020	—	—	—	—
	10,000	—	—	4.03	4/13/2022	—	—	—	—
	—	320,000	—	2.60	12/8/2024	—	—	—	—
	100,000	—	—	1.75	4/26/2015	—	—	—	—
	465,000	—	—	1.86	6/30/2015	—	—	—	—
	70,000	—	—	2.87	12/9/2015	—	—	—	—
	300,000	—	—	2.38	1/1/2016	—	—	—	—
	10,000	—	—	2.61	12/8/2015	—	—	—	—
	376,650	—	—	3.78	2/22/2016	—	—	—	—
	1,400,000	—	—	3.50	9/30/2017	—	—	—	—
	500,000	—	—	0.66	6/11/2020	—	—	—	—
	500,000	—	—	0.41	7/15/2021	—	—	—	—
	100,000	—	—	0.29	6/6/2022	—	—	—	—
	500,000	—	—	0.31	6/11/2022	—	—	—	—
	500,000	—	—	0.31	6/6/2023	—	—	—	—
	150,000	—	—	0.25	8/2/2023	—	—	—	—
	—	500,000	—	0.36	6/6/2024	—	—	—	—
Thomas Equels, General Counsel and Chief Financial Officer	300,000	—	—	0.66	6/11/2020	—	—	—	—
	300,000	—	—	0.41	6/24/2021	—	—	—	—
	100,000	—	—	0.29	6/6/2022	—	—	—	—
	300,000	—	—	0.31	6/11/2022	—	—	—	—
	300,000	—	—	0.31	6/6/2013	—	—	—	—
	150,000	—	—	0.25	8/2/2023	—	—	—	—

	—	300,000	—	0.36	6/6/2024	—	—	—	—
David	50,000	—	—	2.00	9/9/2017	—	—	—	—
Stayer,	50,000	—	—	4.00	2/28/2018	—	—	—	—
Medical	10,000	—	—	4.03	4/13/2022	—	—	—	—
Director	20,000	—	—	2.37	1/23/2017	—	—	—	—
	—	10,000	—	1.90	12/8/2024	—	—	—	—
	10,000	—	—	2.61	12/8/2015	—	—	—	—
	15,000	—	—	2.20	11/20/2016	—	—	—	—
	25,000	—	—	1.30	12/6/2017	—	—	—	—

Option Exercises And Stock Vested

Name and Principal Position	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
William A. Carter, Chief Executive Officer	—	—	—	—
Thomas K. Equels, General Counsel	—	—	—	—
Charles T. Bernhardt, Chief Financial Officer	—	—	—	—
Robert Dickey, Senior Vice President	—	—	—	—
David Strayer, Medical Director	—	—	—	—

Payments on Disability

At December 31, 2014, we had employment agreements with Dr. Carter and Mr. Equels which entitled them Base Salary and applicable benefits otherwise due and payable through the last day of the month in which disability occurs and for an additional twelve month period. Each current NEO has the same short and long-term disability coverage which is available to all eligible employees. The coverage for short-term disability provides up to six months of full salary continuation up to 60% of weekly pay, less other income, with a $1,500 weekly maximum limit. The coverage for group long-term disability provides coverage at the exhaustion of short-term disability benefits of full salary continuation up to 60% of monthly pay, less other income, with a $10,000 monthly maximum limit. The maximum benefit period for the group long-term disability coverage is 60 months for those age 60 and younger at the time of the claim with the coverage period proportionately reduced with the advanced age of the eligible employee to a minimum coverage period of 12 months for those of 69 years old and older as of the date of the claim. For the period June 2010 through 2014 pursuant to their respective employment agreements and payable by us, Dr. Carter is entitled to receive total disability coverage of $500,000 and Mr. Equels is entitled to receive total disability coverage of $400,000.

Payments on Death

At December 31, 2014, we had employment agreements with Dr. Carter and Mr. Equels which entitled them Base Salary and applicable benefits otherwise due and payable through the last day of the month in which death occurs and for an additional twelve month period. Each NEO has coverage of group life insurance, along with accidental death and dismemberment benefits, consistent to the dollar value available to all eligible employees. The benefit is equal to two times current salary or wage with a maximum limit of $300,000, plus any supplemental life insurance elected and paid for by the NEO. For the period June 2010 and through 2014 pursuant to their respective employment agreements and payable by us, Dr. Carter is entitled to receive total death benefit coverage of $6,000,000 and Mr. Equels is entitled to receive total death benefit coverage of $3,000,000.

Estimated Payments Following Severance — Named Executive Officers

At December 31, 2014, we had employment agreements with Dr. Carter and Mr. Equels which entitled them to severance benefits on certain types of employment terminations not related to a change in control. Dr. Strayer is not covered by an employment agreement and therefore would only receive severance as determined by the Compensation Committee in its discretion. On November 15, 2013, Charles T. Bernhardt resigned as our Chief Financial Officer and Chief Accounting Officer effective December 27, 2013. Due to the resignation of Mr. Bernhardt, we elected not to disclose any estimated payments following severance for this individual. In addition, any amount due Mr. Bernhardt following his resignation is currently in dispute - See "Part 1; Item 3. Legal Proceedings".

The dollar amounts below assume that the termination occurred on January 1, 2015. The actual dollar amounts to be paid can only be determined at the time of the NEO's separation from Hemispherx based on their prevailing compensation and employment agreements along with any determination by the Compensation Committee in its discretion.

Name	Event	Cash Severance ($)	Value of Stock Awards That Will Become Vested (1) ($)	Continuation of Medical Benefits (2) ($)	Additional Life Insurance (3) ($)	Total ($)
William A. Carter Chief Executive Officer	Involuntary (no cause)	2,676,540	361,882	42,738	279,885	3,361,045
	Termination (for cause)	—	—	—	—	—
	Death or disability	1,002,763	90,471	14,246	93,295	1,200,775
	Termination by employee or retirement	1,002,763	90,471	14,246	93,295	1,200,775
Thomas K. Equels General Counsel	Involuntary (no cause)	1,610,433	205,310	108,321	105,840	2,029,904
	Termination (for cause)	—	—	—	—	—
	Death or disability	536,811	51,328	36,107	35,280	659,526
	Termination by employee or retirement	536,811	51,328	36,107	35,280	659,526
David Strayer Medical Director	Involuntary (no cause)	—	—	—	—	—
	Termination (for cause)	—	—	—	—	—
	Death or disability	—	—	—	—	—
	Termination by employee or retirement	—	—	—	—	—

Notes:

(1) Consists of stock options contractually required per the employee's respective Employment Agreement to be granted during each calendar year of the term under our 2009 Equity Incentive Plan. The stock options have a ten-year term and an exercise price equal to 110% of the closing market price of the our common stock on the date of grant. For the purpose of this schedule, a NYSE MKT closing price at December 31, 2014 of $0.25 was utilized with an estimated exercise price of $0.36. The value was obtained using the Black-Scholes-Merton pricing model for stock-based compensation in accordance with FASB ASC 718 (formerly SFAS 123R).

(2) This amount reflects the current premium incremental cost to the Company for continuation of elected benefits to the extent required under an applicable agreement.

(3) The life insurance benefit represents life insurance paid for by the Company including the standard coverage offer to all full-time employees.

Payments On Termination in Connection With a Change in Control Named Executive Officers

At December 31, 2014, we had employment agreements with Dr. Carter and Mr. Equels which entitled them to severance benefits on certain types of employment terminations related to a change in control thereby the term of their respective agreements would automatically be extended for three additional years. Dr. Strayer is not covered by an employment agreement and therefore would only receive severance from a change in control as determined by the

Compensation Committee in its discretion. Any specific benefits for these two NEO would be determined by the Compensation Committee in its discretion.

The dollar amounts in the chart below assume that change in control termination occurred on January 1, 2015, based on the employment agreements that existed at that time. The actual dollar amounts to be paid can only be determined at the time of the NEO's separation from Hemispherx based on their prevailing compensation and employment agreements along with any determination by the Compensation Committee in its discretion.

Estimated Benefits on Termination Following a Change in Control — December 31, 2014

The following table shows potential payments to the NEO if their employment terminates following a change in control under contracts, agreements, plans or arrangements at December 31, 2014. The amounts assume a January 1, 2015 termination date regarding base pay and use of the opening price of $0.25 on the NYSE MKT for our common stock at that date.

Name	Aggregate Severance Pay ($)	PVSU Acceleration (2) ($)	Early Vesting of Restricted Stock (4) (5) ($)	Early Vesting of Stock Options and SARs (3) ($)	Acceleration and Vesting of Supplemental Award (5) ($)	Welfare Benefits Continuation (6) (7) ($)	Outplacement Assistance ($)	Parachute Tax Gross-up Payment ($)	Total ($)
William A. Carter	4,689,582 (1)	—	—	—	723,764	(4) 735,246	(1) —	—	6,148,592
Thomas K. Equels	3,220,866 (1)	—	—	—	410,620	(4) 518,322	(1) —	—	4,149,808
David Strayer	—	—	—	—	—	—	—	—	—

Notes:

(1) This amount represents the base salary or benefits for remaining term of the NEO's employment agreement plus a three year extension in the term upon the occurrence of a termination from a change in control. The existing employment agreements with Dr. Carter and Mr. Equels have a term through December 31, 2016.

(2) This amount represents the payout of all outstanding performance-vesting share units ("PVSU") awarded on a change in control at the target payout level with each award then pro-rated based on the time elapsed for the applicable three-year performance period.

(3) This amount is the intrinsic value [fair market value on January 1, 2015 ($0.25 per share) minus the per share exercise price of 110%] of all unvested stock options for each NEO, including Stock Appreciation Rights ("SAR"). Any option with an exercise price of greater than fair market value was assumed to be cancelled for no consideration and, therefore, had no intrinsic value.

(4) This amount represents the options to be issued annually for the remaining term of the NEO's employment agreement plus a three year extension in the occurrence of termination from a change in control. The calculation was based on a NYSE MKT closing price for December 31, 2014 of $0.25 with an estimated exercise price of $0.36 (110% prior NYSE MKT closing value). The value was obtained using the Black-Scholes-Merton pricing model for stock-based compensation in accordance with FASB ASC 718 (formerly SFAS 123R).

(5) Any purchase rights represented by the Option not then vested shall, upon a change in control, shall become vested.

(6) This amount represents the employer-paid portion of the premiums for medical, dental, vision, life and disability insurance coverage utilizing the costs as of January 1, 2015.

(7) This amount also includes the estimated cost of Company's 100% match 401(k) contributions up to 6% of Base Pay to a maximum of $15,000 per year.

Definition of "Change in Control".For each agreement, a "Change in Control" is defined generally as any such event that requires a report to the SEC, but includes any of the following:

- Any person or entity other than Hemispherx, any of our current Directors or Officers or a Trustee or fiduciary holding our securities, becomes the beneficial owner of more than 50% of the combined voting power of our outstanding securities;
- An acquisition, sale, merger or other transaction that results in a change in ownership of more than 50% of the combined voting power of our stock or the sale/transfer of more than 75% of our assets;
- A change in the majority of our Board of Directors over a two-year period that is not approved by at least two-thirds of the Directors then in office who were Directors at the beginning of the period; or
- Execution of an agreement with Hemispherx, which if consummated, would result in any of the above events.

Definition of "Constructive Termination". A "Constructive Termination" generally includes any of the following actions taken by Hemispherx without the Executive's written consent following a change in control:

- Significantly reducing or diminishing the nature or scope of the executive's authority or duties;
- Materially reducing the executive's annual salary or incentive compensation opportunities;
- Changing the executive's office location so that he must commute more than 50 miles, as compared to his commute as of the date of the agreement;
- Failing to provide substantially similar fringe benefits, or substitute benefits that were substantially similar taken as a whole, to the benefits provided as of the date of the agreement; or
- Failing to obtain a satisfactory agreement from any successor to Hemispherx to assume and agree to perform the obligations under the agreement.

However, no constructive termination occurs if the executive:

- Fails to give us written notice of his intention to claim constructive termination and the basis for that claim at least 10 days in advance of the effective date of the executive's resignation; or

- We cure the circumstances giving rise to the constructive termination before the effective date of the executive's resignation.

Available Information

Our Internet website is www.hemispherx.net and you may find our SEC filings in the "Investor Relations" under "SEC Filings". We provide access to our filings with the SEC, free of charge through www.sec.gov, as soon as reasonably practicable after filing with the SEC. Our Internet website and the information contained on that website, or accessible from our website, is not intended to be incorporated into this Annual Report on Form 10-K or any other filings we make with the SEC.

Post-Employment Compensation

We have agreements with the following NEOs who have benefits upon termination as a condition of their respective employment agreements: Dr. William Carter, our Chairman, Chief Executive Officer, President and Chief Scientific Officer; and Thomas K. Equels, our Executive Vice Chairman, Secretary and General Counsel.

The following is a description of post-employment compensation payable to the respective NEO. If a NEO does not have a specific benefit, they will not be mentioned in the subsection. In such event, the NEO does not have any such benefits upon termination unless otherwise required by law.

Termination For Cause

All of our NEO can be terminated for cause. For Dr. Carter and Mr. Equels, "Cause" means willful engaging in illegal conduct, gross misconduct or gross violation of the Company's Code of Ethics and Business Conduct for Officers which is demonstrably and materially injurious to the Company. For purposes of their respective agreements, no act, or failure to act, on employee's part shall be deemed "willful" unless done intentionally by employee and not in good faith and without reasonable belief that employee's action or omission was in the best interest of the Company. Notwithstanding the foregoing, employee shall not be deemed to have been terminated for Cause unless and until the Company delivers to the employee a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the Directors of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to employee and an opportunity for Employee, together with counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, employee was guilty of conduct set forth above and specifying the particulars thereof in detail. In the event that their employment is terminated for Cause, the Company shall pay them, at the time of such termination, only the compensation and benefits otherwise due and payable to them through the last day of their actual employment by the Company.

Termination Without Cause

Dr. Carter and Mr. Equels are each entitled to the compensation and benefits otherwise due and payable to them through the last day of the then current term of their respective agreements. In the event that they are terminated at any time without "Cause" the Company shall pay to them, at the time of such termination, the compensation and benefits otherwise due and payable through the last day of the then current term of their Agreement. However, benefit distributions that are made due to a "separation from service" occurring while they are a Named Executive Officer shall not be made during the first six months following separation from service. Rather, any distribution which would otherwise be paid to them during such period shall be accumulated and paid to them in a lump sum on the first day of the seventh month following the "separation from service". All subsequent distributions shall be paid in the manner specified.

Death or Disability

Dr. Carter and Mr. Equels can be terminated for death or disability. For each, “Disability” means their inability to effectively carry out substantially all of their duties under their agreement by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted for a continuous period of not less than 12 months. In the event their employment is terminated due to his death or disability, the Company will pay to each (or their respective estate as the case may be), at the time of such termination, the Base Salary and applicable benefits otherwise due and payable through the last day of the month in which such termination occurs and for an additional 12 month period.

Termination by Officer and Employee

All NEO employment agreements have the right to terminate their respective agreement upon thirty (30) days or less of prior written notice of termination. In such event, Dr. Carter and Mr. Equels are specifically entitled to fees due to them through the last day of the month in which such termination occurs and for 12 months thereafter. All others NEO are entitled to the fees due to them through the last day of the month in which such termination occurs.

Change in Control

As an element of their employment agreements, Dr. Carter and Mr. Equels are entitled to benefits upon a Change in Control or Constructive Termination that include that any unvested Options immediately vest and the term of their respective employment agreements automatically extend for an additional three years. In the event of a Change in Control, the Company is responsible for the base salary or benefits for remaining term of the NEO’s employment agreement plus an automatic three year extension in the term of the agreement. The existing employment agreements with Dr. Carter and Mr. Equels have a term through December 31, 2016.

Compensation of Directors

Our Compensation, Audit and Corporate Governance and Nomination Committees, consist of Dr. Iraj E. Kiani, Compensation Committee Chair, Dr. William M. Mitchell, Corporate Governance and Nomination Committee Chair, and Peter W. Rodino, Audit Committee Chair, all of whom are independent Board of Director members.

Hemispherx reimburses Directors for travel expenses incurred in connection with attending board, committee, stockholder and special meetings along with other Company business-related expenses. Hemispherx does not provide retirement benefits or other perquisites to non-employee Directors under any current program.

Commencing as of January 1, 2013, a 2.1% cost of living increase was granted to Board member Directors' fee compensation, increasing 2012's annual retainer from $176,068 to $179,766 for 2013. Commencing as of January 1, 2014, a 1.5% cost of living increase was granted to Board member Directors' fee compensation, increasing 2014's annual retainer from $176,766 to $182,462 for 2014. Directors' fees will continue to be paid quarterly in cash at the end of each calendar quarter.
All Directors have been granted options to purchase common stock under our Stock Option Plans and/or Warrants to purchase common stock. We believe such compensation and payments are necessary in order for us to attract and retain qualified outside directors. To the extent that share compensation would exceed 1,000,000 shares in the aggregate for the ten year period commencing January 1, 2003, as previously approved by Resolution of the Board of September 9, 2003, shares for share compensation were issued under the our 2007 and 2009 Equity Incentive Plans.

Director Compensation - 2014

Name and Title of Director	Fees Earned or Paid in Cash ($)	Stock Award ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation As Director ($)	Total ($)
W. Carter, Chairman	182,462 (4)	—	19,699 (1)(4)	—	—	—	202,161
	182,462 (4)	—	— (4)	—	—	—	182,462

T. Equels, Executive Vice Chairman & Secretary							
W. Mitchell, Director (3)	182,462	—	5,126 (2)	—	—	—	187,588
Peter W. Rodino (3)	182,462	—	—				182,462
I. Kiani, Director (3)	182,462	—	—	—	—	—	182,462

Notes:

(1) On December 8, 2014, the Compensation Committee granted 10 year term replacement options to purchase 320,000 shares of our common stock at an exercise price of $2.60 per share that vest over a 12 month period to Dr. Carter. The value was obtained using the Black-Scholes-Merton pricing model for stock-based compensation in accordance with FASB ASC 718 (formerly SFAS 123R).

(2) On December 8, 2014, the Compensation Committee granted 10 year term replacement options to purchase 50,000 shares of our common stock at an exercise price of $2.60 per share that vest over a 12 month period to Dr. Mitchell.

The value was obtained using the Black-Scholes-Merton pricing model for stock-based compensation in accordance with FASB ASC 718 (formerly SFAS 123R).

(3) Independent Director of the Company.

(4) Only includes compensation received in the role as member of the Board of Directors and does not include compensation received in the capacity of a Named Executive Officer. As is required by Regulation S-K, Item 402(c), compensation as a Director has also been reported within the "Summary Compensation Table" regarding Named Executive Officer Compensation during fiscal years of 2014, 2013 and 2012 (see above).

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth as of March 1, 2015, the number and percentage of outstanding shares of common stock beneficially owned by:

- Each person, individually or as a group, known to us to be deemed the beneficial owners of five percent or more of our issued and outstanding common stock;
- Each of our Directors and the Named Executives Officers; and
- All of our officers and directors as a group.

Name and Address of Beneficial Owner	Shares Beneficially Owned		% Of Shares Beneficially Owned	
William A. Carter, M.D.	9,858,174	(1)(2)	4.40	%
Thomas K. Equels	3,246,640	(3)	1.49	%
Peter W. Rodino III 17400 Sterling Lake Drive Fort Myers, FL 33967	150,000	(4)	*	
William M. Mitchell, M.D. Vanderbilt University Department of Pathology Medical Center North 21st and Garland Nashville, TN 37232	866,025	(5)(6)	*	
Iraj E. Kiani, N.D., Ph.D. Orange County Immune Institute 18800 Delaware Street Huntingdon Beach, CA 92648	957,886	(7)	*	
Wayne S. Springate 783 Jersey Ave. New Brunswick, NJ 08901	392,421	(8)	*	
David R. Strayer, M.D.	477,681	(9)	*	
All directors and executive officers as a group (7 persons)	15,948,827		7.00	%

* Ownership of less than 1%

(1) Dr. Carter is our Chairman, Chief Executive Officer and Chief Scientific Officer. He beneficially owns 850,585 shares of common stock and beneficially owns 9,006,574 shares issuable or issued upon exercise of:

Options	Plan	Date Issued	Exercise Price	Number Of Shares	Expiration Date
	2004	4/13/2012	$4.03	10,000	4/13/2022
	2009	12/22/2010	$2.71	73,728	12/22/2020
	2004	4/26/2005	$1.75	100,000	4/26/2015
	2004	7/1/2005	$1.86	465,000	6/30/2015
	2004	12/9/2005	$2.61	10,000	12/8/2015
	2004	12/9/2005	$2.87	70,000	12/9/2015
	2004	1/1/2006	$2.38	300,000	1/1/2016
	2004	2/22/2006	$3.78	376,650	2/22/2016
	2004	9/10/2007	$2.00	1,000,000	9/9/2017
	2004	10/1/2007	$3.50	1,400,000	9/30/2017
	2004	2/18/2008	$4.00	190,000	2/18/2018
	2007	9/17/2008	$2.20	1,450,000	9/17/2018
	2009	6/11/2010	$0.66	500,000	6/11/2020
	2009	7/15/2011	$0.41	500,000	7/15/2021
	2009	6/5/2012	$0.29	100,000	6/6/2022
	2009	6/11/2012	$0.31	500,000	6/11/2022
	2009	6/6/2013	$0.31	500,000	6/6/2013
	2009	8/2/2013	$0.25	150,000	8/2/2013
	2009	6/6/2014	$0.36	500,000	6/6/2024
	2009	12/8/2014	$2.60	320,000	12/8/2024
Total Options				8,515,378	
Warrants					
Total Warrants	2009	2/1/2009	$0.51	491,196	2/1/2019

(2) Katalin Kovari, M.D, is the spouse of Dr. Carter and accordingly all shares owned by each are deemed to be beneficially owned by the other. Dr. Kovari owns 1,015 shares of common stock.

(3) Mr. Equels is Executive Vice Chairman of our Board of Directors, Secretary and General Counsel who beneficially owns 1,005,444 shares of common stock and beneficially owns 2,241,196 shares issuable or issued upon exercise of:

Options	Plan	Date Issued	Exercise Price	Number Of Shares	Expiration Date
	2009	6/11/2010	$0.66	300,000	6/11/2020
	2009	6/24/2011	$0.41	300,000	6/24/2021
	2009	6/5/2012	$0.29	100,000	6/6/2022
	2009	6/11/2012	$0.31	300,000	6/11/2022
	2009	6/6/2013	$0.31	300,000	6/6/2013
	2009	8/2/2013	$0.25	150,000	8/2/2013
	2009	6/6/2014	$0.36	300,000	6/6/2024
Total Options				1,750,000	

Warrants	Plan	Date Issued	Exercise Price	Number Of Shares	Expiration Date
Total Warrants	2009	2/1/2009	$0.51	491,196	2/1/2019

(4) Mr. Rodino is a member of our Board of Directors who beneficially owns 150,000 shares issuable upon exercise of:

Options	Plan	Date Issued	Exercise Price	Number Of Shares	Expiration Date
	2009	8/2/2013	$0.25	150,000	8/2/2013
Total Options				150,000	

(5) Dr. Mitchell is a member of our Board of Directors who owns 104,364 shares of common stock and beneficially owns 562,000 shares issuable upon exercise of:

Options	Plan	Date Issued	Exercise Price	Number Of Shares	Expiration Date
	2004	4/26/2005	$1.75	100,000	4/26/2015
	2004	2/24/2006	$3.86	50,000	2/24/2016
	2004	9/10/2007	$2.00	100,000	9/9/2017
	2004	9/17/2008	$6.00	12,000	9/17/2018
	2009	6/5/2012	$0.29	100,000	6/6/2022
	2009	8/2/2013	$0.25	150,000	8/2/2013
	2009	9/9/2014	$2.60	50,000	9/9/2024
Total Options				562,000	

(6) Dr. Mitchell beneficially owns 199,661 shares of common stock of which 99,824 shares are held by Shirley Mitchell (Spouse), 49,174 shares are held by the Aesclepius Irrevocable Trust (Shirley Mitchell Trustee), and 50,663 shares are held by the Aesclepius Irrevocable Trust II (William Mitchell Trustee).

(7) Dr. Kiani is a member of our Board of Directors who owns 630,886 shares of common stock and beneficially owns 327,000 shares issuable upon exercise of:

Options	Plan	Date Issued	Exercise Price	Number Of Shares	Expiration Date
	2004	4/26/2005	$1.75	15,000	4/26/2015
	2004	6/2/2005	$1.63	12,000	6/30/2015
	2004	2/24/2006	$3.86	50,000	2/24/2016
	2009	6/5/2012	$0.29	100,000	6/6/2022
	2009	8/2/2013	$0.25	150,000	8/2/2013
Total Options				327,000	

(8) Mr. Springate is our Senior Vice President of Operations and owns 103,521 shares of common stock and beneficially owns 288,900 shares issuable upon exercise of:

Options	Plan	Date Issued	Exercise Price	Number Of Shares	Expiration Date
	2004	12/9/2005	$2.61	2,088	12/9/2015
	2004	11/20/2006	$2.20	5,000	11/20/2016
	2004	5/1/2007	$1.78	20,000	5/1/2017
	2004	12/6/2007	$1.30	20,000	12/6/2017
	2009	5/31/2011	$0.55	90,000	5/31/2021
	2009	6/5/2012	$0.29	50,000	6/5/2022
	2009	5/9/2013	$0.24	50,000	5/9/2023
	2009	6/6/2014	$0.36	50,000	6/6/2024
	2009	12/8/2014	$1.90	1,812	12/8/2024
Total Options				288,900	

(9) Dr. Strayer is our Medical Director that has ownership of 287,681 shares of common stock and beneficially owns 190,000 shares issuable upon exercise of:

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Options	Plan	Date Issued	Exercise Issued	Number Of Shares	Expiration Date
	2004	12/9/2005	$2.61	10,000	12/8/2015
	2009	4/13/2012	$4.03	10,000	4/13/2022
	2004	11/20/2006	$2.20	15,000	11/20/2016
	2004	1/23/2007	$2.37	20,000	1/23/2017
	2004	9/10/2007	$2.00	50,000	9/9/2017
	2004	12/6/2007	$1.30	25,000	12/6/2017
	2004	2/18/2008	$4.00	50,000	9/18/2018
	2009	12/8/2014	$1.90	10,000	12/8/2024
Total Options				190,000	

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

Review, Approval or Ratification of Transactions with Related Persons

Our policy is to require that any transaction with a related party required to be reported under applicable SEC rules, other than compensation related matters and waivers of our code of business conduct and ethics, be reviewed and approved or ratified by a majority of independent, disinterested Directors. We have adopted procedures in which the Audit Committee shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on an annual and case-by-case basis with the approval of this Committee required for all such transactions.

We have employment agreements with certain of our executive officers and have granted such Officers and Directors options and warrants to purchase our common stock, as discussed under the headings, “ITEM 11. Executive Compensation”, and “ITEM 12. Security Ownership of Certain Beneficial Owners and Management”, as noted above.

For his Board fees, Dr. William A. Carter, Hemispherx’ Chief Executive Officer, received approximately $182,000, $180,000 and $176,000 for 2014, 2013 and 2012, respectively, classified as general and administrative expense. Dr. Carter also received consulting fees of approximately $415,000, $327,000 and $400,000 for 2014, 2013 and 2012, respectively, classified as research and development expense. For the years ended 2014, 2013 and 2012, compensation was granted or paid related to the Executive Performance Incentive Program related to the ATM, as set forth in Section 3(c)(ii) of his Employment Agreement, for approximately $641,000, $12,000, and $1,159,000 to Dr. Carter. Dr. Carter's compensation related to this program was classified entirely as research and development.

In June 2012, William Kramer was hired as a Clinical Research Associate. Mr. Kramer is the Son-In-Law of Dr. William A. Carter, and was paid approximately $68,000, $70,000 and $38,000 in 2014, 2013 and 2012, respectively. Additionally on an as-needed basis, the Company utilized the services of Kramer Environmental Management, Inc. to develop standard operating procedures, compliance assessments, testing and obtain permits related to environmental issues.

Katalin Kovari, M.D. was paid approximately $27,000, $26,000 and $25,000 in 2014, 2013 and 2012, respectively, for her part-time services to the Company as Assistant Medical Director. Dr. Kovari is the spouse of Dr. William A. Carter, our CEO.

Since October 2011, Peter Kovari was utilized as a part-time independent contractor for Hemispherx Biopharma Europe to undertake projects as a Clinical Programmer related to coordinating, programming, analyzing and evaluating clinical data for the Company at the rate of $20 per hour and was paid by us approximately $18,000, $22,000 and $12,000 in 2014, 2013 and 2012, respectively. Mr. Kovari is the nephew of Dr. Katalin Kovari, our

Assistant Medical Director and spouse of Dr. William A. Carter, our CEO.

Thomas Equels was elected to the Board of Directors at the Annual Stockholders Meeting on November 17, 2008 and join the Company as an Officer effective June 1, 2010. Mr. Equels has provided external legal services to us for several years through May 31, 2010 and his firm continues to support the Company. For 2014, 2013 and 2012, we paid Equels Law Firm approximately $303,000, $181,000 and $147,000, respectfully, for services rendered. Upon analysis in the Fall of 2011 by the Audit Committee's Financial Expert, it was deemed that the hourly rates charged by Equels Law were reasonable when compared to the fee structure of a possible arms-length transaction from comparable firms in practice in the same market and of the similar size. The hourly rate fees from Equels Law Firm to us have remained the same for 2012, 2013 and 2014. For approximately one

year beginning December 2012, with the approval of the Audit Committee, the Company began renting an office at Equels Law Firm for $3,000 per month for dedication to and utilization by Hemispherx personnel, other than Mr. Equels. For 2014, 2013 and 2012, we paid Equels Law Firm $0, $36,000 and $3,000, respectfully, for office rent based on a proration of the Firm's current leasing fee less the cost for common area.

For the years ended 2014, 2013 and 2012, compensation was granted or paid related to the Executive Performance Incentive Program related to the ATM, as set forth in Section 3(c)(ii) of his Employment Agreement, for approximately $641,000, $12,000, and$1,159,000 to Mr. Equels. Mr. Equels' compensation related to this program was classified entirely as general and administrative expense.

ITEM 14. Principal Accountant Fees and Services.

All audit and professional services are approved in advance by the Audit Committee to assure such services do not impair the auditor's independence from us. The total fees by McGladrey LLP ("McGladrey") for 2014 and 2013 were $275,500 and $265,800 respectively. The following table shows the aggregate fees for professional services rendered during the year ended December 31, 2014 and 2013.

	Amount ($)	
	2014	2013
Description of Fees:		
Audit Fees	$256,000	$252,800
Audit-Related Fees	19,500	13,000
Tax Fees	—	—
All Other Fees	—	—
Total	$275,500	$265,800

Audit Fees

Audit fees include the audit of our annual financial statements and the review of our financial statements included in our quarterly reports and services in connection with statutory and regulatory filings. Audit-related fees include comfort letter procedures related to the Company's At-The-Market ("ATM") equity offering.

Audit-Related Fees

Represents the fees for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements. Audit-related fees include professional services related to the Company's filing of SEC Form S-3 and S-8 (i.e., stock shelf offering procedures).

The Audit Committee has determined that McGladrey's rendering of these audit-related services and all other fees were compatible with maintaining auditor's independence. The Board of Directors considered McGladrey to be well qualified to serve as our independent public accountants. The Committee also pre-approved the charges for services performed in 2013 and 2012.

The Audit Committee pre-approves all auditing and accounting services and the terms thereof (which may include providing comfort letters in connection with securities underwriting) and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to us by the independent auditor; provided, however, the pre-approval requirement is waived with respect to the provisions of non-audit services for us if the "de minimus" provisions of Section 10A (i)(1)(B) of the Exchange Act are satisfied. This authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who shall present all decisions to pre-approve an

activity to the full Audit Committee at its first meeting following such decision.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) Financial Statements and Schedules - See index to financial statements on page F-1 of this Annual Report. All other schedules called for under regulation S-X are not submitted because they are not applicable or not required, or because the required information is included in the financial statements or notes thereto.

(i) Exhibits - See exhibit index below. Except as disclosed in the footnotes, the following exhibits were filed with the Securities and Exchange Commission as exhibits to our Form S-1 Registration Statement (No. 33-93314) or amendments thereto and are hereby incorporated by reference:

Exhibit No.	Description
1.1	July 23, 2012 Equity Distribution Agreement with Maxim Group LLC (1)
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended, along with Certificates of Designations. (2)
3.2	Amended and Restated By-laws of Registrant. (19)
4.1	Specimen certificate representing our Common Stock.
4.2	Amended and Restated Rights Agreement, dated as of November 2, 2012, between the Company and Continental Stock Transfer & Trust Company. The Amended and Restated Right Agreement includes the Form of Certificate of Designation, Preferences and Rights of the Series A Junior Participating Preferred Stock, the Form of Rights Certificate and the Summary of the Right to Purchase Preferred Stock. (3)
4.4	Form of Indenture filed with Form S-3 Universal Shelf Registration Statement. (4)
4.5	Form of Series I common stock purchase warrant pursuant to May 10, 2009 Securities Purchase Agreement. (5)
4.6	Form of Series II common stock purchase warrant pursuant to May 10, 2009 Securities Purchase Agreement. (5)
4.7	Form of common stock purchase warrant pursuant to May 18, 2009 Securities Purchase Agreement. (6)
10.1	Form of Confidentiality, Invention and Non-Compete Agreement.
10.2	Form of Clinical Research Agreement.
10.3	Employee Wage Or Hours Reduction Program. (7)
10.4	Form of Securities Purchase Agreement entered into on May 10, 2009. (1)
10.5	Form of Securities Purchase Agreement entered into on May 18, 2009. (5)
10.6	Amended and Restated Employment Agreement with Robert Dickey IV, dated September 1, 2010. (8)
10.7	Supply Agreement with Hollister-Stier Laboratories LLC dated December 5, 2005. (9)
10.8	Amendment to Supply Agreement with Hollister-Stier Laboratories LLC dated February 25, 2010. (10)
10.9	Amended and Restated Employment Agreement of Dr. William A. Carter dated June 11, 2010 (11)
10.10	Vendor Agreement with Bio Ridge Pharma, LLC dated August 11, 2011. (14) (Confidential Treatment granted with respect to portions of the Agreement).
10.11	Vendor Agreement with Armada Healthcare, LLC dated August 11, 2011. (14) (Confidential Treatment granted with respect to portions of the Agreement).
10.12	Amended and restated employment agreement with Wayne Springate dated May 1, 2011. (13)
10.13	Amended and restated employment agreement with Ralph Christopher Cavalli dated September 15, 2011. (15)
10.14	Amended and restated employment agreement with William A. Carter dated December 6, 2011. (16)
10.15	Amended and restated employment agreement with Thomas K. Equels dated December 6, 2011. (16)
10.16	Amended and restated employment agreement with Charles T. Bernhardt dated December 6, 2011. (16)
10.17	Second Amended and Restated Advisor's Agreement with The Sage Group dated December 14, 2011. (17)
10.18	Amendment to Supply Agreement with Hollister-Stier Laboratories LLC executed September 9, 2011. (17) (Confidential portions of this exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request in accordance with Rule 24b-2 of the Securities Exchange Act of 1934, as amended).

10.19	Vendor Agreement extension with Bio Ridge Pharma, LLC dated August 14, 2012. (18)

10.20	Vendor Agreement extension with Armada Healthcare, LLC dated August 14, 2012. (18)
10.21	Advisor's Agreement with The Sage Group dated June 15, 2013. (20)
10.22	Vendor Agreement extension with Armada Healthcare, LLC dated July 19, 2013. *(21)
10.23	Vendor Agreement extension with Bio Ridge Pharma, LLC dated July 19, 2013. *(21)
10.24	Vendor Agreement extension with Bio Ridge Pharma, LLC and Armada Healthcare, LLC dated August 8, 2014. *(22)
10.25	Sales, Marketing, Distribution, and Supply Agreement with Emerge Health Pty Ltd. dated March 9, 2015* (22)
21	Subsidiaries of the Registrant. *
23.1	McGladrey LLP consent. *
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer. *
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer. *
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Executive Officer. *
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 from the Company's Chief Financial Officer. *
101	The following materials from Hemispherx' Annual Report on Form 10-K for the year ended December 31, 2014, formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Condensed Consolidated Statements of Income; (ii) the Condensed Consolidated Balance Sheets; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Condensed Consolidated Financial Statements.

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*Filed herewith.

(1) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) filed July 23, 2012 and is hereby incorporated by reference.

(2) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) filed June 24, 2011 and is hereby incorporated by reference.

(3) Filed with the Securities and Exchange Commission on November 2, 2012 as an exhibit to the Company's Registration Statement on Form 8-A12G/A (No. 0-27072) and is hereby incorporated by reference.

(4) Filed with the Securities and Exchange Commission as an exhibit to the Company's Form S-3 Registration Statement (No. 333-182216) on June 19, 2012 and is hereby incorporated by reference.

(5) Filed with the Securities and Exchange Commission as an exhibit to the Company's quarterly report on Form 10-Q (No. 1-13441) for the period ended March 31, 2009 and is hereby incorporated by reference.

(6) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated May 18, 2009 and is hereby incorporated by reference.

(7) Filed with the Securities and Exchange Commission as an exhibit to the Company's annual report on Form 10-K (No. 1-13441) for the year ended December 31, 2008 and is hereby incorporated by reference.

(8) Filed with the Securities and Exchange Commission as an exhibit to the Company's quarterly report on Form 10-Q (No. 1-13441) for the period ended June 30, 2010 and is hereby incorporated by reference.

(9) Filed with the Securities and Exchange Commission as an exhibit to the Company's annual report on Form 10-K (No. 1-13441) for the year ended December 31, 2005 and is hereby incorporated by reference.

(10) Filed with the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 10-K (No. 1-13441) for the year ended December 31, 2009 and is hereby incorporated by reference.

(11) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated June 15, 2010 and is hereby incorporated by reference.

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(12) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) dated May 28, 2010 and is hereby incorporated by reference.

(13) Filed with the Securities and Exchange Commission as an exhibit to the Company's quarterly report on Form 10-Q (No. 1-13441) for the period ended March 31, 2011 and is hereby incorporated by reference.

(14) Filed with the Securities and Exchange Commission as an exhibit to the Company's quarterly report on Form 10-Q (No. 1-13441) for the period ended September 30, 2011 and is hereby incorporated by reference.

(15) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) filed September 23, 2011 and is hereby incorporated by reference.

(16) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) filed December 12, 2011 and is hereby incorporated by reference.

(17) Filed with the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 10-K (No. 1-13441) for the year ended December 31, 2011 and is hereby incorporated by reference.

(18) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) filed August 15, 2012 and is hereby incorporated by reference.

(19) Filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K (No. 1-13441) filed August 23, 2012 and is hereby incorporated by reference.

(20) Filed with the Securities and Exchange Commission as an exhibit to the Company's quarterly report on Form 10-Q (No. 1-13441) for the period ended June 30, 2013 and is hereby incorporated by reference.

(21) Filed with the Securities and Exchange Commission as an exhibit to the Company's annual report on Form 10-K (No. 1-13441) for the year ended December 31, 2013 and is hereby incorporated by reference.

(22) Confidential portions of this exhibit have been redacted and filed separately with the Commission pursuant to a confidential treatment request in accordance with Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

HEMISPHERx BIOPHARMA, INC.

By: /s/ William A. Carter
William A. Carter, M.D.
Chief Executive Officer

March 19, 2015

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange of 1934, as amended, this report has been signed below by the following persons on behalf of this Registrant and in the capacities and on the dates indicated.

/s/ William A. Carter William A. Carter, M.D.	Chairman of the Board, Director, Chief Executive Officer, President and Chief Scientific Officer	March 19, 2015
/s/ Thomas K. Equels Thomas K. Equels	Executive Vice Chairman of the Board, Director, Secretary and General Counsel	March 19, 2015
/s/ Peter W. Rodino Peter W. Rodino	Director	March 19, 2015
/s/ William Mitchell William Mitchell, M.D., Ph.D.	Director	March 19, 2015
/s/ Iraj E. Kiani Iraj E. Kiani, N.D., Ph.D.	Director	March 19, 2015
/s/ Thomas K. Equels Thomas K. Equels	Chief Financial Officer	March 19, 2015

HEMISPHERx BIOPHARMA, INC AND SUBSIDIARIES
Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Hemispherx Biopharma, Inc.

We have audited the accompanying consolidated balance sheets of Hemispherx Biopharma, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hemispherx Biopharma, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ McGladrey LLP
Blue Bell, Pennsylvania
March 19, 2015

HEMISPHERx BIOPHARMA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2014 and 2013
(in thousands, except for share and per share amounts)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$2,156	$803
Marketable securities- unrestricted	13,952	17,391
Prepaid expenses and other current assets	399	358
Total current assets	16,507	18,552
Property and equipment, net	4,601	5,053
Patent and trademark rights, net	861	1,080
Construction in progress	7,337	7,046
Other assets	134	136
Total assets	$29,440	$31,867
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$2,081	$1,271
Accrued expenses	2,333	1,228
Current portion of capital lease	22	33
Total current liabilities	4,436	2,532
Long-term liabilities:		
Long-term portion of capital lease	—	23
Redeemable warrants	—	14
Total liabilities	4,436	2,569
Commitments and contingencies (Notes 9,11,12,14 and 15)		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, authorized 5,000,000; issued and outstanding; none	—	—
Common stock, par value $0.001 per share, authorized 350,000,000 shares; issued and outstanding 204,004,818 and 168,660,370, respectively	204	168
Additional paid-in capital	302,729	289,563
Unrealized loss	(160)	(114)
Accumulated deficit	(277,769)	(260,319)
Total stockholders' equity	25,004	29,298
Total liabilities and stockholders' equity	$29,440	$31,867

See accompanying notes to consolidated financial statements.

HEMISPHERx BIOPHARMA, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
(in thousands, except share and per share data)

	Years ended December 31,		
	2014	2013	2012
Revenues:			
Clinical treatment programs	$197	$150	$213
Total Revenues	197	150	213
Costs and Expenses:			
Production costs	1,251	1,234	1,989
Research and development	8,988	8,360	9,508
General and administrative	9,057	7,723	9,056
Total Costs and Expenses	19,296	17,317	20,553
Operating loss	(19,099)	(17,167)	(20,340)
Interest and other income	665	791	1,606
Impairment loss on investments	(145)	(800)	(9)
Interest expense	(11)	(16)	(24)
Gain from sale of income tax operating losses	1,126	686	1,328
Redeemable warrants valuation adjustment	14	281	85
Net loss	(17,450)	(16,225)	(17,354)
Other Comprehensive Income (Loss)			
Unrealized gain (loss) on securities	(191)	(871)	331
Reclassification adjustments for impairment losses on investments included in net loss	145	800	9
Premium amortization	—	—	6
Net comprehensive loss	$(17,496)	$(16,296)	$(17,008)
Basic and diluted loss per share	$(0.09)	$(0.10)	$(0.12)
Weighted average shares outstanding basic and diluted	188,291,976	167,325,584	141,016,935

See accompanying notes to consolidated financial statements.

HEMISPHERx BIOPHARMA, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
(in thousands except share data)

	Common Stock Shares	Common Stock .001 Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders Equity
Balance January 1, 2012	135,642,303	$136	$264,958	$ (389)	$ (226,740)	$ 37,965
Shares issued for:						
Settlement of accounts payable	1,111,397	1	383	—	—	384
Shares sold at the market	29,496,743	29	22,974	—	—	23,003
Equity-based compensation	239,747	—	356	—	—	356
Net comprehensive loss	—	—	—	346	(17,354)	(17,008)
Balance December 31, 2012	166,490,190	166	288,671	(43)	(244,094)	44,700
Shares issued for:						
Settlement of accounts payable	1,196,769	1	268	—	—	269
Shares sold at the market	973,411	1	248	—	—	249
Equity-based compensation	—	—	376	—	—	376
Net comprehensive loss	—	—	—	(71)	(16,225)	(16,296)
Balance December 31, 2013	168,660,370	168	289,563	(114)	(260,319)	29,298
Shares issued for:						
Settlement of accounts payable	229,031	—	59	—	—	59
Shares sold at the market	35,115,417	36	12,781	—	—	12,817
Equity-based compensation	—	—	326	—	—	326
Net comprehensive loss	—	—	—	(46)	(17,450)	(17,496)
Balance December 31, 2014	204,004,818	$204	$302,729	$ (160)	$ (277,769)	$ 25,004

See accompanying notes to consolidated financial statements

HEMISPHERx BIOPHARMA, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Years ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net loss	$(17,450)	$(16,225)	$(17,354)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property and equipment	665	671	643
Amortization and abandonment of patent and trademark rights	477	196	40
Redeemable warrants valuation adjustment	(14)	(281)	(85)
Equity-based compensation (stock option, warrant and service expense)	326	376	356
Other-than-temporary impairment of marketable securities	145	800	9
Inventory reserve	—	453	1,023
Changes in assets and liabilities:			
Inventories	—	—	(579)
Prepaid expenses and other assets	(41)	(36)	200
Accounts payable	869	(617)	860
Accrued expenses	1,105	(2,167)	1,751
Net cash used in operating activities	(13,918)	(16,830)	(13,136)
Cash flows from investing activities:			
Purchases of property, equipment and construction in progress	(504)	(898)	(5,755)
Additions to patent and trademark rights	(258)	(242)	(211)
Office rental deposit	—	(71)	—
Deposits on capital leases refunded	2	—	6
Sales and maturities of short-term and long-term marketable securities	3,248	23,479	22,658
Purchase of short-term and long-term marketable securities	—	—	(32,765)
Net cash provided by (used in) investing activities	$2,488	$22,268	$(16,067)

HEMISPHERx BIOPHARMA, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
(in thousands)

	Years ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Proceeds from sale of common stock, net of issuance costs	$12,817	$249	$23,003
Payments on capital leases	(34)	(45)	(47)
Proceeds from (payments on) Margin Account Loan	—	(7,051)	5,356
Net cash provided by (used in) financing activities	12,783	(6,847)	28,312
Net increase (decrease) in cash and cash equivalents	1,353	(1,409)	(891)
Cash and cash equivalents at beginning of year	803	2,212	3,103
Cash and cash equivalents at end of year	$2,156	$803	$2,212
Supplemental disclosures of non-cash investing and financing cash flow information:			
Issuance of common stock for accounts payable and accrued expenses	$59	$269	$384
Unrealized gain (loss) on marketable securities	$(46)	$(71)	$346
Supplemental disclosure of cash flow information:			
Capitalized construction interest	$—	$143	$85
Cash paid for interest expense	$11	$16	$24

See accompanying notes to consolidated financial statements.

HEMISPHERx BIOPHARMA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Business

Hemispherx Biopharma, Inc. (“Company”) is a specialty pharmaceutical company headquartered in Philadelphia, Pennsylvania and engaged in the clinical development of new drug therapies based on natural immune system enhancing technologies for the treatment of viral and immune based disorders. The Company was founded in the early 1970s doing contract research for the National Institutes of Health. Since that time, the Company has established a strong foundation of laboratory, pre-clinical and clinical data with respect to the development of natural interferon and nucleic acids to enhance the natural antiviral defense system of the human body and to aid the development of therapeutic products for the treatment of certain chronic diseases.

The Company's flagship products include Alferon N Injection® and the experimental therapeutic Ampligen®. Alferon N Injection® is approved for a category of STD infection, and Ampligen® represents an experimental RNA being developed for globally important viral diseases and disorders of the immune system. Hemispherx' platform technology includes components for potential treatment of various severely debilitating and life threatening diseases. Alferon® LDO (Low Dose Oral) is a formulation under development targeting influenza.

The consolidated financial statements include the financial statements of Hemispherx Biopharma, Inc. and its wholly-owned subsidiaries. The Company has three domestic subsidiaries BioPro Corp., BioAegean Corp. and Core BioTech Corp., all of which are incorporated in Delaware and are dormant. The Company’s foreign subsidiary, Hemispherx Biopharma Europe N.V./S.A., was established in Belgium in 1998. All significant intercompany balances and transactions have been eliminated in consolidation. Certain items in these financial statements have been reclassified to conform to the current period presentation.

(2) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash and money market accounts and total $2,156,000 and $803,000 at December 31, 2014 and 2013, respectively.

(b) Marketable Securities

The Company’s securities are classified as available for sale and are stated at fair value. Unrealized gains and losses on securities available for sale are excluded from results of operations and are reported as other comprehensive income (loss) on the Statements of Comprehensive Loss, net of taxes. Securities classified as available for sale include securities that may be sold in response to changes in interest rates, changes in prepayment risks or for portfolio management purposes. The cost of securities sold is determined on a specific identification basis. Gains and losses on sales of securities are recognized in the statements of comprehensive loss on the date of sale.

(c) Property and Equipment

	(in thousands) December 31,	
	2014	2013
Land, buildings and improvements	$4,209	$4,209
Furniture, fixtures, and equipment	5,307	5,093
Leasehold improvements	85	85
Total property and equipment	9,601	9,387

Less: accumulated depreciation and amortization	(5,000)	(4,334)
Property and equipment, net	$4,601	$5,053

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, ranging from five to thirty-nine years.

Construction in progress consists of funds used for the construction and installation of property and equipment within the Company's New Brunswick, NJ facility. As of December 31, 2014, construction in progress was $7,337,000 as compared to

$7,046,000 at December 31, 2013. The Company capitalized $0 and $143,000 of interest charges in 2014 and 2013, respectively, related to the construction in progress.

(d) Patent and Trademark Rights

Patents and trademarks are stated at cost (primarily legal fees) and are amortized using the straight line method over the established useful life of 17 years. The Company reviews its patents and trademark rights periodically to determine whether they have continuing value or their value has become impaired. Such review includes an analysis of the patent and trademark's ultimate revenue and profitability potential. Management's review addresses whether each patent continues to fit into the Company's strategic business plans.

(e) Revenue

Revenue from the sale of Ampligen® under a cost recovery, open-label treatment protocols approved by the FDA is recognized when the treatment is provided to the patient.

Revenues from the sale of Alferon N Injection® are recognized when the product is shipped and title is transferred to the customer. The Company has no other obligation associated with its products once shipment has been shipped to the customer.

(f) Accounting for Income Taxes

Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits which are not expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10 Uncertainty in Income Taxes. There has been no material change to the Company’s tax position as they have not paid any corporate income taxes due to operating losses. All tax benefits will likely not be recognized due to the substantial net operating loss carryforwards which will most likely not be realized prior to expiration. With no tax due for the foreseeable future, the Company has determined that a policy to determine the accounting for interest or penalties related to the payment of tax is not necessary at this time.

(g) Comprehensive loss

Comprehensive loss consists of net loss, net unrealized gains (losses) on securities and premium amortization and related losses and is presented in the consolidated statements of comprehensive loss.

(h) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Accounts requiring the use of significant estimates include valuation allowances for inventory, determination of other-than-temporary impairment on securities, valuation of deferred taxes, patent and trademark valuations, stock-based compensation calculations, building valuation, fair value of warrants and contingency accruals.

(i) Recent Accounting Standards and Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. ASU 2014-09 also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. As the Company

does not expect to have any significant operating revenues for the foreseeable future, the Company does not expect the adoption of this guidance to have any impact on the Company’s financial statement presentation or disclosures.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company’s financial statement presentation or disclosures.

(j) Stock-Based Compensation

The Company accounts for its stock-based compensation awards in accordance with FASB ASC Topic 718, “Compensation – Stock Compensation”, which requires recognition of compensation expense related to stock-based compensation awards over the period during which an employee is required to provide service for the award. Compensation expense is equal to the fair value of the award at the date of grant, net of estimated forfeitures.

(k) Accounts Receivable

Concentration of credit risk, with respect to accounts receivable, is limited due to the Company’s credit evaluation process. The Company does not require collateral on its receivables. The Company did not have any receivables as of December 31, 2014 and 2013.

(l) Common Stock Per Share Calculation

Basic and diluted net loss per share is computed using the weighted average number of shares of common stock outstanding during the period. Equivalent common shares, consisting of stock options and warrants related to 17,486,946, 27,968,158 and 24,198,158 shares, are excluded from the calculation of diluted net loss per share for the years ended December 31, 2014, 2013 and 2012, respectively, since their effect is antidilutive.

(m) Long-Lived Assets

The Company assesses long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in its use of the assets. The Company measures the recoverability of assets that it will continue to use in its operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping’s carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired.

The Company measures the impairment by comparing the difference between the asset grouping’s carrying value and its fair value. Long-lived assets are considered a non-financial asset and are recorded at fair value only if an impairment charge is recognized. Impairments are determined for groups of assets related to the lowest level of identifiable independent cash flows. The Company makes subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, as the Company reviews its manufacturing process

and other manufacturing planning decisions, the Company must make subjective judgments regarding the remaining useful lives of assets. When the Company determines that the useful lives of assets are shorter than the Company had originally estimated, it accelerates the rate of depreciation over the assets' new, shorter useful lives.

(3) Inventories

The Company uses the lower of first-in, first-out ("FIFO") cost or market method of accounting for inventory.

Inventories consist of the following:	(in thousands)	
	2014	2013
Inventory work-in-process, January 1	$—	$453
Production	—	—
Spoilage	—	(453)
Inventory work-in-process, December 31	$—	$—

In April 2012, FDA reviewers raised certain questions about the status of the Company's existing lots of older Work-In-Process Alferon® materials and Alferon® Active Pharmaceutical Ingredient (“API”), which would need to be released by the FDA before those materials could be used in commercial product. After conducting all of the appropriate tests on samples of the inventory during 2013, the Company concluded that it could not alleviate certain questions the FDA had about the older Work-In-Process Alferon N Injection®. Accordingly, these lots were not submitted to the FDA to request release for commercial sale and their remaining dollar value was written-off in 2013.

(4) Marketable Securities

Marketable securities consist of Mutual Funds. For the twelve months ended December 31, 2014 and 2013, it was determined that some of the Marketable Securities had other than temporary impairments of approximately $145,000 and $800,000, respectively. At December 31, 2014 and 2013, all securities were classified as available for sale investments and were measured as Level 1 instruments of the fair value measurements standard (see Note 17: Fair Value).

Securities classified as available for sale consisted of:

December 31, 2014
(in thousands)

Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Short-Term Investments	Long Term Investments
Mutual Funds	$14,112	$—	$(160)	$13,952	$13,952	$—
Totals	$14,112	$—	$(160)	$13,952	$13,952	$—

December 31, 2013
(in thousands)

Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Short-Term Investments	Long Term Investments
Mutual Funds	$17,505	$115	$(229)	$17,391	$17,391	$—
Totals	$17,505	$115	$(229)	$17,391	$17,391	$—

Unrealized losses on investments

Investments with continuous unrealized losses for less than 12 months and 12 months or greater and their related fair values were as follows:

December 31, 2014
(in thousands)

Securities	Total Number In Loss Position	Less Than 12 Months		12 Months or Greater		Totals	
		Fair Values	Unrealized Losses	Fair Values	Unrealized Losses	Total Fair Value	Total Unrealized Losses
Mutual Funds	2	$5,928	$(106)	$8,024	$(54)	$13,952	$(160)
Totals	2	$5,928	$(106)	$8,024	$(54)	$13,952	$(160)

December 31, 2013
(in thousands)

Securities	Total Number In Loss Position	Less Than 12 Months		12 Months or Greater		Totals	
		Fair Values	Unrealized Losses	Fair Values	Unrealized Losses	Total Fair Value	Total Unrealized Losses
Mutual Funds	1	$12,460	$(229)	$—	$—	$12,460	$(229)
Totals	1	$12,460	$(229)	$—	$—	$12,460	$(229)

(5) Patents, Trademark Rights and Other Intangibles (FASB ASC 350-30 General Intangibles Other than Goodwill)
During the years ended December 31, 2014, 2013 and 2012, the Company decided not to pursue certain patents in various countries for strategic reasons and recorded abandonment charges of $446,000, $176,000 and $25,000, respectively, which are included in research and development. Amortization expense was $31,000, $20,000 and $15,000 in 2014, 2013 and 2012, respectively. The total cost of the patents was $1,005,000 and $1,193,000 as of December 31, 2014 and 2013, respectively. The accumulated amortization as of December 31, 2014 and 2013 is $144,000 and $113,000, respectively. In 2014, additions to patent costs were $258,000. In 2013, additions to patent costs were $242,000 and adjustments for fully amortized and abandoned patents had costs of $180,000 and accumulated amortization of $4,000.

Amortization of patents and trademarks for each of the next five years is as follows: 2015 - $31,000; 2016 - $31,000; 2017 - $31,000; 2018 - $31,000 and 2019 - $31,000. No amortization expense is recognized related to patents that are pending.

(6) Accrued Expenses
Accrued expenses at December 31, 2014 and 2013 consists of the following:

	(in thousands) December 31,	
	2014	2013
Compensation	$1,806	$378
Professional fees	404	270
Accrued Alferon production costs	—	51
Other expenses	123	529
	$2,333	$1,228

(7) Stockholders' Equity
(a) Preferred Stock

The Company is authorized to issue 5,000,000 shares of $0.01 par value preferred stock with such designations, rights and preferences as may be determined by the Board of Directors. There were no Preferred Shares issued and outstanding at December 31, 2014 and 2013.

(b) Common Stock

The Company’s stockholders approved an amendment to the Company’s corporate Charter at the Annual Shareholder Meeting held in Philadelphia, PA that concluded on December 8, 2011. This amendment increased the Company’s authorized shares from 200,000,000 to 350,000,000 with specific limitations and restrictions on the usage of 75,000,000 of the 150,000,000 newly authorized shares.

As of December 31, 2014 and 2013, 204,004,818 and 168,660,370 shares were outstanding, respectively.

(c) Equity Financings

Pursuant to a May 28, 2010 Equity Distribution Agreement (the "Old EDA") with Maxim Group LLC ("Maxim"), the Company established an At-The-Market ("ATM") Equity Program pursuant to which the Company could sell up to 32,000,000 shares of their Common Stock from time to time through Maxim as their sales agent (the "Agent"). Under the Old EDA, the Agent was entitled to a commission at a fixed commission rate of 4.0% of the gross sales price per Share sold, up to aggregate gross proceeds of $10,000,000, and, thereafter, at a fixed commission rate of 3.0% of the gross sales price per Share sold. The Company had no obligation to sell any shares under this program, and could at any time terminate the Agreement. For the years ended December 31, 2012 and 2011, the Company sold no shares through this Old EDA and received no net cash proceeds. All sales related to the Old EDA took place in 2010, in which the Company had sold an aggregate of 520,000 shares through the ATM that resulted in net cash proceeds of approximately $293,000 and commissions paid to Maxim of approximately $12,000. In June 2012, the Old EDA with Maxim expired.

On July 23, 2012, the Company entered into a New Equity Distribution Agreement (the "EDA") with Maxim pursuant to which the Company may sell up to $75,000,000 worth of its shares of Common Stock from time to time through Maxim, as sales agent. Under the EDA, Maxim is entitled to a fixed commission rate of 4.0% of the gross sales price of Shares sold under the EDA, up to aggregate gross proceeds of $10,000,000, and thereafter, at a fixed commission rate of 3.0% of the gross sales price of Shares sold under the EDA. Sales of the Shares, if any, may be made in transactions that are deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made by means of ordinary brokers' transactions, including on the NYSE MKT, at market prices or as otherwise agreed with Maxim. The Company has no obligation to sell any of the Shares and may at any time suspend offers under the EDA or terminate the EDA. The Shares are being sold pursuant to the Company's Universal Shelf Registration Statement on Form S-3, declared effective by the Securities and Exchange Commission on July 2, 2012. On September 14, 2012, the Company filed a Prospectus Supplement with the Securities and Exchange Commission related to increasing the offering from 12,000,000 to 20,000,000 shares under the New ATM. On October 5, 2012, the Company filed an updated Prospectus Supplement to revise the EDA for an aggregate of 40,000,000 shares to be allocated for public sale under the Prospectus Supplement pursuant to the ATM. On December 23, 2013, the Company filed an updated Prospectus Supplement with the Securities and Exchange Commission to revise the EDA for an aggregate of 90,000,000 shares to be allocated for public sale under the Prospectus Supplement pursuant to the ATM. During 2014, the Company had sold an aggregate of approximately 35,115,417 shares that resulted in net cash proceeds of approximately $12,817,000 after direct expenses along with commissions paid to Maxim for approximately $396,000. During 2013, the Company had sold an aggregate of approximately 973,411 shares that resulted in net cash proceeds of approximately $249,000 after direct expenses along with commissions paid to Maxim for approximately $8,000.

The Company plans to use the net proceeds from the offering as follows: (1) Costs to upgrade the Alferon N Injection® manufacturing facility and to prepare for the FDA pre-approval inspections, (2) Potential new pre-clinical or clinical studies in order to gain commercial approval for Ampligen® and broader approvals for Alferon® and Alferon LDO®, (3) Working capital to build and maintain sufficient inventory by procuring raw materials, supplies and other items for the New Brunswick manufacturing facility, as well as to remunerate outside contractors for necessary services, such as, final filling and finishing operations in order to meet any anticipated demand from normal operations as well as through the possible pursuit of other disease areas and/or geographic regions that may present themselves, (4) Pursuit of potential partnering opportunities for Ampligen®, and (5) Potential establishment of sales and marketing capabilities, as well as consideration towards the expansion of the Company's manufacturing capacity.

(d) Common Stock Options and Warrants

(i) Stock Options

The Equity Plan of 2004, effective May 1, 2004, authorizes the grant of non-qualified and incentive stock options, stock appreciation rights, restricted stock and other stock awards. A maximum of 8,000,000 shares of common stock was reserved for potential issuance pursuant to awards under the Equity Plan of 2004. The Equity Plan of 2004 continued in effect for a period of 10 years from its effective date. The plan terminated on May 1, 2014.

The Equity Incentive Plan of 2007, effective June 20, 2007, authorizes the grant of non-qualified and incentive stock options, stock appreciation rights, restricted stock and other stock awards. A maximum of 9,000,000 shares of common stock is reserved for potential issuance pursuant to awards under the Equity Incentive Plan of 2007. Unless sooner terminated, the Equity Incentive Plan of 2007 will continue in effect for a period of 10 years from its effective date.

The Equity Incentive Plan of 2009, effective June 24, 2009, authorizes the grant of non-qualified and incentive stock options, stock appreciation rights, restricted stock and other stock awards. A maximum of 15,000,000 shares of common stock is

reserved for potential issuance pursuant to awards under the Equity Incentive Plan of 2009. Unless sooner terminated, the Equity Incentive Plan of 2009 will continue in effect for a period of 10 years from its effective date.

The Equity Plan of 2004 and the Equity Incentive Plans of 2007 and 2009 are administered by the Board of Directors. The Plans provide for awards to be made to such Officers, other key employees, non-employee Directors, consultants and advisors of the Company and its subsidiaries as the Board may select.

Stock options awarded under the Plans may be exercisable at such times (not later than 10 years after the date of grant) and at such exercise prices (not less than fair market value at the date of grant) as the Board may determine. The Board may provide for options to become immediately exercisable upon a "change in control", which is defined in the Plans to occur upon any of the following events: (a) the acquisition by any person or group, as beneficial owner, of 20% or more of the outstanding shares or the voting power of the outstanding securities of the Company; (b) either a majority of the Directors of the Company at the annual stockholders meeting has been nominated other than by or at the direction of the incumbent Directors of the Board, or the incumbent Directors cease to constitute a majority of the Company's Board; (c) the Company's stockholders approve a merger or other business combination pursuant to which the outstanding common stock of the Company no longer represents more than 50% of the combined entity after the transaction; (d) the Company's stockholders approve a plan of complete liquidation or an agreement for the sale or disposition of all or substantially all of the Company's assets; or (e) any other event or circumstance determined by the Company's Board to affect control of the Company and designated by resolution of the Board as a change in control.

The fair value of each option and equity warrant award is estimated on the date of grant using a Black-Scholes-Merton pricing option valuation model. Expected volatility is based on the historical volatility of the price of the Company's stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the option and equity warrant. The Company uses historical data to estimate expected dividend yield, life and forfeiture rates. The expected life of the options and equity warrants was estimated based on historical option and equity warrant holders' behavior and represents the period of time that options and equity warrants are expected to be outstanding. The fair values of the options and equity warrants granted, were estimated based on the following weighted average assumptions:

	Year Ended December 31,		
	2014	2013	2012
Risk-free interest rate	1.66%-1.72%	0.14%-1.40%	0.61%- 0.86%
Expected dividend yield	0	0	0
Expected life	5 years	1-5 years	5 years
Expected volatility	84.497%-92.631%	89.727%-118.22%	108.76%-112.35%
Weighted average grant date fair value for options and equity warrants issued	$0.18 per option for 1,314,284 options	$0.14 per option/warrant for 4,120,000 options/equity warrants	$0.23 per option/warrant for 1,499,000 options/equity warrants

For stock options or equity warrants granted to employees and non-employees, the Company measures fair value of the equity instruments utilizing the Black-Scholes-Merton pricing method. The Company amortizes such cost over the related period of service.

The exercise price of all stock options and equity warrants granted was equal to or greater than the fair market value of the underlying common stock on the date of the grant.

The 1990 Stock Option Plan provides for the grant of options to purchase up to 460,798 shares of the Company's Common Stock to employees, Directors, and Officers of the Company and to consultants, advisors, and other persons

whose contributions are important to the success of the Company. The recipients of options granted under the 1990 Stock Option Plan, the number of shares to be converted by each option, and the exercise price, vesting terms, if any, duration and other terms of each option shall be determined by the Company's Board of Directors or, if delegated by the Board, its Compensation Committee. no option is exercisable more than 10 years and one month from the date as of which an option agreement is executed. These shares become vested through various periods not to exceed four years from the date of grant. The option price represents the fair market value of each underlying share of Common Stock at the date of grant, based upon the public trading price. This plan is no longer in effect and no further options will be issued from this plan.

Information regarding the options approved by the Board of Directors under the 1990 Stock Option Plan is summarized below:

	2012			2013			2014		
	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price
Outstanding, beginning of year	262,000	2.75-4.03	$3.05	200,000	2.75	$2.75	—	—	$—
Granted	—	—	—	—	—	—	—	—	—
Forfeited	(62,000)	4.03	4.03	(200,000)	2.75	2.75	—	—	—
Exercised	—	—	—	—	—	—	—	—	—
Outstanding, end of year	200,000	$2.75	$2.75	—	$—	$—	—	$—	$—
Exercisable, end of year	200,000	$2.75	$2.75	—	$—	$—	—	$—	$—
Weighted average remaining contractual life (years)	0.83 years			0 years			0 years		
Available for future grants	—			—			—		

The Equity Plan is administered by the Board of Directors. The Equity Plan provides for awards to be made to such Officers, other key employees, non-employee directors, consultants and advisors of the Company and its subsidiaries as the Board may select.

Information regarding the options approved by the Board of Directors under Equity Plan of 2004 is summarized below:

	2012			2013			2014		
	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price
Outstanding, beginning of year	6,640,934	1.30-6.00	$2.66	6,630,934	1.30-6.00	$2.66	6,480,934	1.30-6.00	$2.68
Granted	—	—	—	—	—	—	—	—	—
Forfeited	(10,000)	1.30	$1.30	(150,000)	2.00	$2.00	(616,308)	1.90-3.44	$2.58
Exercised	—	—	—	—	—	—	—	—	—
Outstanding, end of year	6,630,934	1.30-6.00	$2.66	6,480,934	1.30-6.00	$2.68	5,864,626	1.30-6.00	$2.69
Exercisable, end of year	6,630,934	1.30-6.00	$2.66	6,480,934	1.30-6.00	$2.68	5,864,626	1.30-6.00	$2.69
Weighted average remaining	3-4 years			2-3 years			1-2 years		

contractual life (years)			
Available for future grants	10,019	170,019	—

Information regarding the options approved by the Board of Directors under Equity Plan of 2007 is summarized below:

	2012			2013			2014		
	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price
Outstanding, beginning of year	1,550,000	0.72-3.05	2.17	1,550,000	0.72-3.05	2.17	1,550,000	0.72-3.05	2.17
Granted	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—	—
Outstanding, end of year	1,550,000	0.72-3.05	2.17	1,550,000	0.72-3.05	2.17	1,550,000	0.72-3.05	2.17
Exercisable, end of year	1,550,000	0.72-3.05	2.17	1,550,000	0.72-3.05	2.17	1,550,000	0.72-3.05	2.17
Weighted average remaining contractual life (years)	5.81 years			4.81 years			3.81 years		
Available for future grants	3,004			3,004			3,004		

Information regarding the options approved by the Board of Directors under Equity Plan of 2009 is summarized below:

	2012			2013			2014		
	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price	Shares	Option Price	Weighted Average Exercise Price
Outstanding, beginning of year	3,189,978	0.21-2.81	0.70	4,688,978	0.21-4.03	0.61	6,708,978	0.21-4.03	0.55
Granted	1,499,000	0.29-4.03	0.42	2,020,000	0.22-2.00	0.40	1,314,284	0.33-2.60	1.04
Forfeited	—	—	—	—	—	—	(350,000)	0.31-2.81	1.45
Exercised	—	—	—	—	—	—	—	—	—
Outstanding, end of year	4,688,978	0.21-4.03	0.61	6,708,978	0.21-4.03	0.55	7,673,262	0.21-4.03	0.59
Exercisable, end of year	3,962,183	0.21-4.03	0.61	5,713,145	0.21-4.03	0.55	6,929,335	0.21-4.03	0.59
Weighted average remaining contractual life (years)	7.67 years			8.21 years			7.73 years		
Available for future grants	6,907,247			3,090,478			1,487,543		

Stock option activity during the years ended December 31, 2012, 2013 and 2014 is as follows:

Stock option activity for employees:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term (Years)	Aggregate Intrinsic Value
Outstanding January 1, 2012	8,252,480	$2.11	5.75	—
Granted	1,199,000	0.45	—	—
Forfeited	(10,000)	1.30	—	—
Outstanding December 31, 2012	9,441,480	$1.90	5.35	—
Granted	1,170,000	0.36		—
Forfeited	—	—	—	—
Outstanding December 31, 2013	10,611,480	$1.73	4.92	—
Granted	1,264,284	0.97	—	—
Forfeited	(587,876)	1.78	—	—
Outstanding December 31, 2014	11,287,888	$1.64	4.61	—
Vested and expected to vest at December 31, 2014	11,287,888	$1.64	4.61	—
Exercisable at December 31, 2014	10,577,294	$1.65	4.15	—

The weighted-average grant-date fair value of employee options granted during the year 2014 was $230,000 for 1,264,284 options at $0.18 per option, the year 2013 was $222,000 for 1,170,000 options at $0.19 per option and during the year 2012 was $284,000 for 1,199,000 options at $0.24 per option.

Unvested stock option activity for employees:

	Number of Options	Weighted Average Exercise Price	Average Remaining Contracted Term (Years)	Aggregate Intrinsic Value
Outstanding January 1, 2012	148,333	$0.49	9.52	—
Granted	509,708	0.43	—	—
Vested	(131,668)	0.36	—	—
Forfeited	(10,000)	1.30	—	—
Outstanding December 31, 2012	516,373	$0.45	9.43	—
Granted	595,000	0.24	—	—
Vested	(586,373)	0.38	—	—
Forfeited	—	—	—	—
Outstanding December 31, 2013	525,000	$0.29	8.38	—
Granted	1,264,284	0.97	—	—
Vested	(1,078,690)	0.38	—	—
Forfeited	—	—	—	—
Outstanding December 31, 2014	710,594	$1.38	8.76	—

The weighted-average grant-date fair value of employee unvested stock options granted during the year 2014 was $230,000 for 1,264,284 options at $0.18 per option, during the year 2013 was $100,000 for 595,000options at $0.24 per option and during the year 2012 was $120,558 for 509,708 options at $0.24 per option.

Stock option activity for non-employees during the year:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term (Years)	Aggregate Intrinsic Value
Outstanding January 1, 2012	3,128,432	$1.87	5.25	—
Granted	300,000	0.29	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding December 31, 2012	3,428,432	$1.73	4.71	—
Granted	850,000	0.56	—	—
Exercised	—	—	—	—
Forfeited	(150,000)	2.00	—	—
Outstanding December 31, 2013	4,128,432	$1.48	5.01	—
Granted	50,000	2.60	—	—
Exercised	—	—	—	—
Forfeited	(378,432)	2.78	—	—
Outstanding December 31, 2014	3,800,000	$1.36	4.75	—
Vested and expected to vest at December 31, 2014	3,800,000	$1.36	4.75	—
Exercisable at December 31, 2014	3,766,667	$1.35	4.39	—

The weighted-average grant-date fair value of non-employee options granted during the year 2014 was $5,000 for 50,000 options at $0.10 per option, during the year 2013 was $131,000 for 850,000 options at $0.15 per option and during the year 2012 was $59,922 for 300,000 options at $0.20 per option.

Unvested stock option activity for non-employees:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term (Years)	Aggregate Intrinsic Value
Outstanding January 1, 2012	256,250	$0.71	8.50	—
Granted	300,000	0.29	—	—
Vested	(345,828)	0.53	—	—
Forfeited	—	—	—	—
Outstanding December 31, 2012	210,422	$0.40	9.68	—
Granted	470,833	0.25	—	—
Vested	(210,422)	0.40	—	—
Forfeited	—	—	—	—
Outstanding December 31, 2013	470,833	$0.25	9.61	—
Granted	50,000	2.60	—	—
Vested	(487,500)	0.33	—	—
Forfeited	—	—	—	—
Outstanding December 31, 2014	33,333	$2.60	9.08	—

Stock-based compensation expense was approximately $326,000 for the year ended December 31, 2014 was to increase general and administrative expenses and had no effect on earnings per share, for the year ended December 31, 2013 was to increase general and administrative expenses by approximately $376,000 and had no effect on earnings per share, and for year ended December 31, 2012 was to increase general and administrative expenses by approximately $356,000 and had no effect on earnings per share.

As of December 31, 2014 and 2013, there was $259,000 and $177,000, respectively, of unrecognized stock-based compensation cost related to options granted under the Equity Incentive Plans. Stock-based compensation related to options granted under the Equity Incentive Plans will be recorded over the vesting period which is typically one year or upon reaching agreed upon company and/or individual performance milestones being met which is indefinite.

(ii) Stock Warrants

Stock warrants are issued as needed by the Board of Directors and have no formal plan.

The fair value of each warrant award is estimated on the date of grant using a Black-Scholes-Merton pricing option valuation model. Expected volatility is based on the historical volatility of the price of the Company’s stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the warrant. The Company uses historical data to estimate expected dividend yield, life and forfeiture rates. The expected life of the warrants was estimated based on historical option holder’s behavior and represents the period of time that options are expected to be outstanding. There were no warrants granted during 2014.

Information regarding warrants outstanding and exercisable into shares of common stock is summarized below:

	2012			2013			2014		
	Shares	Warrant Price	Weighted Average Exercise Price	Shares	Warrant Price	Weighted Average Exercise Price	Shares	Warrant Price	Weighted Average Exercise Price
Outstanding, beginning of year	10,978,246	0.51-1.65	$1.55	11,128,246	0.51-2.00	$1.44	13,228,246	0.25-2.00	$1.26
Granted	150,000	0.89-2.00	$1.30	2,100,000	0.25-0.50	$0.33	—	—	$—
Forfeited	—	—	—	—	—	—	(10,829,188)	0.29-1.65	1.41
Exercised	—	—	—	—	—	—	—	—	—
Outstanding, end of year	11,128,246	0.51 –2.00	$1.44	13,228,246	0.25-2.00	$1.26	2,399,058	0.25-2.00	$0.56
Exercisable	11,128,246	0.51-2.00	$1.44	11,328,246	0.50-2.00	$1.42	2,399,058	0.25-2.00	$0.56
Weighted average remaining contractual life	2.0 years			1.5 years			4.8 years		
Years exercisable	2013-2022			2014-2023			2014-2023		

Stock warrants are issued at the discretion of the Board. In 2014, there were no warrants issued. Certain of the stock warrants outstanding are subject to adjustments for stock splits and dividends. No warrants were exercised during 2012, 2013 or 2014.

(e) Rights Offering

On November 19, 2002, the Board of Directors of the Company declared a dividend distribution of one Right for each outstanding share of Common Stock to stockholders of record at the close of business on November 29, 2002 (the "Record Date"). Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-hundredth of a share (a "Unit") of Series A Junior Participating Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock") at a Purchase Price of $30.00 per Unit, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and Continental Stock Transfer & Trust Company, as Rights Agent.

On November 2, 2012, the Company executed an Amended and Restated Rights Agreement amending and restating the November 19, 2002 Rights Agreement between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (as amended, the “Amended Rights Agreement”). The Amended Rights Agreement extends the term of the Rights Plan to November 18, 2017 and amends certain other provisions, as described in the Company’s Amended Registration Statement on Form 8-A/A, filed on November 2, 2012 (the “Amended Form 8-A”). The Amended Rights Plan entitles holders to buy one-hundredth unit of preferred stock for $30.00 and may be redeemed prior to November 19, 2017, the expiration date, at $0.001 per Right under certain circumstances. The Rights generally are not transferable apart from the common stock and will not be exercisable unless and until a person or group acquires or commences a tender or exchange offer to acquire, beneficial ownership of 15% or more of our common stock. However, for Dr. Carter, our Chief Executive Officer, who already beneficially owns approximately 4.63% of our common stock, the Rights Plan’s threshold will be 20%, instead of 15%.

(8) Segment and Related Information

The Company operates in one segment, which performs research and development activities related to Ampligen® and other drugs under development, and sales and marketing of Alferon®. The Company's revenues for the three year period ended December 31, 2014, were earned in the United States.

The Company employs an insignificant amount of net property and equipment in its foreign operations.

(9) Research, Consulting and Supply Agreements

Since October 2005, the Company has engaged the Sage Group, Inc. ("Sage"), a health care, technology oriented, strategy and transaction advisory firm, to assist the Company in obtaining a strategic alliance in Japan for the use of Ampligen® in treating Chronic Fatigue Syndrome ("CFS"). On December 14, 2011, the Company agreed to a Second Amended Adviser's Agreement for twenty-four months with Sage, effective June 15, 2011, that amends and supersedes all other agreements and arrangements between the parties. Further, this Agreement may be terminated by the Company for cause after the Company delivers written notice to Adviser of a failure to perform and such failure is not cured within fifteen (15) days. Sage will assist the Company to identify, qualify, negotiate and close one or more licensing, partnering, alliance or similar transactions pertaining to the Company's

products and technology including, but not limited to, any and all uses of Ampligen®, Alferon® and related intellectual property as well as acquisition of companies in whole or in part and the sale or the merger of Company (“Transactions”). In consideration for services performed or attributed to Sage resulting in Transactions, Sage is entitled to a monthly “Adviser’s Fee” of $20,000, a one-time distribution of 200,000 Options that vest proportionately over 18 months with an exercise price of 110% of the closing price of the Company Stock on the NYSE Amex on the closing price of the day preceding the execution date of the agreement plus preapproved expenses along with the potential for a “Success Fee” of five percent (5)% of all consideration that is capped at $5,000,000 per annum for Transactions introduced to the Company by Sage. However, it is the intention of the parties that Sage be an active participant in all material Transactions of the Company. A Transaction can occur during the Term of the agreement or 18 months thereafter. The Company incurred approximately $278,000, $337,000 and $545,000 in fees to Sage for the years ended December 31, 2014, 2013 and 2012, respectively, pursuant to this and earlier agreements. R. Douglas Hulse, the Company’s former President and Chief Operating Officer, is a member and an Executive Director of Sage.

On October 2, 2011, the Company finalized their Fourth Amendment to a Supply Agreement, effective through March 11, 2014, with Jubilant Hollister-Stier Laboratories LLC of Spokane, Washington (“Hollister-Stier”), pursuant to which Hollister-Stier would formulate and package Ampligen® from the key raw materials that Hemispherx would supply to them. The Company is working towards an amendment to the existing Supply Agreement which may contain additional fees as part of entering into the extension. The Company incurred $72,000 in fees for the year ended December 31, 2014, and no fees for the years ended 2013 and 2012, respectively, pursuant to this agreement.
In October 2014, we entered into a purchase commitment with a contract manufacturer (Hollister Stier) for approximately $700,000 for the manufacture of clinical batches of Ampligen®.
In January 2012, we agreed to a Technology, Transfer, Validation and Commercial Supply Agreement with Althea Technologies, Inc. (“Althea”) of San Diego, CA, regarding the fill and finish process for Alferon N Injection®. In November 2014, we entered into a purchase commitment with a contract manufacturer (Althea) for approximately $622,000 for the production of validation batches of Alferon® N Injection for emergency use and/or commercial sale.

On September 6, 2011, the Company executed an amended agreement with Armada Healthcare, LLC (“Armada”) to undertake the marketing, education and sales of Alferon N Injection® throughout the United States. This agreement also provides start-up along with ongoing sales and marketing support to the Company. On August 8, 2014, it was mutually agreed upon to extend this agreement through August 14, 2015 subject to the same terms and conditions. The Company previously extended this agreement in 2012 and 2013 also under the same terms and conditions. The Company incurred no fees for the years ended December 31, 2014, 2013 and 2012, pursuant to original and amended agreements.

On September 6, 2011, the Company executed a new agreement with specialty distributor, BioRidge Pharma, LLC (”BioRidge”) to warehouse, ship, and distribute Alferon N Injection® on an exclusive basis in support of U.S. sales. On August 8, 2014, it was mutually agreed upon to extend this agreement through August 15, 2015 subject to the same terms and conditions. The Company previously extended this agreement in 2012 and 2013 also under the same terms and conditions. The Company incurred approximately fees of $21,000, $21,000 and $21,000 for the years ended December 31, 2014, 2013 and 2012, respectively, pursuant to the agreement.

The Company has entered into agreements for consulting services, which are performed at medical research institutions and by medical and clinical research individuals. The Company's obligation to fund these agreements can be terminated after the initial funding period, which generally ranges from one to three years or on an as-needed monthly basis. During the years ending December 31, 2014, 2013 and 2012, the Company incurred approximately $1,286,000, $1,769,000 and $1,561,000, respectively, of consulting service fees under these agreements. These costs are charged to research and development expense as incurred.

(10) 401(k) Plan

The Company has a defined contribution plan, entitled the Hemispherx Biopharma Employees 401(k) Plan and Trust Agreement (the “401(k) Plan”). Full time employees of the Company are eligible to participate in the 401(k) Plan following one year of employment. Subject to certain limitations imposed by federal tax laws, participants are eligible to contribute up to 15% of their salary (including bonuses and/or commissions) per annum. Participants' contributions to the 401(k) Plan may be matched by the Company at a rate determined annually by the Board of Directors.

Each participant immediately vests in his or her deferred salary contributions, while Company contributions will vest over one year. A 6% Company matching contribution was established, effective as of January 1, 2010. For 2014, 2013 and 2012, the Company contributions towards the 401(k) Plan were $170,000, $171,000 and $138,000 respectively.

(11) Royalties, License and Employment Agreements

The Company had contractual agreements with Named Executive Officers ("Officers") in 2014, 2013 and 2012. The aggregate annual base compensation for these Officers under their respective contractual agreements for 2014, 2013 and 2012 was $2,249,000, $2,788,000 and $2,578,000 respectively. The 2013 officers compensation includes $238,000 of severance salary to the former CFO due to his resignation effective December 27, 2013. In addition, certain of these Officers were entitled to receive performance bonuses of up to 25% or 20% of their respective annual base salary, at the sole discretion of the Compensation Committee of the Board of Directors. In 2014, 2013 and 2012, Officers' bonuses of $386,000, $0 and $478,000 respectively were granted. Additionally, on November 26, 2012, the Company's Compensation Committee authorized bonuses per Section 3(c)(ii) of their respective Employment Agreements to Dr. Carter and Mr. Equels based on the contractual obligation and opinion of independent legal counsel of approximately $1,282,000, $12,000, and $1,159,000 in 2014, 2013 and 2012, respectively, to each Dr. Carter and Mr. Equels.

In 2014, equity was granted as a form of compensation to these Officers:

- Chief Executive Officer was granted 500,000 ten year options to purchase common stock at $0.36 per share which vest in entirety in one year and 320,000 ten year options to purchase common stock at $2.60 which vest in entirety in one year; and
- General Counsel was granted 300,000 ten year options to purchase common stock at $0.36 per share which vest in entirety in one year, and;

In 2013, equity was granted as a form of compensation to these Officers:

- Chief Executive Officer was granted 500,000 ten year options to purchase common stock at $0.31 per share which vest in entirety in one year; and
- Chief Executive Officer was granted 150,000 ten year options to purchase common stock at $0.25 per share which vest in entirety in one year; and
- General Counsel was granted 300,000 ten year options to purchase common stock at $0.31 per share which vest in entirety in one year, and;
- General Counsel was granted 150,000 ten year options to purchase common stock at $0.25 per share which vest in entirety in one year.

In 2012, equity was granted as a form of compensation to these Officers:

- Chief Executive Officer was granted 100,000 ten year options to purchase common stock at $0.29 per share which vest in entirety in one year;
- Chief Executive Officer was granted 500,000 ten year options to purchase common stock at $0.31 per share which vested immediately;
- Chief Executive Officer was granted 10,000 ten year options, as replacement for similar options that had expired, to purchase common stock at $4.03 per share which vested immediately;
- General Counsel was granted 100,000 ten year options to purchase common stock at $0.29 per share which vest in entirety in one year;
- General Counsel was granted 300,000 ten year options to purchase common stock at $0.31 per share;

Chief Medical Officer was granted 10,000 ten year options, as replacement for similar options that had expired, to purchase common stock at $4.03 per share which vested immediately;
The Company recorded stock compensation expense of $223,000, $219,000 and $271,000, respectively, during the years ended December 31, 2014, 2013 and 2012 respectively with regard to these issuances.

(12) Leases

The Company has a non-cancelable escalating operating lease as amended, for the space in which its principal office is located. The term of the lease for the Philadelphia, Pennsylvania offices is currently through July 1, 2018. Approximate future minimum payments under these operating lease obligations are as follows

For The Years Ending December 31,	(In Thousands)
2015	154
2016	157
2017	161
2018	68
Thereafter	—
	$540

Rent expense charged to operations for the years ended December 31, 2014, 2013 and 2012 amounted to approximately $163,000, $183,000 and $210,000 respectively.

(13)Income Taxes (FASB ASC 740 Income Taxes) And Subsequent Event

The Company applies the provisions of FASB ASC 740-10 Uncertainty in Income Taxes. As a result of the implementation, there has been no material change to the Company’s tax position as they have not paid any corporate income taxes due to operating losses. All tax benefits will likely not be recognized due to the substantial net operating loss carryforwards which will most likely not be realized prior to expiration.

As of December 31, 2012, the Company has approximately $119,000,000 of federal net operating loss carryforwards (expiring in the years 2013 through 2032) available to offset future federal taxable income. The Company also has approximately $36,000,000 of Pennsylvania state net operating loss carryforwards (expiring in the years 2018 through 2032) and approximately $17,000,000 of New Jersey state net operating loss carryforwards (expiring in the years 2030 through 2032) available to offset future state taxable income. In January 2013, the Company effectively sold $8,500,000 of its New Jersey state net operating loss carryforwards for the years 2010 and 2011 for approximately $686,000.

As of December 31, 2013, the Company has approximately $134,000,000 of federal net operating loss carryforwards (expiring in the years 2018 through 2033) available to offset future federal taxable income. The Company also has approximately $37,000,000 of Pennsylvania state net operating loss carryforwards (expiring in the years 2018 through 2033) and approximately $25,000,000 of New Jersey state net operating loss carryforwards (expiring in the years 2032 and 2033) available to offset future state taxable income. In February 2014, the Company effectively sold $13,900,000 of its New Jersey state net operating loss carryforward for the year 2012 for approximately $1,126,000.

As of December 31, 2014, the Company has approximately $151,000,000 of federal net operating loss carryforwards (expiring in the years 2018 through 2034) available to offset future federal taxable income. The Company also has approximately $36,000,000 of Pennsylvania state net operating loss carryforwards (expiring in the years 2018 through 2034) and approximately $28,000,000 of New Jersey state net operating loss carryforwards (expiring in the years 2033 and 2034) available to offset future state taxable income. In January 2015, the Company effectively sold $14,300,000 of its New Jersey state net operating loss carryforward for the year 2013 for approximately $1,374,000.

The utilization of certain state net operating loss carryforwards may be subject to annual limitations. With no tax due for the foreseeable future, the Company has determined that a policy to determine the accounting for interest or penalties related to the payment of tax is not necessary at this time.

Under the Tax Reform Act of 1986, the utilization of a corporation's net operating loss carryforward is limited following a greater than 50% change in ownership. Due to the Company's prior and current equity transactions, the

Company's net operating loss carryforwards may be subject to an annual limitation generally determined by multiplying the value of the Company on the date of the ownership change by the federal long-term tax exempt rate. Any unused annual limitation may be carried forward to future years for the balance of the net operating loss carryforward period.

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for income tax purposes. In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Due to the uncertainty of the Company's ability to realize the benefit of the deferred tax asset, the deferred tax assets are fully offset by a valuation allowance at December 31, 2014 and 2013.

The components of the net deferred tax asset of December 31, 2014 and 2013 consist of the following:

	(in thousands)	
Deferred tax assets:	December 31,	
	2014	2013
Net operating losses	$51,350	$45,578
Amortization & depreciation	60	76
Research and development costs	923	2,842
Stock compensation	111	128
Total	52,444	48,624
Less: Valuation allowance	(52,444)	(48,624)
Balance	—	—

(14)Contingencies

(a) Stephanie A. Frater v. Hemispherx Biopharma, Inc., William A. Carter, David Strayer and Wayne Pambianchi, U.S. District Court for Eastern District of Pennsylvania, Case No. 2:12-cv-07152-WY.

(b) Mark Zicherman v. Hemispherx Biopharma, Inc., William A. Carter, Thomas K. Equels, Iraj E. Kiani, William M. Mitchell, Richard C. Piani, David Strayer and Charles T. Bernhardt, U.S. District Court for Eastern District of Pennsylvania, Case No. 2:13-cv-00243-WY.

(c) Michael Desclos v. Hemispherx Biopharma, Inc., William A. Carter, Charles T. Bernhardt, Thomas K. Equels, David R. Strayer, Richard C. Piani, William M. Mitchell, and Iraj E. Kiani, First Judicial District of Pennsylvania, Court of Common Pleas of Philadelphia, March 2013 Term, No. 110.

(d) Richard J. Sussman and Douglas T. Lowe v. Hemispherx Biopharma, Inc., William A. Carter, Charles T. Bernhardt, Thomas K. Equels, David R. Strayer, Richard C. Piani, William M. Mitchell, and Iraj E. Kiani, First Judicial District of Pennsylvania, Court of Common Pleas of Philadelphia, April 2013 Term, No. 3458.

(e) Rena A. Kastis and James E. Conroy v. Hemispherx Biopharma, Inc., William A. Carter, Thomas K. Equels, Richard C. Piani, William M. Mitchell, Iraj E. Kiani and Robert E Peterson, Chancery Court of the State of Delaware , June 18, 2013, Case No. 8657.

(f) Charles T. Bernhardt III v. Hemispherx Biopharma, Inc., Dr. William A. Carter, Thomas K. Equels, Esquire, Dr. Iraj Eqhbal Kiani, Dr. William M. Mitchell and Peter W. Rodino; Court of Common Pleas of Philadelphia County, Philadelphia, PA; Case: February Term, 2014 No. 000784.

(g) Hemispherx Biopharma, Inc. v. Johannesburg Consolidated Investments, et al., U.S. District Court for the Southern District of Florida, Case No. 4-10129-CIV.

(h) Cato Capital, LLC v. Hemispherx Biopharma, Inc., U.S. District Court for the District of Delaware, Case No. 9-549-GMS.

(a) On December 21, 2012, a putative Federal Securities Class Action Complaint was filed against the Company and three of its Officers in the United States District Court for the Eastern District of Pennsylvania. This action, Stephanie A. Frater v. Hemispherx Biopharma, Inc., et al., was purportedly brought on behalf of a putative class of Hemispherx investors who purchased the Company's publicly traded securities between March 14, 2012 and December 17, 2012.

The Complaint generally asserted that Defendants made material misrepresentations and omissions regarding the status of the Company's New Drug Application for Ampligen®, which had been filed with the United States Food and Drug Administration, in alleged violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. On March 14, 2013, the Court appointed Hemispherx Investor Group as Lead Plaintiff pursuant to the Private Securities Litigation Reform Act of 1995 (“PSLRA”), 15 U.S.C. § 78u-4. Pursuant to the Court's March 29, 2013 scheduling order, Lead Plaintiff filed a Consolidated Amended

Class Action Complaint (“Amended Complaint”) on May 20, 2013, and in its Amended Complaint, dropped Thomas K. Equels and Charles T. Bernhardt as Defendants and added David R. Strayer, M.D. and Wayne Pambianchi as Defendants. The Amended Complaint alleges an expanded Class Period of March 14, 2012 to December 20, 2012, which period encompasses statements made in the Company's 2011 Form 10-K filed on March 14, 2012, and at the FDA Advisory Committee Meeting on December 20, 2012. On July 19, 2013, Defendants filed a motion to dismiss the Amended Complaint. Lead Plaintiff filed its brief in opposition to Defendants' motion to dismiss is September 17, 2013, and Defendants filed their reply brief on October 17, 2013. On January 24, 2014, the court entered an order denying defendents' motion to dismiss the Amended Complaint, and on February, 20, 2014, entered a scheduling order imposing, inter alia, a March 31, 2015 deadline for completion of all fact discovery. On February 25, 2014, defendents filed an answer and affirmative defenses to the Amended Compliant. Also on February 25, 2014, the Court entered a Stipulated Protective Order, which will govern all confidential documents produced in discovery. After conducting significant fact discovery, the parties reached an agreement in principle to settle all claims on December 31, 2014. However, the settlement is subject to the Court's issuance of an order finally approving the terms of the parties' settlement agreement in all material respects. On March 11, 2015, the parties filed a joint motion with the Court seeking an order, inter alia, granting preliminary approval of their settlement agreement, preliminarily certifying a class for settlement purposes, and setting a date for a final settlement hearing.

(b) On January 15, 2013, a Shareholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the United States District Court for the Eastern District of Pennsylvania. Purporting to assert claims on behalf of the Company, the Complaint in this action, Mark Zicherman v. Hemispherx Biopharma, Inc., et al., alleges violations of state law, including breaches of fiduciary duties, waste of corporate assets, and unjust enrichment, arising from the alleged federal securities violations asserted in the securities class action. On February 22, 2013, the Court entered an order temporarily staying this case pending the outcome of the securities class action defendants' motion to dismiss that action. On July 3, 2013, Plaintiff filed an Amended Complaint, adding David R. Strayer, M.D., as a Defendant. On July 18, 2013, the Court entered an order staying the case as against Dr. Strayer pending the outcome of the motion to dismiss the securities class action. On January 24, 2014, the Court denied the defendants' motion to dismiss the securities class action. On March 26, 2014, the Court entered an order to continue the temporary stay, and on March 27, 2014, the Court entered an order placing the action in the Civil Suspense File. On April 11, 2014, the Court entered a Stipulated Protective Order, which will govern all confidential documents produced in discovery. On January 28, 2015, on request of the parties, the Court entered an Order continuing the temporary stay, subject to the requirement that the parties submit an updated joint status report within ten days of the court’s entry of an order granting or denying the securities class action parties’ motion for preliminary approval of their settlement agreement.

(c) On March 4, 2013, a Shareholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the First Judicial District of Pennsylvania of the Court of Common Pleas of Philadelphia. Purporting to assert claims on behalf of the Company, the Complaint in this action, Michael Desclos v. Hemispherx Biopharma, Inc., et al., alleges violations of state law, including breaches of fiduciary duties, waste of corporate assets, and unjust enrichment, arising from the alleged federal securities violations asserted in the securities class action. On April 10, 2013, the Court entered an order temporarily staying this case pending the outcome of the securities class action defendants' motion to dismiss that action. On January 24, 2013, the court in the federal securities class action denied the defendants' motion to dismiss. On January 29, 2014, the court entered an order consolidating this action with the shareholder derivative action, Richard J. Sussman and Douglas T. Lowe v. Hemispherx Biopharma, Inc., et al., described below. On March 26, 2014, the Court entered an order to continue the temporary stay. On June 9, 2014, the Court entered a Stipulated Protective Order, which will govern all confidential documents produced in discovery.

(d) On April 23, 2013, a Shareholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the First Judicial District of Pennsylvania of the Court of

Common Pleas of Philadelphia. Purporting to assert claims on behalf of the Company, the Complaint in this action, Richard J. Sussman and Douglas T. Lowe v. Hemispherx Biopharma, Inc., et al., alleges violations of state law, including breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment, arising from the alleged federal securities violations asserted in the securities class action. On May 10, 2013, the Court entered an order staying this case pending the outcome of the ruling on the Federal Securities Class Action Defendants' motion to dismiss. On January 24, 2014, the court in the federal securities class action denied the defendants' motion to dismiss. On January 29, 2014, the Court entered an order consolidating this action with the shareholder derivative action, Michael Desclos v. Hemispherx Biopharma, Inc., et al., described above. On March 26, 2014, the Court entered an order to continue the temporary stay. On June 9, 2014, the Court entered a Stipulated Protective Order, which will govern all confidential documents produced in discovery.

(e) On June 18, 2013, a Stockholder Derivative Complaint was filed against the Company, as nominal defendant, and certain of its current and former Officers and Directors in the Court of Chancery of the State of Delaware. The Complaint in this action, Rena A. Kastis and James E. Conroy v. Hemispherx Biopharma, Inc., et al., alleges breaches of fiduciary duties, waste of corporate assets and unjust enrichment. The Company's Board of Directors has appointed a Special Litigation Committee ("SLC") to review the allegations set forth in the Complaint. On September 10, 2013, the Court entered a Stipulation and Order staying all proceedings in this action pending the SLC's review and recommendation concerning the allegations contained in the Complaint. On December 20, 2013, the SLC issued its Report, in which it concluded that dismissing the Complaint would be in the best interests of Hemispherx and its stockholders. On January 20, 2014, the SLC moved to dismiss the Complaint. During the time since the SLC filed its motion to dismiss, plaintiffs have served document requests on the SLC, noticed the depositions of the two SLC members (on dates to be mutually agreed-upon following document production), served a subpoena on the SLC's counsel McCarter & English LLP, and served a subpoena on Sage Group, an outside advisor to Hemispherx. The SLC responded to plaintiffs' document requests on March 6, 2014, and produced responsive documents the same day. McCarter & English responded to plaintiff's subpoena, produced responsive documents on March 20, 2014, and produced additional responsive documents on April 7, 2014 and June 23, 2014. On June 25, 2014, plaintiffs served document requests on the Company, to which the Company responded on July 25, 2014. The deposition of Sage Group occurred on March 12, 2015. The depositions of the two members of the SLC and of McCarter & English have not yet been scheduled.

The Company believes that the claims asserted in the shareholder derivative litigation are without merit, and is vigorously defending these actions. While the Company also believes that the claims asserted in the securities litigation are without merit, the Company has reached a settlement agreement in principle that is satisfactory to the Company. If the Court does not issue an order finally approving the terms of the parties' settlement agreement in all material respects, however, the Company intends to resume its vigorous defense of the securities litigation. The potential impact of these actions, which seek unspecified damages, equitable relief, attorneys' fees and expenses, is uncertain. There can be no assurance that an adverse result in these proceedings would not have a potentially material adverse effect on the Company's business, results of operations and financial condition.

(f) On February 7, 2014, Charles T. Bernhardt III ("Bernhardt") filed a Complaint in the Philadelphia Court of Common Pleas asserting that under an employment agreement dated December 6, 2011, the Company currently owes Bernhardt certain wages, fringe benefits and severance payments by reason of his resignation from employment as Chief Financial Officer from the Company. The claims against the Company included breach of contract, violation of the Pennsylvania Wage Protection Collection Law ("WPCL") and anticipatory breach of the employment agreement. The suit also asserts claims against Dr. William A. Carter, Thomas K. Equels, Esquire, Dr. Iraj Eqhbal Kiani, Dr. William M. Mitchell and Peter W. Rodino, in their capacity as corporate officers and/or directors of the Company, for violation of the WPCL and for anticipatory breach of the employment agreement. In addition to compensatory damages on all counts, Bernhardt's claim includes a demand for attorneys' fees and liquidated damages under the WPCL. On February 27, 2014, the Defendants filed preliminary objections to Bernhardt's Complaint challenging the legal sufficiency of the Complaint for various reasons including that the Complaint did not properly state claims under the WPCL, nor did it assert a right to severance benefits. The preliminary objections further sought to strike certain improper allegations contained in the Complaint. Bernhardt filed an Amended Complaint supplementing and changing the allegations of the Complaint. The Company filed Preliminary Objections to the Amended Complaint asserting that the Amended Complaint contained legal deficiencies. On April 25, 2014, Bernhardt filed a Second Amended Complaint. On July 23, 2014, the Company answered and asserted its defenses to the Second Amended Complaint, and also asserted counterclaims against Bernhardt on behalf of the Company and the individual defendants named in the Complaint. These counterclaims included claims against Bernhardt for breach of contract, corporate defamation/false light and defamation. In addition, the Company has asserted a claim for the return of corporate property which Bernhardt is believed to have taken at the time of his departure. Discovery in the matter is ongoing. The Company intends to

vigorously defend against the allegations of the Second Amended Complaint, and to strongly pursue the affirmative claims of the Company and those of the other defendants. At this time no reasonable judgment can be made as to the likely outcome of the matter.

The Company believes it has meritorious defenses and is vigorously defending against these claims by Bernhardt as unjustifiable. There is currently no projection as to the likely outcome of the case.

(g) In December 2004, the Company filed a multi-count complaint in U.S, Federal Court (Southern District of Florida) which was granted by the Court in August 2010 whereby Hemispherx was awarded $188 million, plus interest against Johannesburg Consolidated Investments (“JCI”) and former JCI officers R.B. Kebble and H.C. Buitendag. The Company

attempted to domesticate the Final Judgment in South Africa and is being assisted by the South African law firm of Webber Wentzel. The action to domesticate had been filed in South Africa. No gain has been recorded for this judgment as it is too early in these proceedings to predict an outcome. As required by South African law, on October 11, 2011, Hemispherx has posted security bond of $66,873 related to the JCI proceedings and a second bond of $25,200 was posted in July 2012 related our proceedings against the Estate of Kebble. Hemispherx and the other parties to the domestication convened an arbitral panel in South Africa to decide the domestication issue in Johannesburg on May 5 through 9, 2014. After deliberation, the panel declined to domesticate the U.S. judgment in South Africa. These bonds have been forfeited and a fee award of approximately$200,000 has been issued. However, the final judgment still remains valid in the United States and vastly exceeds the amount of the South African fee award, thus in the United States it is fully set off.

(h) On July 31, 2009, Cato Capital LLC (“Cato”) filed suit asserting that under a November 2008 agreement, the Company owes Cato a placement fee for certain investment transactions. The Complaint sought damages in the amount of $5,000,000 plus attorneys’ fees. The Company filed an Answer on August 20, 2009. On October 13, 2009, Cato filed a Motion seeking leave to file an Amended Complaint which proposed that Cato be permitted to add The Sage Group as an additional defendant and to bring additional causes of action against the Company arising from the defenses contained in the Answer, and increase the total amount sought to $9,830,000, plus attorneys’ fees and punitive damages. On September 14, 2010, the Court granted Cato’s Motion for Leave to file an Amended Complaint, but specifically indicated that the Company could file a Motion to Dismiss, raising the arguments that the Company had previously made in response to Cato’s Motion for Leave to file an Amended Complaint. On September 16, 2010, Cato filed its Amended Complaint, and on September 30, 2010, the Company filed a Motion to dismiss all the counts of the Amended Complaint against the Company other than the breach of contract count. In addition, pursuant to an indemnification responsibility, the Company has also retained counsel to undertake the defense of the Sage Group, and a motion to dismiss was filed on behalf of the Sage Group seeking to dismiss all claims against the Sage Group. On July 28, 2011, the Court denied the Company’s motion to dismiss and the motion to dismiss of the Sage Group. On August 11, 2011, the Court entered a Scheduling Order that set Discovery, Motion and other applicable dates, including a trial date. On August 30, 2011, the Company and the Sage Group filed an Answer with Affirmative Defenses to the Plaintiff’s Amended Complaint. On October 24, 2011, Cato filed a Motion for a Partial Summary Judgment, seeking a determination that two of the Company’s affirmative defenses to Cato’s breach of contract cause of action should be stricken. On November 10, 2011, the Company filed a response controverting Cato’s Motion on factual and legal basis. Also on November 10, 2011, the Company filed its own Motion for Partial Summary Judgment, seeking dismissal of Cato’s claim for breach of contract. In accordance with a Scheduling Order set by the Court, the parties concluded fact and expert discovery on April 16, 2012. On April 30, 2012 the Company filed Motions for Summary Judgment seeking dismissal of all counts. The Sage Group also filed a Motion for Summary Judgment seeking dismissal of all counts asserted against Sage.

In accordance with a Scheduling Order set by the Court, the parties concluded Fact and Expert Discovery on April 16, 2012. On April 30, 2012, the Company filed Motions for Summary Judgment seeking dismissal of all counts. The Sage Group (“Sage”) also filed a Motion for Summary Judgment seeking dismissal of all counts asserted against Sage. On September 10, September 12, and September 13, 2012, the Court entered Orders denying all pending Motions by all parties.

The Parties had a Non-Jury trial on March 4, 5 and 6, 2013 before the United States District Court for the District of Delaware. On April 22, 2013 the Parties submitted Proposed Findings of Fact and Conclusions of Law, and on April 26, 2013, submitted hyperlinked copies to the Court pursuant to the Court's Order. In February and March of 2014, the Company’s counsel advised the Court that certain rulings in a similar matter undercut certain factual and legal arguments advanced by the Plaintiff at, and subsequent to the trial. On September 9, 2014 the Court issued a Decision and Order finding for Hemispherx and codefendant the Sage Group, on all counts asserted by Cato. The Order dismissed all claims. On October 14, 2014 Hemispherx filed a Motion seeking an award of attorney’s fees and costs in

the approximate amount of one million dollars pursuant to a cost and fee recovery provision of the Agreement between Cato and Hemspherx that was the subject of the underlying litigation. On October 21, 2014 Cato filed a Notice of Appeal to the United States Court of Appeals for the Third Circuit. On November 17, 2014 the United States District Court granted-in part and denied-in-part the Motion including granting Hemispherx leave to provide a cost accounting of its requested fees excluding any cost associated with representation of Sage. On December 11, 2014 Hemispherx submitted its supplemental application in which Hemispherx sought $770,852.76 in fees and costs. On January 13, 2015 the Court granted Hemipsherx Motion and awarded Hemipsherx attorney's fees and costs against Cato Capital LLC in the amount of $770,852.76. No informed judgment can be made concerning the success of the Company's collection of attorney's fees and costs. No informed judgment can be made at this time as to the basis of Cato's appeal or the merits.

(i) Summation.
In reference to Contingencies identified above, there can be no assurance that an adverse result in these proceedings would not have a potentially material adverse effect on our business, results of operations, and financial condition. The Company believes it has meritorious defenses and is vigorously defending against the claims identified in Contingency (a), (b), (c), (d), (e), (f) and (h). There is currently no projection as to the likely outcome of the cases and the Company has not recorded any gain or loss contingencies as a result of the above matters for the years ended December 31, 2014 or 2013. Also, with regards to Contingency (a), (b), (c), (d) and (e), the Company maintains a Directors and Officers Insurance Policy that provides coverage for claims and retention of legal counsel.

(15)Certain Relationships and Related Transactions
The Company has employment agreements with certain of their Executive Officers and has granted such officers and directors options and warrants to purchase their common stock. Please see details of these Employment Agreements in Note 11 - Royalties, License and Employment Agreements.

For his Board fees, Dr. William A. Carter, Hemispherx' Chief Executive Officer, received approximately $182,000, $180,000 and $176,000 for 2014, 2013 and 2012, respectively, classified as general and administrative expense. Dr. Carter also received consulting fees of approximately$415,000, $327,000 and $400,000 for 2014, 2013 and 2012, respectively, classified as research and development expense. For the years ended 2014, 2013 and 2012, compensation was granted or paid related to the Executive Performance Incentive Program related to the ATM, as set forth in Section 3(c)(ii) of his Employment Agreement, for approximately $641,000, $12,000, and $1,159,000 to Dr. Carter. Dr. Carter's compensation related to this program was classified entirely as research and development.

In June 2012, William Kramer was hired as a Clinical Research Associate. Mr. Kramer is the Son-In-Law of Dr. William A. Carter, and was paid approximately $68,000, $70,000 and 38,000 in 2014, 2013 and 2012, respectively. Additionally on an as-needed basis, the Company utilized the services of Kramer Environmental Management, Inc. to develop standard operating procedures, compliance assessments, testing and obtain permits related to environmental issues.

Katalin Kovari, M.D. was paid approximately $27,000, $26,000 and $25,000 in 2014, 2013 and 2012, respectively for her part-time services to the Company as Assistant Medical Director. Dr. Kovari is the spouse of William A. Carter, CEO.

Since October 2011, Peter Kovari was utilized as a part-time independent contractor for Hemispherx Biopharma Europe to undertake projects as a Clinical Programmer. Mr. Kovari is the nephew of Dr. Katalin Kovari and was paid approximately $18,000, $22,000 and 12,000 in 2014, 2013 and 2012, respectively.

Thomas Equels was elected to the Board of Directors at the Annual Stockholders Meeting on November 17, 2008 and joined the Company as General Counsel effective June 1, 2010. Mr. Equels had provided external legal services for several years through May 31, 2010 and Equels Law Firm continues to support the Company. In 2014, 2013 and 2012, the Company paid Equels Law Firm approximately $303,000, $181,000 and $147,000, respectively, for services rendered. Upon analysis in the Fall of 2011 by the Audit Committee's Financial Expert, it was deemed that the hourly rates charged by Equels Law to the Company were reasonable when compared to the fee structure of a possible arms-length transaction from comparable firms in practice in the same market and of the similar size. The hourly rate fees from Equels Law Firm remained the same for 2012, 2013 and 2014. For his Board fees, Mr. Equels received approximately $182,000, $180,000 and $176,000 for 2014, 2013 and 2012, respectively. For approximately one year beginning December 2012, with the approval of the Audit Committee, the Company began renting an office at Equels Law Firm for $3,000 per month for dedication to and utilization by Hemispherx personnel, other than Mr. Equels. For 2014, 2013 and 2012, the Company paid Equels Law Firm $0, $36,000 and $3,000, respectfully, for office rent based on a proration of the Firm's current leasing fee less the cost for common area.

For the years ended 2014, 2013 and 2012, compensation was granted or paid related to the Executive Performance Incentive Program related to the ATM, as set forth in Section 3(c)(ii) of his Employment Agreement, for approximately $641,000, $12,000, and$1,159,000 to Mr. Equels. Mr. Equels' compensation related to this program was classified entirely as general and administrative expense.

(16) Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, cash equivalents, investments and accounts receivable. The Company places its cash with high-quality financial institutions and,

at times, such amounts in non-interest bearing accounts may be in excess of Federal Deposit Insurance Corporation insurance limits. There were no credit based sales for 2014, 2013 or 2012.

(17)Fair Value

The Company is required under GAAP to disclose information about the fair value of all the Company's financial instruments, whether or not these instruments are measured at fair value on the Company's consolidated balance sheet.

The Company estimates that the fair values of cash and cash equivalents, other assets, accounts payable and accrued expenses approximate their carrying values due to the short-term maturities of these items. The Company also has certain warrants with a cash settlement feature in the unlikely occurrence of a Fundamental Transaction. The fair value recalculation of the Liability resulting from the issuance of the Warrants ("Call") and existence of the Fundamental Transaction ("Put") related to the May 2009 issuance, are calculated using a Monte Carlo Simulation. While the Monte Carlo Simulation is one of a number of possible pricing models, the Company has determined it to be industry accepted and fairly presented the Fair Value of the Warrants. As an additional factor to determine the Fair Value of the Put's Liability, the occurrence probability of a Fundamental Transaction event was factored into the valuation.

The Company recomputes the fair value of the Warrants at the end of each quarterly reporting period. Such value computation includes subjective input assumptions that are consistently applied each period. If the Company were to alter its assumptions or the numbers input based on such assumptions, the resulting fair value could be materially different. The Warrants expired during 2014.

The Company utilized the following assumptions to estimate the fair value of the May 10, 2009, May 18, 2009 and May 21, 2009 warrants:

	December 31,		
	2014	2013	2012
Underlying price per share	-	$0.19-$0.27	$0.25-$0.80
Exercise price per share	-	$1.31-$1.65	$1.31-$1.65
Risk-free interest rate	-	0.06%-0.23%	0.19%-0.44%
Expected holding period	-	0.38-1.64 years	1.38-2.63 years
Expected volatility	-	69.74%-113.56%	69.21%-110.27%
Expected dividend yield	-	None	None

The significant assumptions using the Monte Carlo Simulation approach for valuation of the Warrants are:

(i) Risk-Free Interest Rate. The risk-free interest rates for the Warrants are based on U.S. Treasury constant maturities for periods commensurate with the remaining expected holding periods of the warrants.

(ii) Expected Holding Period. The expected holding period represents the period of time that the Warrants are expected to be outstanding until they are exercised. The Company utilizes the remaining contractual term of the Warrants at each valuation date as the expected holding period.

(iii) Expected Volatility. Expected stock volatility is based on daily observations of the Company's historical stock values for a period commensurate with the remaining expected holding period on the last day of the period for which the computation is made.

(iv) Expected Dividend Yield. Expected dividend yield is based on the Company's anticipated dividend payments over the remaining expected holding period. As the Company has never issued dividends, the expected dividend yield is $-0- and this assumption will be continued in future calculations unless the Company changes its dividend policy.

(v) Expected Probability of a Fundamental Transaction. The possibility of the occurrence of a Fundamental Transaction triggering a Put right is extremely remote. As discussed above, a Put right would only arise if a Fundamental Transaction 1) is an all cash transaction; (2) results in the Company going private; or (3) is a transaction

involving a person or entity not traded on a national securities exchange. The Company believes such an occurrence is highly unlikely because:

a. The Company only has one product that is FDA approved for which will not be available for commercial sales until approximately eighteen months;
b. The Company may have to perform additional clinical trials for FDA approval of its flagship product;
c. Industry and market conditions continue to include a global market recession, adding risk to any transaction;

d. Available capital for a potential buyer in a cash transaction continues to be limited;
e. The nature of a life sciences company is heavily dependent on future funding and high fixed costs, including Research & Development;
f. The Company has minimal revenues streams which are insufficient to meet the funding needs for the cost of operations or construction at their manufacturing facility; and
g. The Company's Rights Agreement and Executive Agreements make it less attractive to a potential buyer.

With the above factors utilized in analysis of the likelihood of the Put's potential Liability, the Company estimated the range of probabilities related to a Put right being triggered as:

Range of Probability	Probability	
Low	0.5	%
Medium	1.0	%
High	5.0	%

The Monte Carlo Simulation has incorporated a 5.0% probability of a Fundamental Transaction to date for the life of the securities.

(vi) Expected Timing of Announcement of a Fundamental Transaction. As the Company has no specific expectation of a Fundamental Transaction, for reasons elucidated above, the Company utilized a discrete uniform probability distribution over the Expected Holding Period to model in the potential announcement of a Fundamental Transaction occurring during the Expected Holding Period.
(vii) Expected 100 Day Volatility at Announcement of a Fundamental Transaction. An estimate of future volatility is necessary as there is no mechanism for directly measuring future stock price movements. Daily observations of the Company’s historical stock values for the 100 days immediately prior to the Warrants’ grant dates, with a floor of 100%, were utilized as a proxy for the future volatility.
(viii) Expected Risk-Free Interest Rate at Announcement of a Fundamental Transaction. The Company utilized a risk-free interest rate corresponding to the forward U.S. Treasury rate for the period equal to the time between the date forecast for the public announcement of a Fundamental Transaction and the Warrant expiration date for each simulation.
(ix) Expected Time Between Announcement and Consummation of a Fundamental Transaction. The expected time between the announcement and the consummation of a Fundamental Transaction is based on the Company’s experience with the due diligence process performed by acquirers, and is estimated to be six months. The Monte Carlo Simulation approach incorporates this additional period to reflect the delay Warrant Holders would experience in receiving the proceeds of the Put.

While the assumptions remain consistent from period to period (e.g., utilizing historical stock prices), the numbers input change from period to period (e.g., the actual historical prices input for the relevant period). The carrying amount and estimated fair value of the above warrants were approximately $0, $14,000 and $295,000 at December 31, 2014, 2013 and 2012, respectively. These warrants expired in May and November of 2014.

The Company applies FASB ASC 820 (formerly Statement No. 157 Fair Value Measurements) that defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The guidance does not impose any new requirements around which assets and liabilities are to be measured at fair value, and instead applies to asset and liability balances required or permitted to be measured at fair value under existing accounting pronouncements. The Company measures its warrant liability for those warrants with a cash settlement feature at fair value.
FASB ASC 820-10-35-37 (formerly SFAS No. 157) establishes a valuation hierarchy based on the transparency of inputs used in the valuation of an asset or liability. Classification is based on the lowest level of inputs that is

significant to the fair value measurement. The valuation hierarchy contains three levels:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities at the reporting date. Generally, this includes debt and equity securities that are traded in an active market.
- Level 2 – Observable inputs other than Level 1 prices such as quote prices for similar assets or liabilities; quoted prices 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. Generally, this includes debt and equity securities that are not traded in an active market.

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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. As of December 31, 2014, 2013 and 2012, the Company has classified the warrants with cash settlement features as Level 3. Management evaluates a variety of inputs and then estimates fair value based on those inputs. As discussed above, the Company utilized the Monte Carlo Simulation Model in valuing these warrants.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as:

	(in thousands)			
	As of December 31, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable Securities	$13,952	$13,952	$—	$—
Liabilities:				
Total	$13,952	$13,952	$—	$—

	As of December 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets				
Marketable Securities	$17,391	$17,391	$—	$—
Liabilities				
Warrants	(14)	—	—	(14)
Total	$17,377	$17,391	$—	$(14)

The changes in Level 3 Liabilities measured at fair value on a recurring basis are summarized as follows:

	2014	2013	2012
Balance at January 1	$14	$295	$380
Fair value adjustments	(14)	(281)	(85)
Balance at December 31	$—	$14	$295

(18) Subsequent Events

The Company evaluated subsequent events through the date on which these financial statements were issued, and other than the sale of New Jersey state net operating losses for approximately $1,374,000 as disclosed in Note 13 Income Taxes (FASB ASC 740 Income Taxes) And Subsequent Event and the Company's transactions related to the ATM noted below, determined that no subsequent event constituted a matter that required disclosure or adjustment to the financial statements for the year ended December 31, 2014.

For the period January 1, 2015 through March 1, 2015, the Company has sold approximately 14,472,118 shares pursuant to the ATM that has resulted in net cash proceeds of approximately $3,545,000 after commissions paid to Maxim for approximately $110,000. On March 6, 2015, we filed an updated Prospectus Supplement with the Securities and Exchange Commission to increase the number of shares available under the EDA to an aggregate of 117,600,000 shares. On January 5, 2015, compensation was paid to Dr. William A. Carter, CEO, and Thomas Equels, CFO and General Counsel, related to the Executive Performance Incentive Program related to the ATM, as set forth in Section 3(c)(ii) of their respective Employment Agreements, for approximately $616,000, respectively.

(19)Valuation and Qualifying Accounts Schedule (unaudited)

Hemispherx Biopharma, Inc.
Valuation and Qualifying Accounts Schedule
(dollars in thousands)

Description	Balance at beginning of period	Charge to expense	Write-offs	Balance at end of period
Year Ended December 31, 2012 Reserve for inventory	$192	$1,023	$—	$1,215
Year Ended December 31, 2013 Reserve for inventory	$1,215	$453	$(1,673)	$—
Year Ended December 31, 2014 Reserve for inventory	$—	$—	$—	$—

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