

CBOE Holdings, Inc.
Form DEF 14A
April 27, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)
Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
 Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material under §240.14a-12

CBOE Holdings, Inc.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
 No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
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(1) Amount Previously Paid:
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(4) Date Filed:

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Dear Stockholder:

We cordially invite you to attend the 2012 Annual Meeting of Stockholders of CBOE Holdings, Inc. to be held on Thursday, June 14, 2012, at 9:30 a.m., local time, in the fourth floor lounge of the Chicago Board Options Exchange, Incorporated (CBOE), at 400 South LaSalle Street, Chicago, Illinois, 60605.

At the Annual Meeting, you will be asked to do the following:

•elect 15 directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified;

•endorse, in a non-binding resolution, the executive compensation paid to our executive officers; and

•ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the 2012 fiscal year.

Enclosed with this letter are a formal notice of the Annual Meeting, a proxy statement and a form of proxy.

Please carefully review the form of proxy that you receive to confirm that it reflects all of your shares of our unrestricted common stock. If you hold stock in different accounts, you may need to complete multiple proxy cards to vote all of your shares.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted.

Please submit your proxy by Internet or telephone or complete, sign, date and return the enclosed proxy using the enclosed postage-paid envelope. The enclosed proxy, when returned properly executed, will be voted in the manner directed in the proxy.

We hope that you will participate in the Annual Meeting, either in person or by proxy.

Sincerely,

William J. Brodsky
Chairman and Chief Executive Officer

April 27, 2012

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CBOE HOLDINGS, INC.
400 South LaSalle Street
Chicago, Illinois 60605

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of CBOE Holdings, Inc. will be held on Thursday, June 14, 2012, at 9:30 a.m., local time, in the fourth floor lounge of the Chicago Board Options Exchange (CBOE), at 400 South LaSalle Street, Chicago, Illinois, 60605, for the following purposes:

1. To consider and act upon a proposal to elect 15 members of the Board of Directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified;
2. To consider and act upon an advisory resolution to approve executive compensation;
3. To consider and act upon the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our 2012 fiscal year; and
4. The transaction of any other business that may properly come before the meeting and any adjournments or postponements of the meeting.

You are entitled to vote at our Annual Meeting and any adjournments or postponements of the meeting if you were a stockholder of record at the close of business on April 16, 2012. We also cordially invite you to attend the meeting. Your vote is important. Whether or not you plan to attend the meeting, please vote as soon as possible. You can vote your shares by completing and returning your proxy card or by voting through the Internet or by telephone by following the instructions on your proxy card. For additional details, please see the information under the heading "How do I vote?"

By Order of the Board of Directors,

Joanne Moffic-Silver
Secretary

April 27, 2012

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE STOCKHOLDER MEETING TO BE HELD ON JUNE 14, 2012:**

The proxy statement is available on our Investor Relations section of our web site at <http://ir.CBOE.com/annualproxy.cfm>.

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CBOE HOLDINGS, INC.
400 South LaSalle Street
Chicago, Illinois 60605

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
June 14, 2012

INTRODUCTION

We are furnishing this Proxy Statement to you in connection with a solicitation of proxies by the Board of Directors of CBOE Holdings, Inc., a Delaware corporation, for use at the CBOE Holdings, Inc. 2012 Annual Meeting of Stockholders (the "Annual Meeting") on Thursday, June 14, 2012 at 9:30 a.m., local time, and at any adjournments or postponements of our Annual Meeting. The approximate date on which this Proxy Statement and the accompanying form of proxy are first being sent to stockholders is April 27, 2012.

On June 18, 2010, after receiving required approvals, Chicago Board Options Exchange, Incorporated converted from a non-stock corporation owned by its members into a corporation that is a wholly-owned subsidiary of CBOE Holdings, Inc. Except as otherwise indicated, the terms "the Company," "we," "us" and "our" refer to CBOE Holdings, Inc. When we use the term "CBOE," we are referring to Chicago Board Options Exchange, Incorporated and when we use the term "CBOE Holdings," we are referring to CBOE Holdings, Inc.

VOTING INSTRUCTIONS AND INFORMATION

Why did I receive these proxy materials?

This Proxy Statement was mailed to holders of our common stock on or about April 27, 2012. Our Board is asking for your proxy. By giving us your proxy, you authorize the proxyholders (William J. Brodsky and Joanne Moffic-Silver) to vote your shares at the Annual Meeting according to the instructions that you provide. If the Annual Meeting is adjourned or postponed, your proxy will be used to vote your shares when the meeting reconvenes.

Our 2011 Annual Report to Stockholders, which includes a copy of our Annual Report on Form 10-K for the year ended December 31, 2011 (excluding exhibits), as filed with the Securities and Exchange Commission, is being mailed to stockholders with this Proxy Statement.

Who can vote at our Annual Meeting?

You are entitled to vote your shares of our common stock if you were a stockholder at the close of business on April 16, 2012, the record date for our Annual Meeting. On that date, there were 87,449,029 shares of our unrestricted common stock outstanding and 1,443,086 shares of unvested restricted stock, which have been granted to our employees and directors and have voting rights at the Annual Meeting. Therefore, there are 88,892,820 shares of voting common stock outstanding, each of which entitles the holder to one vote for each matter to be voted on at our Annual Meeting. Our outstanding common stock is held by approximately 311 stockholders of record as of April 16, 2012.

Who is and is not a stockholder of record?

If you hold shares of common stock registered in your name at our transfer agent, BNY Mellon Shareowner Services,

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you are a stockholder of record.

If you hold shares of common stock indirectly through a broker, bank or similar institution, or are an employee who holds shares of restricted stock at Fidelity, you are not a stockholder of record, but instead hold in “street name.”

What do I need to do to attend our Annual Meeting?

Attendance at our Annual Meeting is generally limited to our stockholders and their authorized representatives. All stockholders must bring an acceptable form of identification, such as a driver's license, in order to attend our Annual Meeting in person. In addition, if you hold shares of common stock in “street name” and would like to attend our Annual Meeting, you will need to bring an account statement or other acceptable evidence of ownership of shares as of the close of business on April 16, 2012, the record date for our Annual Meeting.

Any representative of a stockholder who wishes to attend the Annual Meeting must present acceptable documentation evidencing his or her authority, acceptable evidence of ownership by the stockholder of common stock as described above and an acceptable form of identification. We reserve the right to limit the number of representatives for any stockholder who may attend the meeting. Please contact Investor Relations at investorrelations@cboe.com or (312) 786-5600 in advance of our Annual Meeting if you have questions about attending our Annual Meeting, including regarding the required documentation.

If you plan to attend the Annual Meeting, please provide adequate time to pass through the security process necessary to gain access to the meeting room.

Will the Annual Meeting be webcast?

Yes. A live webcast of the Annual Meeting will be provided from our Investor Relations section of our web site at www.ir.CBOE.com. On the Investor Relations page, click on Events and Presentations and then click on listen to webcast for our Annual Meeting. If you miss the meeting, you can view a replay of the webcast on that site. Please note that you will not be able to vote your shares or ask questions via the webcast. If you plan to view the webcast, please submit your vote in advance.

How do I vote?

You may cast your vote in one of four ways:

• **By Internet.** The web address for Internet voting is on the enclosed proxy card. Internet voting is available 24 hours a day.

• **By Telephone.** The number for telephone voting is on the enclosed proxy card. Telephone voting is available 24 hours a day.

• **By Mail.** Mark the enclosed proxy card, sign and date it, and return it in the pre-paid envelope we have provided.

• **At Our Annual Meeting.** You may vote in person at our Annual Meeting (see What do I need to do to attend our Annual Meeting?).

If you choose to vote by Internet or telephone, then you do not need to return the proxy card. To be valid, your vote by Internet, telephone or mail must be received by the deadline specified on the proxy card. If you vote by Internet or telephone and subsequently obtain a legal proxy from your account representative, then your prior vote will be revoked regardless of whether you vote that legal proxy.

The Internet and telephone voting procedures are designed to authenticate stockholders' identities, allow stockholders to give their voting instructions and confirm that stockholders' instructions have been recorded properly. Stockholders voting by Internet or telephone should understand that, while we do not charge any fees for voting by Internet or telephone, there may nevertheless be costs that must be borne by you, such as usage charges from Internet access providers and telephone companies.

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May I change my vote?

If you are a stockholder of record, you may revoke your proxy or change your vote at any time before it is voted at the Annual Meeting by:

• submitting a new proxy by telephone or through the Internet, after the date of the earlier voted proxy;

• returning a signed proxy card dated later than your last proxy;

• submitting a written revocation to the Corporate Secretary of CBOE Holdings, Inc. at 400 South LaSalle Street, Chicago, Illinois 60605; or

• appearing in person and voting at the Annual Meeting.

If you are a stockholder of record and need a new proxy card, to change your vote or otherwise, please contact the Corporate Secretary at the address above.

If your bank, broker or other nominee holds your shares in “street name,” you may revoke your proxy or change your vote only by following the separate instructions provided by your bank, broker or nominee.

To vote in person at the Annual Meeting, you must attend the meeting and cast your vote in accordance with the voting provisions established for the Annual Meeting. Attendance at the Annual Meeting without voting in accordance with the voting procedures does not, by itself, revoke a proxy. If your bank, broker or other nominee holds your shares and you want to attend and vote your shares at the Annual Meeting, you must bring a legal proxy signed by your bank, broker or nominee to the Annual Meeting.

If I submit a proxy by Internet, telephone or mail, how will my shares be voted?

If you properly submit your proxy by one of these methods, and you do not subsequently revoke your proxy, your shares of common stock will be voted in accordance with your instructions.

If you sign, date and return your proxy card but do not give voting instructions, your shares of common stock will be voted as follows:

FOR the election of our director nominees,

FOR the advisory vote to approve executive compensation,

• FOR the ratification of the appointment of Deloitte & Touche LLP ("Deloitte") as our independent registered public accounting firm for our 2012 fiscal year, and

• otherwise in accordance with the judgment of the persons voting the proxy on any other matter properly brought before our Annual Meeting.

If I hold my shares in “street name” and do not provide voting instructions, can my broker still vote my shares?

Under the rules of various securities exchanges, brokers that have not received voting instructions from their customers 10 days prior to the meeting date may vote their customers' shares in the brokers' discretion on the proposal regarding the ratification of the appointment of independent registered public accounting firm, because the rules of the exchanges currently deem this a “discretionary” matter. Absent instruction, brokers would not be able to vote on any of the other matters included in this Proxy Statement.

What vote is required for adoption or approval of each matter?

Election of Directors. You may vote FOR or WITHHOLD for each of the director nominees. A plurality of the votes must be cast FOR the election of a director nominee in order for the director nominee to be elected. Thus, those nominees receiving the greatest number of votes cast will be elected.

Advisory Vote on Executive Compensation Matters. You may vote FOR or AGAINST the advisory proposal to

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approve executive compensation or you may ABSTAIN. A majority of the shares of common stock cast must be voted FOR approval of the advisory proposal in order for it to pass. Votes cast FOR or AGAINST with respect to the proposal will be counted as shares cast on the proposal.

Ratification of the Appointment of Independent Registered Public Accounting Firm. You may vote FOR or AGAINST the ratification of the appointment of our independent registered public accounting firm, or you may ABSTAIN. A majority of the shares of common stock cast must be voted FOR ratification in order for it to pass. Votes cast FOR or AGAINST with respect to this matter will be counted as shares cast on the matter.

Abstentions and Broker Non-Votes. Abstentions and broker non-votes will not be considered cast either for or against any of the matters being presented in this proxy statement and will have no effect on the voting totals. If you do not provide your broker with voting instructions on non-discretionary matters, the broker cannot vote your shares on these matters. A “broker non-vote” occurs when your broker submits a proxy for the meeting with respect to discretionary matters, but does not vote on non-discretionary matters because you did not provide voting instructions on these matters. In the case of a discretionary matter, i.e., the ratification of the independent registered public accounting firm, your broker is permitted to vote your shares of common stock even when you have not given voting instructions, as described under If I hold my shares in “street name” and do not provide voting instructions, can my broker still vote my shares? above.

How many votes are required to transact business at our Annual Meeting?

A quorum is required to transact business at our Annual Meeting. The holders of a majority of the outstanding shares of our common stock as of April 16, 2012, present in person or represented by proxy and entitled to vote, will constitute a quorum for the transaction of business at our Annual Meeting. Abstentions and broker non-votes are treated as present for quorum purposes.

How do I obtain more information about CBOE Holdings, Inc.?

A copy of our 2011 Annual Report to Stockholders is enclosed with this Proxy Statement. The 2011 Annual Report, our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and the charters for our Audit, Compensation and Nominating and Governance Committees are available on our website at <http://ir.CBOE.com>.

These documents may also be obtained, free of charge, by writing to: CBOE Holdings, Inc., 400 South LaSalle Street, Chicago, Illinois, 60605, Attn: Investor Relations; e-mail: investorrelations@cboe.com.

These documents, as well as other information about us, are also available on our website at <http://ir.CBOE.com>.

How do I sign up for electronic delivery of proxy materials?

This Proxy Statement and our 2011 Annual Report to Stockholders are available on our website at <http://ir.CBOE.com>. If you would like to help reduce our costs of printing and mailing future materials, you can consent to access these documents in the future over the Internet rather than receiving printed copies in the mail. If you are a stockholder of record, you may sign up for this service at www.BNYmellon.com. If you hold your shares of common stock in “street name,” you can contact your account representative at the broker, bank or similar institution through which you hold your shares for information regarding electronic delivery of future materials. Your consent to electronic delivery will remain in effect until you revoke it.

Who pays the expenses of this proxy solicitation?

The Company will pay the expenses of the preparation of our proxy materials and the solicitation of proxies by the Company for our Annual Meeting. Certain of our directors, officers or employees may make solicitations in person, telephonically, electronically or by other means of communication. We have also engaged Morrow & Co., LLC to assist in the solicitation and distribution of proxies. Our directors, officers and employees will receive no additional compensation for any such solicitation, and we will pay Morrow & Co. a fee of \$7,000, as well as reimbursements for certain expenses, for its services. We will request that banks, brokerage houses and other custodians, nominees and fiduciaries forward all of our solicitation materials to the beneficial owners of the shares that they hold of record. We will reimburse these record holders for customary clerical and mailing expenses incurred by them in forwarding these materials to customers.

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If you have any questions about the Annual Meeting or need additional copies of this Proxy Statement or additional proxy cards, please contact Morrow & Co., LLC at 470 West Avenue, 3rd Floor, Stamford, Connecticut 06902. Banks and brokerage firms may call (203) 658-9400 and stockholders may call (800) 245-1502.

Who will count the vote?

The Company has engaged BNY Mellon to serve as the inspector of elections for the Annual Meeting.

What does it mean if I get more than one proxy or voting instruction card?

If your shares are registered in more than one name or in more than one account, you will receive more than one card. This may occur if you hold unrestricted common stock in both street name and as the record holder with BNY Mellon. Please complete and return all of the proxy or voting instruction cards that you receive (or vote by telephone or through the Internet all of the shares on all of the proxy or voting instruction cards received) to ensure that all of your shares are voted.

PROPOSAL ONE

ELECTION OF DIRECTORS

Board Composition

Our Bylaws provide that our Board will consist of not less than 11 and not more than 23 directors. Our Board currently has 15 directors. Each director serves for a one-year term or until his or her successor is elected and qualified. There is no limit on the number of terms a director may serve on our Board.

General

At our Annual Meeting, our stockholders will be asked to elect the 15 director nominees set forth below, each for a one-year term expiring in 2013. All of the director nominees have been recommended for election by our Nominating and Governance Committee and approved and nominated for election by our Board. The director nominees include two new nominees, Mr. Frank English, Jr. and Ms. Jill Goodman. Messrs. Stuart Kipnes and William Power, who have served on our Board for 8 and 11 years, respectively, are leaving the Board.

The Board recommends that the stockholders vote for the election of each of the nominees indicated below. If you sign and return your proxy card in the enclosed envelope or execute a proxy by telephone or through the Internet, the persons named in the enclosed proxy card will vote to elect these 15 nominees unless you indicate otherwise. Your proxy for the Annual Meeting cannot be voted for more than 15 nominees.

All of the nominees have indicated their willingness to serve if elected. If any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting, then shares represented by properly executed proxies will be voted at the discretion of the persons named in those proxies for such other person as the Board may designate. We do not presently expect that any of the nominees will be unavailable.

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of common stock voted in the election of directors. Thus, those nominees receiving the greatest number of votes cast will be elected.

Set forth below is biographical information and qualifications to serve on our Board for each of the directors nominated to serve on our Board for a one-year term expiring in 2013. The terms indicated for service include the service on the board of CBOE until our demutualization.

Nominees

William J. Brodsky. Mr. Brodsky, 68, is our Chairman and Chief Executive Officer. He has served in that capacity and on our Board since 1997. Prior to joining us in 1997, Mr. Brodsky was president and chief executive officer of the Chicago Mercantile Exchange from 1985 to 1997. Mr. Brodsky is a director of Integrys Energy Group, Inc. and its predecessors. He also is past chairman and currently serves as a director of the World Federation of Exchanges and past chairman of the International

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Options Markets Association. He is a member of the Federal Reserve Bank of New York's International Advisory Committee. Mr. Brodsky also serves on Northwestern University's Kellogg School of Management Advisory Council and as a trustee of Syracuse University. He is the chairman of the board of directors of Northwestern Memorial Hospital. Mr. Brodsky holds an A.B. degree and a J.D. degree from Syracuse University and is a member of the bar in Illinois and New York.

Experience/Competencies Board Qualifications

Securities

Futures

Regulatory

Management

Public Relations

Human Capital

Strategy Development

Risk Management

Legal

Government Relations

Mr. Brodsky leads our senior management team as our Chief Executive Officer. He brings significant knowledge of our company and the securities and futures industry. In addition to serving as our CEO for the past 14 years, he has extensive experience in a similar capacity with another participant in our industry. We believe that his experience in our industry makes him well suited to serve on our Board. His experience allows him to provide the Board a unique perspective on our business, competition, regulatory concerns, senior leadership and financial performance.

James R. Boris. Mr. Boris, 67, currently serves as our Lead Director and has served on our Board from 1992-1993, in 1997 and from 2003 to the present. Mr. Boris is the retired chairman and chief executive officer of EVEREN Securities, Inc. and its predecessor Kemper Securities, Inc. His past affiliations include membership on the boards of directors of Integrys Energy Group, Inc., Peoples Energy Corporation, Smurfit-Stone Container Corporation, Midwest Air Group, Inc., the Chicago Stock Exchange, the Securities Industry Association, The Catholic Charities of the Archdiocese of Chicago, Loyola University Health System, Inc., Big Shoulders Fund, the Civic Federation and Chicago's Economic Development Commission. He has served on the board of trustees of Gannon University and Loyola University of Chicago and on advisory boards at both Northwestern University's Kellogg Graduate School of Management and DePaul University's College of Commerce. He holds a B.A. and M.B.A. from Gannon University.

Experience/Competencies Board Qualifications

Finance

Securities

Management

Corporate Governance

Risk Management

Public Company

M&A

Strategy Development

Leadership

As the retired chairman and CEO of a full-service securities brokerage firm, Mr. Boris has extensive knowledge of our industry. His experience as a CEO and service on other public company boards gives Mr. Boris experience with corporate governance and leadership skills that we believe make him well suited to serve on our Board and as our Lead Director.

Mark F. Duffy. Mr. Duffy, 61, is an attorney and a nominee of CBOE Trading Permit Holder Cornerstone Trading, L.L.C. and has served on our Board since 1995. In addition, he is the trustee for a trust that is the general managing partner of Fugue, General Partnership, which was a CBOE member lessor organization. Mr. Duffy has been a member or Trading Permit Holder of CBOE since 1985. Mr. Duffy served as Vice Chairman of CBOE from 2001 through 2003 and 2010 through May 2011. He earned a B.A. degree in Education and a Master of Arts degree from the University of Michigan. He also holds a J.D. and L.L.M., Master of Laws in Taxation, from The John Marshall Law School. Mr. Duffy was admitted to the Illinois Bar in 1981 and has also been admitted to practice in the U.S. District Court for the Northern District of Illinois.

Experience/Competencies Board Qualifications

Securities

Trading

Strategy Development

Legal

Mr. Duffy has a deep understanding of the issues that face our market participants from his experience as a member and Trading Permit Holder and from his service as Vice Chairman of the CBOE. His knowledge of the options industry and practical trading experience bring an important perspective on our operations. We believe that Mr. Duffy is well suited to serve on our Board based on his knowledge and experiences.

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Frank E. English, Jr. Mr. English, 66, is a new nominee to our Board. He serves as Senior Advisor at W.W. Grainger, Inc., a position he has held since 2011. From 1976 through April 2011, Mr. English served in a number of positions at Morgan Stanley, including Vice Chairman, Investment Banking, where he advised numerous domestic and international clients on the use of their capital and relations with shareholders. He currently serves on the boards of directors of Arthur J. Gallagher & Co. and Tower International, Inc. Mr. English holds a B.B.A. from the University of Notre Dame.

Experience/Competencies Board Qualifications

Finance

Securities

Corporate Governance

Risk Management

Public Company

M&A

Strategy Development

Mr. English brings his experience advising and serving on boards of directors. His knowledge regarding capital deployment, shareholder relations and strategic planning bring an important skill set to the Board. We believe that Mr. English is well suited to serve on our Board based on his experience.

Janet P. Froetscher. Ms. Froetscher, 52, is president and chief executive officer of the National Safety Council and has served on our Board since 2005. Previously, she served as president and chief executive officer of the United Way of Metropolitan Chicago and in a variety of roles at the Aspen Institute, most recently as chief operating officer. From 1992 to 2000, Ms. Froetscher was the executive director of the Finance Research and Advisory Committee of the Commercial Club of Chicago. She is a member of the board of the Chicago Chamber of Commerce, and a member of the Chicago Network and Commercial Club of Chicago. Ms. Froetscher holds a B.A. degree from the University of Virginia and a Masters of Management from Northwestern University's Kellogg Graduate School of Management. Ms. Froetscher is also a Henry Crown Fellow of the Aspen Institute.

Experience/Competencies Board Qualifications

Leadership

Management

Operations

Community Engagement

Ms. Froetscher brings her experience as a CEO of public service entities to our Board. She also has extensive engagement with the business community in Chicago. We believe that these experiences give her leadership, operational and community engagement skills that make her well suited to serve on our Board.

Jill R. Goodman. Ms. Goodman, 45, is a new nominee to serve on our Board. She has served as a Managing Director and Head, Special Committee and Fiduciary Practice - U.S. at Rothschild since 2010. From 1998-2010, Ms. Goodman was with Lazard in the Banking Group, most recently as Managing Director. Ms. Goodman advises companies and special committees with regard to mergers and acquisitions. Ms. Goodman graduated magna cum laude from Rice University with a B.A. She received her J.D., with honors, from the University of Chicago Law School.

Experience/Competencies Board Qualifications

Finance

Corporate Governance

M&A

Strategy Development

Legal

Ms. Goodman brings extensive experience in the boardroom to our company. Her experiences, both as an investment banker and her corporate and securities legal background, bring a unique insight with which to consider our opportunities. We believe that these experiences give her knowledge and skills that make her well suited to serve on our Board.

Paul Kepes. Mr. Kepes, 44, is a co-founder and managing director of Chicago Trading Company (CTC) and has served on our Board since 2007. Founded in 1995, CTC is a leading proprietary derivatives trading firm active in various options and futures markets, including equity indexes, equities, interest rates and commodities. The firm trades both on-floor and electronically, utilizing sophisticated proprietary pricing and risk management systems. CTC serves in a specialist capacity on various exchanges in many of the most active index, ETF and interest rate products. CTC employs over 350 people and is based in Chicago with offices in New York and London. Mr. Kepes holds a B.S. degree in Aeronautical and Astronautical Engineering from the University of Illinois.

Experience/Competencies Board Qualifications

Securities

Trading

We believe that Mr. Kepes' experience at CTC makes him well suited to serve on our Board. Mr. Kepes has extensive knowledge of the options and futures markets from

Management
Operations
Leadership

CTC, as well as extensive management and leadership skills.

Duane R. Kullberg. Mr. Kullberg, 79, served as managing partner and chief executive officer of Arthur Andersen &

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Co., S.C. from 1980 until 1989 and has served on our Board since 1990. He is currently a member of the board of directors of Artio Global Investors, Inc. and has served in the past on a number of private and public company boards. Mr. Kullberg is a member of the National Association of Corporate Directors. He is a member of the Commercial Club of Chicago and a Life Trustee of Northwestern University and the University of Minnesota Foundation. Mr. Kullberg holds a B.B.A. degree, with honors, from the University of Minnesota.

Experience/Competencies	Board Qualifications
Financial	Mr. Kullberg has extensive management and leadership experience from his tenure as CEO at Arthur Andersen. That experience also provides him with extensive knowledge of accounting, finance and governance. Finally, Mr. Kullberg's service on numerous public company boards provides him with a deep understanding of the operations of such boards. We believe that Mr. Kullberg's experiences make him well suited to serve on our Board.
Risk Management	
Corporate Governance	
Leadership	
Management	
Public Company	

Benjamin R. Londergan. Mr. Londergan, 36, has served on our Board since 2008. He is chief executive officer of Group One Trading, L.P. and has served on its board of directors since January 2005. Prior to his current role, he was derivatives trading managing director and was directly responsible for opening and managing the first European trading operation for Group One, G1 Derivatives Trading LTD. Mr. Londergan began his career at Group One in 1998. Mr. Londergan graduated summa cum laude from Indiana University and holds a B.A. degree in Mathematics with minors in French and Economics.

Experience/Competencies	Board Qualifications
Securities	Mr. Londergan has extensive knowledge of the needs of our market participants based on his experience on our trading floor and trading electronically. As a CEO, he brings managerial and leadership skills to the Board. Finally, in his role in Group One's European expansion, he has unique insight into the growing international interest in derivatives trading. We believe that these skills make Mr. Londergan well suited to serve on our Board.
Trading	
Management	
Leadership	

R. Eden Martin. Mr. Martin, 71, is of counsel at the law firm Sidley Austin LLP, having served as a partner from 1975 to 2004 and as chairman of the management committee from 1989 until 1999. He has served on our Board since 2000. Mr. Martin served as the president of The Commercial Club of Chicago and president of its Civic Committee from 1999 until the end of 2010. Mr. Martin is a member of the board of directors of Aon Corporation. He also is a life trustee of Northwestern University, the Chicago History Museum, the Chicago Symphony Orchestra and the Ravinia Festival. Mr. Martin holds a B.A. from the University of Illinois and an L.L.B. degree from Harvard University.

Experience/Competencies	Board Qualifications
Corporate Governance	From his experience practicing law, Mr. Martin brings an understanding of regulatory issues and legal risks to our business. His extensive service on other public company boards gives him a unique understanding of corporate governance and risk management. We believe that his experience makes him well suited to serve on our Board.
Legal	
Public Company	
Risk Management	
Leadership	
Community Engagement	

Roderick A. Palmore. Mr. Palmore, 60, is executive vice president, general counsel and chief compliance and risk management officer of General Mills, Inc. and has served on our Board since 2000. Prior to joining General Mills in February 2008, he served as executive vice president and general counsel of Sara Lee Corporation. Before joining Sara Lee, Mr. Palmore served in the U.S. Attorney's Office in Chicago and in private practice. Mr. Palmore has also served as a member of the boards of directors of Nuveen Investments, Inc. and the United Way of Metropolitan Chicago. Mr. Palmore holds a B.A. degree in Economics from Yale University and a J.D. degree from the University of Chicago Law School.

Experience/Competencies	Board Qualifications
Legal	Through his experience as general counsel of public companies, in private practice and as an Assistant U.S. Attorney, Mr. Palmore has extensive experience in corporate
Corporate Governance	

Risk Management
Regulation
Public Company

governance and the legal issues facing our company. In addition, his experience provides him with strong risk management skills. We believe that his experience makes him well suited to serve on our Board.

Susan M. Phillips. Dr. Phillips, 67, retired as the dean of The George Washington University School of Business in 2010, and retired as professor of finance in 2011, positions she had held since 1998. She continues as a professor of finance

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There are no family relationships among any of the current directors, director nominees or executive officers. None of the executive officers is related by blood, marriage or adoption to any of our other directors, director nominees or executive officers.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis explains our executive compensation philosophy and objectives, programs and practices, compensation setting process and the 2015 compensation of our named executive officers. As discussed in Proposal No. 3 of this proxy statement, we are conducting our annual advisory vote on executive compensation, or say-on-pay vote, that requests your approval of the compensation of our named executive officers, as described in this subsection titled Compensation Discussion and Analysis and in the tables and accompanying narrative contained below under this section Executive Compensation. To assist you with this vote, please review our compensation philosophies, the design of our executive compensation programs and how, we believe, these programs have met our objectives.

For 2015, our named executive officers were:

-
- . Dr. Jonathan Lewis, who served as our Chief Executive Officer until May 5, 2015
-
- . Dr. Laurence James Neil Cooper, who began serving as our Chief Executive Officer on May 5, 2015
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- . Caesar J. Belbel, Chief Operating Officer, Executive Vice President, Chief Legal Officer and Secretary
-
- . Dr. Francois Lebel, Executive Vice President, Research and Development and Chief Medical Officer
-
- . Kevin G. Lafond, Vice President Finance, Chief Accounting Officer and Treasurer

Executive Summary Key Objectives and Compensation Elements

We believe that our executive compensation programs should:

-
- (i) Be tied to overall Company performance;
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- (ii) Reflect each executive s level of responsibility, performance and contributions;
-
- (iii) Include a significant equity component to ensure alignment with our stockholders; and
-
- (iv) Provide fully competitive total compensation opportunities, consistent with our performance, that allow us to attract, retain and motivate talented employees, including our named executive officers.

We believe that by structuring the executive compensation program so that a significant portion of our named executive officers pay is at risk, including a significant equity-based component, we can best ensure our named executive officers are incentivized to maximize our performance and increase value for our shareholders. To this end, our program is comprised of three primary elements:

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<u>Compensation Element</u>	<u>Fixed or Variable</u>	<u>Description</u>
<u>Base Salary</u>	<u>Fixed</u>	<u>To attract and retain executives by offering fixed compensation that is competitive with market opportunities and that recognizes each executive's position, role, responsibility and experience.</u>
<u>Annual Performance Bonus</u>	<u>Variable</u>	<u>To motivate and reward the achievement of our annual performance, including objectives related to our strategic development, research and clinical development programs, and stockholder return.</u>
<u>Equity Awards</u>	<u>Variable</u>	<u>To align executives' interests with the interests of stockholders through equity-based compensation and promote the long-term retention of our executives and key management personnel.</u>

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2015 Company Performance Highlights

The highlights of our 2015 performance include:

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- In January 2015, pursuant to our exclusive channel collaboration agreement with Intrexon, we, together with Intrexon, obtained an exclusive, worldwide license to certain immuno-oncology technologies owned and licensed by MD Anderson, including technologies relating to novel chimeric antigen receptors, or CARs, natural killer, or NK cells and T cell receptors, or TCRs.
-
- In March 2015, we entered into a global collaboration with Intrexon focused exclusively on chimeric antigen receptor T cell, or CAR-T, products with Ares Trading, or Ares, a biopharmaceutical division of Merck KGaA.
-
- In September 2015, we entered into a new Exclusive Channel Collaboration with Intrexon to develop treatments for graft-versus-host disease (GvHD), a major complication of allogeneic hematopoietic stem-cell transplantation, or HSCT, which significantly impairs the quality of life and survival of many recipients.
-
- We presented early clinical data from the glioblastoma (GBM) trial at the Society for Neuro-Oncology meeting in November 2015, and presented information about the ongoing breast cancer trial at the San Antonio Breast Cancer Symposium in December 2015.
-
- As of December 31, 2015, the Company's stock price on a year-over-year basis had increased meaningfully, from \$5.07 per share on December 31, 2014 to \$8.31 per share on December 31, 2015, a 63.9% increase.

Stockholder Advisory Vote

At the 2015 Annual Meeting of Stockholders, 98.3% of the votes cast on the advisory vote on executive compensation proposal (often referred to as "say-on-pay") were in favor of our named executive officer compensation as disclosed in the proxy statement and, as a result, our named executive officer compensation was approved. The board of directors and compensation committee reviewed these final vote results and determined that, given the significant level of support, no changes to our executive compensation policies and decisions were necessary based on these vote results.

Role of our Compensation Committee, Management and Consultant

Compensation Committee

Our compensation committee is responsible for reviewing, evaluating, approving, administering and interpreting our executive compensation and benefits policies, programs and plans, including our equity compensation plans. In particular, with respect to the compensation of our named executive officers, our compensation committee is responsible for reviewing and recommending to the outside, independent and non-employee members of the board of directors the compensation levels and performance goals relevant to the compensation of these officers, and for evaluating the officers' performance in light of those goals and objectives. In December of 2014, our compensation committee presented its recommendations on 2015 base salary adjustments to go into effect on January 1, 2015. Our compensation committee met in December 2015 to determine recommended 2016 base salary adjustments to go into effect on January 1, 2016, target bonus levels going forward, bonus awards in respect of 2015 performance, and equity incentive awards for our named executive officers. All of such recommendations were approved by the independent, outside, non-employee directors on the board of directors. The board of directors approved the compensation committee's recommendations as presented.

Management

Our Human Resources, Finance and Legal departments work with our chief executive officer to design and develop new executive compensation programs, to recommend changes to existing compensation programs, to

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recommend financial and other performance targets to be achieved under those programs, to prepare analyses of financial data, to prepare peer group data comparisons and other briefing materials for consideration by the compensation committee and ultimately to implement the decisions of the compensation committee. Members of these departments and our chief executive officer also provide perspective to the compensation committee for consulting and meeting with our independent compensation consultant to convey information to allow the consultant to perform its services for the compensation committee.

The chief executive officer recommends to the compensation committee for its discussion and ultimately, approval, proposed corporate performance and strategic goals and their relative weighting for the upcoming fiscal year, as well as provides input on the level of attainment of the prior year's strategic goals, for purposes of determining awards under the annual performance bonus plan for all our executives, including the chief executive officer. For executives other than the chief executive officer, the compensation committee considers the individual performance of the executives, as determined by the chief executive officer, and the compensation recommendations submitted to the compensation committee by the chief executive officer.

Our chief executive officer and chief legal officer generally attend our compensation committee meetings for a portion of the meeting. No executive officer was present or voted in the compensation committee or the board of directors' final determinations regarding the amount of any component of his or her own 2015 compensation package.

Consultant

In October 2015, the compensation committee re-engaged W.T Haigh and Company, or Haigh, as an independent compensation consultant for purposes of assisting the compensation committee in reviewing 2016 base salary adjustments, 2015 year-end target bonus levels, and 2015 year-end target equity compensation awards, in order to maintain the competitiveness and structure of our executives' and board of directors' compensation programs and ensure that the levels of compensation were appropriately positioned to attract and retain senior management and non-employee directors. The compensation committee originally retained Haigh in 2012 after considering a number of other national compensation consulting firms. The compensation committee selected Haigh because of its strong reputation and record in advising similarly situated biopharmaceutical and biotechnology companies in the employment markets where the Company's operations are located. Haigh is engaged by and reports directly to the compensation committee.

As part of its duties, Haigh provided the compensation committee with the following services:

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- Completed a competitive analysis of our executive compensation program;
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- Prepared a competitive analysis of the board of directors' compensation program, including observations and recommendations; and
-
- Reviewed and updated our peer group for use in determining executive compensation.

During 2015, the compensation committee conducted a performance and independence assessment of Haigh with respect to Haigh's role in recommending or determining the amount and form of executive compensation during the fiscal year ended December 31, 2015, and to determine whether it would continue to serve as the compensation committee's independent advisor for 2016. Other than providing limited advice to our management regarding competitive salary data and broad-based stock plan share reserve modeling, Haigh did not provide any other services to us in 2015. The compensation committee also considered that the individual representative of Haigh who works directly with the compensation committee has no other business relationships with the board, management or the Company, Haigh's own policies on ethics, stock ownership and conflicts of interest, and the total revenue that Haigh received from the Company in 2015 (which was \$36,663) and how this amount compared to Haigh's 2015 total gross revenues. As a result, the compensation committee concluded that there were no material conflicts of interest with respect to Haigh providing services to the compensation committee during 2015.

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Peer Group, Survey Sources and Market Benchmarking

Peer Group

In December of 2014, in consultation with Haigh, the compensation committee reviewed the compensation consultant's list of companies in the peer group for use in setting equity compensation for 2014 and for base salary and target annual incentive recommendations for 2015. The 2014/2015 peer group consisted of U.S.-headquartered, public biopharmaceutical companies that were similar in size and development stage to the Company based upon the following selection criteria:

- - companies with 25 to 75 employees with a median of 45 employees;
 -
 - companies with market values between \$150 million and \$900 million with a median of \$178.6 million;
 -
 - companies with R&D expense between \$10 million and \$50 million with a median of \$21.1 million; and
 -
 - companies with accumulated deficits from operations between \$100 million and \$500 million with a median of \$359.6 million.
- The compensation committee determined that the foregoing selection criteria were appropriate in selecting the 2014/2015 peer group because at such time the Company had approximately 35 employees, a market value of approximately \$260.0 million, an R&D expense forecast of approximately \$23.9 million and accumulated deficits from operations of approximately \$356.1 million. In addition, the 2014/2015 peer group analysis considered companies that have restructured or are reemerging with a new strategy. The following 20 companies were approved by the compensation committee as the 2014/2015 peer group for purposes of making its recommendations for December 2014 equity grants and 2015 base salary and target annual incentive compensation:

<u>AcelRx</u>	- <u>Dicerna</u>
<u>Achillion</u>	- <u>Galena Biopharma</u>
<u>Agenus</u>	- <u>Genocea Bioscience</u>
<u>Akebia</u>	- <u>Geron</u>
<u>Ambit Biosciences</u>	- <u>Idera Pharmaceuticals</u>
<u>ArQule</u>	- <u>Mirati Therapeutics</u>
<u>AVEO Pharmaceuticals</u>	- <u>Oncothyreon</u>
<u>Bind Therapeutics</u>	- <u>Sunesis Pharmaceuticals</u>
<u>Concert Pharmaceuticals</u>	- <u>Synthetic Biologics</u>
<u>Curis</u>	- <u>Threshold Pharmaceuticals</u>

In November of 2015, in consultation with Haigh, the compensation committee reevaluated the list of companies that should be included in the peer group used as a reference point in determining the levels of December 2015 equity compensation grant recommendations and for setting base salary and target annual incentive recommendations for 2016. Similar to the 2014/2015 peer group, the revised 2015/2016 peer group considered many of the same scope measures, location and stage of development characteristics as listed above. The selected 2015/2016 peer group companies were chosen upon the following selection criteria:

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- companies with 20 to 100 employees with a median of 50 employees;
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- companies with market values between \$200 million and \$2 billion with a median of \$758.8 million;
-

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- companies with R&D expense greater than \$50 million annually with a median of \$42.5 million; and
-
- companies with accumulated deficits from operations between \$100 million and \$500 million with a median of \$375.8 million.
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The compensation committee determined that the foregoing selection criteria were appropriate in selecting the 2015/2016 peer group because at such time the Company had approximately 27 employees, a market value of approximately \$1.6 billion, an R&D expense forecast of approximately \$99.5 million and accumulated deficits from operations of approximately \$465.1 million. The following 20 companies were approved by the compensation committee as the 2015/2016 peer group for purposes of making its recommendations for December 2015 equity grants and 2016 base salary and target annual incentive compensation:

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- | | |
|-----------------------------------|---|
| <u>Accelaron Pharma Inc</u> | - <u>Geron</u> |
| <u>Achillion</u> | - <u>Heron Therapeutics</u> |
| <u>Agenus</u> | - <u>Idera Pharmaceuticals</u> |
| <u>Akebia</u> | - <u>Intra-Cellular Therapies, Inc.</u> |
| <u>Biocryst Pharmaceuticals</u> | - <u>Lexicon Pharmaceuticals</u> |
| <u>Celldex Therapeutics</u> | - <u>Mirati Therapeutics</u> |
| <u>Concert Pharmaceuticals</u> | - <u>Portola Pharmaceuticals</u> |
| <u>Curis</u> | - <u>Sage Therapeutics, Inc.</u> |
| <u>Dicerna</u> | - <u>Spark Therapeutics, Inc.</u> |
| <u>Flexion Therapeutics, Inc.</u> | - <u>Threshold Pharmaceuticals</u> |

Other Survey Sources

In making its recommendations for 2015 compensation levels, the compensation committee also reviewed Radford survey data as an additional market frame of reference in making its compensation decisions for our executives.

Market Benchmarking and Competitive Posture

As a general approach, the compensation committee references approximately the market 50th percentile of our peer group in setting total cash compensation (base salary plus target annual bonus), and references approximately the 65th to 75th percentile of our peer group in determining the size of equity incentives granted to our named executive officers, because the committee is continually seeking to position the Company favorably in the highly competitive Greater Boston/Cambridge, Massachusetts and national and international biopharmaceutical and biotechnology employment marketplace. However, the compensation committee uses these peer group percentiles for general reference only and compensation levels actually approved for each individual named executive officer may vary relative to the referenced percentile based on a number of other factors that are considered in setting compensation levels such as experience in role, uniqueness of background, performance over time, critical impact of the position and expectation of future contributions to the Company's successful growth, and as a result of individual negotiations with the executive at the time of hire.

2015 Compensation Decisions

Base Salary

Our compensation committee generally reviews base salaries in the fourth quarter of the preceding fiscal year with adjusted salaries becoming effective January 1 of the following fiscal year. In addition to considering the peer group and/or other survey market data, the compensation committee also considers Company performance; stock price appreciation; individual performance; experience; breadth of each position's role; among other factors.

In December 2014, our compensation committee recommended for approval, and the board of directors approved, 2015 base salaries for our named executive officers, as described in the table below. In making its determination, the compensation committee considered the chief executive officer's review of and recommendation for Dr. Lebel and Messrs. Belbel and Lafond as well as a competitive analysis prepared by Haigh for all executive officers. The compensation committee believed that the 2015 base salary levels set forth below were appropriate in light of our performance during fiscal year 2014 and in order to maintain or make our

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named executive officer's base salaries competitive versus market. Based on these considerations, the compensation committee determined that no increase to the base salaries of Dr. Lewis or Mr. Belbel were necessary, in part because their base salary levels were already competitive. However, in connection with Mr. Belbel's appointment as the Company's Chief Operating Officer, on June 1, 2015, the compensation committee increased Mr. Belbel's base salary to \$375,000 to reflect his additional duties and responsibilities. The compensation committee determined to increase Mr. Lafond's 2015 base salary by 10.7% and Dr. Lebel's base salary by 3.9% in order maintain their respective salaries more competitive versus the mid-market of their peer group and survey data.

Executive Officer	2014 Base Salary	2015 Base Salary	% Increase
Dr. Jonathan J. Lewis	\$ 500,000 ⁽¹⁾	\$ 500,000 ⁽¹⁾	N/A
Dr. Laurence James Neil Cooper	\$ N/A ⁽²⁾	\$ 500,000 ⁽²⁾	N/A
Caesar J. Belbel	\$ 350,000	\$ 375,000 ⁽³⁾	6.7%
Dr. Francois Lebel	\$ 365,750	\$ 380,000	3.9%
Kevin G. Lafond	\$ 200,997	\$ 225,000	10.7%

(1) Dr. Lewis ceased serving as the Company's Chief Executive Officer on May 5, 2015.

(2) Dr. Cooper joined the Company on May 5, 2015.

(3) Mr. Belbel's base salary was increased to \$375,000 on June 1, 2015 in connection with his appointment to Chief Operating Officer.

Annual Incentive Compensation

An important component of our total compensation program is the annual cash incentive based on the achievement of annual company performance objectives, stock price appreciation as measured by the absolute increase in market capitalization on a year-over-year basis, and individual executive performance. Our compensation committee recognizes the important role that variable cash compensation plays in attracting and retaining executives and focusing executives (as well as all employees) on the achievement of key annual financial, research, clinical, business development and individual goals.

2015 Annual Performance Bonus Target Levels

For 2015, Dr. Lewis's full bonus target amount as a percentage of his then current base salary remained unchanged at 40%. Dr. Cooper's full target amount as a percentage of his then current base salary was 200%, pro-rated for his partial year of service. Dr. Cooper's bonus target percentage was negotiated with him as part of his inducement of commencement of employment with us. Mr. Belbel's full target amount as a percentage of his then current base salary was increased from 35% to 100% in connection with his appointment as Chief Operating Officer and increased responsibilities. Mr. Lafond's full target amount as a percentage of his then current base salary increased from 25% to 30% and Dr. Lebel's full target amount as a percentage of his then current base salary increased from 30% to 40% in recognition of their increasing responsibilities and in recognition of their ongoing contributions to the Company.

Target bonus levels in all cases are a percentage of current base annual salary and were initially established by the terms of each individual's respective employment agreements or written offer of employment, which in turn reflect the individual negotiations with the executives at the time these agreements were entered into or offers of employment accepted. The compensation committee also believes that the cash incentive opportunity should make up a larger portion of an executive's target compensation as the executive's level of responsibility increases. Therefore, the cash incentive opportunity for our chief executive officer and the chief operating officer/chief legal officer are generally greater than the cash incentive opportunity for our other executives.

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The combined 2015 target cash compensation consisting of base salary and target annual bonus as set for each of our named executive officers was as follows:

<u>Executive Officer</u>	<u>Total Target Cash Compensation</u>
<u>Dr. Jonathan J. Lewis</u>	<u>\$ 700,000</u>
<u>Dr. Laurence James Neil Cooper</u>	<u>\$ 1,500,000⁽¹⁾</u>
<u>Caesar J. Belbel</u>	<u>\$ 750,000</u>
<u>Francois Lebel</u>	<u>\$ 494,000</u>
<u>Kevin G. Lafond</u>	<u>\$ 281,250</u>

(1) Represents Dr. Cooper's total target cash compensation prior to proration for his partial year of service in 2015.
2015 Annual Performance Objectives

For 2015, the annual incentive bonus plan for our named executive officers and our other senior executives was determined by two equally weighted components. The following were the 2015 performance objectives:

- (i) Objectives/Operational Component (approximately 50% weighting): For 2015, the Objective Component primarily related to the identification and acquisition of new strategic development opportunities for the Company in immuno-oncology in addition to the development of our existing synthetic biology programs in collaboration with Intrexon. The compensation committee believes that these are appropriate goals for 2015 as the Company continues to focus on developing its immuno-oncology programs while identifying new opportunities for further development and growth through its partnerships with Intrexon, MD Anderson, Merck KgAa and others.
- (ii) Stockholder Return Component (approximately 50% weighting): For 2015, the Stockholder Return Component was established by the compensation committee based on absolute stock price appreciation of our stock on a year-over-year basis as measured by the Company's stock price at the end of 2014 and 2015. The compensation committee believes this is an appropriate goal as it reinforces alignment with shareholders and ensures that creating shareholder value significantly impacts annual variable compensation.

The year-end cash bonus award for executives was developed by multiplying the Objective Component percentage by approximately 50% of the participant's target bonus amount (predetermined percentage of base salary) together with the Stockholder Return Component percentage multiplied by approximately 50%. For 2015, achievement of the Objective Component percentage was determined by the compensation committee to be fully met at 100% of target on a weighted basis and the Stockholder Return Component percentage was also determined to be fully met at 100% on a weighted basis as a result of our stock price performance during 2015.

The compensation committee determined that payout levels of 100% of the targeted cash bonus were appropriate for each of Drs. Cooper and Lebel and Messrs. Belbel and Lafond as a result of executive management's further solidifying the Company's position in the synthetic biology and immuno-oncology therapeutics development field through the entry into of the Company's collaboration agreement with Intrexon and MD Anderson in January 2015, the successful completion of our public offering in February 2015, the entry into the collaboration agreement with Merck KgAa in March 2015 and the entry into the new exclusive channel collaboration agreement for GvHD with Intrexon in September 2015, as well as their on-going efforts to develop promising strategic development opportunities for the Company. Also, as of December 31, 2015, the Company's stock price on a year-over-year basis had increased by 63%.

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The target short-term incentive compensation amounts for 2015, expressed as a percentage of 2015 base salaries, for each of our named executive officers, are set forth in the following table. In addition, the compensation committee recommended, and the board of directors approved the following cash bonuses for 2015 performance:

Name	2015 Target Bonus		2015 Actual Bonus		
	% Salary	\$ Amount	% Salary	\$ Amount	% Target
Dr. Jonathan J. Lewis ⁽¹⁾	40%	\$ 200,000	N/A	\$ N/A	N/A
Dr. Laurence James Neil Cooper ⁽²⁾	200%	\$ 1,000,000	132%	\$ 657,532	100%
Caesar J. Belbel	100%	\$ 375,000	100%	\$ 375,000	100%
Dr. Francois Lebel	30%	\$ 114,000	30%	\$ 114,000	100%
Kevin G. Lafond	25%	\$ 56,250	25%	\$ 56,250	100%

(1) Dr. Lewis ceased serving as the Company's Chief Executive Officer on May 5, 2015 and was not awarded any 2015 bonus.

(2) Dr. Cooper began serving as the Company's Chief Executive Officer on May 5, 2015, and was awarded a pro-rated bonus for 2015.

Long-Term Incentive Compensation

The compensation committee believes that properly structured equity compensation programs align the long-term interests of our stockholders and our employees by creating a strong, direct link between employee compensation and stock price appreciation. The compensation committee believes that if our officers own shares of our common stock with values that are significant to them, they will have an incentive to act to maximize long-term stockholder value instead of short-term gain. Further, the compensation committee believes that stock-based awards, such as stock options and restricted stock, are a significant motivator in attracting and retaining talented executives and is consistent with the practices of our peers with whom we compete for talent.

We have historically granted equity awards in the form of stock options or restricted stock to our named executive officers on the final day of the then ending fiscal year. These equity awards generally vest annually based on continued service over a three-year period and in the case of stock options have an exercise price equal to the fair market value of our common stock on the date of grant. We do not grant stock options at a discount to fair market value. The ZIOPHARM Oncology, Inc. 2012 Equity Incentive Plan as amended to date, or the 2012 Equity Incentive Plan, does not allow repricings or exchanges of stock options without stockholder approval.

In determining the aggregate size of equity grants, the compensation committee may consider, in any given year, the peer group or survey data and one or more other factors, including the internal pay equity among our named executive officers who are not the chief executive officer and ensuring that the chief executive officer's award is of a size that appropriately reflects the importance of his responsibilities for our success. The compensation committee also generally references equity awards at the 65th to 75th percentile level of those granted by the peer group in determining annual equity grant levels for our executive officers.

Historically, our grants of restricted stock have typically been limited to the inducement grants to new hires or to meet specific retention needs, however, in 2015 we granted restricted stock to our named executive officers. The compensation committee's primary objective in granting restricted stock instead of stock options for 2015 was to balance the overall equity holdings of our senior management team, who, other than Dr. Cooper, hold a substantial number of stock options from prior years' awards. A secondary objective was to recognize the significant stock price volatility in the biotechnology sector through the grant of a full value stock award. In light of our significant stock price appreciation during 2015, our compensation committee determined that it was appropriate to grant annual equity awards in the form of restricted stock at higher levels than recent historical levels in order to further incentivize our executives to maximize shareholder value and align their interests with those of our shareholders.

Table of ContentsEquity Grants during 2015

In December 2015, as part of our annual equity grant program, the compensation committee granted restricted stock to certain members of the Company's senior management team, including Dr. Cooper, Mr. Belbel, Mr. Lafond and Dr. Lebel. In addition, the compensation committee granted restricted stock to Dr. Cooper and Mr. Belbel upon their appointments as Chief Executive Officer and Chief Operating Officer, respectively. For 2015, the following equity incentive grants were made to our named executive officers:

<u>Name</u>	<u>Grant Upon Appointment or Promotion to New Position</u>		<u>2015 Annual Performance Grants</u>	
	<u>Restricted Stock⁽¹⁾</u>	<u>Value⁽²⁾</u>	<u>Restricted Stock⁽¹⁾</u>	<u>Value⁽²⁾</u>
<u>Dr. Jonathan J. Lewis</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Dr. Laurence James Neil Cooper</u>	<u>1,000,000</u>	<u>\$ 9,350,000</u>	<u>131,000</u>	<u>\$ 1,088,610</u>
<u>Caesar J. Belbel</u>	<u>50,000</u>	<u>\$ 471,500</u>	<u>65,000</u>	<u>\$ 540,150</u>
<u>Dr. Francois Lebel</u>	<u>N/A</u>	<u>N/A</u>	<u>65,000</u>	<u>\$ 540,150</u>
<u>Kevin G. Lafond</u>	<u>N/A</u>	<u>N/A</u>	<u>28,000</u>	<u>\$ 232,680</u>

- (1) The restricted stock vests in three annual installments. Vesting of all awards is subject to continued service. These vesting schedules are designed to promote retention and encourage executives to consider the long-term stock price effects of their decisions. Under certain circumstances, the vesting of these equity awards may be accelerated in the event of a Change in Control or if the grantee's employment with us is terminated. See Potential Payments Upon Termination or Change in Control below.
- (2) Value realized is calculated by multiplying the number of shares underlying the restricted stock grant by the closing market price of our common stock as reported on the NASDAQ Capital Market on the date of grant. These amounts do not correspond to the actual value that may be recognized by the officers.

Equity Compensation Policies

Our policy is to generally make annual, new-hire and promotion equity grants as follows:

annual equity grants are generally recommended by the compensation committee and approved by the board of directors, or approved by the compensation committee on a regularly scheduled meeting of the compensation committee and/or the board of directors preceding the first quarter of each year; and

new-hire and promotion grants are generally approved by the compensation committee; our chief executive officer has been granted authority to grant stock options and other equity awards to our non-executive employees at a certain level, which grants are reviewed by the board of directors on a regular basis at a subsequent meeting.

In the event that the equity award is in the form of options, the exercise price is not less than the closing price of our common stock on the NASDAQ Capital Market on the grant date of the option. It is our policy not to purposely accelerate or delay the public release of material information in consideration of a pending equity grant to allow the grantee to benefit from a more favorable stock price. To avoid our release of information in close proximity to an equity grant, which may appear to be an effort to time the announcement to a grantee's benefit (even if no such benefit was intended), it is our policy for our management to make a good faith effort to advise the compensation committee whenever it is aware that material non-public information is planned to be released to the public in close proximity to the grant of equity awards.

We encourage our executive officers to hold a significant equity interest in us, but we have not set specific ownership guidelines. We have a policy that prohibits our executive officers, directors and other members of management from engaging in short sales, transactions in put or call options, hedging transactions or other inherently speculative transactions with respect to our stock.

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Agreements Providing for Change in Control and Severance Benefits

We have entered into employment agreements with Dr. Cooper and Mr. Belbel and severance agreements with Mr. Lafond and Dr. Lebel. The previously effective employment agreement with Dr. Lewis expired in accordance with its terms on January 8, 2015, however, Dr. Lewis continued to serve as our Chief Executive Officer on the same base cash compensation terms until he ceased serving as our Chief Executive Officer on May 5, 2015. Under the terms of these documents or otherwise, the employment of each of our named executive officers is at will (to the greatest extent permitted by applicable law), meaning that either we or the officer may terminate their employment at any time. Dr. Cooper and Mr. Belbel are eligible, under the terms of their respective employment agreements to receive severance benefits and accelerated vesting upon the termination of their employment either by us without Cause, by them for Good Reason, or due to their disability or death, either in connection with a Change in Control or not in connection with a Change in Control (each as defined below under Employment and Change in Control Agreements). In addition, Mr. Belbel is eligible to receive accelerated vesting in the event of a Change in Control irrespective of whether Mr. Belbel's employment is terminated. Mr. Lafond and Dr. Lebel are eligible, under the terms of their respective severance agreements, to receive severance benefits upon the termination of their employment by us without cause, either in connection with a Change in Control or not in connection with a Change in Control. The amounts and terms and conditions of these severance rights reflect the negotiations between each of Dr. Cooper, Mr. Belbel, Mr. Lafond and Dr. Lebel and us at the time these documents were entered into, the benefits provided by our peer companies to similarly situated executives at the time they were negotiated, as well as our desire for internal pay equity among our executive officers. We believe that these existing arrangements are consistent with market practices and are critical to attracting and retaining high quality executives. We also believe the involuntary termination benefits allow Dr. Cooper, Mr. Belbel, Mr. Lafond and Dr. Lebel to focus on normal business operations rather than worrying about how business decisions that may be in our best interest will impact their own financial security. In addition, with respect to the accelerated vesting benefits upon a Change in Control provided in the employment agreements or equity grant agreements entered into with Dr. Cooper and Mr. Belbel, we believe these rights help enable Dr. Cooper and Mr. Belbel to maintain a balanced perspective in making overall business decisions during periods of uncertainty. We do not provide golden parachute excise tax gross ups.

401(k) Plan

Our employees, including our named executive officers, are eligible to participate in our 401(k) plan. Our 401(k) plan is intended to qualify as a tax qualified plan under Section 401 of the Internal Revenue Code of 1986, as amended, or the Code. Our 401(k) plan provides that each participant may contribute a portion of his or her pretax compensation, up to a statutory limit, which for most employees was \$17,500 in 2015, with a larger catch up limit for older employees, to the 401(k) plan. Employee contributions are held and invested by the 401(k) plan's trustee. In 2015, we matched employee contributions at a rate of 100% up to 4% of an employee's base salary, capped at \$2,000 matching contributions annually. We believe that this benefit is consistent with the practices of our peer companies, and therefore helps us to recruit and retain key talent at a minimal cost to us.

Other Benefits and Perquisites

We provide medical insurance, dental insurance, life insurance and disability insurance benefits to our U.S. employees, including our named executive officers based in the U.S. These benefits are available to all employees on the same terms and conditions and are subject to applicable laws.

Our executive officers generally do not receive any perquisites, except for limited perquisites provided on a case by case basis. In considering potential perquisites, the compensation committee reviews our cost of such benefits, as compared to the perceived value we receive. The transportation and relocation cost benefits and other perquisites provided to Dr. Cooper under the terms of his employment agreement reflect the terms of the individual negotiations with Dr. Cooper at the time the agreement was entered into.

We do not sponsor any defined benefit pension plan or nonqualified deferred compensation plan or arrangement for our employees.

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Tax Deductibility of Executive Compensation

Section 162(m) of the Code denies a federal income tax deduction for specified compensation in excess of \$1.0 million per year paid to the chief executive officer and the three other most highly paid executive officers, other than a company's chief financial officer, of a publicly traded corporation. Some types of compensation, including stock options and other compensation based on performance criteria that are approved in advance by stockholders, may be structured so as to be excluded from the deduction limit. To maintain flexibility in compensating our executive officers in a manner that promotes varying corporate goals, our compensation committee has not adopted a policy requiring all compensation to be deductible. Our compensation committee will continue to evaluate the effects of the executive compensation deduction limitations of Section 162(m) of the Code and to grant compensation in the future in a manner consistent with our best interests and the best interests of our stockholders.

Accounting Considerations

We account for equity compensation paid to our employees under the Financial Accounting Standards Board Accounting Standards Codification Topic 718, or ASC 718, which requires us to estimate and record an expense over the service period of the equity award. Our cash compensation is recorded as an expense over the period the bonus is earned. The accounting impact of our compensation programs are one of many factors that the compensation committee considers in determining the structure and size of our executive compensation programs.

Compensation Recovery Policy

We do not have a policy to attempt to recover cash bonus payments paid to our executive officers if the performance objectives that led to the determination of such payments were to be restated, or found not to have been met to the extent the compensation committee originally believed. However, as a public company subject to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, if we are required as a result of misconduct to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, our chief executive officer and chief financial officer may be legally required to reimburse us for any bonus or other incentive-based or equity-based compensation they receive. In addition, we will comply with the requirements of the Dodd-Frank Act and will adopt a compensation recovery policy once the SEC adopts final regulations on the subject.

Risk Analysis of Our Compensation Program

Our compensation committee has reviewed our compensation policies as generally applicable to our employees and believes that our policies do not encourage excessive or inappropriate risk taking and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on us. As part of its assessment, the compensation committee considered, among other factors, the allocation of compensation among base salary and short- and long-term compensation, our approach to establishing company-wide and individual financial, operational and other performance targets, our bonus structure of payouts at multiple levels of performance (including maximum payout caps and payments for performance below target levels), and the nature of our key performance metrics.

Compensation Committee Report

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis portion contained in this proxy statement. Based on this review and discussion, the compensation committee has recommended to the board of directors, and the board has agreed, that the section entitled "Compensation Discussion and Analysis" as it appears above be included in this proxy statement.

COMPENSATION COMMITTEE

Michael Weiser, Chairman

Murray Brennan

Scott Tarriff

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This report is not soliciting material, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether before or after the date hereof and irrespective of any general incorporation language in any such filing.

Table of Contents**Executive Compensation Tables**Summary Compensation Table for Fiscal 2015

Jonathan Lewis, M.D., Ph.D., our former Chief Executive Officer, ceased to serve as Chief Executive Officer on May 5, 2015, at which time Laurence James Neil Cooper, M.D., Ph.D. joined our company as our Chief Executive Officer. On February 9, 2015, Francois Lebel, M.D., became our Executive Vice President, Research and Development and Chief Medical Officer. The following table sets forth information regarding compensation earned by our named executive officers, who consist of our two principal executive officers during 2015, our principal financial officer and two other executive officers, in each case as of December 31, 2015:

Name and**Principal**

Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)⁽¹⁾	Option Awards (\$)⁽¹⁾	All Other Compensation (\$)	Total (\$)
<u>Laurence James Neil Cooper, M.D., Ph.D.⁽²⁾ Chief Executive Officer</u>	2015	\$ 328,605	\$ 1,657,533 ⁽³⁾	10,438,610	\$ —	\$ 40,611 ⁽⁴⁾	\$ 12,465,359
	2014	\$ —	\$ —	—	\$ —	\$ —	\$ —
	2013	\$ —	\$ —	—	\$ —	\$ —	\$ —
<u>Jonathan Lewis, M.D., Ph.D. Former Chief Executive Officer</u>	2015	\$ 178,270	\$ —	—	\$ —	\$ 66,182 ⁽⁵⁾	\$ 244,452
	2014	\$ 500,000	\$ 200,000	—	\$ 1,276,240	\$ 79,628 ⁽⁶⁾	\$ 2,055,868
	2013	\$ 500,000	\$ 100,000	—	\$ 1,584,648	\$ 91,992 ⁽⁷⁾	\$ 1,692,672
<u>Caesar J. Belbel Chief Operating Officer, Executive Vice President, Chief Legal Officer and Secretary</u>	2015	\$ 364,583	\$ 375,000	1,011,650	\$ —	\$ 2,685 ⁽⁸⁾	\$ 1,753,918
	2014	\$ 350,000	\$ 122,500	—	\$ 638,120	\$ 2,342 ⁽⁹⁾	\$ 1,111,204
	2013	\$ 350,000	\$ 61,250	—	\$ 907,348	\$ 828 ⁽¹⁰⁾	\$ 912,418
<u>Francois Lebel, M.D.⁽¹¹⁾ Executive Vice President, Research and Development and Chief Medical Officer</u>	2015	\$ 378,219	\$ 114,000	540,150	\$ —	\$ 2,685 ⁽¹²⁾	\$ 1,035,054
<u>Kevin G. Lafond⁽¹³⁾ Vice President Finance, Chief Accounting Officer and Treasurer</u>	2015	\$ 225,000	\$ 56,250	\$ 232,680	\$ —	\$ 2,440 ⁽¹⁴⁾	\$ 516,370
	2014	\$ 200,997	\$ 37,687	—	\$ 273,480	\$ 2,335 ⁽¹⁵⁾	\$ 512,499
	2013	\$ 195,142	\$ 35,126	—	\$ 262,738	\$ 2,749 ⁽¹⁶⁾	\$ 347,763

(1) These amounts have been calculated in accordance with ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of the assumptions relating to our valuations of these restricted stock awards and stock options, please see Note 3 to the financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on February 24, 2016. These amounts reflect our accounting expense for these restricted stock awards and stock options and do not correspond to the actual value that may be recognized by our named executive officers.

(2) Dr. Cooper joined us in May 2015. Dr. Cooper's annual base salary in 2015 was \$500,000. The amounts reflected in the table above reflect his partial year of service in 2015.

(3) Of such amount, (i) \$1,000,000 represents a one-time sign-on bonus paid to Dr. Cooper in May 2015 and (ii) \$657,533 represents Dr. Cooper's pro-rated performance-based bonus for 2015.

(4) Of such amount, (i) \$404 represents the dollar value of life insurance premiums we paid for the benefit of Dr. Cooper during 2015, (ii) \$29,710 represents taxable perquisites, including \$18,000 for legal fees, \$11,320 for relocation costs and \$390 for parking, and (iii) \$8,497 represents gross up amounts reimbursed to Dr. Cooper for the payment of taxes on such perquisites.

(5) Of such amount, (i) \$2,343 represents the dollar value of life insurance premiums we paid for the benefit of Dr. Lewis during 2015, (ii) \$18,480 represents taxable perquisites including \$1,300 for health club dues, and \$17,180 for transportation costs, (iii) \$494 represents gross up amounts reimbursed to Dr. Lewis for the payment of taxes on such perquisites and (iv) \$44,865 represents accrued vacation time that was paid upon Dr. Lewis' departure in May 2015.

(6)

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Of such amount, (i) \$3,498 represents the dollar value of life insurance premiums we paid for the benefit of Dr. Lewis during 2014, (ii) \$49,491 represents taxable perquisites including \$3,840 for health club dues, and \$45,651 for transportation costs, and (iii) \$26,639 represents gross up amounts reimbursed to Dr. Lewis for the payment of taxes on such perquisites.

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- (7) Of such amount, (i) \$3,533 represents the dollar value of life insurance premiums we paid for the benefit of Dr. Lewis during 2013, (ii) \$58,987 represents taxable perquisites including \$3,720 for health club dues, and \$55,207 for transportation costs, and (iii) \$29,472 represents gross up amounts reimbursed to Dr. Lewis for the payment of taxes on such perquisites.
- (8) Of such amount, (i) \$685 represents the dollar value of group term life insurance premiums we paid for the benefit of Mr. Belbel during 2015 and (ii) \$2,000 represents the amount we contributed to Mr. Belbel's 401(k) pursuant to our matching program.
- (9) Of such amount, (i) \$584 represents the dollar value of group term life insurance premiums we paid for the benefit of Mr. Belbel during 2014 and (ii) \$1,758 represents the amount we contributed to Mr. Belbel's 401(k) pursuant to our matching program.
- (10) Represents the dollar value of group term life insurance premiums we paid for the benefit of Mr. Belbel during 2013.
- (11) Dr. Lebel became an executive officer in February 2015 when he was appointed Executive Vice President, Research and Development and Chief Medical Officer.
- (12) Of such amount, (i) \$685 represents the dollar value of group term life insurance premiums we paid for the benefit of Dr. Lebel during 2015 and (ii) \$2,000 represents the amount we contributed to Dr. Lebel's 401(k) pursuant to our matching program.
- (13) Mr. Lafond became our principal accounting officer in June 2013 when he was appointed Vice President Finance, Chief Accounting Officer and Treasurer.
- (14) Of such amount, (i) \$440 represents the dollar value of group term life insurance premiums we paid for the benefit of Mr. Lafond during 2015 and (ii) \$2,000 represents the amount we contributed to Mr. Lafond's 401(k) pursuant to our matching program.
- (15) Of such amount, (i) \$335 represents the dollar value of group term life insurance premiums we paid for the benefit of Mr. Lafond during 2014 and (ii) \$2,000 represents the amount we contributed to Mr. Lafond's 401(k) pursuant to our matching program.
- (16) Of such amount, (i) \$749 represents the dollar value of group term life insurance premiums we paid for the benefit of Mr. Lafond during 2013 and (ii) \$2,000 represents the amount we contributed to Mr. Lafond's 401(k) pursuant to our matching program.

Grants of Plan-Based Awards for Fiscal 2015

The following table sets forth information regarding grants of compensation in the form of plan-based awards made during 2015 to our named executive officers. The equity awards granted in 2015 identified in the table below are also reported in the table entitled Outstanding Equity Awards at 2015 Fiscal Year-End:

Name	Grant Date	Threshold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Award(s) ⁽¹⁾		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽²⁾
			Target (\$)	Maximum (\$)				
Jonathan Lewis, M.D., Ph.D	N/A		\$				\$	\$
Laurence James Neil Cooper, M.D., Ph.D	N/A			1,000,000				
	05/05/15				1,000,000			9,350,000
	12/31/15				131,000			1,088,610
Caesar J. Belbel	N/A			375,000				
	06/01/15				50,000			471,500
	12/31/15				65,000			540,150
Francois Lebel, M.D.	N/A			114,000				
	12/31/15				65,000			540,150
Kevin G. Lafond	N/A			56,250				
	12/31/15				28,000			232,680

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- (1) Reflects performance-based cash bonuses that our named executive officers were eligible to earn in 2015 if certain performance metrics were achieved whether pursuant to an employment agreement with us or otherwise. See Employment and Change in Control Agreements for a description of our performance-based compensation arrangements with our named executive officers. For amounts actually earned and paid for 2015 performance, see Summary Compensation Table for Fiscal 2015 above.
- (2) The amounts shown represent compensation expense recognized for financial statement purposes under ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of the assumptions relating to our valuations of restricted stock awards and option awards, see Note 3 to the financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on February 24, 2016. These amounts reflect our accounting expense for these restricted stock awards and do not correspond to the actual value that may be recognized by our named executive officers.

Outstanding Equity Awards at 2015 Fiscal Year-End

The following table sets forth information regarding option awards and restricted stock awards held as of December 31, 2015 by our named executive officers.

Name	Option Awards				Stock Awards	
	Number of Securities		Option	Option	Shares or Units of	
	Underlying	Unexercised Options	Exercise Price (\$) ⁽¹⁾	Expiration Date	Stock That Have Not Vested	
	Exercisable (#)	Unexercisable (#)			Number (#)	Market Value (\$) ⁽²⁾
Jonathan Lewis, M.D., Ph.D. ⁽³⁾						
Laurence Neil James Cooper, M.D., Ph.D.					1,000,000 ⁽⁴⁾	8,310,000
					131,000 ⁽⁵⁾	1,088,610
Caesar J. Belbel	200,000		5.17	9/6/21		
	150,000		4.16	12/31/22		
		76,666 ⁽⁶⁾	2.30	6/27/23		
	100,000	50,000 ⁽⁷⁾	4.34	12/31/23		
	58,334	116,666 ⁽⁸⁾	5.07	12/31/24		
					50,000 ⁽⁹⁾	415,500
					65,000 ⁽¹⁰⁾	540,150
Francois Lebel, M.D., Ph.D.	30,000	15,000 ⁽¹¹⁾	5.71	3/17/23		
	73,333	36,667 ⁽¹²⁾	2.30	6/26/23		
	50,000	50,000 ⁽¹³⁾	4.34	12/30/23		
	58,334	116,666 ⁽¹⁴⁾	5.07	12/30/24		
					65,000 ⁽¹⁵⁾	540,150
Kevin G. Lafond	11,667		2.85	12/31/19		
	25,000		4.77	12/31/20		
	20,000		4.16	12/31/22		
	27,500	27,500 ⁽¹⁶⁾	2.30	6/27/23		
	23,333	11,667 ⁽¹⁷⁾	4.34	12/31/23		
	25,000	50,000 ⁽¹⁸⁾	5.07	12/31/24		
					28,000 ⁽¹⁹⁾	232,680

- (1) Each stock option was granted with an exercise price equal to the fair market value of our common stock on the grant date.
- (2) Market values are calculated based on the closing market price of our common stock as reported on the NASDAQ Capital Market on December 31, 2015, which was \$8.31 per share.

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- (3) Dr. Lewis ceased serving as our Chief Executive Officer on May 5, 2015 and departed the Company on May 8, 2015, at which time certain of Dr. Lewis' option awards immediately vested. Dr. Lewis was entitled to exercise the then-vested portion of any option awards held by him within 90 days following his departure.
- (4) Such shares are subject to transfer and forfeiture restrictions that lapse with respect to 333,334 shares on May 5, 2016 and with respect to 333,333 shares on each of May 5, 2017 and May 5, 2018.
- (5) Such shares are subject to transfer and forfeiture restrictions that lapse with respect to 43,666 shares on December 31, 2016 and with respect to 43,667 shares on each of December 31, 2017 and December 31, 2018.
- (6) Vests with respect to 76,666 shares on June 27, 2016.
- (7) Vests with respect to 50,000 shares on December 31, 2016.
- (8) Vests with respect to 58,333 shares on each of December 31, 2016 and December 31, 2017.
- (9) Such shares are subject to transfer and forfeiture restrictions that lapse with respect to 16,667 shares on each of June 1, 2016 and June 1, 2017 and with respect to 16,666 shares on June 1, 2018.
- (10) Such shares are subject to transfer and forfeiture restrictions that lapse with respect to 21,666 shares on December 31, 2016 and with respect to 21,667 shares on each of December 31, 2017 and December 31, 2018.
- (11) Vests with respect to 15,000 shares on March 18, 2016.
- (12) Vests with respect to 36,667 shares on June 27, 2016.
- (13) Vests with respect to 50,000 shares on December 31, 2016.
- (14) Vests with respect to 58,333 shares on each of December 31, 2016 and December 31, 2017.
- (15) Such shares are subject to transfer and forfeiture restrictions that lapse with respect to 21,666 shares on December 31, 2016 and with respect to 21,667 shares on each of December 31, 2017 and December 31, 2018.
- (16) Vests with respect to 27,500 shares on June 27, 2016.
- (17) Vests with respect to 11,666 shares on December 31, 2016.
- (18) Vests with respect to 25,000 shares on each of December 31, 2016 and December 31, 2017.
- (19) Such shares are subject to transfer and forfeiture restrictions that lapse with respect to 9,334 shares on December 31, 2016 and with respect to 9,333 shares on each of December 31, 2017 and December 31, 2018.

Option Exercises and Stock Awards Vested during Fiscal 2015

The following table provides certain information regarding option exercises and stock vested during the fiscal year ended December 31, 2015 with respect to our named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise(\$) ⁽¹⁾	Number of Shares Acquired on Vesting(#) ⁽²⁾	Value Realized on Vesting(\$) ⁽³⁾
Jonathan Lewis, M.D., Ph.D.	1,376,374	\$ 15,407,086.63		\$
Laurence James Neil Cooper				
Caesar J. Belbel			14,601	146,886.06
	153,333	1,617,663.15		
Francois Lebel	50,000	289,000.00		
Kevin G. Lafond	30,834	231,322.56		

- (1) Value realized is calculated by multiplying (i) the number of shares of common stock for which the stock options were exercised by (ii) the difference between the exercise price and the closing price of our common stock as reported on the NASDAQ Capital Market on the date of exercise. These amounts may not correspond to the actual value that may be recognized by the officers.
- (2) Mr. Belbel elected to have shares withheld to pay associated income taxes. The number of shares reported represents the gross number prior to withholding of such shares.
- (3) Value realized is calculated by multiplying the number of shares vested on a date during 2015 by the closing market price of our common stock as reported on the NASDAQ Capital Market on such date. These amounts do not correspond to the actual value that may be recognized by the officers.

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Employment and Change in Control Agreements

Employment Agreement with Laurence James Neil Cooper

Dr. Laurence James Neil Cooper has served as our Chief Executive Officer since May 5, 2015, the date of his written employment agreement. Dr. Cooper has an at-will employment relationship with us.

Base Salary. Dr. Cooper received an initial annual base salary of \$500,000, subject to review of the board of directors or the compensation committee at least annually. The board did not increase Dr. Cooper's base salary for 2016.

Annual Performance Bonus. Under his employment agreement, Dr. Cooper is eligible to receive an annual bonus based on his performance as determined by the board or the compensation committee, including, on a pro-rated basis, for 2015. The target amount of the annual performance bonus is 200% of his base salary, with the actual amount to be received determined by the board or the compensation committee. Dr. Cooper is also eligible to receive an additional annual discretionary bonus in such amount as may be determined by the board. For 2015, the board adopted the compensation committee's recommendations for end-of-year cash bonuses pursuant to which Dr. Cooper received a pro-rated cash bonus of \$657,532.

Equity Incentive Grants. Dr. Cooper is eligible under his employment agreement to receive equity awards as determined by the board in its sole discretion from time to time. In connection with his entry into his employment agreement, on May 5, 2015 we granted Dr. Cooper 1,000,000 shares of restricted common stock, which restricted stock vests in three equal annual installments starting with the first anniversary date of the grant. Effective as of December 31, 2015, the board adopted the compensation committee's recommendations for 2015 end-of-year awards of restricted stock and grants of stock options under our 2012 Equity Incentive Plan pursuant to which Dr. Cooper was awarded 131,000 shares of restricted common stock, which restricted stock vests in equal annual installments over three years commencing on the one-year anniversary of the grant date. Under certain circumstances, the vesting of Dr. Cooper's equity awards may be accelerated in the event of a Change in Control or if Dr. Cooper's employment with us is terminated. See Severance Provisions and Potential Payments Upon Termination or Change in Control below.

Expense Reimbursement. Under his agreement, Dr. Cooper is eligible for reimbursement of normal, usual and necessary expenses incurred by him in furtherance of our business and affairs, including reasonable travel and entertainment expenses and the ordinary and necessary expenses incurred in connection with his commute and relocation from Houston, Texas to the Philadelphia or Boston metropolitan area (as applicable).

Severance Provisions. If (i) we terminate Dr. Cooper for a reason other than death, disability or Cause (as that term is defined in his employment agreement), or (ii) Dr. Cooper resigns for Good Reason (as that term is defined in his employment agreement), Dr. Cooper will be entitled to receive continuing payments of his then-current base salary for a period of twelve months, plus a portion of the target amount of his annual performance bonus for the calendar year in which such termination occurs (which portion will be determined pro rata based on the number of days in such calendar year during which we employed Dr. Cooper), plus payment of our portion of the contributions for medical and dental insurance coverage for twelve months, subject to Dr. Cooper's execution and delivery of a general release in favor of the Company. In this situation, Dr. Cooper's stock options that have vested as of the date of termination shall remain exercisable for a period of 90 days and any unvested stock options and unvested awards of restricted stock held by Dr. Cooper shall be deemed to have expired as of the date of termination. In the case of either (i) a termination by us for a reason other than death, disability or Cause, or (ii) a resignation for Good Reason, in each case that occurs within 90 days prior to and in connection with a Change in Control (as that term is defined in his employment agreement), or within 18 months after the occurrence of a Change in Control, all unvested stock options and unvested awards of restricted stock held by Dr. Cooper at the time that such termination occurs will be accelerated and deemed to have vested as of his employment termination date, and in lieu of the pro-rata bonus described above, Dr. Cooper will be entitled to full target amount of his annual performance bonus for the calendar year in which such termination occurs.

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Non-competition and Non-solicitation. Dr. Cooper has entered into an Invention, Non-Disclosure and Non-Competition Agreement, which provides that he will not compete with us or solicit our clients or customers for a year after the termination or cessation of his employment with us, and further provides that he will not solicit our employees for one year after the termination or cessation of his employment with us.

Amended and Restated Employment Agreement with Caesar J. Belbel

Mr. Caesar J. Belbel has served as our Executive Vice President, Chief Legal Officer and Secretary since September 6, 2011, and as our Chief Operating Officer since June 1, 2015. We entered into an employment agreement with Mr. Belbel on September 6, 2011, which was amended and restated on June 1, 2015, in connection with his appointment as our Chief Operating Officer. Mr. Belbel has an at-will employment relationship with us.

Base Salary. Under his amended and restated employment agreement, Mr. Belbel received an initial annual base salary of \$375,000, subject to review of the board of directors or the compensation committee at least annually, provided that the base salary shall not be subject to reduction. The board did not increase Mr. Belbel's base salary for 2016.

Annual Performance Bonus. Under his amended and restated employment agreement, Mr. Belbel is eligible to receive an annual bonus based on his performance as determined by the board or the compensation committee. The target amount of the annual performance bonus is 100% of his base salary, with the actual amount to be received determined by the board or the compensation committee. Mr. Belbel is also eligible to receive an additional annual discretionary bonus in such amount as may be determined by the board. For 2015, the board adopted the compensation committee's recommendations for end-of-year cash bonuses pursuant to which Mr. Belbel received a cash bonus of \$375,000.

Equity Incentive Grants. Mr. Belbel is eligible under his amended and restated employment agreement to receive equity awards as determined by the board in its sole discretion from time to time. In connection with his appointment as the Company's Chief Operating Officer, effective as of June 1, 2015, the board adopted the compensation committee's recommendation for a restricted stock award under our 2012 Equity Incentive Plan pursuant to which Mr. Belbel was awarded 50,000 shares of restricted common stock, which restricted stock vests in equal annual installments over three years commencing on the one-year anniversary of the grant date. Effective as of December 31, 2015, the board adopted the compensation committee's recommendations for 2015 end-of-year awards of restricted stock and grants of stock options under our 2012 Equity Incentive Plan pursuant to which Mr. Belbel was awarded 65,000 shares of restricted common stock, which restricted stock vests in equal annual installments over three years commencing on the one-year anniversary of the grant date. Under certain circumstances, the vesting of Mr. Belbel's equity awards may be accelerated if Mr. Belbel's employment with us is terminated. Upon a Change in Control (as that term is defined in his employment agreement), any unvested stock options and unvested awards of restricted stock held by Mr. Belbel will be accelerated and deemed to have fully vested as of the date of such occurrence, irrespective of whether such Change in Control involves a termination of Mr. Belbel without Cause or whether Mr. Belbel resigns for Good Reason. See Severance Provisions and Potential Payments Upon Termination or Change in Control below.

Expense Reimbursement. Under his amended and restated employment agreement, Mr. Belbel is eligible for reimbursement of normal, usual and necessary expenses incurred by him in furtherance of our business and affairs, including reasonable travel and entertainment expenses as well as reasonable legal licensing fees and related professional dues and memberships.

Severance Provisions. If (i) we terminate Mr. Belbel for a reason other than death, disability or Cause (as that term is defined in his employment agreement), or (ii) Mr. Belbel resigns for Good Reason (as that term is defined in his employment agreement), Mr. Belbel will be entitled to receive a severance payment in a single lump sum equal to 100% of his then-current annual base salary plus a portion of the target amount of his annual

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performance bonus for the calendar year in which such termination occurs (which portion will be determined pro rata based on the number of days in such calendar year during which we employed Mr. Belbel), and any unvested stock options and unvested awards of restricted stock held by Mr. Belbel will be accelerated and deemed to have fully vested as of the date of such occurrence, subject to Mr. Belbel's execution and delivery of a general release in favor of the Company. Any stock options that have vested or been deemed to have vested as of the date of termination will remain outstanding and exercisable until the earlier of 90 days following the date of termination, the date that they are exercised or the date on which the original term of such stock option expires.

Non-competition and Non-solicitation. Mr. Belbel has entered into an Invention, Non-Disclosure and Non-Competition Agreement, which provides that he will not compete with us or solicit our clients or customers for a year after the termination or cessation of his employment with us, and further provides that he will not solicit our employees for two years after the termination or cessation of his employment with us.

Employment Relationship with Francois Lebel, M.D.

On February 9, 2015, Dr. Lebel was promoted to Executive Vice President, Research and Development and Chief Medical Officer, at which time he became an executive officer of the Company.

Base Salary. In 2015, Dr. Lebel received an annual base salary of \$380,000, which is subject to review of the board of directors or the compensation committee at least annually. The board increased Dr. Lebel's base salary to \$410,000 for 2016.

Annual Performance Bonus. Dr. Lebel is eligible to receive an annual bonus based on his performance as determined by the board or the compensation committee. For 2015, the board adopted the compensation committee's recommendations for end-of-year cash bonuses pursuant to which Dr. Lebel received a cash bonus of \$114,000.

Equity Incentive Grants. Effective as of December 31, 2015, the board adopted the compensation committee's recommendations for 2015 end-of-year awards of restricted stock and grants of stock options under our 2012 Equity Incentive Plan pursuant to which Dr. Lebel was awarded 65,000 shares of restricted common stock, which restricted stock vests in equal annual installments over three years commencing on the one-year anniversary of the grant date. The vesting of certain of Dr. Lebel's equity awards may be accelerated if Dr. Lebel's employment with us is terminated under certain circumstances. See Potential Payments Upon Termination or Change in Control below.

Expense Reimbursement. Dr. Lebel is eligible for reimbursement of normal, usual and necessary expenses incurred by him in furtherance of our business and affairs, including reasonable travel and entertainment expenses.

Severance Provisions. If Dr. Lebel is terminated by the Company for a reason other than for Cause (as that term is defined in his severance agreement), or other than for retirement, death or disability, Dr. Lebel will be entitled to receive a severance payment in a single lump sum equal to six months of his then-current annualized base salary, subject to Dr. Lebel's execution and delivery of a general release in favor of the Company.

Employment Relationship with Kevin G. Lafond

Base Salary. In 2015, Mr. Lafond received an annual base salary of \$225,000, which is subject to review of the board of directors or the compensation committee at least annually. The board increased Mr. Lafond's base salary to \$245,000 for 2016.

Annual Performance Bonus. Mr. Lafond is eligible to receive an annual bonus based on his performance as determined by the board or the compensation committee. For 2015, the board adopted the compensation committee's recommendations for end-of-year cash bonuses pursuant to which Mr. Lafond received a cash bonus of \$56,250.

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Equity Incentive Grants. Mr. Lafond is eligible to receive equity awards as determined by the board in its sole discretion from time to time. Effective as of December 31, 2015, the board adopted the compensation committee's recommendations for 2015 end-of-year awards of restricted stock and grants of stock options under our 2012 Equity Incentive Plan pursuant to which Mr. Lafond was awarded 28,000 shares of restricted common stock, which restricted stock vests in equal annual installments over three years commencing on the one-year anniversary of the grant date. The vesting of certain of Mr. Lafond's equity awards may be accelerated if Mr. Lafond's employment with us is terminated under certain circumstances. See Potential Payments Upon Termination or Change in Control below.

Expense Reimbursement. Mr. Lafond is eligible for reimbursement of normal, usual and necessary expenses incurred by him in furtherance of our business and affairs, including reasonable travel and entertainment expenses.

Severance Provisions. If Mr. Lafond is terminated by the Company for a reason other than for Cause (as that term is defined in his severance agreement), or other than for retirement, death or disability, Mr. Lafond will be entitled to receive a severance payment in a single lump sum equal to six months of his then-current annualized base salary, subject to Mr. Lafond's execution and delivery of a general release in favor of the Company.

Employment Agreement with Jonathan Lewis, M.D., Ph.D.

Until May 5, 2015, Dr. Jonathan Lewis had served as our Chief Executive Officer since our September 2005 acquisition of ZIOPHARM, Inc., and previously served as Chief Executive Officer of ZIOPHARM, Inc. since January 2004. Effective January 8, 2008, we entered into a new three-year employment agreement with Dr. Lewis upon the expiration of his prior employment agreement. On December 28, 2010, we extended the term of the current employment agreement with Dr. Lewis for a two-year period expiring January 8, 2013, on January 8, 2013 we further extended the term of the employment agreement with Dr. Lewis for an additional one-year period expiring January 8, 2014 and on January 8, 2014 we again extended the term of the employment agreement with Dr. Lewis for an additional one-year period expiring January 8, 2015. The employment agreement with Dr. Lewis expired in accordance with its terms on January 8, 2015, however Dr. Lewis continued to serve as our Chief Executive Officer on the same base cash compensation terms until he ceased serving as Chief Executive Officer on May 5, 2015.

Base Salary. Under his employment agreement, Dr. Lewis received an initial annual base salary of \$420,000, subject to increase at the discretion of the board of directors based on an annual review. Based on its year-end reviews for 2009, 2010 and 2012, the board increased Dr. Lewis' annual base salary for 2010, 2011 and 2013 to \$462,000, \$485,100 and \$500,000, respectively. The board did not increase Dr. Lewis' base salary for 2014 or 2015.

Annual Performance Bonus. While he served as our Chief Executive Officer, Dr. Lewis was eligible under the employment agreement to receive an annual bonus based on his performance as determined by the board and remained eligible to receive an annual bonus based on his performance following the expiration of his employment agreement in accordance with its terms. The agreement contemplated that Dr. Lewis and the compensation committee would agree on certain performance goals for each year. The target amount of the annual performance bonus was \$300,000. The actual amount received was based on whether we have achieved each of the goals, with lesser amounts paid if substantial progress has been made to achieve the goal or we have abandoned it, and greater amounts paid if expectations are exceeded. Dr. Lewis was also eligible to receive an additional annual discretionary bonus in such amounts determined by the board. Dr. Lewis did not receive an end-of-year discretionary bonus for 2015.

Equity Incentive Grants. While he served as our Chief Executive Officer, Dr. Lewis was eligible under his employment agreement to receive equity awards as determined by the board in its sole discretion from time to

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time and remained eligible to receive such equity awards following the expiration of his employment agreement in accordance with its terms. In connection with his departure from the Company, certain of Dr. Lewis' equity awards immediately vested and became exercisable in full.

Expense Reimbursement. Under his agreement, Dr. Lewis was eligible for reimbursement of reasonable out-of-pocket expenses incurred by him in furtherance of our business and affairs, including reasonable travel and entertainment expenses, as well as for medical licensing fees, professional dues and memberships, journal subscriptions and up to \$10,000 per year in costs associated with certain corporate consultants retained by Dr. Lewis. In addition, we had agreed to reimburse Dr. Lewis for premiums on life insurance policies having aggregate coverage limits of up to \$800,000 and premiums on disability insurance policies covering Dr. Lewis in amounts up to \$20,000 per month. Dr. Lewis remained eligible for reimbursement of such amounts following the expiration of his employment agreement in accordance with its terms, however, Dr. Lewis ceased serving as our Chief Executive Officer on May 5, 2015 and is no longer eligible for reimbursement of such amounts.

Severance Provisions. Dr. Lewis was not entitled to any severance benefits when he ceased serving as Chief Executive Officer on May 5, 2015 and did not receive any severance benefits upon his departure.

Non-competition and Non-solicitation. The employment agreement provided that Dr. Lewis would not compete with us, or solicit our employees, clients or customers, for twelve months after the termination of his employment with us; provided, however, that we would have been obligated to pay Dr. Lewis his base salary and his performance bonus (based on Dr. Lewis' average performance bonus received for the prior two years) if we desired such non-competition and non-solicitation provisions to have effect following expiration of the employment agreement without renewal.

Table of ContentsPotential Payments Upon Termination or Change in Control

The following table sets forth estimated compensation that would have been payable to each of our named executive officers as severance or upon a change in control of the Company under three alternative scenarios, assuming the termination triggering severance payments or a change in control took place on December 31, 2015.

<u>Name</u>	<u>Cash Payment</u> <u>(\$)⁽¹⁾</u>	<u>Accelerated Vesting of Stock Options</u> <u>(\$)⁽²⁾</u>	<u>Accelerated Vesting of Restricted Stock Awards</u> <u>(\$)⁽³⁾</u>	<u>Welfare Benefits</u> <u>(\$)⁽⁴⁾</u>	<u>Total</u> <u>(\$)</u>
<u>Laurence James Neil Cooper, M.D., Ph.D.</u>					
<u>Termination without cause or with good reason prior to change in control</u>	1,500,000		3,132,870	19,686	4,652,556
<u>Change in control only</u>					
<u>Change in control with termination without cause or good reason</u>	1,500,000		9,398,610	19,686	10,918,296
<u>Caesar J. Belbel</u>					
<u>Termination without cause or with good reason prior to change in control</u>	750,000	1,037,270	955,650	6,970	2,749,890
<u>Change in control only</u>		1,037,270	955,650		1,992,920
<u>Change in control with termination without cause or good reason</u>	750,000	1,037,270	955,650	6,970	2,749,890
<u>Francois Lebel, M.D.</u>					
<u>Termination without cause or with good reason prior to change in control</u>	190,000	576,500	540,150		1,306,650
<u>Change in control only</u>					
<u>Change in control with termination without cause or good reason</u>	190,000	796,867	540,150		1,527,017
<u>Kevin G. Lafond</u>					
<u>Termination without cause or with good reason prior to change in control</u>	112,500				112,500
<u>Change in control only</u>					
<u>Change in control with termination without cause or good reason</u>	112,500	327,275	232,680		672,455

- (1) Amounts shown reflect payments based on salary and bonus as well as payment of estimated cost of life, disability and accident insurance benefits during the agreement period.
- (2) Amounts shown represent the value of stock options upon the applicable triggering event described in the first column. The value of stock options is based on the difference between the exercise price of the options and \$8.31, which was the closing price of our common stock on the NASDAQ Capital Market on December 31, 2015.
- (3) Amounts shown represent the value of restricted stock awards upon the applicable triggering event described in the first column, based on the closing price of our common stock on the NASDAQ Capital Market on December 31, 2015.
- (4) Amounts shown represent the estimated cost of providing employment-related benefits during the agreement period.

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INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

This section provides further information regarding the board of directors and the independence of our directors and describes key corporate governance guidelines and practices that we have adopted.

Independence of the Board of Directors

The board of directors uses the definition of independence established by The NASDAQ Stock Market. Under applicable NASDAQ rules, a director qualifies as an independent director if, in the opinion of the board, he or she does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The board has determined that Dr. Murray Brennan, Mr. James A. Cannon, Senator Wyche Fowler, Jr., Mr. Scott Tarriff and Dr. Michael Weiser are independent directors, as such term is defined in NASDAQ Rule 5605(a)(2).

Board Leadership Structure

The board of directors has appointed an independent director, Dr. Murray Brennan, to serve as its non-executive Lead Director. The board has elected to separate the Lead Director function from that of the Chief Executive Officer, who serves as our principal executive officer, due to a belief that separating these functions, and empowering an independent director to chair the board meetings, will result in increased board oversight of management activities.

Director Attendance at Board and Stockholder Meetings

The board of directors met seven times during 2015, either in person or by teleconference. During 2015, each director attended at least 75% of the aggregate number of meetings of the board and of the committees on which he served, held during the last fiscal year or portion thereof of which he was a director or committee member, with the exception of Senator Fowler, who attended less than 75% of the audit committee meetings. In addition, Senator Fowler, who served on the compensation committee from June 17, 2015 to September 25, 2015, did not attend the sole compensation committee meeting that occurred during that period.

Although we have no formal policy regarding directors' attendance at our annual stockholders meetings, we encourage such attendance by members of the board. All of the current members of the board attended our 2015 annual stockholders meeting, with the exception of Mr. Tarriff, who was not a board member at the time of the 2015 annual stockholders meeting, and Senator Fowler.

Board Committees

The board of directors has established three standing committees: an audit committee, a compensation committee, and a nominating and corporate governance committee. Each committee operates under a charter that has been approved by the board. Current copies of each committee's charter are posted on the Investors Corporate Governance section of our website, www.ziopharm.com. Our website and its contents are not incorporated into this proxy statement.

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The current members of the committees are as follows:

	<u>Audit</u>	<u>Compensation</u>	<u>Nominating</u>
<u>Murray Brennan, M.D.*</u>	-	-	-
<u>James A. Cannon</u>	-	-	-
<u>Senator Wyche Fowler, Jr., J.D.</u>	-	-	-
<u>Randal J. Kirk</u>	-	-	-
<u>Scott Tarriff</u>	-	-	-
<u>Michael Weiser, M.D., Ph.D.</u>	-	-	-

* = Lead Director = Chair = Member

Audit Committee

The current members of the audit committee are Mr. James A. Cannon, who serves as the committee's Chairman, Senator Wyche Fowler, Jr., Dr. Michael Weiser and Mr. Scott Tarriff. As set forth in the audit committee charter, the primary responsibility of the audit committee is to oversee our financial reporting processes and internal control system on behalf of the board. In that regard, the audit committee is responsible for, among other things, the appointment, compensation, retention and oversight of the work performed by the independent registered public accounting firm employed by us.

Each member of the audit committee is an independent director, as such term is defined in NASDAQ Marketplace Rule 5605(a)(2), and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act. The board of directors has also determined that each of the audit committee members is able to read and understand fundamental financial statements and that at least one member of the audit committee has past employment experience in finance or accounting. The board has determined that at least one member of the audit committee, Mr. James A. Cannon, is an audit committee financial expert, as that term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Exchange Act. Mr. Cannon's relevant experience includes his current service as the Chief Financial Officer of BBDO Worldwide, a position he has held for the past 20 years, and his past service as director of financial operations of the Omnicom Group.

The audit committee held four meetings during 2015, during which the audit committee held discussions with financial management and representatives from the independent registered public accounting firm prior to the filing of each quarterly report on Form 10-Q and annual report on Form 10-K with the SEC.

Compensation Committee

The current members of the compensation committee are Dr. Michael Weiser, who serves as the committee's Chairman, Dr. Murray Brennan and Mr. Scott Tarriff. Senator Fowler served on the compensation committee from June 2015 until Mr. Tarriff's appointment to the compensation committee in September 2015. As set forth in the compensation committee charter, the compensation committee reviews our remuneration policies and practices and makes recommendations to the board of directors in connection with all compensation matters affecting our executive officers.

Each of Drs. Brennan and Weiser and Mr. Tarriff is an independent director, as such term is defined in NASDAQ Marketplace Rule 5605(a)(2), and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act.

The compensation committee held five meetings during 2015.

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Corporate Governance and Nominating Committee

The current members of the corporate governance and nominating committee are Dr. Murray Brennan, who currently serves as the committee's Chairman, Senator Wyche Fowler, Jr. and Dr. Michael Weiser. As set forth in the corporate governance and nominating committee charter, the primary responsibility of the corporate governance and nominating committee is to consider and make recommendations to the board of directors concerning the appropriate size, function and needs of the board and its committees. In that regard, the corporate governance and nominating committee is, among other things, responsible for establishing criteria for membership on board, recruiting and recommending candidates to fill newly created or vacant positions on the board and reviewing any candidates recommended by stockholders. In addition, the corporate governance and nominating committee evaluates and assesses the performance of the board as a whole and its committees.

Each member of the corporate governance and nominating committee is an independent director, as such term is defined in NASDAQ Marketplace Rule 5605(a)(2), and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act. The corporate governance and nominating committee held three meetings during 2015.

Director Nomination Process

The corporate governance and nominating committee (or a subcommittee thereof) recruits and considers director candidates and presents qualified candidates to the full board of directors for consideration. There is no fixed process for identifying and evaluating potential candidates to be nominees for directors, and there is no fixed set of qualifications that must be satisfied before a candidate will be considered. Rather, the corporate governance and nominating committee has the flexibility to consider such factors as it deems appropriate. These factors may include education, general business and industry experience, ability to act on behalf of stockholders, potential concerns regarding independence or conflicts of interest and other factors relevant in evaluating board nominees. Although the corporate governance and nominating committee does not have a policy with regard to the consideration of diversity in identifying director candidates, overall board diversity of industry background and experience is generally among the factors considered. The corporate governance and nominating committee believes that a board comprised of directors with diverse skills and experiences relevant to our industry and operations will result in efficient and competent oversight of our various core competencies, which include pharmaceutical development, strategic partnering, commercialization activities, regulatory compliance, corporate finance and accounting. As such, the corporate governance and nominating committee gives consideration to the interplay of a director candidate's experience with that of other members of the board and the evolving needs of our business.

Qualified candidates will be considered without regard to race, color, religion, sex, ancestry, national origin or disability, and the corporate governance and nominating committee will consider director candidates recommended by security holders. If the corporate governance and nominating committee approves a candidate for further review following an initial screening, the corporate governance and nominating committee will establish an interview process for the candidate. Generally, the candidate will meet with at least a majority of the members of the corporate governance and nominating committee, along with our Chief Executive Officer. Contemporaneously with the interview process, the corporate governance and nominating committee will conduct a comprehensive conflicts-of-interest assessment of the candidate. The corporate governance and nominating committee will consider reports of the interviews and the conflicts-of-interest assessment to determine whether to recommend the candidate to the full board. The corporate governance and nominating committee will also take into consideration the candidate's personal attributes, including, without limitation, personal integrity, loyalty to us and concern for our success and welfare, willingness to apply sound and independent business judgment, awareness of a director's vital part in our good corporate citizenship and image, time available for meetings and consultation on our matters and willingness to assume broad, fiduciary responsibility.

Recommendations for candidates to be considered for election to the board of directors at our annual stockholders' meeting may be submitted to the corporate governance and nominating committee by our

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stockholders. In order to make such a recommendation, a stockholder must submit the recommendation in writing to the Chairperson of the corporate governance and nominating committee, in care of the our Secretary at our principal executive offices at One First Avenue, Parris Building 34, Navy Yard Plaza, Third Floor, Boston, Massachusetts 02129, at least 120 days prior to the mailing date of the previous year's annual meeting proxy statement. To enable the corporate governance and nominating committee to evaluate the candidate's qualifications, stockholder recommendations must include the following information:

-
- . The name and address of the nominating stockholder and of the director candidate;
-
- . A representation that the nominating stockholder is a holder of record of ours entitled to vote at the current year's annual meeting;
-
- . A description of any arrangements or understandings between the nominating stockholder and the director candidate or candidates being recommended pursuant to which the nomination or nominations are to be made by the stockholder;
-
- . A resume detailing the educational, professional and other information necessary to determine if the nominee is qualified to become a director of ours;
-
- . Such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each nominee been nominated by the board; and
-
- . The consent of each nominee to serve as a director of ours if so elected.

Each of the individuals nominated for re-election to the board of directors pursuant to Proposal One were approved for such nomination by the corporate governance and nominating committee.

Risk Management and Oversight

Our risk management function is overseen by our principal financial officer and Chief Legal officer, each of whom reports directly to the Chief Executive Officer. Material risks are identified and prioritized by management, and prioritized risks are referred to a board committee or the full board for oversight. For example, strategic risks are referred to the full board while financial risks are referred to the audit committee. The board reviews information regarding our credit, liquidity, and operations, as well as the risks associated with each.

Communicating with Directors

We have established means for stockholders and others to communicate with the board of directors. If a stockholder wishes to address a matter regarding our financial statements, accounting practices or internal controls, the matter should be submitted in writing addressed to the Chairperson of the audit committee in care of the Secretary at our principal executive offices at One First Avenue, Parris Building 34, Navy Yard Plaza, Third Floor, Boston, Massachusetts 02129. If the matter relates to our governance practices, business ethics or corporate conduct, it should be submitted in writing addressed to the Chairperson of the corporate governance and nominating committee in care of the principal financial officer at our principal executive offices. If a stockholder is unsure where to direct a communication, the stockholder may direct it in writing to the Chairperson of the audit committee, or to any one of our independent directors, in care of the principal financial officer at our principal executive offices. All of these stockholder communications will be forwarded by the principal financial officer to the addressee.

Compensation Committee Interlocks and Insider Participation

The current members of the compensation committee are Dr. Murray Brennan, Dr. Michael Weiser and Mr. Scott Tarriff. No member of the compensation committee has ever been an officer or employee of the Company or any subsidiary of ours and no member of the compensation committee had any relationship with us during 2015 requiring disclosure under Item 404 of Regulation S-K of the SEC.

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None of the executive officers has served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a member of our board of directors or our compensation committee.

Code of Ethics and Business Conduct

The board of directors adopted a Code of Ethics and Business Conduct to be applicable to all officers, directors and employees. The Code of Ethics and Business Conduct is intended to be designed to deter wrong-doing and promote honest and ethical behavior, full, fair, timely, accurate and understandable disclosure, and compliance with applicable laws. In addition to provisions that are applicable to officers, directors and employees generally, the Code of Ethics and Business Conduct contains provisions that are specifically applicable to our Chief Executive Officer and senior financial officer(s). The Code of Ethics and Business Conduct is available on our website at www.ziopharm.com and a copy may be obtained without charge upon written request to our Secretary at our principal executive offices at One First Avenue, Parris Building 34, Navy Yard Plaza, Third Floor, Boston, Massachusetts 02129. Our website and its contents are not incorporated into this proxy statement.

Audit Committee Report

The audit committee has reviewed our audited financial statements for the last fiscal year, and has discussed them with management and our independent registered public accounting firm.

Specifically, the audit committee has discussed with our independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The audit committee has received and reviewed the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with our independent registered public accounting firm their independence.

The audit committee, based on the review and discussions described above with management and our independent registered public accounting firm, has recommended to the board of directors that the audited financial statements for the fiscal year ended December 31, 2015 be included in our Annual Report on Form 10-K for such fiscal year for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

James A. Cannon, Chairman

Wyche Fowler, Jr.

Michael Weiser

Scott Tarriff

This report is not soliciting material, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether before or after the date hereof and irrespective of any general incorporation language in any such filing.

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DIRECTOR COMPENSATION

Compensatory Arrangements with Outside Directors

Under our director compensation policy, each non-employee director is entitled to the following:

-
- an annual retainer fee of \$40,000 for service on the board;
-
- additional annual retainer fees for board committee service as follows:
-

	<u>Chair</u>	<u>Other Member</u>
<u>Audit Committee</u>	<u>\$ 15,000</u>	<u>\$ 8,000</u>
<u>Compensation Committee</u>	<u>10,000</u>	<u>6,000</u>
<u>Corporate Governance and Nominating Committee</u>	<u>6,000</u>	<u>4,000</u>

The non-executive Lead Director also receives further annualized cash compensation of \$15,000. All cash retainers are paid on a quarterly basis in arrears to non-employee directors who continue to serve as members of the board on the last business day of each calendar quarter.

At the end of each calendar year, each non-employee director receives annual equity incentive grants comprised of restricted shares of our common stock and/or options to purchase shares of our common stock. The number of restricted shares and options comprising each grant is determined by the board prior to the end of each calendar year upon recommendation from the compensation committee. On December 31, 2015, the board determined to make an equity incentive grant to each non-employee director of, at each director's election, either options to purchase 40,000 shares of our common stock with an exercise price of \$8.31 per share, the fair market value of our common stock on the grant date, or such number of restricted shares of our common stock with a value equal to the foregoing options to purchase 40,000 shares of our common stock using the Black-Scholes methodology. The aggregate size of the 2015 annual equity incentive grants represented an increase from our recent historical practice and the recommendation of our independent compensation consultant; however, the board of directors deemed such increases appropriate in recognition of our achievement of significant corporate goals and strong stock performance in 2015. Mr. Tarriff elected to receive an option to purchase 40,000 shares of our common stock. Drs. Brennan and Weiser, Senator Fowler and Messrs. Cannon and Kirk each elected to receive 26,661 shares of restricted stock. The stock options vest on the one-year anniversary of the grant date and the restricted stock is subject to transfer and forfeiture restrictions that lapse on the one-year anniversary of the grant date.

In addition, effective upon a director's initial election to the board, he or she receives, at the director's option, either an option to purchase 25,000 shares of our common stock (pro rated for partial years of service) with an exercise price equal to the fair market value of the common stock on the grant date, or such number of restricted shares of our common stock with a value equal to the foregoing option to purchase 25,000 shares of our common stock (or such pro rated amount) using the Black-Scholes methodology. The restricted stock are subject to transfer and forfeiture restrictions that lapse on December 31 of the year in which such restricted stock is granted and the stock option vests according to the same schedule.

As set forth in its written charter, the compensation committee annually reviews director compensation practices and recommends any changes for adoption by the full board. As such, the director compensation described above is subject to change at the discretion of the board.

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The following table provides information regarding non-employee director compensation for 2015.

Name	Fees Earned or Paid in		Option	Stock	Total
	Cash		Awards ⁽¹⁾	Awards ⁽¹⁾	
	(\$)		(\$)	(\$)	(\$)
Murray Brennan, M.D.	\$ 65,000		\$	\$ 221,553	\$ 286,553
James A. Cannon	\$ 55,000			\$ 221,553	\$ 276,553
Wyche Fowler, Jr.	\$ 52,000			\$ 221,553	\$ 273,553
Randal J. Kirk	\$ 40,000			\$ 221,553	\$ 261,553
Timothy McInerney ⁽²⁾	\$ 26,000				\$ 26,000
Michael Weiser, M.D., Ph.D.	\$ 58,000			\$ 221,553	\$ 279,553
Scott Tarriff	\$ 13,500		\$ 228,176	\$ 45,879	\$ 287,555

(1) The amounts shown represent compensation expense recognized for financial statement purposes under ACS Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of the assumptions relating to our valuations of these restricted stock awards and stock options, please see Note 3 to the financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on February 24, 2015. These amounts reflect our accounting expense for these restricted stock awards and stock options and do not correspond to the actual value that may be recognized by the directors. As of December 31, 2015:

- Dr. Brennan held options to purchase 232,500 shares at a weighted average exercise price of \$4.30 per share, of which 232,500 shares had vested. In addition, Dr. Brennan held 39,161 shares of restricted stock, of which 12,500 shares have had transfer and forfeiture restrictions lapse.
- Mr. Cannon held options to purchase 132,500 shares at a weighted average exercise price of \$4.16 per share, of which 132,500 shares had vested. In addition, Mr. Cannon held 147,146 shares of restricted stock, of which 120,485 shares have had transfer and forfeiture restrictions lapse.
- Senator Fowler held options to purchase 157,500 shares at a weighted average exercise price of \$4.20 per share, of which 157,500 shares had vested. In addition, Senator Fowler held 126,004 shares of restricted stock, of which 99,343 shares have had transfer and forfeiture restrictions lapse.
- Mr. Kirk held options to purchase 25,000 shares at an exercise price of \$5.21 per share, of which 25,000 shares had vested. In addition, Mr. Kirk held 122,309 shares of restricted stock, of which 95,648 shares have had transfer and forfeiture restrictions lapse.
- Dr. Weiser held options to purchase 182,500 shares at a weighted average exercise price of \$4.31 per share, of which 182,500 shares had vested. In addition, Dr. Weiser held 100,381 shares of restricted stock, of which 73,720 shares have had transfer and forfeiture restrictions lapse.
- Mr. Tarriff held options to purchase 40,000 shares at a weighted average exercise price of \$8.31 per share, of which zero shares had vested. In addition, Mr. Tarriff holds 4,186 shares of restricted stock, of which 4,186 shares have had transfer and forfeiture restrictions lapse.

- (2) Represents compensation paid to Mr. McNerney for his partial year of service in 2015. Mr. McNerney was not nominated for re-election in 2015 and his term as a director expired at the 2015 annual meeting.

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LIMITATION OF LIABILITY AND INDEMNIFICATION

Our charter limits the personal liability of directors for breach of fiduciary duty to the maximum extent permitted by the Delaware corporation law. The charter provides that no director will have personal liability to us or to stockholders for monetary damages for breach of fiduciary duty as a director. These provisions do not, however, eliminate or limit the liability of any of the directors for:

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- any breach of the director's duty of loyalty to us or our stockholders;
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- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
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- voting or assenting to unlawful payments of dividends, stock repurchases or other distributions; or
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- any transaction from which the director derived an improper personal benefit.

Any amendment, repeal or modification of these provisions will not adversely affect any right or protection of a director in respect of any act or omission occurring prior to such amendment, repeal or modification. If the Delaware corporation law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of the directors will be further limited to the greatest extent permitted by the Delaware corporation law.

The charter also provides that we must indemnify directors and officers in certain circumstances. We believe this provision is important in attracting and retaining qualified individuals to serve as directors and executive officers.

We maintain director and officer insurance providing for indemnification of our directors and officers for certain liabilities, including certain liabilities under the Securities Act. We also maintain a general liability insurance policy that covers certain liabilities of directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers. We have also entered into indemnification agreements with each of our directors and named executive officers.

There is no pending litigation or proceeding involving any director or executive officer to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following discussion relates to certain transactions that involve both the Company and one of its executive officers, directors, director nominees or five-percent stockholders, each of whom we refer to as a related party. For purposes of this discussion, a related-party transaction is a transaction, arrangement or relationship:

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- in which we participate;
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- that involves an amount in excess of \$120,000; and
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- in which a related party has a direct or indirect material interest.

Related-Party Transaction Policy

In April 2012, the board of directors adopted our initial written policies and procedures for the review of any related-party transaction. If a related party proposes to enter into a related-party transaction, the related party must report the proposed related-party transaction to the chief legal officer. The policy calls for the proposed related-party transaction to be reviewed and, if deemed appropriate, approved by the audit committee. Whenever practicable, the review and approval by the audit committee will occur prior to entry into the related-party transaction. If advance review and approval is not practicable, the audit committee will review, and, in its discretion, may ratify the related-party transaction. The policy also permits the chair of the audit committee to review and, if deemed appropriate, approve proposed related-party transactions that arise between audit committee meetings, subject to ratification by the audit committee at its next meeting. Any related-party transactions that are ongoing in nature will be reviewed annually.

A related-party transaction reviewed under the policy will be considered approved or ratified if it is authorized by the committee after full disclosure of the related party's interest in the transaction. As appropriate for the circumstances, the committee will review and consider:

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- the related party's interest in the related-party transaction;
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- the approximate dollar value of the amount involved in the related-party transaction;
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- the approximate dollar value of the amount of the related party's interest in the transaction without regard to the amount of any profit or loss;
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- whether the transaction was undertaken in the ordinary course of our business;
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- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;
-
- the purpose of, and the potential benefits to us of, the transaction; and
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- any other information regarding the related-party transaction or the related party in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

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The audit committee may approve or ratify the transaction only if the audit committee determines that, under all of the circumstances, the transaction is in or is not inconsistent with our best interests. The audit committee may impose any conditions on the related-party transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related-party transaction disclosure rule, the board has determined that the following transactions do not create a material direct or indirect interest on behalf of related parties and, therefore, are not related-party transactions for purposes of the policy:

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- interests arising solely from the related party's position as an executive officer of another entity (whether or not the person is also a director of such entity) that is a participant in the transaction, where
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(a) the related party and all other related parties own in the aggregate less than a 10% equity interest in such entity, (b) the related party and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (c) the amount involved in the transaction is less than the greater of \$200,000 and 5% of the annual gross revenues of the company receiving payment in the transaction; and

a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the compensation committee.

Certain Related-Party Transactions

Transactions with MD Anderson

On January 13, 2015, we, together with Intrexon, entered into a license agreement with MD Anderson, which we refer to as the MD Anderson License. Pursuant to the MD Anderson License, we and Intrexon hold an exclusive, worldwide license to certain technologies owned and licensed by MD Anderson including technologies relating to novel CAR-T cell therapies arising from the laboratory of Laurence Cooper, M.D., Ph.D., our Chief Executive Officer and professor of pediatrics at MD Anderson, as well as either co-exclusive or non-exclusive licenses under certain related technologies.

Pursuant to the terms of the MD Anderson License, MD Anderson received consideration of \$50 million in shares of our common stock (or 10,124,561 shares) and \$50 million in shares of Intrexon's common stock, in each case based on a trailing 20-day volume-weighted average of the closing price of the Company's and Intrexon's common stock, respectively, ending on the date prior to the announcement of the entry into the MD Anderson License, collectively referred to as the License Shares. On January 9, 2015, in order to induce MD Anderson to enter into the MD Anderson License on an accelerated schedule, we and Intrexon entered into our previously disclosed letter agreement, or the MD Anderson Letter Agreement, pursuant to which MD Anderson received consideration of \$7.5 million in shares of our common stock (or 1,597,602 shares) and \$7.5 million in shares of Intrexon's common stock, in each case based on a trailing 20-day volume-weighted average of the closing price of our and Intrexon's common stock, respectively, ending on the date prior to the MD Anderson Letter Agreement, collectively referred to as the Incentive Shares, if the MD Anderson License was entered into on or prior to 8:00 am Pacific time on January 14, 2015. In partial consideration for and in furtherance of the foregoing transactions, we also entered into a Securities Issuance Agreement, which we refer to as the License Shares Securities Issuance Agreement, another Securities Issuance Agreement, which we refer to as the Incentive Shares Securities Issuance Agreement, and a Registration Rights Agreement, which we refer to as the MD Anderson Registration Rights Agreement, with MD Anderson on January 13, 2015, each of which have been previously disclosed.

MD Anderson had a pre-existing policy of splitting the net proceeds of certain transactions involving the transfer of intellectual property of MD Anderson with the creators of such intellectual property. In accordance with such policy, upon the sale by MD Anderson of all or any portion of the License Shares or the Incentive Shares, a portion of the proceeds of such sale will be first used to pay third party contractual commitments and expenses of MD Anderson, and the remainder of such proceeds shall be allocated 50% to MD Anderson and 50% to the creators of the intellectual property underlying the MD Anderson License, which we refer to as the Creators, one of whom is our Chief Executive Officer, Dr. Cooper. Pursuant to a memorandum among MD Anderson and the Creators dated March 13, 2015, Dr. Cooper is entitled to approximately 64.8% of such aggregate proceeds allocated to the Creators. Pursuant to an Investment Management Services Agreement with MD Anderson, the University of Texas Investment Management Co., or UTIMCO, an institutional investment advisor, is authorized to exercise investment discretion and voting power with respect to such shares on behalf of MD Anderson. Accordingly, Dr. Cooper has no voting power, investment power or control over if or when the License Shares or the Incentive Shares will be sold, if ever, or the timing of the receipt of the proceeds, if any, from the sale of such shares.

Table of ContentsTransactions with Ares Trading

On March 27, 2015, we, together with Intrexon, entered into a worldwide License and Collaboration Agreement with ARES Trading S.A., a company within the pharmaceutical business of Merck KGaA, Darmstadt, Germany, through which the parties established a collaboration for the research and development and commercialization of products for the prophylactic, therapeutic, palliative or diagnostic use for cancer in humans. Pursuant to the agreement and the Second Amendment to Exclusive Channel Partner Agreement with Intrexon described below, we and Intrexon will receive an aggregate of \$115 million in cash in upfront consideration, potential payments for development and commercial milestones on products produced under the agreement (up to \$826 million of such milestones for the first two products), and potential royalty payments based on net sales of products produced under the agreement.

Transactions with Intrexon

On January 12, 2011, Mr. Randal Kirk was appointed to our board of directors and is currently one of our principal stockholders, beneficially owning approximately 15.0% of our common stock as of the Record Date. Mr. Kirk serves as Chief Executive Officer of Intrexon, with which we entered into an Exclusive Channel Partner Agreement, or the Channel Agreement, on January 6, 2011. In partial consideration for entering into the Channel Agreement, we also entered into a Stock Purchase Agreement and Registration Rights Agreement with Intrexon on January 6, 2011.

Channel Agreement

The Channel Agreement governs a channel partnering arrangement in which we will use Intrexon's technology directed towards in vivo expression of effectors in connection with the development of clinical-stage product candidates and generally to research, develop and commercialize products, in each case in which DNA is administered to humans for expression of anti-cancer effectors for the purpose of treatment or prophylaxis of cancer. The Channel Agreement grants us a worldwide license to use specified patents and other intellectual property of Intrexon in connection with the research, development, use, importing, manufacture, sale, and offer for sale of products involving DNA administered to humans for expression of anti-cancer effectors for the purpose of treatment or prophylaxis of cancer, or the ZIOPHARM Products. Such license is exclusive with respect to any clinical development, selling, offering for sale or other commercialization of ZIOPHARM Products, and otherwise is non-exclusive. Subject to limited exceptions, we may not sublicense the rights described without Intrexon's written consent.

Subject to certain expense allocations and other offsets provided in the Channel Agreement, we are required pay to Intrexon 50% of the cumulative net quarterly profits derived from the sale of ZIOPHARM Products, calculated on a ZIOPHARM Product-by- ZIOPHARM Product basis. We have also agreed to pay Intrexon 50% of quarterly revenue obtained from a sublicensor in the event of a sublicensing arrangement.

During the fiscal year ended December 31, 2012, we paid Intrexon approximately \$11.4 million, of which \$6.6 million was for preclinical and clinical research services already incurred and the remaining \$4.8 million was for services expected to be incurred within a year. This amount was included as part of prepaid expenses and other current assets on the balance sheet as of December 31, 2012. During the fiscal year ended December 31, 2013, we expensed \$7.8 million for services performed by Intrexon, of which \$4.8 million was applied to the prepaid balance in other current assets, \$2.4 million was paid to Intrexon and \$0.6 million was recorded in accrued expenses. As of December 31, 2013, the prepaid balance in other current assets on the accompanying balance sheet has been reduced to \$0. During the fiscal year ended December 31, 2014, we expensed \$12.0 million for services performed by Intrexon, of which \$10.1 million was paid to Intrexon and \$1.9 million was recorded in accounts payable and accrued expenses. As of December 31, 2014, the prepaid balance in other current assets on the accompanying balance sheet has been reduced to \$0.

On March 27, 2015, we and Intrexon entered into a Second Amendment to Exclusive Channel Partner Agreement amending the Channel Agreement. The amendment modified the scope of the parties' collaboration

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under the Channel Agreement in connection with the license and collaboration agreement with Ares Trading, described above. The amendment provided that Intrexon will pay to the Company fifty percent of all payments that Intrexon receives for upfronts, milestones and royalties under the Ares Trading License and Collaboration Agreement, described above.

Channel Agreement for Graft-Versus-Host Disease

On September 28, 2015, we entered into a new Exclusive Channel Collaboration with Intrexon to develop treatments for GvHD, a major complication of allogeneic HSCT, which significantly impairs the quality of life and survival of many recipients. The agreement grants the Company a worldwide license to use specified patents and other intellectual property of Intrexon in connection with the research, development, use, importing, manufacture, sale, and offer for sale of products developed under the agreement, or the Products. Such license is exclusive with respect to any clinical development, selling, offering for sale or other commercialization of the Products, and otherwise is non-exclusive. Subject to limited exceptions, the Company may not sublicense the rights described without Intrexon's written consent.

Under the agreement, and subject to certain exceptions, the Company is responsible for, among other things, the performance of the collaboration including development, commercialization and certain aspects of manufacturing of the Products. Among other things, Intrexon is responsible for the costs of establishing manufacturing capabilities and facilities for the bulk manufacture of the Products, certain other aspects of manufacturing, costs of discovery-stage research with respect to platform improvements and costs of filing, prosecution and maintenance of Intrexon's patents.

The Company paid Intrexon a technology access fee of \$10 million in cash and will reimburse Intrexon for all research and development costs. Subject to certain expense allocations and other offsets provided in the agreement, the agreement also provides for equal sharing of the profits derived from the sale of the Products.

Stock Purchase Agreement and Registration Rights Agreement

On January 12, 2011, and pursuant to the Stock Purchase Agreement, Intrexon purchased 2,426,235 shares of our common stock in a private placement for a total purchase price of \$11,645,928. We simultaneously issued to Intrexon for no additional consideration an additional 3,636,926 shares of our common stock. Under the terms of the Stock Purchase Agreement, we agreed to issue to Intrexon an additional 3,636,926 shares of our common stock for no additional consideration under certain conditions upon dosing of the first patient in a ZIOPHARM-conducted U.S. Phase 2 clinical trial of a product candidate created, produced or developed by us using Intrexon technology. These shares were issued on November 7, 2012, and when issued, the purchase price for such shares was equal to the \$0.001 par value of such shares, which price was deemed paid in partial consideration for the execution and delivery of the Channel Agreement, in accordance with the terms of the Stock Purchase Agreement. Pursuant to the Registration Rights Agreement, on May 18, 2011 we filed a registration statement with the SEC registering the resale of the shares that we have issued or may issue to Intrexon under the Stock Purchase Agreement.

Also under the Stock Purchase Agreement, Intrexon has agreed that, subject to certain conditions and restrictions and limitations, it will purchase our securities in conjunction with qualified securities offerings that we conduct while the Channel Agreement remains in effect. In conjunction with a particular qualified offering, Intrexon has committed to purchase up to 19.99% of the securities offering and sold therein (exclusive of Intrexon's purchase) if requested to do so by us. However, Intrexon will not be obligated to purchase securities in a qualified securities offering unless we are then in substantial compliance with our obligations under the Channel Agreement and, with respect to a qualified securities offering that is completed following January 6, 2012, we confirm our intent that 40% of the offering's net proceeds shall have been spent, or in the next year will be spent, by us under the Channel Agreement. In the case of a qualified securities offering that is completed after January 6, 2013, Intrexon's purchase commitment is further limited to an amount equal to one-half of the

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proceeds spent or to be spent by us under the Channel Agreement. Intrexon's aggregate purchase commitment for all future qualified offerings was initially capped at \$50.0 million. We and Intrexon subsequently amended the Stock Purchase Agreement to clarify that gross proceeds from the sale of our securities to Intrexon in a qualified offering will apply against Intrexon's \$50.0 million purchase commitment regardless of whether Intrexon participates voluntarily or at our request. Intrexon's aggregate commitment under the Stock Purchase Agreement was subsequently reduced from \$50.0 million to \$43.5 million pursuant to the Second Amendment to Exclusive Channel Partner Agreement that the parties entered into on March 27, 2015 described above. As of the date of the amendment, Intrexon had purchased the full \$43.5 million of our common stock and has satisfied its purchase commitment to us in full.

Public Offering Participation

In February 2011, we completed a registered public offering of common stock in which Intrexon purchased 1,190,000 shares at a purchase price of \$5.57 per share, for an aggregate purchase price of approximately \$10.6 million. In February 2012, we completed a registered public offering of common stock in which Intrexon purchased 1,923,075 shares at a purchase price of \$5.20 per share, for an aggregate purchase price of approximately \$10.0 million. In October 2013, we completed a registered public offering of common stock in which Intrexon purchased 2,857,143 shares at a purchase price of \$3.50 per share, for an aggregate purchase price of approximately \$10.0 million. In February 2015, we completed a registered public offering of common stock in which Intrexon purchased 1,440,000 shares at a purchase price of \$8.75 per share, for an aggregate purchase price of \$12.2 million. As a result of these purchases, and following the entry into the Second Amendment to Exclusive Channel Partner Agreement in March 2015, Intrexon's equity purchase commitment under the Stock Purchase Agreement has been satisfied in full.

Employment and Indemnification Agreements

Employment Agreements

We have entered into employment agreements with our certain of our executive officers. See *Executive Compensation* *Employment and Change in Control Agreements*.

Stock Option Grants to Executive Officers and Directors

We have granted stock options to our executive officers and our non-employee directors. See *Executive Compensation* and *Director Compensation*.

Indemnification Agreements with Executive Officers and Directors

We have entered into an indemnification agreement with each of our directors and executive officers. These indemnification agreements and our certificate of incorporation and our bylaws indemnify each of our directors and officers to the fullest extent permitted by Delaware General Corporation Law. See *Limitation of Liability and Indemnification*.

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The following table sets forth information with respect to the beneficial ownership of common stock as of April 19, 2016 for:

- each beneficial owner of more than five percent of the outstanding common stock;

- each of the directors and named executive officers; and

- all of the directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities, or have the right to acquire such powers within 60 days. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of April 19, 2016 are deemed to be outstanding and beneficially owned by the person holding the options or warrants. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. Percentage ownership calculations are based on 131,808,865 shares outstanding as of April 19, 2016. Addresses of individuals are in care of ZIOPHARM Oncology, Inc., One First Avenue, Parris Building 34, Navy Yard Plaza, Third Floor, Boston, Massachusetts 02129.

<u>Name and Address of Beneficial Owner</u>	<u>Outstanding Shares Beneficially Owned</u>	<u>Right to Acquire Within 60 Days of April 19, 2016</u>	<u>Total Shares Beneficially Owned</u>	<u>Percentage</u>
<u>5% Stockholders:</u>				
<u>Directors and Executive Officers:</u>				
<u>Randal J. Kirk</u>	<u>9,692,403⁽¹⁾</u>	<u>25,000</u>	<u>9,717,403</u>	<u>7.4%</u>
<u>Murray Brennan</u>	<u>44,951</u>	<u>217,500</u>	<u>262,451</u>	<u>*</u>
<u>James A. Cannon</u>	<u>328,963</u>	<u>132,500</u>	<u>461,463</u>	<u>*</u>
<u>Wyche Fowler, Jr.</u>	<u>134,310</u>	<u>142,500</u>	<u>276,810</u>	<u>*</u>
<u>Michael Weiser</u>	<u>195,797</u>	<u>167,500</u>	<u>363,297</u>	<u>*</u>
<u>Scott Tarriff</u>	<u>4,186</u>	<u>---</u>	<u>4,186</u>	<u>*</u>
<u>Jonathan Lewis, M.D., Ph.D.</u>	<u>2,112,436⁽²⁾</u>	<u>---</u>	<u>2,112,436</u>	<u>1.6</u>
<u>Laurence James Neil Cooper, M.D., Ph.D.</u>	<u>1,131,000</u>	<u>---</u>	<u>1,131,000</u>	<u>*</u>
<u>Caesar J. Belbel</u>	<u>124,201</u>	<u>508,334</u>	<u>632,535</u>	<u>*</u>
<u>Francois Lebel, M.D.</u>	<u>65,000</u>	<u>211,667</u>	<u>276,667</u>	<u>*</u>
<u>Kevin G. Lafond</u>	<u>28,000</u>	<u>132,500</u>	<u>160,500</u>	<u>*</u>
<u>All directors and executive officers as a group (11 persons)</u>	<u>13,861,247</u>	<u>1,537,501</u>	<u>15,398,748</u>	<u>11.5</u>

* Less than one percent.

(1) Consists of (i) 122,309 shares over which Randal J. Kirk has sole voting and dispositive power and (ii) 9,570,094 shares held by the following entities (collectively, the Entities): R.J. Kirk DOT (3,479,685 shares), JPK 2008 (23,349 shares), MGK 2008 (23,504 shares), ZSK 2008 (40,954 shares), Lotus (240 shares), JPK 2009 (337,333 shares), MGK 2009 (358,386 shares), ZSK 2009 (34,318 shares), ADC 2010 (29,066 shares), MGK 2011 (154,181 shares), JPK 2012 (138,975 shares), Kellie L. Banks LTT (61,262

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- shares), Kapital Joe (2,359,608 shares), Mascara Kaboom (889,513 shares), Staff 2001 (53,245 shares), Sr. Staff (9,537 shares), Senior Staff 2007 (352,477 shares), Staff 2007 (176,238 shares), Incentive 2007 (58,746 shares), Senior Staff 2008 (395,791 shares), Staff 2009 (173,111 shares), Incentive 2009 (86,556 shares), Staff 2010 (222,680 shares) and Incentive 2010 (111,339 shares). Mr. Kirk could be deemed to have indirect beneficial ownership of the shares directly beneficially owned by the Entities.
- (2) Dr. Lewis ceased serving as our Chief Executive Officer on May 5, 2015 and resigned as a member of our board of directors on May 11, 2015. The information reported for Dr. Lewis is based on information available to the Company as of his departure date and may not reflect his current beneficial ownership.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, as well as stockholders beneficially owning more than ten percent of the outstanding common stock, to file with the SEC initial reports of ownership and reports of changes in ownership with respect to common stock. All of these reporting persons are required by SEC regulations to furnish us with copies of all reports they file with the SEC pursuant to Section 16(a).

Based solely on our review of the copies of such forms received by us and written representations of our directors and executive officers received by us, we believe each reporting person filed on a timely basis all of the reports required to be filed pursuant to Section 16(a) in 2015.

Table of Contents**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND OTHER MATTERS****Audit and Related Fees**

RSM US LLP (formerly McGladrey LLP) served as our independent registered public accounting firm for the years ended December 31, 2015 and 2014. The following table presents the collective fees billed by RSM US LLP (formerly McGladrey LLP) during such years. These fees relate to professional services rendered for (a) audits of our financial statements, (b) reviews of our quarterly financial statements and (c) services related to other regulatory filings:

<u>Fee Category</u>	<u>2015</u>	<u>2014</u>
<u>Audit fees</u>	<u>\$ 170,000</u>	<u>\$ 160,000</u>
<u>All other fees</u>	<u>\$ 113,120⁽¹⁾</u>	<u>\$ 52,100⁽²⁾</u>

- (1) \$32,500 of such fees were incurred in connection with the preparation of a registration statement and an annual report by Intrexon that incorporated our financial statements. Intrexon reimbursed us for all of such costs. \$58,000 of such fees were incurred in connection with the preparation of a registration statement we filed in 2015. \$22,620 of such fees were incurred in connection with other filings and special accounting services.
- (2) \$40,000 of such fees were incurred in connection with the preparation of a registration statement and an annual report by Intrexon that incorporated our financial statements. Intrexon reimbursed us for all of such costs. \$12,100 of such fees were incurred in connection with other filings and special accounting services.

We did not incur any fees of RSM US LLP (formerly McGladrey LLP) for audit-related, tax or other services in 2015 or 2014.

Audit Committee Pre-Approval Policy and Procedures

The audit committee charter provides that all audit and non-audit accounting services that are permitted to be performed by our independent registered public accounting firm under applicable rules and regulations must be pre-approved by the audit committee or by designated independent members of the audit committee, other than with respect to de minimis exceptions permitted under Section 202 of the Sarbanes-Oxley Act of 2002. All services performed by RSM US LLP (formerly McGladrey LLP) in 2015 and 2014 have been pre-approved in accordance with the charter.

Prior to or as soon as practicable following the beginning of each fiscal year, a description of audit, audit-related, tax, and other services expected to be performed by the independent registered public accounting firm in the following fiscal year is presented to the audit committee for approval. Following such approval, any requests for audit, audit-related, tax, and other services not presented and pre-approved must be submitted to the audit committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, may be delegated to one or more members of the audit committee who are independent directors. In the event such authority is so delegated, the full audit committee must be updated at the next regularly scheduled meeting with respect to any services that were granted specific pre-approval by delegation. During 2015, the audit committee functioned in conformance with these procedures.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (such as brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other annual meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other annual meeting materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

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This year, a number of brokers with account holders who are our stockholders will be householding our proxy materials. A single Notice of Internet Availability of Proxy Materials or other annual meeting materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials or other Annual Meeting materials, please notify your broker. Direct your written request to ZIOPHARM Oncology, Inc., One First Avenue, Parris Building 34, Navy Yard Plaza, Third Floor, Boston, Massachusetts 02129, Attention: Secretary or contact our Secretary at (617) 259-1970. Stockholders who currently receive multiple copies of the Notice of Internet Availability of Proxy Materials or other Annual Meeting materials at their addresses and would like to request householding of their communications should contact their brokers.

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OTHER MATTERS

The board of directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the annual meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

ZIOPHARM Oncology, Inc.

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Caesar J. Belbel

Chief Operating Officer, Executive Vice President, Chief Legal Officer and Secretary

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ZIOPHARM ONCOLOGY, INC.
ATTN: CORPORATE SECRETARY
ONE FIRST AVENUE, PARRIS BLDG #34
THIRD FLOOR, NAVY YARD PLAZA
BOSTON, MA 02129

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

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ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

-
VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

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VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

- - **KEEP THIS PORTION FOR YOUR RECORDS**
- - **DETACH AND RETURN THIS PORTION ONLY**
THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	<u>For All</u>	<u>Withhold All</u>	<u>For All Except</u>	<u>To withhold authority to vote for any individual nominee(s), mark <u>For All Except</u> and write the number(s) of the nominee(s) on the line below.</u>
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The Board of Directors recommends you vote FOR the following:

1. Election of Directors

Nominees

- | | | | |
|-------------------|--------------------|----------------------|-------------------|
| 01 Murray Brennan | 02 James A. Cannon | 03 Wyche Fowler, Jr. | 04 Randal J. Kirk |
| 05 Michael Weiser | | | |
| 06 Scott Tarriff | | | |

The Board of Directors recommends you vote FOR proposal 2 and 3.

For Against Abstain

- 2. To ratify the appointment of RSM US LLP (formerly McGladrey LLP) as our independent registered public accounting firm for 2016; and**
- 3. To approve, on an advisory basis, the compensation of our named executive officers as identified in the proxy statement for the annual meeting**

NOTE: To transact any other business as may properly come before the meeting or any adjournments or postponements thereof.

For address change/comments, mark here.
(see reverse for instructions) **Yes** **No**

Please indicate if you plan to attend this meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full

corporate or partnership name, by authorized officer.

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- -
- - -
- Signature [PLEASE SIGN - Date - Signature (Joint Owners) - Date -
WITHIN BOX]
- - - - -

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement and Form 10-K are available at www.proxyvote.com

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ZIOPHARM ONCOLOGY, INC.

Annual Meeting of Stockholders

June 15, 2016 10:00 AM

This proxy is solicited by the Board of Directors

- --
- The stockholder(s) hereby appoint(s) Laurence James Neil Cooper, M.D., Ph.D. and Caesar J. Belbel or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of ZIOPHARM ONCOLOGY, INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of stockholder(s) to be held at 10:00 AM, EDT on 6/15/2016, at the principal executive offices of the company at One First Avenue, Parris Building 34, Navy Yard Plaza, Third Floor, Boston, Massachusetts 02129, and any adjournment or postponement thereof.
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- --
- **This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors recommendations.**
- --

- - --
- Address change/comments: -
- --
- --
- --

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

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Continued and to be signed on reverse side

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