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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period to

Commission File No. 000-55364

HELIUS MEDICAL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Wyoming	**36-4787690**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

642 Newtown Yardley Road Suite 100
Newtown, Pennsylvania, 18940
(Address of principal executive office) (Zip Code)

(215) 944-6100
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
Emerging growth company	☒		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding as of November 7, 2017**
Class A Common Stock	**96,489,946**

HELIUS MEDICAL TECHNOLOGIES, INC.
INDEX

Part I.	**Financial Information**	
Item 1.	Condensed Consolidated Financial Statements	
	Unaudited Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016	3
	Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2017 and 2016	4
	Unaudited Condensed Consolidated Statements of Stockholders' Deficit for the nine months ended September 30, 2017	5
	Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016	6
	Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	23
Item 4.	Controls and Procedures	23
Part II.	**Other Information**	24
Item 1.	Legal Proceedings	24
Item 1A.	Risk Factors	24
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3.	Defaults Upon Senior Securities	24
Item 4.	Mine Safety Disclosures	24
Item 5.	Other Information	24
Item 6.	Exhibits	25
Signatures		26

Helius Medical Technologies, Inc.
Unaudited Condensed Consolidated Balance Sheets
(Except for share data, amounts in thousands and expressed in United States Dollars)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash	$ 2,617	$ 2,669
Receivables	755	225
Prepaid expenses and other current assets	190	556
Total current assets	3,562	3,450
Property, plant and equipment, net	174	—
Other assets	18	—
TOTAL ASSETS	$ 3,754	$ 3,450
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 3,637	$ 2,161
Accrued liabilities	340	259
Derivative financial instruments	9,926	4,474
Total current liabilities	13,903	6,894
TOTAL LIABILITIES	13,903	6,894
Commitments and contingencies (Note 5)		
STOCKHOLDERS' DEFICIT		
Common stock (Unlimited Class A common shares authorized, no par value); (96,410,413 shares issued and outstanding as of September 30, 2017 and 84,630,676 shares issued and outstanding as of December 31, 2016)	45,917	30,897
Additional paid-in capital	6,386	5,732
Accumulated deficit	(62,640)	(38,345)
Accumulated other comprehensive income (loss)	188	(1,728)
TOTAL STOCKHOLDERS' DEFICIT	(10,149)	(3,444)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 3,754	$ 3,450

(The accompanying notes are an integral part of the condensed consolidated financial statements.)

Helius Medical Technologies, Inc.
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss
(Amounts in thousands except shares and per share data, and expressed in United States Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating expenses:				
Research and development	$ 3,798	$ 1,411	$ 11,121	$ 3,164
General and administrative	2,172	1,980	5,862	5,246
Total operating expenses	5,970	3,391	16,983	8,410
Operating loss	(5,970)	(3,391)	(16,983)	(8,410)
Other income (expense):				
Other expense	—	—	—	(20)
Other income	—	1	—	111
Change in fair value of derivative financial instruments	(5,960)	288	(5,452)	(1,052)
Foreign exchange gain (loss)	(1,008)	115	(1,860)	(530)
Total other income (expense)	(6,968)	404	(7,312)	(1,491)
Net loss	**(12,938)**	**(2,987)**	**(24,295)**	**(9,901)**
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,266	(172)	1,916	597
Comprehensive loss	**$ (11,672)**	**$ (3,159)**	**$ (22,379)**	**$ (9,304)**
Net loss per share, basic and diluted	**$ (0.13)**	**$ (0.04)**	**$ (0.26)**	**$ (0.12)**
Weighted average common shares outstanding, basic	**96,125,284**	**84,366,692**	**91,844,867**	**79,232,232**
Weighted average common shares outstanding, diluted	**96,125,284**	**85,004,192**	**91,844,867**	**79,232,232**

(The accompanying notes are an integral part of the condensed consolidated financial statements.)

Helius Medical Technologies, Inc.
Unaudited Condensed Consolidated Statement of Stockholders' Deficit
(Except shares data, amounts in thousands and expressed in United States Dollars)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of January 1, 2017	**84,630,676**	**$ 30,897**	**$ 5,732**	**$ (38,345)**	**$ (1,728)**	**$ (3,444)**
Issuance of common stock in public offering	6,555,000	9,187	—	—	—	9,187
Issuance of common stock in private placement	4,000,000	5,360	—	—	—	5,360
Share issuance costs	—	(1,248)	—	—	—	(1,248)
Stock-based compensation expense	—	—	1,464	—	—	1,464
Proceeds from the exercise of stock options and warrants	1,218,232	911		—	—	911
Vesting of restricted stock units	6,505	—	—	—	—	—
Reclassification of exercised stock options, warrants and issued restricted stock units from additional paid-in capital	—	810	(810)	—	—	—
Net loss	—	—	—	(24,295)	—	(24,295)
Foreign currency translation adjustments	—	—	—	—	1,916	1,916
Balance as of September 30, 2017	**96,410,413**	**$ 45,917**	**$ 6,386**	**$ (62,640)**	**$ 188**	**$ (10,149)**

(The accompanying notes are an integral part of the condensed consolidated financial statements.)

Helius Medical Technologies, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(Amounts in thousands and expressed in United States Dollars)

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (24,295)	$ (9,901)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	7	—
Change in fair value of derivative financial instruments	5,452	1,052
Interest accretion	—	5
Stock-based compensation expense	1,464	1,724
Unrealized foreign exchange loss	1,758	781
Changes in operating assets and liabilities:		
Receivables	(530)	(42)
Prepaid expenses and other current assets	366	336
Other assets	(18)	—
Accounts payable and accrued liabilities	1,557	120
Shares to be issued	—	150
Net cash used in operating activities	**(14,239)**	**(5,775)**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(181)	—
Net cash used in investing activities	**(181)**	**—**
Cash flows from financing activities:		
Proceeds from the issuance of common stock	14,547	7,903
Share issuance costs	(1,248)	(1,509)
Proceeds from the exercise of stock options and warrants	911	1,494
Net cash provided by financing activities	**14,210**	**7,888**
Effect of foreign exchange rate changes on cash	158	(290)
Net change in cash	(52)	1,823
Cash at beginning of period	2,669	4,350
Cash at end of period	**$ 2,617**	**$ 6,173**

(The accompanying notes are an integral part of the condensed consolidated financial statements.)

1. DESCRIPTION OF BUSINESS

Helius Medical Technologies, Inc. (the "Company") is engaged primarily in the medical technology industry focused on neurological wellness. The Company's planned principal operations include the development, licensing and acquisition of unique and non-invasive platform technologies to amplify the brain's ability to heal itself.

The Company was incorporated in British Columbia, Canada, on March 13, 2014. On May 28, 2014, the Company completed a continuation via a plan of arrangement whereby the Company moved from being a corporation governed by the British Columbia Corporations Act to a corporation governed by the Wyoming Business Corporations Act. The Company is headquartered in Newtown, Pennsylvania.

The Company has two wholly-owned subsidiaries, Neurohabilitation Corporation ("NHC") and Helius Medical Technologies (Canada), Inc. ("Helius Canada").

The Company's Class A common stock without par value ("common stock") is currently listed on the Toronto Stock Exchange (the "TSX"). The Company's common stock began trading on the Canadian Securities Exchange on June 23, 2014, under the ticker symbol "HSM", and trading of the common stock subsequently moved to the TSX on April 18, 2016. The Company's common stock also began trading on the OTC Markets ("OTCQB") under the ticker symbol "HSDT" on February 10, 2015. The financial information is presented in United States Dollars.

Going Concern

As of September 30, 2017, the Company's cash was $2.6 million. During the nine months ended September 30, 2017, the Company incurred a net loss of $24.3 million, and, as of September 30, 2017, its accumulated deficit was $62.6 million. The Company has not generated any product revenues and has not achieved profitable operations. The Company expects to continue to incur operating losses and net cash outflows until such time as it generates a level of revenue to support its cost structure. There is no assurance that profitable operations will ever be achieved, and, if achieved, will be sustained on a continuing basis. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's condensed consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

The Company will require substantial additional financing to fund its operations and to continue to execute its strategy. The Company intends to fund ongoing activities by utilizing its current available cash and by raising additional capital through equity or debt financings. There can be no assurance that the Company will be successful in raising sufficient additional capital at the level needed to sustain operations and develop its product candidate or that such capital, if available, will be on terms that are acceptable to the Company. If the Company is unable to raise sufficient additional capital, the Company may be compelled to reduce the scope of its operations and planned capital expenditure or sell certain assets, including intellectual property assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), applicable to interim periods and, in the opinion of management, include all normal and recurring adjustments that are necessary to state fairly the results of operations for the reported periods. The condensed consolidated financial statements have also been prepared on a basis substantially consistent with, and should be read in conjunction with, the Company's audited consolidated financial statements for the nine months ended December 31, 2016, included in its Transition Report on Form 10-K that was filed with the Securities and Exchange Commission, ("SEC"), on April 3, 2017. The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's condensed consolidated financial position as of September 30, 2017, and the results of operations and comprehensive loss for the three and nine months ended September 30, 2017, and 2016 and cash flows for the nine months ended September 30, 2017 and 2016. Certain prior period amounts within operating expenses have been reclassified to conform to the current period presentation.

Use of Estimates

The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and disclosure of contingent assets and liabilities. Significant estimates include the assumptions used in the fair value pricing model for stock-based compensation and deferred income tax asset valuation allowance. Financial statements include estimates which, by their nature, are uncertain. Actual outcomes could differ from these estimates.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements reflect the operations of Helius Medical Technologies, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Concentrations of Credit Risk

The Company is subject to credit risk with respect to its cash. The Company is not currently exposed to any significant concentrations of credit risk from these financial instruments. The Company seeks to maintain safety and preservation of principal and diversification of risk, liquidity of investments sufficient to meet cash flow requirements and a competitive after-tax rate of return.

Receivables

Receivable are stated at their net realizable value. As of September 30, 2017, receivables consisted primarily of Goods and Services Tax ("GST") and Quebec Sales Tax ('QST") refunds related to the Company's expenditures.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation is recognized using the straight-line method over the useful live of the related asset. Expenditures for maintenance and repairs, which do not improve or extend the expected useful life of the assets, are expensed to operations while major repairs are capitalized. The Company's property, plant and equipment is comprised of leasehold improvements and software. As of September 30, 2017, the Company had recorded approximately $0.2 million in property plant and equipment, primarily related to leasehold improvements for the Company's new office space in Newtown, Pennsylvania. For the three and nine months ended September 30, 2017, the Company recorded $7 thousand in depreciation expense.

Stock-Based Compensation

The Company accounts for all stock-based payments and awards under the fair value based method. The Company recognizes its stock-based compensation using the straight-line method.

The Company accounts for the granting of stock options to employees using the fair value method whereby all awards to employees are measured at fair value on the date of the grant. The fair value of all stock options is expensed over the requisite service period with a corresponding increase to additional paid-in capital. Upon exercise of stock options, the consideration paid by the option holder, together with the amount previously recognized in additional paid-in capital is recorded as an increase to share capital. Stock options granted to employees are accounted for as liabilities when they contain conditions or other features that are indexed to other than a market, performance or service conditions.

Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees are periodically re-measured until the counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity based instruments. The fair value of the stock-based payments to non-employees that are fully vested and non-forfeitable as of the grant date are measured and recognized at that date.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options. The use of the Black-Scholes option pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected term of the option, risk-free interest rates, the value of the common stock and expected dividend yield of the common stock. Changes in these assumptions can materially affect the fair value estimate.

Foreign Currency

The functional currency of the Company and Helius Canada is the Canadian dollar ("CAD") and the functional currency of NHC is the U.S. dollar ("USD"). The Company's reporting currency is the U.S. dollar. Transactions in foreign currencies are recorded into the functional currency of the relevant subsidiary at the exchange rate in effect at the date of the transaction. Any monetary assets and liabilities arising from these transactions are translated into the functional currency at exchange rates in effect at the balance sheet date or on settlement. Resulting gains and losses are recorded in foreign exchange gain (loss) within the condensed consolidated statements of operations and comprehensive loss. The foreign exchange adjustment in the books of NHC relating to intercompany advances from Helius that are denominated in Canadian dollars is recorded in the condensed consolidated statements of operations.

Income Taxes

The Company accounts for income taxes using the asset and liability method. The asset and liability method provide that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company has adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes* regarding accounting for uncertainty in income taxes. The Company initially recognizes tax provisions in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of the tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Application requires numerous estimates based on available information. The Company considers many factors when evaluating and estimating its tax positions and tax benefits. These periodic adjustments may have a material impact on the condensed consolidated statements of operations and comprehensive loss. When applicable, the Company classifies penalties and interest associated with uncertain tax positions as a component of income tax expense in its condensed consolidated statements of operations and comprehensive loss.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of personnel costs, including salaries, benefits and stock-based compensation, clinical studies performed by contract research organizations, development and manufacturing of clinical trial devices and devices for manufacturing testing, materials and supplies as well as regulatory costs. R&D costs are charged to operations when they are incurred.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company operates and manages its business within one operating and reportable segment. Accordingly, the Company reports the accompanying condensed consolidated financial statements in the aggregate in one reportable segment.

Derivative Financial Instruments

The Company evaluates its financial instruments and other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815, *Derivatives and Hedging*. The result of this accounting treatment is that the fair value of the derivative is marked-to-market at each balance sheet date and recorded as a liability or asset and the change in fair value is recorded in the condensed consolidated statements of operations and comprehensive loss. The Company's derivative financial instruments are comprised of warrants and non-employee stock options. Upon settlement of a derivative financial instrument, the instrument is marked to fair value at the settlement date and the fair value of the underlying instrument is reclassified to equity.

The classification of derivative financial instruments, including whether such instruments should be recorded as liabilities/assets or as equity, is reassessed at the end of each reporting period. Derivative financial instruments that become subject to reclassification are reclassified at the fair value of the instrument on the reclassification date. Derivative financial instruments will be classified in the condensed consolidated balance sheet as current if the right to exercise or settle the derivative financial instrument lies with the holder.

Fair Value Measurements

The Company accounts for financial instruments in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments recorded in its condensed consolidated balance sheets consist primarily of cash, receivables, accounts payable, accrued liabilities, and derivative financial instruments. The book values of these instruments with the exception of derivative financial instruments approximate their fair values due to the immediate or short-term nature of those instruments.

The Company's derivative financial instruments are classified as Level 3 within the fair value hierarchy and required to be recorded at fair value on a recurring basis. Unobservable inputs used in the valuation of these financial instruments include volatility of the underlying share price and the expected term. See Note 3 for the inputs used in the Black-Scholes option pricing model as of September 30, 2017 and 2016 and the roll forward of the derivative financial instruments related to the warrants and see Note 4 for the inputs used in the Black-Scholes option pricing model as of September 30, 2017 and 2016 for the roll forward of the derivative financial instruments related to the non-employee stock options.

The following table summarizes the Company's derivative financial instruments within the fair value hierarchy as of September 30, 2017 and December 31, 2016 (amounts in thousands):

	Fair Value	Level 1	Level 2	Level 3
September 30, 2017				
Liabilities:				
Non-employee stock options	$ 3,385	—	—	$ 3,385
Warrants	6,541	—	—	6,541
December 31, 2016				
Liabilities:				
Non-employee stock options	$ 1,617	—	—	$ 1,617
Warrants	2,857	—	—	2,857

There were no transfers between any of the levels during the nine months ended September 30, 2017 or the nine months ended December 31, 2016.

Basic and Diluted Income (Loss) per Share

Earnings or loss per share ("EPS") is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income (loss) by the weighted average of all potentially dilutive shares of common stock that were outstanding during the periods presented.

The treasury stock method is used in calculating diluted EPS for potentially dilutive stock options and share purchase warrants, which assumes that any proceeds received from the exercise of in-the-money stock options and warrants, would be used to purchase common shares at the average market price for the period.

The basic and diluted loss per share for the periods noted below is as follows (amounts in thousands except shares and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Basic and diluted				
Numerator				
Net loss	$ (12,938)	$ (2,987)	$ (24,295)	$ (9,901)
Denominator				
Weighted average common shares outstanding, basic	96,125,284	84,366,692	91,844,867	79,232,232
Weighted average common shares outstanding, diluted	96,125,284	85,004,192	91,844,867	79,232,232
Basic and diluted net loss per share	$ (0.13)	$ (0.04)	$ (0.26)	$ (0.12)

For the three and nine months ended September 30, 2017 a total of 13,214,177 stock options, 9,878,384 warrants and 9,634 restricted stock units ("RSUs") were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2016 a total of 8,135,000 and 9,335,000 options, respectively, were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive. During the three and nine months ended September 30, 2016, a total of 10,182,629 warrants in both periods were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive.

Recent Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). The amendments in this update change existing guidance related to accounting for employee share-based payments affecting the income tax consequences of awards, classification of awards as equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods, with early adoption permitted. The updated accounting guidance was effective for the Company on January 1, 2017 and it did not have a material effect on the Company's condensed consolidated financial statements and any deferred tax benefits would be offset by a valuation allowance.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02") The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the consolidated balance sheet for all leases with terms longer than 12

months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of operations. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the potential impact of the standard on its condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was further amended through various updates issued by the FASB thereafter. The amendments of Topic 606 completed the joint effort between the FASB and the IASB, to develop a common revenue standard for GAAP and IFRS, and to improve financial reporting. The guidance under Topic 606 provides that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services provided and establishes a five-step model to be applied by an entity in evaluating its contracts with customers. The Company expects to adopt the standard effective January 1, 2018 and apply the guidance retrospectively to contracts at the date of adoption. The Company also expects to elect the practical expedient available under Topic 606 for measuring progress toward complete satisfaction of a performance obligation and for disclosure requirements of remaining performance obligations. The practical expedient allows an entity to recognize revenue in the amount to which the entity has the right to invoice such that the entity has a right to the consideration in an amount that corresponds directly with the value to the customer for performance completed to date by the entity. The Company continues to assess the new standard with a focus on identifying the performance obligations included within any revenue arrangements with customers and will evaluate the methods of estimating the amount and timing of variable consideration. The Company does not currently have, and has not previously held, any significant contracts with customers. Accordingly, the Company does not believe the adoption of Topic 606 on January 1, 2018 will have a material impact on its financial statements.

3. COMMON STOCK AND WARRANTS

As of September 30, 2017, the Company's certificate of incorporation authorized the Company to issue unlimited shares of common stock. Each share of common stock is entitled to have the right to vote at any shareholder meeting on the basis of one vote per share. Each share of common stock held entitles the holder to receive dividends as declared by the directors. No dividends have been declared since inception of the Company through September 30, 2017. In the event of a liquidation, dissolution or winding-up of the Company, other distribution of assets of the Company among its shareholders for the purposes of winding-up its affairs or upon a reduction of capital, the shareholders shall, share equally, share for share, in the remaining assets and property of the Company.

The Company is subject to a shareholders' agreement, which places certain restrictions on the Company's common stock and its shareholders. These restrictions include approvals prior to sale or transfer of stock, a right of first refusal to purchase stock held by the Company and a secondary right of refusal to shareholders, right of co-sale whereby certain shareholders may be enabled to participate in a sale of the common stock of other shareholders to obtain the same price, terms and conditions on a pro-rata basis, rights of first offer of new security issuances to current shareholders on a pro-rata basis and certain other restrictions.

On October 9, 2015, the Company entered into a $7.0 million funding commitment with A&B Company Limited ("A&B"), in the form of a convertible promissory note consisting of an initial $2.0 million note and a $5.0 million funding commitment. On October 9, 2015, the Company received the conversion notice on the promissory note and in November 2015, the Company issued 2,083,333 shares of common stock at a price of $0.96 per share and 1,041,667 warrants exercisable at $1.44 for a period of three years from the date of issuance. The shares of common stock and the warrants were issued on November 10, 2015. On December 29, 2015, the Company drew down the $5.0 million funding commitment through the issuance of 5,555,556 shares of common stock at a price of $0.90 per share and 2,777,778 warrants exercisable at $1.35 for a period of three years from the date of issuance. The shares of common stock and the warrants were issued on January 7, 2016.

On April 18, 2016, the Company closed a short form prospectus offering in Canada and a concurrent U.S. private placement (the "April 2016 Offering") of units, at a price of CAD $1.00 per unit, with gross proceeds to the Company of $7.2 million. Each unit consisted of one share of common stock and one half of one common share purchase warrant (each whole warrant, a "warrant"). Each warrant entitles the holder thereof to acquire one additional common share at an exercise price of CAD $1.50 on or before April 18, 2019. Mackie Research Capital Corporation ("Mackie"), acted as agent and sole bookrunner in connection with the April 2016 Offering. The Company paid Mackie a cash commission of $0.3 million and granted Mackie compensation options exercisable to purchase 436,050 units at an exercise price of CAD $1.00 per unit for a period of 24 months from the closing of the April 2016 Offering. The Company incurred other cash issuance costs of $1.1 million related to the April 2016 Offering.

On May 2, 2016, the Company closed the sale of an additional 1,090,125 units issued pursuant to the exercise of the over-allotment option granted to Mackie in connection with the April 2016 Offering for additional gross proceeds to the Company of $0.9 million, bringing the total aggregate gross proceeds to $8.1 million. In connection with this closing, the Company paid Mackie a cash commission of $0.1 million and granted Mackie compensation options exercisable to purchase an additional 65,407 units for a period of 24 months from the closing of the April 2016 Offering.

The warrants issued in connection with the April 2016 Offering were classified within equity in the Company's condensed consolidated balance sheets. The proceeds from the April 2016 Offering were allocated on a relative fair value basis between the common stock and the warrants issued. These warrants represent additional share issuance costs and are recorded within equity in the Company's condensed consolidated balance sheets at their fair value.

The fair value of the warrants granted in the April 2016 Offering were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Stock price	CAD $1.09
Exercise price	CAD $1.50
Expected life	3.0 years
Expected volatility	83.83%
Risk-free interest rate	0.60%
Dividend rate	0.00%

The fair value of the compensation options granted during the April 2016 Offering were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Stock price	CAD $1.36
Exercise price	CAD $1.00
Expected life	2.0 years
Expected volatility	126.76%
Risk-free interest rate	0.61%
Dividend rate	0.00%

On June 6, 2016, the Company received proceeds of $1.4 million from the exercise of 1,825,600 outstanding warrants issued in connection with the Company's May 2014 private placement of subscription. The remaining 6,604,400 warrants issued in this offering expired unexercised.

On February 16, 2017, the Company completed an underwritten registered public offering and issued an aggregate of 6,555,000 shares of common stock for gross proceeds of $9.2 million. The offering was made by means of written prospectuses and prospectus supplements, dated February 9, 2017, that form part of the Company's existing Canadian multi-jurisdictional disclosure system ("MJDS") short-form base shelf prospectus dated January 26, 2017, in Canada, and U.S. shelf registration statement on Form S-3 that became effective on January 6, 2017, in the U.S. The Company incurred cash issuance costs of $1.2 million in connection with this offering.

On June 28, 2017, the Company completed a non-brokered private placement of 4,000,000 shares of common stock for gross proceeds of $5.4 million. The Company incurred approximately $9 thousand in share issuance cost related to the private placement.

Pursuant to the guidance of ASC 815 *Derivatives and Hedging*, the Company determined that the warrants issued in the May 2014 private placement as well as the warrants issued in January 2016 in connection with the funding commitment with A&B were required to be accounted for as liabilities because they were considered not to be indexed to the Company's stock due to the exercise price being denominated in a currency other than the Company's functional currency. Consequently, the Company determined the fair value of each warrant issuance using the Black-Scholes option pricing model, with the remainder of the proceeds allocated to the common shares.

The warrants having an exercise price denominated in a currency other than the functional currency of the Company that are required to be accounted for as liabilities are summarized as follows for the nine months ended September 30, 2017 and 2016 (amounts in thousands):

	Nine Months Ended September 30,	
	2017	2016
Fair value of warrants at beginning of period	$ 2,857	$ 351
Issuance of warrants	—	797
Change in fair value of warrants during the period	3,684	892
Fair value of warrants at end of period	$ 6,541	$ 2,040

These warrants which are classified as derivative financial instruments in the Company's condensed consolidated balance sheets are required to be revalued at each reporting period, with the change in fair value recorded as a gain or loss in the change of fair value of derivative financial instruments, included in other income (expense) in the Company's condensed consolidated statements of operations and comprehensive loss. The fair value of the warrants will continue to be classified as a liability until such time as they are exercised, expire or there is an amendment to the respective agreements that renders these financial instruments to be no longer classified as such.

The fair value of the warrants classified as derivative financial instruments outstanding as of September 30, 2017 and December 31, 2016 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2017	December 31, 2016
Stock price	$ 2.88	$ 1.38
Exercise price	$ 1.62	$ 1.62
Expected life	1.15 years	1.89 years
Expected volatility	69.61%	94.97%
Risk-free interest rate	1.30%	0.79%
Dividend rate	0.00%	0.00%

The following is a summary of the Company's warrant activity during the nine months ended September 30, 2017:

	Number of Warrants		Weighted Average Exercise Price	
	CAD	US	CAD$	US$
Outstanding as of January 1, 2017	5,557,653	4,528,609	$ 1.46	$ 1.62
Granted	100,179	—	1.50	—
Exercised	(458,232)	—	1.28	—
Outstanding as of September 30, 2017	5,199,600	4,528,609	$ 1.47	$ 1.62

The Company's warrants outstanding and exercisable as of September 30, 2017 were as follows:

Number of Warrants Outstanding	Exercise Price	Expiration Date
452,032	US $3.00	April 30, 2018
167,731	US $3.00	June 26, 2018
18,978	US $2.15	June 26, 2020
62,878	US $3.00	July 17, 2018
7,545	US $2.15	July 17, 2020
1,041,667	US $1.44	November 10, 2018
2,777,778	US $1.35	December 29, 2018
4,899,250	CAD $1.50	April 18, 2019
300,350	CAD $1.00	April 18, 2018

4. SHARE BASED PAYMENTS

On June 18, 2014, the Company's Board of Directors authorized and approved the adoption of the June 2014 Equity Incentive Plan ("2014 Plan"), under which an aggregate of 12,108,016 shares of common stock was authorized to be issued. Pursuant to the terms of the 2014 Plan, the Company is authorized to grant stock options, as well as awards of stock appreciation rights, restricted stock, unrestricted shares, restricted stock units and deferred stock units. These awards could be granted to directors, officers, employees and eligible consultants. Vesting and the term of an option is determined at the discretion of the Company's Board of Directors. The Company has now granted awards for the full amount of the shares authorized under the 2014 Plan, and no future awards may be made under the 2014 Plan. On August 22, 2017, the Company's Board of Directors approved the amended and restated 2014 Plan to correct for a formulaic error included in the deemed net stock and cashless exercise equation within the 2014 Plan. This amendment had no impact on the Company's condensed consolidated financial statements.

On August 8, 2016, the Company's Board of Directors authorized and approved the adoption of the 2016 Omnibus Incentive Plan ("2016 Plan"), under which an aggregate of 15,000,000 shares of common stock may be issued. Pursuant to the terms of the 2016 Plan, the Company is authorized to grant stock options, as well as awards of stock appreciation rights, restricted stock, unrestricted shares, restricted stock units, stock equivalent units and performance based cash awards. These awards may be granted to directors, officers, employees and eligible consultants. Vesting and the term of an option is determined at the discretion of the Company's Board of Directors.

As of September 30, 2017, there were an aggregate of 12,804,626 shares of common stock remaining available for grant under the 2016 Plans.

The following is a summary of the Company's stock option activity during the nine months ended September 30, 2017:

	Number of Stock Options	Weighted Average Exercise Price (CAD)	Aggregate Intrinsic Value (CAD$ 000's)
Outstanding as of January 1, 2017	9,845,000	$ 1.20	$ 8,218
Granted	4,269,513	2.20	
Forfeited	(40,336)	2.00	
Cancelled	(100,000)	2.52	
Exercised	(760,000)	0.78	
Outstanding as of September 30, 2017	13,214,177	$ 1.54	$ 26,468
Exercisable as of September 30, 2017	7,256,311	$ 1.22	$ 16,850

The aggregate intrinsic value of stock options exercised during the nine months ended September 30, 2017 was $2.1 million.

The Company's stock options outstanding and exercisable as of September 30, 2017 were as follows:

Number of Stock Options Outstanding	Expiration Date	Stock Options Outstanding Remaining Contractual Life (In Years)	Exercise Price (CAD)	Grant Date Fair Value (CAD)	Number of Stock Options Exercisable
3,000,000	June 18, 2019	1.72	$ 0.60	$ 0.26	3,000,000
450,000	December 8, 2019	2.19	$ 2.92	$ 1.65	450,000
100,000	December 8, 2019	2.19	$ 2.92	$ 1.31	100,000
400,000	December 8, 2019	2.19	$ 2.96	$ 1.29	400,000
100,000	March 16, 2020	2.46	$ 3.20	$ 1.42	100,000
50,000	August 15, 2020	2.87	$ 0.98	$ 0.39	50,000
750,000	October 21, 2020	3.06	$ 0.87	$ 0.36	375,000
550,000	October 28, 2020	3.08	$ 0.84	$ 0.44	550,000
100,000	December 31, 2020	3.25	$ 1.24	$ 0.50	66,668
2,975,000	July 13, 2020	2.79	$ 1.39	$ 0.65	1,983,332
100,000	August 8, 2020	2.86	$ 1.31	$ 0.65	50,000
410,000	October 3, 2020	3.01	$ 1.35	$ 0.80	102,500
3,585,000	April 17, 2027	9.55	$ 2.16	$ 1.55	—
44,177	May 18, 2021	3.63	$ 2.00	$ 1.05	28,811
100,000	May 18, 2027	9.64	$ 2.00	$ 1.74	—
50,000	May 18, 2027	9.64	$ 2.00	$ 1.53	—
450,000	August 7, 2027	9.86	$ 2.00	$ 1.53	—
13,214,177					**7,256,311**

Included in the table above are non-employee awards that are subject to re-measurement each reporting period until vested. As a result, the grant date fair value is not representative of the total expense that will be recorded for these awards. As of September 30, 2017, the unrecognized compensation expense related to non-vested stock options outstanding was $7.5 million to be recognized over a weighted-average remaining vesting period of approximately 2.87 years. The Company recognizes compensation expense for only the portion of awards that are expected to vest. During the nine months ended September 30, 2017 and 2016, the Company applied an expected forfeiture rate of 0% based on its historical experience.

The fair value of employee and director stock options granted during the nine months ended September 30, 2017, had a weighted average grant date fair value of $1.55 per option and were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2017
Stock price	CAD $.2.08
Exercise price	CAD $2.17
Expected life	6.25 years
Expected volatility	90.84%
Risk-free interest rate	1.06%
Dividend rate	0.00%

During the second quarter of 2017, the Company granted restricted stock units to certain employees under the 2016 Plan that vest over a three-year period beginning on the date of the grant. The fair value of the restricted stock units is based on the closing price of the Company's common stock on the date of grant.

The following is a summary of the Company's restricted stock unit activity during the nine months ended September 30, 2017:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Unit (CAD)
Outstanding as of January 1, 2017	—	$ —
Granted	40,487	2.00
Forfeited	(15,914)	
Outstanding as of September 30, 2017	24,573	$ 2.00
Vested as of September 30, 2017	14,939	$ 2.00

Non-Employee Stock Options

In accordance with the guidance of ASC 815-40-15, stock options awarded to non-employees that are performing services for NHC are required to be accounted for as derivative financial instruments once the services have been performed and the options have vested because they are considered not to be indexed to the Company's stock due to their exercise price being denominated in a currency other than NHC's functional currency. Stock options awarded to non-employees that have not vested are re-measured at their respective fair values at each reporting period and accounted for as equity awards until the terms associated with their vesting requirements have been met. The changes in fair value of the unvested non-employee awards are reflected in their respective operating expense classification in the Company's condensed consolidated statements of operations and comprehensive loss.

The non-employee stock options that are required to be accounted for as liabilities and classified as derivative financial instruments are summarized as follows (amounts in thousands):

	Nine Months Ended September 30,	
	2017	2016
Fair value of non-employee options at beginning of period	$ 1,617	$ 547
Reallocation of vested non-employee options	—	268
Change in fair value of non-employee stock options during the period	1,768	159
Fair value of non-employee options at end of period	$ 3,385	$ 974

The non-employee stock options that have vested are required to be re-valued at each reporting period with the change in fair value recorded as a gain or loss in the change of fair value of derivative financial instruments and included in other income (expense) in the Company's condensed consolidated statements of operations and comprehensive loss at the end of each reporting period. The fair value of the non-employee stock options will continue to be classified as a derivative financial instrument until such time as they are exercised, expire or there is an amendment to the respective agreements that renders these financial instruments to be no longer classified as such.

The fair value of non-employee stock options classified as derivative financial instruments as of September 30, 2017 and December 31, 2016 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2017	December 31, 2016
Stock price	CAD $3.54	CAD $1.92
Exercise price	CAD $1.23	CAD $1.23
Expected life	1.84 years	2.59 years
Expected volatility	60.77%	87.61%
Risk-free interest rate	1.52%	0.79%
Dividend rate	0.00%	0.00%

Stock-based compensation expense is classified in the Company's condensed consolidated statements of operations and comprehensive loss as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Research and development	$ 121	$ -	$ 252	$ 208
General and administrative	553	648	1,212	1,516
Total	$ 674	$ 648	$ 1,464	$ 1,724

5. COMMITMENTS AND CONTINGENCIES

(a) On January 22, 2013, The Company entered into a license agreement with Advanced NeuroRehabilitation, LLC ("ANR") for an exclusive right to ANR's patent pending technology, claims and other intellectual property. In addition to issuing 16,035,026 shares of common stock to ANR, the Company agreed to pay a 4% royalty on net revenue on the sales of devices covered by the patent-pending technology and services related to the therapy or use of devices covered by the patent-pending technology. The Company has not made any royalty payments to date under this agreement.

(b) On October 30, 2017, NHC amended the Asset Purchase Agreement with A&B which specified that if the Company fails to obtain FDA marketing authorization for commercialization of or otherwise fails to ensure that the PoNS™ device is available for purchase by the U.S. Government by December 31, 2021, the Company would be subject to a US$2.0 million contract penalty payable to A&B, unless the Company receives an exemption for the requirement of FDA marketing authorization from the US Army Medical Material Agency. Based on this amendment the Company has determined that the possibility of a payment under this contractual penalty is remote.

(c) In November 2014, the Company signed a development and distribution agreement with the Altair LLC to apply for registration and distribution of the PoNS™ device in the territories of the former Soviet Union. The Company will receive a 7% royalty on sales of the devices within the territories. However, there is no assurance that such commercialization will occur.

(d) In March 2017, the Company entered into a lease for 10,444 square feet office space in Newtown, Pennsylvania. The initial term of the lease is from July 1, 2017 through December 31, 2022, with an option to extend until 2027. In July 2017, the Company amended the contract to commence the lease on July 17, 2017 through January 16, 2023, with an option to extend until January 2028. Monthly rent plus utilities will be approximately $20,000 per month beginning in January 2018 with a 3% annual increase.

The future minimum lease payments related to the Company's non-cancellable operating lease commitments were as follows (amounts in thousands):

For the Period Ending December 31,	
2017 (three months)	$ 5
2018	231
2019	246
2020	253
2021	260
Thereafter	279
	$ 1,274

On February 14, 2017, Mackie Research Capital Corporation ("Mackie"), a Canadian investment banking firm, filed a statement of claim in the Ontario Superior Court of Justice alleging that the Company breached a term of the agency agreement dated March 23, 2016 between the Company and Mackie in connection with its public offering of common stock, which closed on February 16, 2017 by not complying with Mackie's right of first refusal to serve as the lead underwriter in the offering. In April 2017, the Company settled with Mackie for an amount which is insignificant to the Company's condensed consolidated financial statements. The settlement expense is reflected in the Company's condensed consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2017.

6. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2017 and 2016, the Company paid $0 and $40,000 respectively, in consulting fees to certain directors of the Company. During the nine months ended September 30, 2017 and 2016, the Company paid $21,000 and $60,975 respectively, in consulting fees to certain directors of the Company. As of September 30, 2017, and December 31, 2016, the Company owed $5,292 and $2,550, respectively, to a director for consulting services.

In April 2016, the Company entered into a consulting agreement with Montel Media, Inc. ("Montel Media"), pursuant to which Montel Media provides consulting services for the promotion of the Company's clinical trials and ongoing media and marketing strategies. Under the agreement, Montel Media received $15,000 per month. During the three months ended September 30, 2017 and 2016, the Company paid Montel Media $45,000, in each period pursuant to the consulting agreement. During the nine months ended September 30, 2017 and 2016, the Company paid Montel Media $0.1 million in each period, pursuant to the consulting agreement. Montel Media is owned by Montel Williams, who beneficially owns greater than 5% of the Company's common stock.

During the three months ended September 30, 2017 and 2016, an expense of $1.4 million and a benefit of $0.1 million, respectively, was included in the change in fair value of derivative financial instruments as the fair value of stock-based compensation attributed to the options granted to a director, a former director and a consultant for consulting services rendered with respect to the design and development of the PoNS™ device. During the nine months ended September 30, 2017 and 2016, an expense of $1.5 million and $0.4 million, respectively, was included in the change in fair value of derivative financial instruments as the fair value of stock-based compensation attributed to the options granted to two directors and a consultant for consulting services rendered with respect to the design and development of the PoNS™ device.

7. SOLE-SOURCE COST-SHARING AGREEMENT AND COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT

In July 2015, the Company entered into a sole source cost sharing agreement with the U.S. Army Medical Research and Materiel Command ("USAMRMC"). Under the terms of the contract, the USAMRMC will reimburse the Company up to a maximum of $3.0 million to conduct a registrational trial investigating the safety and effectiveness of the PoNS™ device the treatment of chronic balance deficits due to mild to moderate traumatic brain injury. Reimbursement of expenses under the agreement is based on a schedule of milestones related to the completion of subjects in the trial. The original contract expired on December 31, 2016; however, the Company extended the contract agreement through December 31, 2017. On November 7, 2017, the Company received another extension of the contract agreement to December 31, 2018. As of September 30, 2017, the Company has received a total of $2.7 million with respect to expenses reimbursed for amounts owed to the Company for completion of development milestones. All reimbursement amounts received are credited directly to the accounts in which the original expense is recorded, including research and development, wages and salaries, and legal expenses. In addition, in September 2017, the Company announced the execution of an extension to its Cooperative Research and Development Agreement ("CRADA") with the USAMRMC through 2018 and extended the deadline for commercialization of the PoNS™ device to December 31, 2021.

8. SUBSEQUENT EVENTS

Amendment to A&B Asset Purchase Agreement

As discussed in Note 5, *Commitment and Contingencies*, On October 30, 2017, NHC executed an amendment to the asset purchase agreement entered into with A&B(HK) Company, Limited, dated as of October 9, 2015. The amendment extends the deadline to satisfy NHC's obligations under the CRADA to obtain FDA marketing authorization for commercialization of or otherwise ensure that the PoNS™ device is available for purchase by the U.S. Government to December 31, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise specified or the context otherwise requires, references to "we", "us" or "our" mean Helius Medical Technologies, Inc. and its wholly owned subsidiaries, NeuroHabilitation Corporation, or NHC, and Helius Medical Technologies (Canada), Inc. The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the nine months ended December 31, 2016, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in the Company's Transition Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission, or the SEC, on April 3, 2017, or the Transition Report. All financial information is stated in U.S. dollars unless otherwise specified. The Company's condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, including statements regarding our market, strategy, competition, capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the success of our business plan, availability of funds, its ability to maintain and enforce its intellectual property rights, government regulations, operating costs, and its ability to achieve significant revenues and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, availability of funds and operating costs. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined in the "Risk Factors" sections of our Transition Report and this report. These factors may cause our actual results to differ materially from any forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith, based on information available to us as of the date hereof, and reflect our current judgment regarding our business plans, our actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. We do not intend to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States. The forward-looking statements are subject to a number of risks and uncertainties which are discussed in the section entitled "Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q and in our Transition Report and those described from time to time in our future reports filed with the SEC. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with its unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

We are a medical technology company focused on the development of products for the treatment of neurological symptoms caused by disease or trauma. We seek to develop, license or acquire unique and noninvasive platform technologies that amplify the brain's ability to heal itself.

Many patients with brain injury or brain-related disease have disrupted neural networks that result in their brains being unable to correctly or efficiently carry neural impulses, which are responsible for directing bodily functions like movement control or sensory perception. Our first product in development, known as the portable neuromodulation stimulator or PoNS™ therapy platform, is designed to enhance the brain's ability to compensate for this damage. The PoNS™ therapy is a combination of a powerful, wearable, direct current stimulation device, and functional, targeted therapy, and is currently being developed for the treatment of movement, gait and balance disorders in patients with traumatic brain injury ("TBI") and other chronic neurological diseases

Business Update

We completed our registrational clinical trial of the PoNS™ device for the treatment of chronic balance deficits due to mild to moderate TBI during the third quarter of 2017 as planned. On November 9, 2017, we announced positive results from our registrational clinical trial evaluating the safety and effectiveness of the PoNS™ device for the treatment of subjects with chronic balance deficits due to mild-to-moderate TBI. The multi-center registrational trial titled, "A double-blind, randomized, sham-controlled study of the safety and effectiveness of the Portable Neuromodulation Stimulator (PoNS™) 4.0 device for cranial nerve noninvasive neuromodulation or CN-NINM, training in subjects with a chronic balance deficit due to mild-to-moderate TBI", evaluated a total of 122 randomized subjects (61 active and 61 control). Subjects, age 18 to 65, received 5 weeks of treatment (2 weeks in-clinic and 3 weeks at-home) consisting of physical therapy and either a high-frequency PoNS™ device (active) or a low-frequency PoNS™ device (control).

Endpoints for effectiveness were assessed using the Sensory Organization Test or SOT, measuring balance using computerized dynamic posturography. A responder rate analysis was used for the primary endpoint. A responder was defined as a subject with an improvement of at least 15 points on the composite SOT score compared to baseline after 5 weeks of PoNS™ therapy.

Secondary effectiveness endpoints were contingent on the outcome of the primary endpoint and determining the clinical effectiveness of the low-frequency device. As the low-frequency device demonstrated, on average, statistically significant improvements on composite SOT scores compared to baseline ($P<0.025$) – the secondary effectiveness endpoints evaluated for the study were the mean change in composite SOT score from baseline at 2 and 5 weeks, for both arms combined.

Endpoints for safety were assessed by frequency of falls, frequency of headaches, and Adverse Events (AEs). Falls and headaches were measured by daily activity logs and the Headache Disability Index, respectively.

Study results highlights:

- Primary effectiveness endpoint demonstrated a trend toward a higher responder rate in the high frequency PoNS™ therapy group (75.4%) than in the low frequency PoNS™ therapy group (60.7%), $P<0.081$.
- Primary effectiveness endpoint was not reached because low frequency pulse treatment had a significant therapeutic effect.
- Secondary effectiveness endpoints demonstrated statistically and clinically significant increases (at least 8 points) in composite SOT scores:
  - The mean improvement at 2 weeks for combined-arms was 18.3 points, $P<0.0005$
  - The mean improvement at 5 weeks for combined-arms was 24.6 points, $P<0.0005$.
- Successfully met primary and secondary safety endpoints as measured by a decrease in falls and headaches, in both groups.
- There were no device-related serious adverse events.

We continue to conduct the commercial design and manufacturing testing to meet the requirements of the applications for commercial clearance with the U.S. Food and Drug Administration, Health Canada, CE Mark in Europe and the Therapeutic Goods Administration in Australia and expect to complete this testing and submit to the FDA for clearance in the first half of 2018. We also anticipate finalization of the selection of our contract scale manufacturer for the manufacturing of our PoNS™ device during the fourth quarter of 2017. It is our expectation to complete all requirements for the various regulatory submissions during the first half of 2018 and, to the extent the FDA completes its review in 120 days, we anticipate clearance in the second half of 2018. We also anticipate a similar timeline for the foreign regulatory clearances.

Results of Operations

Three Months Ended September 30, 2017 compared to the Three Months Ended September 30, 2016

The following table summarizes our results of operations for the three months ended September 30, 2017 and 2016 (amounts in thousands):

	Three Months Ended September 30,		
	2017	2016	Change
Revenue	$ —	$ —	$ —
Operating expenses:			
Research and development	3,798	1,411	2,387
General and administrative	2,172	1,980	192
Total operating expenses	**5,970**	**3,391**	**2,579**
Loss from operations	**(5,970)**	**(3,391)**	**(2,579)**
Other income (expense):			
Other income	—	1	(1)
Change in fair value of derivative financial instruments	(5,960)	288	(6,248)
Foreign exchange loss	(1,008)	115	(1,123)
Total other income (expense)	**(6,968)**	**404**	**(7,372)**
Net loss	**$ (12,938)**	**$ (2,987)**	**(9,951)**

Revenue

During the three months ended September 30, 2017 and 2016, we did not generate any revenue.

Research and Development Expense

Research and development or R&D, expense was $3.8 million during the three months ended September 30, 2017 compared to $1.4 million during the three months ended September 30, 2016, an increase of $2.4 million. The increase was driven by a $1.8 million increase related to the

manufacturing, design and engineering verification testing of the PoNS™ device, a $0.4 million increase related to the completion of our registrational clinical trial and a $0.2 million increase in regulatory costs in preparation for our FDA submission. This was partially offset by a $0.2 million reduction relating to invoices for reimbursement from the U.S. Army as a result of milestones met under the sole source cost sharing contract.

General and Administrative Expense

General and administrative or G&A, expense was $2.2 million during the three months ended September 30, 2017 compared to $2.0 million from the three months ended September 30, 2016, an increase of $0.2 million. The increase was primarily due to a business email compromise fraud which involved impersonation of our employees and fraudulent demands for wire transfers that targeted our finance department. See Item 4 for a further discussion.

Change in Fair Value of Derivative Financial Instruments

The change in fair value of derivative financial instruments was a loss of $6.0 million during the three months ended September 30, 2017 compared to a gain of $0.3 million during the three months ended September 30, 2016. The change in fair value of derivative financial instruments was primarily attributable to the change in volatility and our stock price during the period. The change in the fair value of derivative financial instruments is a non-cash item.

Foreign Exchange Loss

Foreign exchange loss was $1.0 million during the three months ended September 30, 2017 compared to a gain of $0.1 million during the three months ended September 30, 2016. This was primarily due to fluctuations in the foreign exchange rate as it relates to the amount of Canadian dollars held at the end of each reporting period.

Nine Months Ended September 30, 2017 compared to the Nine Months Ended September 30, 2016

The following table summarizes our results of operations for the nine months ended September 30, 2017 and 2016 (amounts in thousands):

	Nine Months Ended September 30,		
	2017	2016	Change
Revenue	$ —	$ —	$ —
Operating expenses:			
Research and development	11,121	3,164	7,957
General and administrative	5,862	5,246	616
Total operating expenses	**16,983**	**8,410**	**8,573**
Loss from operations	**(16,983)**	**(8,410)**	**(8,573)**
Other income (expense):			
Other expense	—	(20)	20
Other income	—	111	(111)
Change in fair value of derivative financial instruments	(5,452)	(1,052)	(4,400)
Foreign exchange loss	(1,860)	(530)	(1,330)
Total other expense	**(7,312)**	**(1,491)**	**(5,821)**
Net loss	**$ (24,295)**	**$ (9,901)**	**(14,394)**

Revenue

During the nine months ended September 30, 2017 and 2016, we did not generate any revenue.

Research and Development Expense

R&D expenses were $11.1 million during the nine months ended September 30, 2017 compared to $3.2 million during the nine months ended September 30, 2016. The increase of $8.0 million was primarily attributable to an increase in our activities with respect to our devices and our clinical trials. We incurred $5.6 million related to the manufacturing of clinical trial devices, and the design and engineering verification testing of our PoNS™ devices. In addition, we incurred approximately $2.8 million in expenses related to our registrational clinical trial for mild-to-moderate TBI, which included start-up and operating costs which supported an increase in the number of clinical sites, a traditional and digital advertising campaign as well as payment to sites for the completion of trial subjects. We also incurred $0.4 million in regulatory costs in anticipation of our FDA submission for clearance to commercialize our PoNS™ device These costs were partially offset by a $0.8 million reduction relating to invoices for reimbursement from the U.S. Army as a result of milestones met under the sole source cost sharing contract.

General and Administrative Expense

G&A expenses were $5.9 million during the nine months ended September 30, 2017 compared to $5.2 million during the nine months ended September 30, 2016. The increase of $0.6 million was related to higher professional service fees of $0.4 million primarily the result of higher legal fees and an $0.2 million charge due to a business email compromise fraud which involved impersonation of our employees and fraudulent demands for wire transfers that targeted our finance department. See Item 4 for a further discussion.

Change in Fair Value of Derivative Financial Instruments

The change in fair value of derivative financial instruments was a loss of $5.5 million during the nine months ended September 30, 2017 compared to a loss of $1.1 million during the nine months ended September 30, 2016. The change in fair value of derivative financial instruments was primarily attributable to the change in our stock price and volatility during the period. The change in the fair value of derivative financial instruments is a non-cash item.

Foreign Exchange Loss

Foreign exchange loss was $1.9 million during the nine months September 30, 2017 compared to a loss of $0.5 million during the nine months ended September 30, 2016. This was primarily due to fluctuations in the foreign exchange rate as related to the amount of Canadian dollars held at the end of each reporting period.

Statement of Cash Flows

The following table summarizes our cash flows for the nine months ended September 30, 2017 and 2016 (amounts in thousands):

	Nine Months Ended September 30,		
	2017	2016	Change
Net cash used in operating activities	$ (14,239)	$ (5,775)	$ (8,464)
Net cash used in investing activities	(181)	—	(181)
Net cash provided by financing activities	14,210	7,888	6,322
Effect of exchange rate changes on cash	158	(290)	448
Net change in cash	$ (52)	$ 1,823	$ (1,875)

Net Cash Used in Operating Activities

Net cash used in operating activities during the nine months ended September 30, 2017 was $14.2 million. This was comprised of a net loss of $24.3 million adjusted for non-cash items including the change in fair value of derivative financial instruments of $5.5 million, stock-based compensation expense of $1.5 million, unrealized foreign exchange loss of $1.8 million and change in operating assets and liabilities of $1.4 million.

Net cash used in operating activities during the nine months ended September 30, 2016 was $5.8 million. This was comprised of a net loss of $9.9 million adjusted for non-cash items such as change in fair value of derivative financial instruments of $1.1 million, stock-based compensation expense of $1.7 million, unrealized foreign exchange loss of $0.8 million and change in operating assets and liabilities of $0.6 million.

Net Cash Used in Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2017 was $0.2 million, which was primarily related to leasehold improvements at our new office space.

Net Cash Provided by Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2017 was $14.2 million, which was comprised of $14.5 million received from the sale of 6,555,000 shares of our common stock related to the February 2017 offering and 4,000,000 shares of our common stock related to the June 2017 private placement, as well as $0.9 million received from the exercise of stock options and warrants. These amounts were partially offset by $1.2 million in share issuance costs incurred in connection with the February 2017 offering.

During the nine months ended September 30, 2016, financing activities provided cash of $7.9 million. Financing activities during the nine months ended September 30, 2016 consisted of: $7.9 million in proceeds from the issuance of common stock and warrants related to the April 2016 offering and $1.5 million in proceeds from the exercise of warrants, partially offset by $1.5 million in share issuance costs incurred in connection with the April 2016 offering.

Liquidity and Capital Resources

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, does not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should the Company be unable to continue in operation.

The following table summarizes our cash and its working capital which excludes non-cash items (derivative financial instruments) as of September 30, 2017 and December 31, 2016 (amounts in thousands):

	September 30, 2017	December 31, 2016
Cash	$ 2,617	$ 2,669
Working capital	$ (415)	$ 1,030

We currently have limited working capital and liquid assets. Based on management's assessment, there is substantial doubt about our ability to continue as a going concern. This means that there is substantial doubt that we can continue as an on-going business for the next twelve months. Our cash as of September 30, 2017 was $2.6 million. We expect that this cash will allow us to maintain our current operations into December 2017.

To date we have not generated any revenue from the commercial sales of products or services. There are a number of conditions that we must satisfy before we will be able to generate revenue, including but not limited to, FDA clearance of the PoNS™ device for the treatment of movement, gait and balance disorders in patients with mild- to moderate TBI, manufacturing of a commercially-viable version of the PoNS™ device and demonstration of its effectiveness in combination with a functional targeted therapy sufficient to generate commercial orders by customers for our product. We do not currently have sufficient resources to accomplish these conditions necessary for us to generate revenue. We will therefore require substantial additional funds to continue to conduct the R&D and regulatory clearance and approval activities necessary to bring our product to market, to establish effective marketing and sales capabilities and to develop other product candidates. We will require additional funding to fund our ongoing activities. There can be no assurance that we will be successful in raising additional capital or that such capital, if available, will be on terms that are acceptable to us. If we are unable to raise sufficient additional capital, we may be compelled to reduce the scope of our operations and planned capital expenditure or sell certain assets, including intellectual property, and we may be forced to cease or wind down operations, seek protection under the provisions of the U.S. Bankruptcy Code, or liquidate and dissolve our company.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our results of operations or financial condition.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations are based upon our financial statements that have been prepared in accordance with U.S. GAAP. This preparation requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities.

Our critical accounting policies and estimates are described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" of our Transition Report. There have been no changes in critical accounting policies in the current year from those described in our Transition Report.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments in this update change existing guidance related to accounting for employee share-based payments affecting the income tax consequences of awards, classification of awards as equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods, with early adoption permitted. The updated accounting guidance was effective for us on January 1, 2017 and it did not have a material effect on our condensed consolidated financial statements and any deferred tax benefits would be offset by a valuation allowance.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the consolidated balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of operations. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the condensed consolidated financial statements, with certain practical expedients available. We are currently evaluating the potential impact of the standard on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was further amended through various updates issued by the FASB thereafter. The amendments of Topic 606 completed the joint effort between the FASB and the IASB, to develop a common revenue standard for GAAP and IFRS, and to improve financial reporting. The guidance under Topic 606 provides that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services provided and establishes a five-step model to be applied by an entity in evaluating its contracts with customers. The Company expects to adopt the standard effective January 1, 2018 and apply the guidance retrospectively to contracts at the date of adoption. The Company also expects to elect the practical expedient available under Topic 606 for measuring progress toward complete satisfaction of a performance obligation and for disclosure requirements of remaining performance obligations. The practical expedient allows an entity to recognize revenue in the amount to which the entity has the right to invoice such that the entity has a right to the consideration in an amount that corresponds directly with the value to the customer for performance completed to date by the entity. The Company continues to assess the new standard with a focus on identifying the performance obligations included within any revenue arrangements with customers and will evaluate the methods of estimating the amount and timing of variable consideration. The Company does not currently have, and has not previously held, any significant contracts with customers. Accordingly, the Company does not believe the adoption of Topic 606 on January 1, 2018 will have a material impact on its financial statements.

JOBS Act

In April 2012, the JOBS Act was enacted in the United States. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth public companies.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Exchange Act, under the direction of the Chief Executive Officer and the Chief Financial Officer, the Company has evaluated its disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report due to the material weakness in our internal controls over financial reporting as discussed below. Notwithstanding this material weakness, our management has concluded that the financial statements included elsewhere in this Quarterly Report present fairly, in all material respects, our financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

In August 2017, we became aware that we had been a victim of a criminal fraud that law enforcement authorities refer to as business email compromise fraud, which involved impersonation of our employees and fraudulent demands for wire transfers that targeted our finance department. We immediately responded to the criminal fraud. Despite our response, the fraud resulted in a transfer of approximately $0.2 million. To date, no funds have been recovered. The Company's investigation into this matter continues as further discussed in Item 1A. During the third quarter of 2017, enhancements were made to our controls relating to electronic payments, including by wire transfer of funds. These enhancements include additional verification and documentation procedures to be followed prior to the initiation or approval of electronic payments by or for us. We believe these enhancements increase the ability of our personnel to identify and block attempts by third parties to fraudulently initiate electronic payments from us. Our management believes that the foregoing actions will help improve our internal controls over financial reporting. We are actively working to implement effective internal control over financial reporting, which includes remediation of these material weaknesses. However, such compliance is not guaranteed, and we cannot provide any assurance that our internal control over financial reporting will be effective as a result of these efforts.

Changes in Internal Control Over Financial Reporting

Other than the actions described above, there has not been any change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to litigation and claims arising in the ordinary course of business. We are not currently a party to any material legal proceedings and we are not aware of any pending or threatened legal proceeding against us that we believe could have a material adverse effect on our business, operating results or financial condition.

Item 1A. Risk Factors

The discussion of our business and operations discussed in this report should be read together with the risk factors contained in Item 1A of our Transition Report as filed with the SEC on April 3, 2017, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies, or prospects in a material and adverse manner. There are no material changes from the risk factors as previously disclosed in our Transition Report, except as noted below:

T ***Before giving effect to any potential sales of our securities, we estimate that our existing capital resources will only be sufficient to fund our operations into December 2017.***

As of September 30, 2017, we had cash of $2.6 million. We expect that this cash will allow us to maintain our current operations into December 2017. Therefore, we will need to complete a financing or strategic transaction before the end of December 2017 to continue as a going concern, or we may be forced to reduce the scope of our operations and planned capital expenditure or sell certain assets, including intellectual property, and we may be forced to cease or wind down operations, seek protection under the provisions of the U.S. Bankruptcy Code, or liquidate and dissolve our company, which would have a material adverse effect on the value of our common stock.

We have been the victim of a cyber-related crime and our controls may not be successful in avoiding further cyber-related crimes in the future.

In the three months ended September 30, 2017, we were the victim of a business email compromise, fraud which resulted in our incurring a loss of approximately $0.2 million. We are working with law enforcement authorities and the banks involved in the wire transfer to pursue recovery of the $0.2 million, but at this time we do not know whether we will be able to recover any of the funds, and we have been advised that it may take several months before we are better able to evaluate our recovery prospects. Enhancements have been made to our controls relating to electronic payments by or for us that we believe will reduce out risk of becoming a victim of future frauds related to our payments, including by wire transfers. However, cyber-related criminal activities continue to evolve and increase in sophistication, frequency and severity. As a result, the control enhancements that have been made, and any additional enhancements that may be made in the future, to our controls may not be successful in avoiding our becoming a victim to further cyber-related crimes.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 7, 2017, NHC executed an amendment to the sole source cost sharing contract entered into with the USAMRMC, pursuant to which USAMRMC and the U.S. Army Medical Material Agency have agreed to cooperate with NHC on clinical studies and regulatory responsibilities necessary to obtain FDA marketing authorization of the PoNS™ device for the treatment of chronic balance deficits related to mild- to moderate-TBI. The amendment extends the agreement with USAMRMC to December 31, 2018 and is under NHC's larger CRADA framework with the United States Army.

The preceding summary of the amendment is qualified in its entirety by reference to Amendment of Solicitation/Modification of Contract of Sole-Source Cost Sharing Agreement with the U.S. Army Medical Research and Materiel Command, which is filed herewith as Exhibit 10.2, Amendment to Performance Work Statement (filed as Exhibit 10.1 to the Form 8-K filed on November 21, 2016) and Performance Work Statement (filed as Exhibit 10.2 to the Form 8-K filed on November 21, 2016), each of which is incorporated by reference herein.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
3.1	Articles of Continuation (incorporated by reference to Exhibit 3.1 to the Form S-1 filed with the SEC on July 14, 2014)
3.2	Articles of Amendment filed with the Wyoming Secretary of State on July 3, 2014 (incorporated by reference to Exhibit 3.2 to the Form S-1 filed with the SEC on July 14, 2014)
3.3	Articles of Amendment filed with the Wyoming Secretary of State on April 27, 2015 (incorporated by reference to Exhibit 3.3 to amendment no. 1 to the Form 10 filed with the SEC on May 4, 2015)
3.4	Bylaws as amended and restated (incorporated by reference to Exhibit 3.1 to the Form 8-K filed with the SEC on March 23, 2016)
4.1	Form of Warrant (included in Exhibit 4.2)
4.2	Warrant Indenture dated April 18, 2016 by and between Helius Medical Technologies, Inc. and Computershare Investor Services Inc. (incorporated by reference to Exhibit 4.1 to amendment no. 1 to the Form 8-K filed April 18, 2016 and amended on April 20, 2016)
4.3	Amended and Restated June 2014 Equity Incentive Plan*
10.1	Modification No. 4 to the Amended Cooperative Research and Development Agreement, dated September 6, 2017 (incorporated by reference to Exhibit 2.1 to the Form 8-K filed September 12, 2017)
10.2	Amendment of Solicitation/Modification of Contract of Sole-Source Cost Sharing Agreement with the U.S. Army Medical Research and Materiel Command*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section302 of the Sarbanes-Oxley Act of 2002 **
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *

* Filed herewith

** These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HELIUS MEDICAL TECHNOLOGIES, INC.

Dated: November 9, 2017

By: /s/ Philippe Deschamps
Philippe Deschamps
President, Chief Executive Officer and a Director

Dated: November 9, 2017

By: /s/ Joyce LaViscount
Joyce LaViscount
Chief Financial Officer (Principal Accounting Officer), and Corporate Secretary

JUNE 2014 STOCK INCENTIVE PLAN

For:

HELIUS MEDICAL TECHNOLOGIES, INC.

Dated June 18, 2014

Amended August 22, 2017

Helius Medical Technologies, Inc.
642 Newtown Yardley Rd., Suite 100
Newtown, PA 18940

HELIUS MEDICAL TECHNOLOGIES, INC.

JUNE 2014 STOCK INCENTIVE PLAN

1. PURPOSE

1.1 The purpose of this June 2014 Stock Incentive Plan (the "**Plan**") is to advance the interests of Helius Medical Technologies, Inc. (the "**Company**") by encouraging Eligible Participants (as herein defined) to acquire shares of the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnish them with additional incentive in their efforts on behalf of the Company in the conduct of their affairs.

1.2 This Plan is specifically designed for Eligible Participants of the Company who are residents of the United States and/or subject to taxation in the United States, although Awards (as herein defined) under this Plan may be issued to other Eligible Participants.

2. DEFINITIONS

2.1 As used herein, the following definitions shall apply:

(a) "**Administrator**" means the Committee or otherwise the Board;

(b) "**Affiliate**" and "**Associate**" have the meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act;

(c) "**Applicable Laws**" means the legal requirements relating to the administration of stock incentive plans, if any, under applicable provisions of federal securities laws, state corporate laws, state or provincial securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any foreign jurisdiction applicable to Awards granted to residents therein;

(d) "**Award**" means the grant of an Option, SAR, Restricted Stock, unrestricted Shares, Restricted Stock Unit, Deferred Stock Unit or other right or benefit under this Plan;

(e) "**Award Agreement**" means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto;

(f) "**Award Right**" means each right to acquire a Share pursuant to an Award;

(g) "**Board**" means the Board of Directors of the Company;

(h) "**Cause**" means, with respect to the termination by the Company or a Related Entity of the Grantee's Continuous Service, that such termination is for "Cause" as such term is expressly defined in a then-effective written agreement between the Grantee

and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, the Grantee's:

(i) refusal or failure to act in accordance with any specific, lawful direction or order of the Company or a Related Entity;

(ii) unfitness or unavailability for service or unsatisfactory performance (other than as a result of Disability);

(iii) performance of any act or failure to perform any act in bad faith and to the detriment of the Company or a Related Entity;

(iv) dishonesty, intentional misconduct or material breach of any agreement with the Company or a Related Entity; or

(v) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person;

(i) "**Change of Control**" means, except as provided below, a change in ownership or control of the Company effected through any of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such shareholders accept;

(ii) a change in the composition of the Board over a period of 36 months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors;

(iii) the sale or exchange by the Company (in one or a series of transactions) of all or substantially all of its assets to any other person or entity; or

(iv) approval by the shareholders of the Company of a plan to dissolve and liquidate the Company.

Notwithstanding the foregoing, the following transactions shall not constitute a "**Change of Control**":

(i) the closing of any public offering of the Company's securities pursuant to an effective registration statement filed under the United States *Securities Act of 1933*, as amended;

(ii) the closing of a public offering of the Company's securities through the facilities of any stock exchange; or

(iii) with respect to an Award that is subject to Section 409A of the Code, and payment or settlement of such Award is to be accelerated in connection with an event that would otherwise constitute a Change of Control, no event set forth previously in this definition shall constitute a Change of Control for purposes of this Plan or any Award Agreement unless such event also constitutes a **"change in the ownership**", a "**change in the effective control**" or a "**change in the ownership of a substantial portion of the assets of the corporation**" as defined under Section 409A of the Code and Treasury guidance formulated thereunder, which guidance currently provides that:

(A) a change in ownership of a corporation shall be deemed to have occurred if any one person or more than one person acting as a group acquires stock of a corporation that constitutes more than 50% of the total Fair Market Value or total voting power of the stock of the corporation. Stock acquired by any person or group of people who already owns more than 50% of such total Fair Market Value or total voting power of stock shall not trigger a change in ownership;

(B) a change in the effective control of a corporation generally shall be deemed to have occurred if within a 12-month period either:

(I) any one person or more than one person acting as a group acquires ownership of stock possessing 35% or more of the total voting power of the stock of the corporation; or

(II) a majority of the members of the corporation's board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors prior to the date of the appointment or election; and

(C) a change in the ownership of a substantial portion of the corporation's assets generally is deemed to occur if within a 12-month period any person, or more than one person acting as a group, acquires assets from the corporation that have a total gross fair market value at least equal to 40% of the total gross fair market value of all the corporation's assets immediately prior to such acquisition. The gross fair market value of assets is determined without regard to any liabilities;

(j) "**Code**" means the United States *Internal Revenue Code of 1986*, as amended;

(k) "**Committee**" means the Compensation Committee or any other committee appointed by the Board to administer this Plan in accordance with the provisions of this Plan; provided, however, that:

(i) where available, the Committee shall consist of two or more members of the Board;

(ii) where available, the directors appointed to serve on the Committee shall be "**non-employee directors**" (within the meaning of Rule 16b-3 promulgated under the Exchange Act) and "**outside directors**" (within the meaning of Section 162(m) of the Code) to the extent that Rule 16b-3 and, if necessary for relief from the limitation under Section 162(m) of the Code and such relief is sought by the Company, Section 162(m) of the Code, respectively, are applicable;

(iii) the mere fact that a Committee member shall fail to qualify under either of the foregoing requirements set forth in Section 2.1(k)(ii) shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan; and

(iv) members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board;

(l) "**Common Stock**" means the Class A Common stock of the Company;

(m) "**Company**" means Helius Medical Technologies, Inc., a Wyoming corporation;

(n) "**Consultant**" means any person (other than an Employee) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity;

(o) "**Continuing Directors**" means members of the Board who either (i) have been Board members continuously for a period of at least 36 months, or (ii) have been Board members for less than 36 months and were appointed or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such appointment or nomination was approved by the Board;

(p) "**Continuous Service**" means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or Consultant that is not interrupted or terminated. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers between locations of the Company or among the Company, any Related Entity, or any successor, in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or Consultant (except as otherwise provided in the

Award Agreement). An approved leave of absence shall include sick leave, maternity or paternity leave, military leave, or any other authorized personal leave. For purposes of Incentive Stock Options, no such leave may exceed 90 calendar days, unless reemployment upon expiration of such leave is guaranteed by statute or contract;

(q) "**Corporate Transaction**" means any of the following transactions:

(i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is organized;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company (including the capital stock of the Company's subsidiary corporations) in connection with the complete liquidation or dissolution of the Company; or

(iii) any reverse merger in which the Company is the surviving entity but in which securities possessing more than 50% of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger;

(r) "**Covered Employee**" means an Employee who is a "**covered employee**" under Section 162(m)(3) of the Code;

(s) "**Deferred Stock Units**" means Awards that are granted to Directors and are subject to the additional provisions set out in Subpart A which is attached hereto and which forms a material part hereof;

(t) "**Director**" means a member of the Board or the board of directors of any Related Entity;

(u) "**Disability**" or "**Disabled**" means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment. A Grantee shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion. Notwithstanding the above, (i) with respect to an Incentive Stock Option, Disability or Disabled shall mean permanent and total disability as defined in Section 22(e)(3) of the Code and (ii) to the extent an Option is subject to Section 409A of the Code, and payment or settlement of the Option is to be accelerated solely as a result of the Eligible Participant's Disability, Disability shall have the meaning ascribed thereto under Section 409A of the Code and the Treasury guidance promulgated thereunder;

(v) "**Disinterested Shareholder Approval**" means approval by a majority of the votes cast by all the Company's shareholders at a duly constituted shareholders' meeting, excluding votes attached to shares beneficially owned by Insiders;

(w) "**Eligible Participant**" means any person who is an Officer, a Director, an Employee or a Consultant, including individuals who are foreign nationals or are employed or reside outside the United States;

(x) "**Employee**" means any person who is a full-time or part-time employee of the Company or any Related Entity;

(y) "**Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended;

(z) "**Fair Market Value**" means, as of any date, the value of a Share determined in good faith by the Administrator. By way of illustration, but not limitation, for the purpose of this definition, good faith shall be met if the Administrator employs the following methods:

(i) Listed Stock. If the Common Stock is traded on any established stock exchange or quoted on a national market system, Fair Market Value shall be (A) the closing sales price for the Common Stock as quoted on that stock exchange or system for the date the value is to be determined (the "**Value Date**"), or (B) if the rules of the applicable stock exchange require, the volume-weighted average trading price for five days prior to the date the Board approves the grant of the Award. If no sales are reported as having occurred on the Value Date, Fair Market Value shall be that closing sales price for the last preceding trading day on which sales of Common Stock is reported as having occurred. If no sales are reported as having occurred during the five trading days before the Value Date, Fair Market Value shall be the closing bid for Common Stock on the Value Date. If the Common Stock is listed on multiple exchanges or systems, Fair Market Value shall be based on sales or bids on the primary exchange or system on which Common Stock is traded or quoted. If the rules of any applicable stock exchange or system require a different method of calculating Fair Market Value, then such method as is required by those rules;

(ii) Stock Quoted by Securities Dealer. If Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported on any established stock exchange or quoted on a national market system, Fair Market Value shall be the mean between the high bid and low asked prices on the Value Date. If no prices are quoted for the Value Date, Fair Market Value shall be the mean between the high bid and low asked prices on the last preceding trading day on which any bid and asked prices were quoted;

(iii) No Established Market. If Common Stock is not traded on any established stock exchange or quoted on a national market system and is not quoted by

a recognized securities dealer, the Administrator will determine Fair Market Value in good faith. The Administrator will consider the following factors, and any others it considers significant, in determining Fair Market Value: (A) the price at which other securities of the Company have been issued to purchasers other than Employees, Directors, or Consultants; (B) the Company's net worth, prospective earning power, dividend-paying capacity, and non-operating assets, if any; and (C) any other relevant factors, including the economic outlook for the Company and the Company's industry, the Company's position in that industry, the Company's goodwill and other intellectual property, and the values of securities of other businesses in the same industry;

(iv) Additional Valuation. For publicly traded companies, any valuation method permitted under Section 20.2031-2 of the Estate Tax Regulations; or

(v) Non-Publicly Traded Stock. For non-publicly traded stock, the Fair Market Value of the Common Stock at the Grant Date based on an average of the Fair Market Values as of such date set forth in the opinions of completely independent and well-qualified experts (the Participant's status as a majority or minority shareholder may be taken into consideration).

Regardless of whether the Common Stock offered under the Award is publicly traded, a good faith attempt under this definition shall not be met unless the Fair Market Value of the Common Stock on the Grant Date is determined with regard to nonlapse restrictions (as defined in Section 1.83-3(h) of the Treasury Regulations) and without regard to lapse restrictions (as defined in Section 1.83-3(i) of the Treasury Regulations);

(aa) "**Grantee**" means an Eligible Participant who receives an Award pursuant to an Award Agreement;

(bb) "**Grant Date**" means the date the Administrator approves that grant of an Award. However, if the Administrator specifies that an Award's Grant Date is a future date or the date on which a condition is satisfied, the Grant Date for such Award is that future date or the date that the condition is satisfied;

(cc) "**Incentive Stock Option**" means an Option within the meaning of Section 422 of the Code;

(dd) "**Insider**" means:

(i) a Director or Senior Officer of the Company;

(ii) a Director or Senior Officer of a person that is itself an Insider or Subsidiary of the Company;

(iii) a person that has

(A) direct or indirect beneficial ownership of,

(B) control or direction over, or

(C) a combination of direct or indirect beneficial ownership of and control or direction over,

securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person as underwriter in the course of a distribution; or

(iv) the Company itself, if it has purchased, redeemed or otherwise acquired any securities of its own issue, for so long as it continues to hold those securities;

(ee) "**Named Executive Officer**" means, if applicable, an Eligible Participant who, as of the date of vesting and/or payout of an Award, is one of the group of Covered Employees as defined;

(ff) "**Non-Qualified Stock Option**" means an Option which is not an Incentive Stock Option;

(gg) "**Officer**" means a person who is an officer, including a Senior Officer, of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder;

(hh) "**Option**" means an option to purchase Shares pursuant to an Award Agreement granted under the Plan;

(ii) "**Parent**" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code;

(jj) "**Performance-Based Compensation**" means compensation qualifying as "performance-based compensation" under Section 162(m) of the Code;

(kk) "**Plan**" means this 2014 Stock Incentive Plan as amended from time to time;

(ll) "**Related Entity**" means any Parent or Subsidiary, and includes any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or a Subsidiary holds a greater than 50% ownership interest, directly or indirectly;

(mm) "**Related Entity Disposition**" means the sale, distribution or other disposition by the Company of all or substantially all of the Company's interests in any Related Entity effected by a sale, merger or consolidation or other transaction involving that Related Entity or the sale of all or substantially all of the assets of that Related Entity;

(nn) "**Restricted Stock**" means Shares issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as, established by the Administrator and specified in the related Award Agreement;

(oo) "**Restricted Stock Unit**" means a notional account established pursuant to an Award granted to a Grantee, as described in this Plan, that is (i) valued solely by reference to Shares, (ii) subject to restrictions specified in the Award Agreement, and (iii) payable only in Shares;

(pp) "**Restriction Period**" means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance objectives, or the occurrence of other events as determined by the Administrator, in its sole discretion) or the Restricted Stock is not vested;

(qq) "**SAR**" means a stock appreciation right entitling the Grantee to Shares or cash compensation, as established by the Administrator, measured by appreciation in the value of Common Stock;

(rr) "**SEC**" means the United States Securities Exchange Commission;

(ss) "**Senior Officer**" means:

(i) the chair or vice chair of the Board, the president, the chief executive officer, the chief financial officer, a vice-president, the secretary, the treasurer or the general manager of the Company or a Related Entity;

(ii) any individual who performs functions for a person similar to those normally performed by an individual occupying any office specified in Section 2.1(ss)(i) above; and

(iii) the five highest paid employees of the Company or a Related Entity, including any individual referred to in Section 2.1(ss)(i) or 2.1(ss)(ii) and excluding a commissioned salesperson who does not act in a managerial capacity;

(tt) "**Share**" means a share of the Common Stock; and

(uu) "**Subsidiary"** means a "**subsidiary corporation**", whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. STOCK SUBJECT TO THE PLAN

Number of Shares Available

3.1 (a)Subject to the provisions of Section 18, the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Stock Options)

under this Plan is 12,108,016 (the "**Maximum Number**"). See Section 29 for Reservation of Shares.

(b) Shares that have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan except that Shares (i) covered by an Award (or portion of an Award) which is forfeited or cancelled, expires or is settled in cash, or (ii) withheld to satisfy a Grantee's minimum tax withholding obligations, shall be deemed not to have been issued for purposes of determining the Maximum Number of Shares which may be issued under the Plan. Also, only the net numbers of Shares that are issued pursuant to the exercise of an Award shall be counted against the Maximum Number.

(c) However, in the event that prior to the Award's cancellation, termination, expiration, forfeiture or lapse, the holder of the Award at any time received one or more elements of beneficial ownership pursuant to such Award (as defined by the SEC, pursuant to any rule or interpretations promulgated under Section 16 of the Exchange Act), the Shares subject to such Award shall not again be made available for regrant under the Plan.

Shares to Insiders

3.2 Subject to Section 15.1(b) and 15.1(c), no Insider of the Company is eligible to receive an Award where:

(a) the Insider is not a Director or Senior Officer of the Company;

(b) any Award, together with all of the Company's other previously established or proposed Awards under the Plan could result at any time in:

(i) the number of Shares reserved for issuance pursuant to Options granted to Insiders exceeding 50% of the outstanding issue of Common Stock; or

(ii) the issuance to Insiders pursuant to the exercise of Options, within a one year period of a number of Shares exceeding 50% of the outstanding issue of the Common Stock;

provided, however, that this restriction on the eligibility of Insiders to receive an Award shall cease to apply if it is no longer required under any Applicable Laws.

Limitations on Award

3.3 Unless and until the Administrator determines that an Award to a Grantee is not designed to qualify as Performance-Based Compensation, the following limits (the "**Award Limits**") shall apply to grants of Awards to Grantees subject to the Award Limits by Applicable Laws under this Plan:

(a) Options and SARs. Notwithstanding any provision in the Plan to the contrary (but subject to adjustment as provided in Section 18), the maximum number of Shares

with respect to one or more Options and/or Stock Appreciation Rights that may be granted during any one calendar year under the Plan to any one Grantee shall be 2,421,500; all of which may be granted as Incentive Stock Options); and

(b) Other Awards. The maximum aggregate grant with respect to Awards of Restricted Stock, unrestricted Shares, Restricted Stock Units and Deferred Stock Units (or used to provide a basis of measurement for or to determine the value of Restricted Stock Units and Deferred Stock Units) in any one calendar year to any one Grantee (determined on the date of payment of settlement) shall be 2,421,500.

4. ADMINISTRATION

Authority of Plan Administrator

4.1 Authority to control and manage the operation and administration of this Plan shall be vested in the Administrator.

Powers of the Administrator

4.2 Subject to Applicable Laws and the provisions of the Plan or subplans hereof (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the exclusive power and authority, in its discretion:

(a) to construe and interpret this Plan and any agreements defining the rights and obligations of the Company and Grantees under this Plan;

(b) to select the Eligible Participants to whom Awards may be granted from time to time hereunder;

(c) to determine whether and to what extent Awards are granted hereunder;

(d) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;

(e) to approve forms of Award Agreements for use under the Plan, which need not be identical for each Grantee;

(f) to determine the terms and conditions of any Award granted under the Plan, including, but not limited to, the exercise price, grant price or purchase price based on the Fair Market Value of the same, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of the Award, and acceleration or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines that is not inconsistent with any rule or regulation under any tax or securities laws or includes an alternative right that does not disqualify an Incentive Stock Option under applicable regulations;

(g) to amend the terms of any outstanding Award granted under the Plan, provided that any amendment that would adversely affect the Grantee's rights under an existing Award shall not be made without the Grantee's consent unless as a result of a change in Applicable Law;

(h) to suspend the right of a holder to exercise all or part of an Award for any reason that the Administrator considers in the best interest of the Company;

(i) subject to regulatory approval, amend or suspend the Plan, or revoke or alter any action taken in connection therewith, except that no general amendment or suspension of the Plan, shall, without the written consent of all Grantees, alter or impair any Award granted under the Plan unless as a result of a change in the Applicable Law;

(j) to establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable foreign jurisdictions and to afford Grantees favorable treatment under such laws; provided, however, that no Award shall be granted under any such additional terms, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the Plan;

(k) to further define the terms used in this Plan;

(l) to correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award Agreement;

(m) to provide for rights of refusal and/or repurchase rights;

(n) to amend outstanding Award Agreements to provide for, among other things, any change or modification which the Administrator could have provided for upon the grant of an Award or in furtherance of the powers provided for herein that does not disqualify an Incentive Stock Option under applicable regulations unless the Grantee so consents;

(o) to prescribe, amend and rescind rules and regulations relating to the administration of this Plan; and

(p) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

Effect of Administrator's Decision

4.3 All decisions, determinations and interpretations of the Administrator shall be conclusive and binding on all persons. The Administrator shall not be liable for any decision, action or omission respecting this Plan, or any Awards granted or Shares sold under this Plan. In the event an Award is granted in a manner inconsistent with the provisions of this Section 4, such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

Action by Committee

4.4 Except as otherwise provided by committee charter or other similar corporate governance documents, for purposes of administering the Plan, the following rules of procedure shall govern the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved unanimously in writing by the members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Parent or Affiliate, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

Limitation on Liability

4.5 To the extent permitted by applicable law in effect from time to time, no member of the Administrator shall be liable for any action or omission of any other member of the Administrator nor for any act or omission on the member's own part, excepting only the member's own wilful misconduct or gross negligence, arising out of or related to this Plan. The Company shall pay expenses incurred by, and satisfy a judgment or fine rendered or levied against, a present or former member of the Administrator in any action against such person (whether or not the Company is joined as a party defendant) to impose liability or a penalty on such person for an act alleged to have been committed by such person while a member of the Administrator arising with respect to this Plan or administration thereof or out of membership on the Administrator or by the Company, or all or any combination of the preceding, provided, the member was acting in good faith, within what such member reasonably believed to have been within the scope of his or her employment or authority and for a purpose which he or she reasonably believed to be in the best interests of the Company or its stockholders. Payments authorized hereunder include amounts paid and expenses incurred in settling any such action or threatened action. The provisions of this Section 4.5 shall apply to the estate, executor, administrator, heirs, legatees or devisees of a member of the Administrator, and the term "**person**" as used on this Section 4.5 shall include the estate, executor, administrator, heirs, legatees, or devisees of such person.

5. ELIGIBILITY

Except as otherwise provided, all types of Awards may be granted to Eligible Participants. An Eligible Participant who has been granted an Award may be, if he or she continues to be eligible, granted additional Awards.

6. AWARDS

Type of Awards

6.1 The Administrator is authorized to award any type of arrangement to an Eligible Participant that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of:

(a) Shares, including unrestricted Shares;

(b) Options;

(c) SARs or similar rights with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions;

(d) any other security with the value derived from the value of the Shares, such as Restricted Stock and Restricted Stock Units;

(e) Deferred Stock Units;

(f) Dividend Equivalent Rights, as defined in Section 13; or

(g) any combination of the foregoing.

Designation of Award

6.2 Each type of Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Stock Option or a Non-Qualified Stock Option. But see Section 7.3(a) regarding exceeding the Incentive Stock Option threshold.

7. GRANT OF OPTIONS; TERMS AND CONDITIONS OF GRANT

Grant of Options

7.1 (a) One or more Options may be granted to any Eligible Participant. Subject to the express provisions of this Plan, the Administrator shall determine from the Eligible Participants those individuals to whom Options under this Plan may be granted. The Shares underlying a grant of an Option may be in the form of Restricted Stock or unrestricted Stock.

(b) Further, subject to the express provisions of this Plan, the Administrator shall specify the Grant Date, the number of Shares covered by the Option, the exercise price and the terms and conditions for exercise of the Options. As soon as practicable after the Grant Date, the Company shall provide the Grantee with a written Award Agreement in the form approved by the Administrator, which sets out the Grant Date, the number of Shares covered by the Option, the exercise price and the terms and conditions for exercise of the Option.

(c) The Administrator may, in its absolute discretion, grant Options under this Plan at any time and from time to time before the expiration of this Plan.

General Terms and Conditions

7.2 Except as otherwise provided herein, the Options shall be subject to the following terms and conditions and such other terms and conditions not inconsistent with this Plan as the Administrator may impose:

(a) Exercise of Option. The Administrator may determine in its discretion whether any Option shall be subject to vesting and the terms and conditions of any such vesting. The Award Agreement shall contain any such vesting schedule;

(b) Option Term. Each Option and all rights or obligations thereunder shall expire on such date as shall be determined by the Administrator, but not later than ten years after the Grant Date (five years in the case of an Incentive Stock Option when the Optionee beneficially owns more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary (a "**Ten Percent Stockholder**"), as determined with reference to Rule 13d-3 of the Exchange Act), and shall be subject to earlier termination as hereinafter provided;

(c) Exercise Price. The Exercise Price of any Option shall be determined by the Administrator when the Option is granted, at such Exercise Price as may be determined by the Administrator in the Administrator's sole and absolute discretion; provided, however, that the Exercise Price may not be less than 100% of the Fair Market Value of the Shares on the Grant Date with respect to any Incentive Stock Options which are granted and, provided further, that the Exercise Price of any Incentive Stock Option granted to a Ten Percent Stockholder shall not be less than 110% of the Fair Market Value of the Shares on the Grant Date. Payment for the Shares purchased shall be made in accordance with Section 16 of this Plan. The Administrator is authorized to issue Options, whether Incentive Stock Options or Non-qualified Stock Options, at an option price lower than or in excess of the Fair Market Value on the Grant Date, to determine the terms and conditions of any Award granted under the Plan, including, but not limited to, the exercise price, grant price or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of the Award, and acceleration or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines that is not inconsistent with any rule or regulation under any tax or securities laws or includes an alternative right that does not disqualify an Incentive Stock Option under applicable regulations;

(d) Method of Exercise. Options may be exercised only by delivery to the Company of a stock option exercise agreement (the "**Exercise Agreement**") in a form approved by the Administrator (which need not be the same for each Grantee), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding the Grantee's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the exercise price for the number of Shares being purchased;

(e) Exercise After Certain Events.

(i) Termination of Continuous Services.

(A) Options.

(I) Termination of Continuous Services. If for any reason other than Disability or death, a Grantee terminates Continuous Services with the Company or a Subsidiary, vested Options held at the date of such termination may be exercised, in whole or in part, either (i) at any time within three months after the date of such termination, or (ii) during any greater or lesser period as specified in the Award Agreement or (iii) during any greater or lesser period as may be determined by the Administrator, in its sole and absolute discretion, prior the date of such termination (but in no event after the earlier of (A) the expiration date of the Option as set forth in the Award Agreement and (B) ten years from the Grant Date (five years for a Ten Percent Stockholder if the Option is an Incentive Stock Option)).

(II) Continuation of Services as Consultant/Advisor. If a Grantee granted an Incentive Stock Option terminates employment but continues as a Consultant (no termination of Continuous Services), the Grantee need not exercise an Incentive Stock Option within either of the termination periods provided for immediately hereinabove but shall be entitled to exercise, in whole or in part, either (i) at any time within three months after the then date of termination of Continuous Services to the Company or a Subsidiary, or (ii) during any greater or lesser period as specified in the Award Agreement or (iii) during any greater or lesser period as may be determined by the Administrator, in its sole and absolute discretion, prior the date of such then termination of Continuous Services to the Company or the Subsidiary (one year in the event of Disability or death) (but in no event after the earlier of (A) the expiration date of the Option as set forth in the Award Agreement and (B) ten years from the Grant Date (five years for a Ten Percent Stockholder if the Option is an Incentive Stock Option)). However, if the Grantee does not exercise within three months of termination of employment, pursuant to Section 422 of the Code the Option shall not qualify as an Incentive Stock Option.

(B) Disability and Death. If a Grantee becomes Disabled while rendering Continuous Services to the Company or a Subsidiary, or dies while employed by the Company or Subsidiary or within three months thereafter, vested Options then held may be exercised by the Grantee, the Grantee's personal representative, or by the person to whom the Option is transferred by the laws of descent and distribution, in whole or in part, at any time within one year after the

termination because of the Disability or death or any lesser period specified in the Award Agreement (but in no event after the earlier of (i) the expiration date of the Option as set forth in the Award Agreement, and (ii) ten years from the Grant Date (five years for a Ten Percent Stockholder if the Option is an Incentive Stock Option).

Limitations on Grant of Incentive Stock Options

7.3 (a)Threshold. The aggregate Fair Market Value (determined as of the Grant Date) of the Shares for which Incentive Stock Options may first become exercisable by any Grantee during any calendar year under this Plan, together with that of Shares subject to Incentive Stock Options first exercisable by such Grantee under any other plan of the Company or any Parent or Subsidiary, shall not exceed $100,000. For purposes of this Section 7.3(a), all Options in excess of the $100,000 threshold shall be treated as Non-Qualified Stock Options notwithstanding the designation as Incentive Stock Options. For this purpose, Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the date the Option with respect to such Shares is granted.

(b) Compliance with Section 422 of the Code. There shall be imposed in the Award Agreement relating to Incentive Stock Options such terms and conditions as are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

(c) Requirement of Employment. No Incentive Stock Option may be granted to any person who is not an Employee of the Company or a Parent or Subsidiary of the Company.

8. RESTRICTED STOCK AWARDS

Grant of Restricted Stock Awards

8.1 Subject to the terms and provisions of this Plan, the Administrator is authorized to make awards of Restricted Stock to any Eligible Participant in such amounts and subject to such terms and conditions as may be selected by the Administrator. The restrictions may lapse separately or in combination at such times, under such circumstances, in such instalments, time-based or upon the satisfaction of performance goals or otherwise, as the Administrator determines at the time of the grant of the Award or thereafter. (See Performance Goals, Section 14.4). All awards of Restricted Stock shall be evidenced by Award Agreements.

Consideration

8.2 Restricted Stock may be issued in connection with:

(a) Services. Services rendered to the Company or an Affiliate (i.e. bonus); and/or

(b) Purchase Price. A purchase price, as specified in the Award Agreement related to such Restricted Stock, equal to not be less than 100% of the Fair Market Value of the Shares underlying the Restricted Stock on the date of issuance.

Voting and Dividends

8.3 Unless the Administrator in its sole and absolute discretion otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such Restricted Stock and the right to receive any dividends declared or paid with respect to such Restricted Stock. The Administrator may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Stock. All distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Award.

Forfeiture

8.4 In the case of an event of forfeiture pursuant to the Award Agreement, including failure to satisfy the restriction period or a performance objective during the applicable restriction period, any Restricted Stock that has not vested prior to the event of forfeiture shall automatically expire, and all of the rights, title and interest of the Grantee thereunder shall be forfeited in their entirety including but not limited to any right to vote and receive dividends with respect to the Restricted Stock. Notwithstanding the foregoing, the Administrator may provide in any Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Administrator may in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock, provided such waiver is in accordance with the Applicable Laws.

Certificates for Restricted Stock

8.5 Restricted Stock granted under this Plan may be evidenced in such manner as the Administrator shall determine, including by way of certificates. The Administrator may provide in an Award Agreement that either (i) the Secretary of the Company shall hold such certificates for the Grantee's benefit until such time as the Restricted Stock is forfeited to the Company or the restrictions lapse, (see Escrow; Pledge of Shares, Section 23) or (ii) such certificates shall be delivered to the Grantee, provided, however, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and make appropriate reference to the restrictions imposed under this Plan and the Award Agreement.

9. UNRESTRICTED STOCK AWARDS

The Administrator may, in its sole discretion, grant (or sell at not less than 100% of the Fair Market Value or such other higher purchase price determined by the Administrator in the Award Agreement) an Award of unrestricted Shares to any Grantee pursuant to which such Grantee may receive Shares free of any restrictions under this Plan.

10. RESTRICTED STOCK UNITS

Grant of Restricted Stock Units

10.1 Subject to the terms and provisions of this Plan, the Administrator is authorized to make awards of Restricted Stock Units to any Eligible Participant in such amounts and subject to such terms and conditions as may be selected by the Administrator. These restrictions may lapse separately or in combination at such times, under such circumstances, in such instalments, time-based or upon the satisfaction of performance goals or otherwise, as the Administrator determines at the time of the grant of the Award or thereafter. (See Performance Goals, Section 14.4). All awards of Restricted Stock Units shall be evidenced by Award Agreements.

Number of Restricted Stock Units

10.2 The Award Agreement shall specify the number of Share equivalent units granted and such other provisions as the Administrator determines.

Consideration

10.3 Restricted Stock Units may be issued in connection with:

(a) Services. Services rendered to the Company or an Affiliate (i.e. bonus); and/or

(b) Purchase Price. A purchase price as specified in the Award Agreement related to such Restricted Stock Units, equal to not be less than 100% of the Fair Market Value of the Shares underlying the Restricted Stock Units on the date of issuance.

No Voting Rights

10.4 The holders of Restricted Stock Units shall have no rights as stockholders of the Company.

Dividend Equivalency

10.5 The Administrator, in its sole and absolute discretion, may provide in an Award Agreement evidencing a grant of Restricted Stock Units that the holder shall be entitled to receive, upon the Company's payment of a cash dividend on its outstanding Shares, a cash payment for each Restricted Stock Unit. (See Section 13, Dividend Equivalent Right). Such Award Agreement may also provide that such cash payment shall be deemed reinvested in additional Restricted Stock Units at a price per unit equal to the Fair Market Value of a Share on the date that such dividend is paid.

Creditor's Rights

10.6 A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

Settlement of Restricted Stock Units

10.7 Each Restricted Stock Unit shall be paid and settled by the issuance of Restricted Stock or unrestricted Shares in accordance with the Award Agreement and if such settlement is subject to Section 409A of the Code only upon any one or more of the following as provided for in the Award Agreement:

(a) a specific date or date determinable by a fixed schedule;

(b) upon the Eligible Participant's termination of Continuous Services to the extent the same constitutes a separation from services for purposes of Section 409A of the Code except that if an Eligible Participant is a "key employee" as defined in Section 409A of the Code for such purposes, then payment or settlement shall occur 6 months following such separation of service;

(c) as a result of the Eligible Participant's death or Disability; or

(d) in connection with or as a result of a Change of Control in compliance with Section 409A of the Code.

Forfeiture

10.8 Upon failure to satisfy any requirement for settlement as set forth in the Award Agreement, including failure to satisfy any restriction period or performance objective, any Restricted Stock Units held by the Grantee shall automatically expire, and all of the rights, title and interest of the Grantee thereunder shall be forfeited in their entirety including but not limited to any right to receive dividends with respect to the Restricted Stock Units.

11. DIRECTOR SHARES AND DIRECTOR DEFERRED STOCK UNITS

The grant of Awards of Shares to Directors and the election by Directors to defer the receipt of the Awards of Shares (the "**Deferred Stock Units**") shall be governed by the provisions of Subpart A which is attached hereto. The provisions of Subpart A are attached hereto as part of this Plan and are incorporated herein by reference.

12. STOCK APPRECIATION RIGHTS

Awards of SARs

12.1 An SAR is an award to receive a number of Shares (which may consist of Restricted Stock), or cash, or Shares and cash, as determined by the Administrator in accordance with Section 12.4 below, for services rendered to the Company. A SAR may be awarded pursuant to an Award Agreement that shall be in such form (which need not be the same for each Grantee) as the Administrator shall from time to time approve, and shall comply with and be subject to the terms and conditions of this Plan. A SAR may vary from Grantee to Grantee and between groups of Grantees, and may be based upon performance objectives (See Performance Goals in Section 14.4).

Term

12.2 The term of a SAR shall be set forth in the Award Agreement as determined by the Administrator.

Exercise

12.3 A Grantee desiring to exercise a SAR shall give written notice of such exercise to the Company, which notice shall state the proportion of Shares and cash that the Grantee desires to receive pursuant to the SAR exercised, subject to the discretion of the Administrator. Upon receipt of the notice from the Grantee, subject to the Administrator's election to pay cash as provided in Section 12.4 below, the Company shall deliver to the person entitled thereto (i) a certificate or certificates for Shares and/or (ii) a cash payment, in accordance with Section 12.4 below. The date the Company receives written notice of such exercise hereunder is referred to in this Section 12 as the "**exercise date**".

Number of Shares or Amount of Cash

12.4 Subject to the discretion of the Administrator to substitute cash for Shares, or some portion of the Shares for cash, the amount of Shares that may be issued pursuant to the exercise of a SAR shall be determined by dividing: (i) the total number of Shares as to which the SAR is exercised, multiplied by the amount by which the Fair Market Value of the Shares on the exercise date exceeds the Fair Market Value of a Share on the date of grant of the SAR; by (ii) the Fair Market Value of a Share on the exercise date; provided, however, that fractional Shares shall not be issued and in lieu thereof, a cash adjustment shall be paid. In lieu of issuing Shares upon the exercise of a SAR, the Administrator in its sole discretion may elect to pay the cash equivalent of the Fair Market Value of the Shares on the exercise date for any or all of the Shares that would otherwise be issuable upon exercise of the SAR.

Effect of Exercise

12.5 A partial exercise of a SAR shall not affect the right to exercise the remaining SAR from time to time in accordance with this Plan and the applicable Award Agreement with respect to the remaining shares subject to the SAR.

Forfeiture

12.6 In the case of an event of forfeiture pursuant to the Award Agreement, including failure to satisfy any restriction period or a performance objective, any SAR that has not vested prior to the date of termination shall automatically expire, and all of the rights, title and interest of the Grantee thereunder shall be forfeited in their entirety.

13. DIVIDEND EQUIVALENT RIGHT

A dividend equivalent right is an Award entitling the recipient to receive credits based on cash distributions that would have been paid on the Shares specified in the dividend equivalent right (or other Award to which it relates) if such Shares had been issued to and held by the recipient (a "**Dividend Equivalent Right**"). A Dividend Equivalent Right may be granted

hereunder to any Grantee as a component of another Award or as a freestanding Award. The terms and conditions of Dividend Equivalent Right shall be specified in the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional Shares, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment. Dividend Equivalent Rights may be settled in cash or Shares or a combination thereof, in a single instalment or instalments, all determined in the sole discretion of the Administrator. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award.

14. TERMS AND CONDITIONS OF AWARDS

In General

14.1 Subject to the terms of the Plan and Applicable Laws, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria.

Term of Award

14.2 The term of each Award shall be the term stated in the Award Agreement.

Transferability

14.3 (a) Limits on Transfer. No right or interest of a Grantee in any unexercised or restricted Award may be pledged, encumbered or hypothecated to or in favor of any party other than to the Company or a Related Entity or Affiliate. No Award shall be sold, assigned, transferred or disposed of by a Grantee other than by the laws of descent and distribution or, in the case of an Incentive Stock Option, pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Award under the Plan; provided, however, that the Administrator may (but need not) permit other transfers where the Administrator concludes that such transferability (i) does not result in accelerated taxation or other adverse tax consequences, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Section 422(b) of the Code, and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including, without limitation, state or federal tax or securities laws applicable to transferable Awards.

(b) Beneficiaries. Notwithstanding Section 14.3(a), a Grantee may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Grantee and to receive any distribution with respect to any Award upon the Grantee’s death. A beneficiary, legal guardian, legal representative or other person

claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Grantee, except to the extent the Plan and such Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If no beneficiary has been designated or survives the Grantee, payment shall be made to the Grantee's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Grantee at any time, provided the change or revocation is filed with the Administrator.

Performance Goals

14.4 In order to preserve the deductibility of an Award under Section 162(m) of the Code, the Administrator may determine that any Award granted pursuant to this Plan to a Grantee that is or is expected to become a Covered Employee shall be determined solely on the basis of (a) the achievement by the Company or Subsidiary of a specified target return, or target growth in return, on equity or assets, (b) the Company's stock price, (c) the Company's total shareholder return (stock price appreciation plus reinvested dividends) relative to a defined comparison group or target over a specific performance period, (d) the achievement by the Company or a Parent or Subsidiary, or a business unit of any such entity, of a specified target, or target growth in, net income, earnings per share, earnings before income and taxes, and earnings before income, taxes, depreciation and amortization, or (e) any combination of the goals set forth in (a) through (d) above. If an Award is made on such basis, the Administrator shall establish goals prior to the beginning of the period for which such performance goal relates (or such later date as may be permitted under Section 162(m) of the Code or the regulations thereunder but not later than 90 days after commencement of the period of services to which the performance goal relates), and the Administrator has the right for any reason to reduce (but not increase) the Award, notwithstanding the achievement of a specified goal. Any payment of an Award granted with performance goals shall be conditioned on the written certification of the Administrator in each case that the performance goals and any other material conditions were satisfied.

In addition, to the extent that Section 409A is applicable, (i) performance-based compensation shall also be contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months in which the Eligible Participant performs services and (ii) performance goals shall be established not later than 90 calendar days after the beginning of any performance period to which the performance goal relates, provided that the outcome is substantially uncertain at the time the criteria are established.

Acceleration

14.5 The Administrator may, in its sole discretion (but subject to the limitations of and compliance with Section 409A of the Code and Section 14.7 in connection therewith), at any time (including, without limitation, prior to, coincident with or subsequent to a Change of Control) determine that (a) all or a portion of a Grantee's Awards shall become fully or partially exercisable, and/or (b) all or a part of the restrictions on all or a portion of the outstanding Awards shall lapse, in each case, as of such date as the Administrator may, in its sole discretion, declare. The

Administrator may discriminate among Grantees and among Awards granted to a Grantee in exercising its discretion pursuant to this Section 14.5.

Compliance with Section 162(m) of the Code

14.6 Notwithstanding any provision of this Plan to the contrary, if the Administrator determines that compliance with Section 162(m) of the Code is required or desired, all Awards granted under this Plan to Named Executive Officers shall comply with the requirements of Section 162(m) of the Code. In addition, in the event that changes are made to Section 162(m) of the Code to permit greater flexibility with respect to any Award or Awards under this Plan, the Administrator may make any adjustments it deems appropriate.

Compliance with Section 409A of the Code

14.7 Notwithstanding any provision of this Plan to the contrary, if any provision of this Plan or an Award Agreement contravenes any regulations or Treasury guidance promulgated under Section 409A of the Code or could cause an Award to be subject to the interest and penalties under Section 409A of the Code, such provision of this Plan or any Award Agreement shall be modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A of the Code. In addition, in the event that changes are made to Section 409A of the Code to permit greater flexibility with respect to any Award under this Plan, the Administrator may make any adjustments it deems appropriate.

Section 280G of the Code

14.8 Notwithstanding any other provision of this Plan to the contrary, unless expressly provided otherwise in the Award Agreement, if the right to receive or benefit from an Award under this Plan, either alone or together with payments that a Grantee has a right to receive from the Company, would constitute a "parachute payment" (as defined in Section 280G of the Code), all such payments shall be reduced to the largest amount that shall result in no portion being subject to the excise tax imposed by Section 4999 of the Code.

Exercise of Award Following Termination of Continuous Service

14.9 An Award may not be exercised after the termination date of such Award set forth in the Award Agreement and may be exercised following the termination of a Grantee's Continuous Service only to the extent provided in the Award Agreement. Where the Award Agreement permits a Grantee to exercise an Award following the termination of the Grantee's Continuous Service for a specified period, the Award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Award, whichever occurs first.

Cancellation of Awards

14.10 In the event a Grantee's Continuous Services has been terminated for "**Cause**", he or she shall immediately forfeit all rights to any and all Awards outstanding. The determination that termination was for Cause shall be final and conclusive. In making its determination, the Board shall give the Grantee an opportunity to appear and be heard at a hearing before the full

Board and present evidence on the Grantee's behalf. Should any provision to this Section 14.10. be held to be invalid or illegal, such illegality shall not invalidate the whole of this Section 14, but, rather, this Plan shall be construed as if it did not contain the illegal part or narrowed to permit its enforcement, and the rights and obligations of the parties shall be construed and enforced accordingly.

15. ADDITIONAL TERMS IF THE COMPANY BECOMES LISTED ON A STOCK EXCHANGE

15.1 In the event the Shares become listed on a stock exchange, and to the extent required by the rules of such stock exchange, then the following terms and conditions shall apply to an Award in addition to those contained herein, as applicable:

(a) the exercise price of an Award must not be lower than 100% of the Fair Market Value (without discount) of the Shares on the stock exchange at the time the Award is granted;

(b) the number of securities issuable to Insiders, at any time, under all of the Company's security based compensation arrangements (whether entered into prior to or subsequent to such listing), cannot exceed 10% of the Company's total issued and outstanding Common Stock, unless the Company obtains Disinterested Shareholder Approval; and

(c) the number of securities issued to Insiders, within any one year period, under all of the Company's security based compensation arrangements (whether entered into prior to or subsequent to such listing), cannot exceed 10% of the issued and outstanding Common Stock, unless the Company obtains Disinterested Shareholder Approval.

16. PAYMENT FOR SHARE PURCHASES

Payment

16.1 Payment for Shares purchased pursuant to this Plan may be made:

(a) Cash. By cash, cashier's check or wire transfer or, at the discretion of the Administrator expressly for the Grantee and where permitted by law as follows:

(b) Surrender of Shares. If permitted by the policies of any stock exchange on which the Company may be listed from time to time, by surrender of shares of Common Stock of the Company that have been owned by the Grantee for more than six months, or lesser period if the surrender of shares is otherwise exempt from Section 16 of the Exchange Act, (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares);

(c) Deemed Net-Stock Exercise. If permitted by the policies of any stock exchange on which the Company may be listed from time to time, by forfeiture of Shares equal to the value of the exercise price pursuant to a "**deemed net-stock exercise**" by

requiring the Grantee to accept that number of Shares determined in accordance with the following formula, rounded down to the nearest whole integer:

$$a = b \times \left(\frac{c - d}{c} \right)$$

where:

a = net Shares to be issued to Grantee;

b = number of Awards being exercised;

c = Fair Market Value of a Share; and

d = Exercise price of the Awards;

(d) Cashless Exercise. If permitted by the policies of any stock exchange on which the Company may be listed from time to time, by a "cashless exercise", in which event the Company shall issue to the Grantee the number of Shares of Common Stock determined as follows:

$$a = b \times \left(\frac{c - d}{c} \right)$$

where:

a =the net Shares to be issued to Grantee;

b =the number of Awards being exercised;

c = the average of the "Closing Sale Prices" of the Shares of Common Stock (as reported by Bloomberg Financial Markets) for at least the two trading days ending on the date immediately preceding the Exercise Date; and

d =the Exercise price of the Award.

For purposes of such an Award, "**Closing Sale Price**" means, for any security as of any date, the last trade price for such security on the principal securities exchange or trading market for such security, as reported by Bloomberg Financial Markets, or, if such exchange or trading market begins to operate on an extended hours basis and does not designate the last trade price, then the last trade price of such security prior to 4:00 p.m., New York City time, as reported by Bloomberg Financial Markets, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg Financial Markets, or, if no last trade price is reported for such security by Bloomberg Financial Markets, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported by the

OTC Markets Group Inc.. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Grantee. If the Company and the Grantee are unable to agree upon the fair market value of such security, then the Company shall, within two business days submit via facsimile (a) the disputed determination of the Closing Sale Price to an independent, reputable investment bank selected by the Company and approved by the Grantee or (b) the disputed arithmetic calculation of the Shares of Common Stock to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Grantee of the results no later than ten business days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period. For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Shares of Common Stock issued in a cashless exercise transaction shall be deemed to have been acquired by the Grantee, and the holding period for the shares shall be deemed to have commenced, on the date the Award was originally issued (provided that the United States Securities and Exchange Commission continues to take the position that such treatment is proper at the time of such exercise); or

(e) Broker-Assisted. By delivering a properly executed exercise notice to the Company together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the exercise price and the amount of any required tax or other withholding obligations.

(f) Combination of Methods. By any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law and the policies of any stock exchange on which the Company may be listed from time to time.

17. WITHHOLDING TAXES

Withholding Generally

17.1 Whenever Shares are to be issued in satisfaction of Awards granted under this Plan or Shares are forfeited pursuant to a deemed net-stock exercise, the Company may require the Grantee to remit to the Company an amount sufficient to satisfy the foreign, federal, state, provincial, or local income and employment tax withholding obligations, including, without limitation, on exercise of an Award. When, under applicable tax laws, a Grantee incurs tax liability in connection with the exercise or vesting of any Award, the disposition by a Grantee or other person of an Award or an Option prior to satisfaction of the holding period requirements of Section 422 of the Code, or upon the exercise of a Non-Qualified Stock Option, the Company shall have

the right to require such Grantee or such other person to pay by cash, or check payable to the Company, the amount of any such withholding with respect to such transactions. Any such payment must be made promptly when the amount of such obligation becomes determinable.

Stock for Withholding

17.2 To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Grantee to satisfy his or her obligation to pay any withholding tax, in whole or in part, with Shares up to an amount not greater than the Company's minimum statutory withholding rate for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income. The Administrator may exercise its discretion, by (i) directing the Company to apply Shares to which the Grantee is entitled as a result of the exercise of an Award, or (ii) delivering to the Company Shares that have been owned by the Grantee for more than six months, unless the delivery of Shares is otherwise exempt from Section 16 of the Exchange Act. A Grantee who has made an election pursuant to this Section 17.2 may satisfy his or her withholding obligation only with Shares that are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements. The Shares so applied or delivered for the withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

18. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In General

18.1 Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. The Administrator shall make the appropriate adjustments to (i) the maximum number and/or class of securities issuable under this Plan; and (ii) the number and/or class of securities and the exercise price per Share in effect under each outstanding Award in order to prevent the dilution or enlargement of benefits thereunder; provided, however, that the number of Shares subject to any Award shall always be a whole number and the Administrator shall make such adjustments as are necessary to insure Awards of whole Shares. Such adjustment shall be made by the Administrator and its determination shall be final, binding and conclusive.

Company's Right to Effect Changes in Capitalization

18.2 The existence of outstanding Awards shall not affect the Company's right to effect adjustments, recapitalizations, reorganizations or other changes in its or any other corporation's

capital structure or business, any merger or consolidation, any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares, the dissolution or liquidation of the Company's or any other corporation's assets or business or any other corporate act whether similar to the events described above or otherwise.

19. CORPORATE TRANSACTIONS/CHANGES IN CONTROL/RELATED ENTITY DISPOSITIONS

Company is Not the Survivor

19.1 Subject to Section 19.3 and except as may otherwise be provided in an Award Agreement, the Administrator shall have the authority, in its absolute discretion, exercisable either in advance of any actual or anticipated Corporate Transaction, Change in Control or Related Entity Disposition in which the Company is not the surviving corporation, or at the time of an actual Corporate Transaction, Change in Control or Related Entity Disposition in which the Company is not the surviving corporation (a) to cancel each outstanding Award upon payment in cash to the Grantee of the amount by which any cash and the Fair Market Value of any other property which the Grantee would have received as consideration for the Shares covered by the Award if the Award had been exercised before such Corporate Transaction, Change in Control or Related Entity Disposition exceeds the exercise price of the Award, or (b) to negotiate to have such Award assumed by the surviving corporation. The determination as to whether the Company is the surviving corporation is at the sole and absolute discretion of the Administrator.

In addition to the foregoing, in the event of a dissolution or liquidation of the Company, or a Corporate Transaction or Related Entity Disposition in which the Company is not the surviving corporation, the Administrator, in its absolute discretion, may accelerate the time within which each outstanding Award may be exercised. Section 19.3 shall control with respect to any acceleration in vesting in the event of Change of Control.

The Administrator shall also have the authority:

(a) to release the Awards from restrictions on transfer and repurchase or forfeiture rights of such Awards on such terms and conditions as the Administrator may specify; and

(b) to condition any such Award's vesting and exercisability or release from such limitations upon the subsequent termination of the Continuous Service of the Grantee within a specified period following the effective date of the Corporate Transaction, Change in Control or Related Entity Disposition.

Effective upon the consummation of a Corporate Transaction, Change in Control or Related Entity Disposition governed by this Section 19.1, all outstanding Awards under this Plan not exercised by the Grantee or assumed by the successor corporation shall terminate.

Company is the Survivor

19.2 In the event of a Corporate Transaction, Change in Control or Related Entity Disposition in which the Company is the surviving corporation, the Administrator shall determine

the appropriate adjustment of the number and kind of securities with respect to which outstanding Awards may be exercised, and the exercise price at which outstanding Awards may be exercised. The Administrator shall determine, in its sole and absolute discretion, when the Company shall be deemed to survive for purposes of this Plan. Subject to any contrary language in an Award Agreement evidencing an Award, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result.

Change in Control

19.3 Except as otherwise provided in the applicable Award Agreement or other agreement between the Eligible Participant and the Company, if there is a Change of Control, all outstanding Awards shall fully vest immediately upon the Company's public announcement of such a Change of Control.

20. PRIVILEGES OF STOCK OWNERSHIP

No Grantee shall have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Grantee. After Shares are issued to the Grantee, the Grantee shall be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Grantee may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company shall be subject to the same restrictions as the Restricted Stock. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Award.

21. RESTRICTION ON SHARES

At the discretion of the Administrator, the Company may reserve to itself and/or its assignee(s) in the Award Agreement that the Grantee not dispose of the Shares for a specified period of time, or that the Shares are subject to a right of first refusal or a right to repurchase by the Company at the Shares' Fair Market Value at the time of sale. The terms and conditions of any such rights or other restrictions shall be set forth in the Award Agreement evidencing the Award.

22. CERTIFICATES

All certificates for Shares or other securities delivered under this Plan shall be subject to such stock transfer orders, legends and other restrictions as the Administrator may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

23. ESCROW; PLEDGE OF SHARES

To enforce any restrictions on a Grantee's Shares, the Administrator may require the Grantee to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Administrator, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have

lapsed or terminated, and the Administrator may cause a legend or legends referencing such restrictions to be placed on the certificates.

24. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE

Compliance With Applicable Law

24.1 An Award shall not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the Grant Date and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company shall have no obligation to issue or deliver certificates for Shares under this Plan prior to (i) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (ii) completion of any registration or other qualification of such Shares under any state or federal laws or rulings of any governmental body that the Company determines to be necessary or advisable. The Company shall be under no obligation to register the Shares with the Securities Exchange Commission or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company shall have no liability for any inability or failure to do so. Evidences of ownership of Shares acquired pursuant to an Award shall bear any legend required by, or useful for purposes of compliance with, applicable securities laws, this Plan or the Award Agreement.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to this Plan and the exercise of Awards granted hereunder shall qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of this Plan or action by the Board or the Administrator does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board or the Administrator, and shall not affect the validity of this Plan. In the event that Rule 16b-3 is revised or replaced, the Administrator may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

Investment Representation

24.2 As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

25. NO OBLIGATION TO EMPLOY

Nothing in this Plan or any Award granted under this Plan shall confer or be deemed to confer on any Grantee any right to continue in the employ of, or to continue any other relationship with, the Company or to limit in any way the right of the Company to terminate such Grantee’s employment or other relationship at any time, with or without Cause.

26. EFFECTIVE DATE AND TERM OF PLAN

This Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company. It shall continue in effect for a term of ten years unless sooner terminated.

27. SHAREHOLDER APPROVAL

This Plan shall be subject to approval by the shareholders of the Company within 12 months from the date the Plan is adopted by the Company's Board for any and all intended Incentive Stock Options granted hereunder. Such shareholder approval shall be obtained in the degree and manner required under Applicable Laws. The Administrator may grant Awards under this Plan prior to approval by the shareholders, however, until such approval is obtained, all Option Awards granted under this Plan shall be deemed Non-Qualified Stock Options. In the event that shareholder approval is not obtained within the 12 month period provided above, all Incentive Stock Option Awards previously granted under this Plan shall be deemed Non-Qualified Stock Options.

28. AMENDMENT, SUSPENSION OR TERMINATION OF THIS PLAN OR AWARDS

The Board may amend, suspend or terminate this Plan at any time and for any reason. To the extent necessary to comply with Applicable Laws, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required. Shareholder approval shall be required for the following types of amendments to this Plan: (i) any change to those persons who are entitled to become participants under the Plan which would have the potential of broadening or increasing Insider participation; or (ii) the addition of any form of financial assistance or amendment to a financial assistance provision which is more favourable to Grantees.

Further, the Board may, in its discretion, determine that any amendment should be effective only if approved by the shareholders even if such approval is not expressly required by this Plan or by law. No Award may be granted during any suspension of this Plan or after termination of this Plan.

Any amendment, suspension or termination of this Plan shall not affect Awards already granted, and such Awards shall remain in full force and effect as if this Plan had not been amended, suspended or terminated, unless mutually agreed otherwise between the Grantee and the Administrator, which agreement must be in writing and signed by the Grantee and the Company. At any time and from time to time, the Administrator may amend, modify, or terminate any outstanding Award or Award Agreement without approval of the Grantee; provided, however, that subject to the applicable Award Agreement, no such amendment, modification or termination shall, without the Grantee's consent, reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination.

Notwithstanding any provision herein to the contrary, the Administrator shall have broad authority to amend this Plan or any outstanding Award under this Plan without approval of

the Grantee to the extent necessary or desirable: (i) to comply with, or take into account changes in, applicable tax laws, securities laws, accounting rules and other applicable laws, rules and regulations; or (ii) to ensure that an Award is not subject to interest and penalties under Section 409A of the Code or the excise tax imposed by Section 4999 of the Code.

Further, notwithstanding any provision herein to the contrary, and subject to Applicable Law, the Administrator may, in its absolute discretion, amend or modify this Plan without shareholder approval: (i) to make amendments which are of a "housekeeping" or clerical nature; (ii) to change the vesting provisions of an Award granted hereunder, as applicable; (iii) to change the termination provision of an Award granted hereunder, as applicable, which does not entail an extension beyond the original expiry date of such Award; and (iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Maximum Number.

29. RESERVATION OF SHARES

The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Plan.

The Shares to be issued hereunder upon exercise of an Award may be either authorized but unissued; supplied to the Plan through acquisitions of Shares on the open market; Shares forfeited back to the Plan; Shares surrendered in payment of the exercise price of an Award; or Shares withheld for payment of applicable employment taxes and/or withholding obligations resulting from the exercise of an Award.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

30. EXCHANGE AND BUYOUT OF AWARDS

The Administrator may, at any time or from time to time, authorize the Company, with the consent of the respective Grantees, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Administrator may at any time buy from a Grantee an Award previously granted with payment in cash, Shares (including Restricted Stock) or other consideration, based on such terms and conditions as the Administrator and the Grantee may agree.

31. APPLICABLE TRADING POLICY

The Administrator and each Eligible Participant will ensure that all actions taken and decisions made by the Administrator or an Eligible Participant, as the case may be, pursuant to this Plan comply with any Applicable Laws and policies of the Company relating to insider trading or "blackout" periods.

32. GOVERNING LAW

The Plan shall be governed by the laws of the State of Wyoming; provided, however, that any Award Agreement may provide by its terms that it shall be governed by the laws of any other jurisdiction as may be deemed appropriate by the parties thereto.

33. MISCELLANEOUS

Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the *Employee Retirement Income Security Act of 1974*, as amended.

SUBPART A

STOCK AND DEFERRED STOCK UNITS FOR ELIGIBLE DIRECTORS

A. Stock Award. The Administrator shall pay Eligible Remuneration to each Director pursuant to an Award Agreement.

B. Election. Further, the Administrator may, in its sole discretion, permit each Eligible Director to receive all or any portion of his Eligible Remuneration during the Remuneration Period in the form of Deferred Stock Units under this Plan (an "**Election**"). All deferrals pursuant to such an Election shall be evidenced by an Award Agreement.

For purposes of this Subpart A, the following definitions shall apply:

"**Annual Retainer**" for a particular Director means the retainer (including any additional amounts payable for serving as lead Director or on any committee of the Board), payable to that Director for serving as a Director for the relevant Remuneration Period, as determined by the Board;

"**Attendance Fee**" means amounts payable annually to a Director as a Board meeting attendance fee or a committee meeting attendance fee, or any portion thereof;

"**Canadian Director**" means a Director who is a resident of Canada for the purposes of the Canadian Tax Act, and whose income from employment by the Company or Related Entity is subject to Canadian income tax, notwithstanding any provision of the Canada-United States Income Tax Convention (1980), as amended;

"**Canadian Tax Act**" and "**Canadian Tax Regulations**" means respectively the *Income Tax Act* (Canada), as amended and the Income Tax Regulation promulgated thereunder, as amended;

"**Deferred Stock Unit**" means a right granted by the Company to an Eligible Director to receive, on a deferred payment basis, Shares under this Plan;

"**Eligible Director**" is any Director of this Company or Related Entity that the Administrator determines is eligible to elect to receive Deferred Stock Units under this Plan;

"**Eligible Remuneration**" means all amounts payable to an Eligible Director in Shares, including all or part of amounts payable in satisfaction of the Annual Retainer, Attendance Fees or any other fees relating to service on the Board which are payable to an Eligible Director or in satisfaction of rights or property surrendered by an Eligible Director to the Company; it being understood that the amount of Eligible Remuneration payable to any Eligible Director may be calculated by the Administrator in a different manner than Eligible Remuneration payable to another Eligible Director in its sole and absolute discretion;

"**Prescribed Plan or Arrangement**" means a prescribed plan or arrangement as defined in s.6801(d) of the Canadian Tax Regulation;

"**Remuneration Period**" means, as applicable, (a) the period commencing on the Effective Date of this Plan and ending on the last day of the calendar year in which the Effective Date occurs; and (b) thereafter each subsequent calendar year, or where the context requires, any portion of such period; and

"**Salary Deferral Arrangement**" means a salary deferral arrangement as defined in the Canadian Tax Act.

1. Election. An Eligible Director who desires to defer receipt of all or a portion of his or her Eligible Remuneration in any calendar year shall make such election in writing to the Company specifying:

(a) the dollar amount or percentage of Eligible Remuneration to be deferred; and

(b) the deferral period.

Otherwise, such election must be made before the first day of the calendar year in which the Eligible Remuneration shall be payable, however a newly appointed Eligible Director shall be eligible to defer payment of future Eligible Remuneration by providing written election to the Company within 30 calendar days of his or her appointment to the Board of Directors. The elections made pursuant to this Section shall be irrevocable with respect to Eligible Remuneration to which such elections pertain and shall also apply to subsequent Eligible Remuneration payable in future calendar years unless such Eligible Director notifies the Company in writing, before the first day of the applicable calendar year, that he or she desires to change such election.

If the Eligible Director does not timely deliver an election in respect of a particular Remuneration Period, the Eligible Director will receive the Eligible Remuneration as provided for in the Award Agreement.

2. Determination Of Deferred Stock Units. The Company will maintain a separate account for each Eligible Director to which it will quarterly credit Deferred Stock Units at the end of March, June, November and December, or as otherwise determined by the Administrator, the Deferred Stock Units granted to the Eligible Director for the relevant Remuneration Period. The number of Deferred Stock Units (including fractional Deferred Stock Units, computed to three digits) to be credited to an account for an Eligible Director will be determined on the date approved by the Administrator by dividing the appropriate amount of Eligible Remuneration to be deferred into Deferred Stock Units by the Fair Market Value on that date.

3. No Voting Rights. The holders of Deferred Stock Units shall have no rights as stockholders of the Company.

4. Dividend Equivalency. The Company will, on any date on which a cash or stock dividend is paid on its outstanding Shares, credit to each Eligible Director's account that number of additional Deferred Stock Units (including fractional Deferred Stock Units, computed to three digits) calculated by (i) multiplying the amount of the dividend per Share by the number of Deferred Stock Units in the account as of the record date for payment of the dividend, and (ii)

dividing the amount obtained in (i) by the Fair Market Value on the date on which the dividend is paid. (See Section 13 of the Plan, Dividend Equivalent Right).

5. Eligible Director's Account. A written confirmation of the balance in each Eligible Directors' Account will be sent by the Company to the Eligible Director upon request of the Eligible Director.

6. Creditor's Rights. A holder of Deferred Stock Units shall have no rights other than those of a general creditor of the Company. Deferred Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and condition of the applicable Award Agreement.

7. Settlement of Deferred Stock Units. Subject to Section 8, each Deferred Stock Unit shall be paid and settled by the issuance of Restricted or unrestricted Shares in accordance with the Award Agreement and if such settlement is subject to Section 409A of the Code only upon any one or more of the following as provided for in the Award Agreement:

(a) a specific date or date determinable by a fixed schedule;

(b) upon the Eligible Director's termination of Continuous Services to the extent the same constitutes a separation from services for the purposes of Section 409A of the Code except that if an Eligible Director is a "key employee" as defined in Section 409A of the Code for such purposes, then payment or settlement shall occur 6 months following such separation of service;

(c) as a result of the Eligible Director's death or Disability; or

(d) in connection with or as a result of a Change in Control in compliance with 409A of the Code.

The Company will issue one Share for each whole Deferred Stock Unit credited to the Eligible Director's account (net of any applicable withholding tax as provided for in this Plan). Such payment shall be made by the Company as soon as reasonably possible following the settlement date. Fractional Shares shall not be issued, and where the Eligible Director would be entitled to receive a fractional Shares in respect of any fractional Deferred Stock Unit, the Company shall pay to such Eligible Director, in lieu of such fractional Shares, cash equal to the Fair Market Value of such fractional Shares calculated as of the day before such payment is made, net of any applicable withholding tax.

8. Canadian Directors. If a Deferred Stock Unit is granted to an Eligible Director who is a Canadian Director would otherwise constitute a Salary Deferred Arrangement, the Award Agreement pertaining to that Deferred Stock Unit shall contain such other or additional terms as will cause the Deferred Stock Unit to be a Prescribed Plan or Arrangement.

9. Issuance of Stock Certificates. A stock certificate or certificates shall be registered and issued in the name of the holder of Deferred Stock Units and delivered to such holder as soon as practicable after such Deferred Stock Units have become payable or satisfied in accordance with the terms of the Plan

10. Non-Exclusivity. Nothing in this Subpart A shall prohibit the Administrator from making discretionary Awards to Eligible Directors pursuant to the other provisions of this Plan or outside this Plan, not otherwise inconsistent with these provisions.

11. Defined Terms. Capitalized terms used in this Subpart A and not defined herein have the meaning give in the Plan.

_____

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

S

PAGE OF PAGES

1
12

2. AMENDMENT/MODIFICATION NO.

3. EFFECTIVE DATE

07-Nov-2017

4. REQUISITION/PURCHASE REQ. NO.

SEE SCHEDULE

5. PROJECT NO.(Ifapplicable)

6. ISSUED BY CODE

W81XWH

7. ADMINISTERED BY (Ifother than item6) CODE

USA MED RESEARCH ACQ ACTIVITY 820 CHANDLER ST
FORT DETRICK MD 21702-5014

See Item 6

8. NAME AND ADDRESS OF CONT RACT OR (No., Street, County, State and Zip Code)

NEUROHABILITATION CORPORATION
642 NEWTOWN YARDLEY ROAD, SUITE 100
NEWTOWN PA 18940-1775

9A. AMENDMENT OF SOLICIT AT ION NO.

9B. DATED (SEE ITEM 11)

X

10A. MOD. OF CONT RACT /ORDER NO.

W81XWH-15-C-0096

X

10B. DATED (SEE ITEM 13)

01-Jul-2015

CODE 7BGE6

FACILIT Y CODE

11. T HIS ITEM ONLY APPLIES TO AMENDMENT S OF SOLICIT AT IONS

The above numbered solicitation is amended as set forth in Item14. The hour and date specified for receipt of Offer is extended, is not extended.

Offer must acknowledge receipt ofthis amendment prior to the hour and date specified in the solicitation or as amended by one ofthe following methods:

(a) By completing Items 8 and 15, and returning copies ofthe amendment; (b) By acknowledging receipt ofthis amendment on each copy ofthe offer submitted; or (c) By separate letter or telegramwhich includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. Ifby virtue ofthis amendment you desire to change an offer already submitted, such change may be made by telegramor letter, provided each telegramor letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNT ING AND APPROPRIAT ION DAT A (If required)

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES T HE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(B).

X

C. T HIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

52.243-2 Alt I Changes - Cost Reimbursement

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not, X is required to sign this document and return 1 copies to the issuingoffice.

14. DESCRIPT ION OF AMENDMENT /MODIFICAT ION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Modification Control Number: csult18394

The purpose of this modification is to:

a) Extend the period of performance at no cost to the Government.
b) Update the PWS
c) See the summary of changes for further details.
d) All other terms and conditions remain the same.

Except as provided herein, all terms and conditions of the document referenced in Item9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)

16A. NAME AND TITLE OF CONT RACT ING OFFICER (Type or print)

TEL: EMAIL:

15B. CONT RACT OR/OFFEROR

(

15C. DATE SIGNED

11/7/17

16B. UNIT ED ST AT ES OF AMERICA

BY

(Signature of Contracting Officer)

16C. DATE SIGNED

SECTION SF 30 BLOCK 14 CONTINUATION PAGE

SUMMARY OF CHANGES

SECTION B - SUPPLIES OR SERVICES AND PRICES

Global Changes

CLIN 0001 -- CLIN 0003
The SIC code 3842 has been deleted.

SECTION C - DESCRIPTIONS AND SPECIFICATIONS

The following have been modified: PERFORMANCE WORK STATEMENT

Revised PWS – Mod P00003
a) Section 1.3. Changed the Period of Performance from 01 July 2015 – 31 December 2017 to 01 July 2015 – 31 December 2018.

PERFORMANCE WORK STATEMENT (PWS)

Development and U.S. Food and Drug Administration (FDA) Clearance of the Portable Neuromodulation Stimulator (PoNS™) Device

1. Introduction:

The U.S. Amy Medical Materiel Agency (USAMMA) and its parent organization the U.S. Army Medical Research and Materiel Command (USAMRMC) are located at Fort Detrick, in Frederick, Maryland. USAMMA serves as the strategic level, medical logistics generating force, and medical lifecycle management command in support of Army Medicine, the Army Campaign Plan, Military Health System, and Combatant Commands. The agency provides optimal medical acquisition and logistics support and solutions across the full spectrum of military health care missions worldwide. USAMMA has operational oversight of medical materiel acquisition programs and serves as the Army Medical Department's (AMEDD's) command for fielding new medical materiel for the Army's operational forces.

1.1. Background and Purpose:

The U.S. Army is supporting an effort to develop NeuroHabilitation Corporation's (NHC) Portable Neuromodulation Stimulator (PoNS™) as an aid to therapy for chronic balance deficits resulting from a mild to moderate traumatic brain injury (TBI). On 1 February 2013, USAMMA, the U.S. Army Medical Materiel Development Activity (USAMMDA), and NHC established a collaborative relationship, via a Cooperative Research and Development Agreement (CRADA) under 15 USC §3710a, to develop an investigational medical device that employs non-invasive brain stimulation. The PoNS™ device, developed partially under the CRADA, works by applying principles of neuroplasticity that enables the brain to process information in new ways for rehabilitation after injury. The goal of this contract is to take the PoNS™ from an investigational medical device to an FDA- cleared device, obtaining clearance for the following indication: as an aid to therapy for chronic balance deficits resulting from mild to moderate traumatic brain injury (mTBI).

The Contractor will be the regulatory sponsor and overall project coordinator for the PoNS™ version 4.0 device.

The critical components of this PWS to obtain FDA regulatory clearance include the following steps: (1) write the clinical study protocols, (2) execute the clinical studies, (3) manage the clinical research sites, (4) submit the *de novo*/510(k) or other application to FDA, and (5) gain FDA clearance of the PoNS™ version 4.0 device for a mild- to-moderate TBI indication.

1.2. Scope:

This is a Research and Development (R&D) contract. The objective of this contract is to execute the clinical studies and regulatory responsibilities necessary to obtain FDA clearance for the PoNS™ 4.0 device and provide two FDA- cleared devices to the DoD (specifically USAMMA).

The Contractor shall complete the tasks noted in paragraph 3.1 to support the *de novo*/510(k) clearance application in accordance with (IAW) all noted applicable State, Federal, DoD, and U.S. Army regulations. The Contractor shall oversee and execute the clinical study. The Contractor shall support and perform services with DoD civilians, military and other Contractor personnel. The Contractor shall travel to Fort Detrick, Maryland at the Government's request for an annual In Progress Review (IPR).

1.2.1. The Contractor shall perform the services set forth in this PWS, pursuant to the award of a R&D contract. The Contractor shall furnish all management, personnel, services, and other items necessary to successfully deliver the required services. The Contractor shall possess knowledge and skills in PoNS™ use/training/therapy, and regulatory requirements necessary to obtain 510(k) clearance.

1.2.2. This contract supports the Project Management Office, Medical Devices, and USAMMA. The Government shall not exercise any supervision or control over the Contractor's employees performing services under this contract. Contractor employees shall be accountable solely to the Contractor who, in turn is responsible to the Government.

1.2.3. The Contractor shall provide all personnel, equipment, supplies, facilities, transportation, tools, materials, supervision, and other items necessary to achieve the tasks as defined in this PWS.

1.2.4. Assumptions of the Parties:

1.2.4.1. A *de novo*/510 (k) petition shall be required for FDA to clear the PoNS™ 4.0 device.

1.2.4.2. The clinical trial using PoNS™ is considered to be of non-significant risk and, therefore, shall not require an Investigational Device Exemption submission.

1.2.4.3. QSR-produced PoNS™ 4.0 devices shall be available in/around April 2015 for use in the study. The devices shall be provided to the clinical trial sites by the Sponsor/Contractor.

1.2.4.4. The study shall take approximately 9-12 months to complete.

1.3. Period of Performance. The period of performance shall be for one (1) thirty (30) month Base Period. The Period of Performance breakdown reads as follows:
01 July 2015 – 31 December 2018

Base Period

General Requirements:

2.1. Business Relations:

The Contractor shall successfully integrate and coordinate all activity needed to execute the requirement. The Contractor shall manage the timeliness, completeness, and quality of problem identification. The Contractor shall provide corrective action plans, proposal submittals, timely identification of issues, and effective management of

subcontractors. The Contractor shall seek to ensure customer satisfaction and professional and ethical behavior of all Contractor personnel.

2.2. Contract Administration and Management:

This PWS provides distinct activities and functions. These activities are described in the following subsections, which specify requirements for contract management, contract administration, and personnel administration.

2.2.1. Contract Management:

The Contractor shall establish clear organizational lines of authority and responsibility to ensure effective management of the resources assigned to the requirement.

2.2.1.1. Management Activities. The Contractor shall identify a single point of contact as the Project Manager (PM). The Contractor PM shall ensure that the task is performed efficiently, accurately, timely, and in compliance with this PWS. The Contractor PM shall coordinate, as necessary with the Contracting Officer Representative (COR), to ensure the services are managed consistently with overall contract requirements. The Contractor PM shall submit all invoices within 30 days from completion of tasks at the end of each month.

2.2.2. Contract Administration. The Contractor shall establish processes and assign appropriate resources to effectively administer this contract. The Contractor shall respond to Government requests for contractual actions within one (1) day. The Contractor shall have a single point of contact between the Government and Contractor employee assigned to support the contract.

2.3. Subcontract Management. The Contractor shall:

2.3.1. Manage any subcontract management necessary to integrate services to meet the overall requirements of this contract.

2.3.2. Be responsible and accountable for subcontractor performance on this requirement.

2.3.3. Manage work distribution to ensure there are no Organizational Conflict of Interest (OCI) considerations.

2.3.4. Add subcontractors to their team, as needed, after notification to the KO or COR. The Government may or may not permit cross-teaming (See paragraph 7.1.12 for definition).

2.4. Travel. The COR is designated, in writing, as the Contractor's travel order approval authority by the contracting officer. Travel to government facilities or other locations that are **requested by the Government** for the annual IPR may be required. Only travel requirements specifically **requested by the Government** (including plans, agenda, itinerary, or dates) shall be pre-approved by the COR and is on a strictly cost-reimbursable basis. Costs for travel shall be billed IAW the regulatory implementation of Public Law 99-234 and FAR 31.205-46 *Travel Costs*.

2.5. Anti-terrorism / Operation Security. For Contract Requiring Performance or Delivery in a Foreign Country. DFARS Clause 252.225-7043, *Antiterrorism/Force Protection for Defense Contractors Outside the United States.* The clause shall be used in solicitations and contracts that require performance or delivery in a foreign country. This clause applies to both contingencies and non-contingency support. The key AT requirement is for nonlocal national contractor personnel to comply with theater clearance requirements and allows the combatant commander to exercise oversight to ensure the contractor's compliance with combatant commander and subordinate task force commander policies and directives.

3. Specific Tasks and Performance Objectives

The Contractor shall complete development of the PoNS™ device from its current state as an investigational device to a FDA cleared/approved medical device for the following indication: an aid to therapy for chronic balance deficits

resulting from mild to moderate TBI. The Contractor shall be the FDA regulatory sponsor, in accordance with Section 21, Code of Federal Regulations. The Contractor shall deliver two complete FDA cleared/approved devices to the government. The Contractor shall accomplish all required tasks and services IAW this PWS that include, but are not limited to the following Specific Tasks and Performance Objectives for the contract. .

3.1. Contract Tasks and Performance Objectives Required Before Start of Clinical Trial

3.1.1. Project Management Plan. The Contractor shall provide a draft Project Management Plan, including an initial Integrated Master Schedule (IMS) and Risk Management Plan that encompasses the entire scope of the contract, with the Contractor's proposal. The final Project Management Plan shall be submitted within 30 days of contract award. The IMS documents the critical path (including futility point), major milestones, tasks/activities, deliverables, duration, lead/lag/slack time and schedule relationships, and is directly traceable to the PWS. The IMS will contain all major project management tasks and associated milestones and/or deliverables to assist the Government in its monitoring of Contractor performance. The IMS shall be updated quarterly to track progress (CDRL A001 / QASP #1).

3.1.2. Quality Control Plan (QCP). The Contractor shall provide a draft QCP with the Contractor's proposal. The Contractor shall prepare and implement a final QCP to ensure that all activities of the project are managed in a sound, reasonable way in conformance to the Government's requirements within 30 days of contract award. The Contractor shall ensure that all deliverables produced are acceptable prior to delivery to the Government. Under this QCP, the Contractor shall provide for the Government or its designee to audit the Contractor and/or its Subcontractors for regulatory compliance and quality assurance purposes. At a minimum, the QCP shall include a self-inspection plan, an internal staffing plan, and an outline of the procedures that the Contractor shall use to maintain quality, timeliness, responsiveness and customer satisfaction. The QCP shall be updated as needed and reviewed at least quarterly (CDRL A002 / QASP #1).

3.1.3. Institutional Review Board Approved Clinical Protocols. The Contractor shall provide a copy of the IRB- approved clinical study protocol and informed consent form for each study site within 3 months of contract award. The Contractor shall also provide the COR supporting documentation that shall include at minimum a Statistical Analysis Plan, Clinical Monitoring Plan, Data Management Plan, Proposed Clinical Data Management System, Sample Case Report Forms, End User Guidelines (Training and Technical Support), and a Recruitment and Retention Plan for each site. The Contractor shall provide a copy of the IRB-approved clinical study protocol and informed consent form for any additional study site. The Contractor shall also provide the COR supporting documentation that shall include at minimum a Statistical Analysis Plan, Clinical Monitoring Plan, Data Management Plan, Proposed Clinical Data Management System, Sample Case Report Forms, End User Guidelines (Training and Technical Support), and a Recruitment and Retention Plan for any additional study site (CDRL A003 / QASP #2).

3.1.4. Institutional Review Board Approvals. The Contractor shall provide the COR with documentation of appropriate IRB approvals from each study site, institute, and Army, as required within 3 months of contract award and prior to the start of the clinical study. The Contractor shall provide the COR with documentation of appropriate IRB approvals from any additional study site, institute, and Army, as required. The Contractor shall maintain and update files of all applicable regulatory documentation for all appropriate IRBs (CDRL A004 / QASP #3).

3.1.5. Representative Test Articles. The Contractor shall provide final development and manufacturing of sufficient representative test articles (PoNS™ version 4.0 device) for use in the clinical trial for a minimum of 120 subjects (and/or a proportionate amount consistent with FDA guidance), including a contingency plan for replacement of defective and/or test articles that may be lost or damaged during the clinical trial. The devices shall be manufactured in a Title 21 CFR §820 *Quality Systems Regulation (QSR)*-compliant manufacturing facility and process that has successfully completed design verification testing and human factors testing (CDRL A005 / QASP #4).

3.2. Contract Tasks and Performance Objectives Required During Clinical Trial:

3.2.1. Conduct Clinical Trial. The Contractor shall conduct a clinical study to evaluate the treatment effect on balance using the PoNS™ version 4.0 devices at a minimum of three (3) study sites for a total of 120 subjects (and/or a proportionate amount consistent with FDA guidance). The Contractor shall conduct the clinical study in accordance with the study protocol and governing FDA Regulations. The Contractor shall provide a copy of their agreement with each study site that shall be responsible for executing the clinical trial in a manner that successfully supports an FDA submission and provide the COR with monthly status reports (CDRL A011 / QASP Item #1 and #5).

3.2.2. Interim Data Analysis. The Contractor shall conduct interim data analysis after 60 subjects (and/or a proportionate amount consistent with FDA guidance) to evaluate the observed treatment effect in order to determine if the study is adequately powered. The Contractor shall provide an Interim Clinical Study Report that includes the raw data and statistical analysis on the results within 30 day after completion of the 60 (or proportionate amount) subject testing , the futility point, and a mitigation plan for issues identified during the analysis (CDRL A007 / QASP #6).

3.3. Contract Tasks and Performance Objectives Required After Conclusion of Clinical Trial:

3.3.1. Final Clinical Study Report. The Contractor shall provide a complete Final Clinical Study Report that includes raw data and statistical analysis 75 days after completion of the study (CDRL 008 / QASP #1).

3.3.2. FDA Submission Packet. The Contractor shall provide data as deemed necessary by the FDA to support a clinical trial, and a copy of the *de novo*/510(k) application submission packet with copies of all supporting documentation, including but not limited to, the Pre-clinical Study results summary. This documentation shall be provided concurrent with FDA submission (CDRL A009 / QASP #7).

3.3.3. Final Report. The Contractor shall provide a Final Report that is formatted using best practices and consolidate (summarize) all data, costs, results, final status on all deliverables, and work activities performed during the contract period within 30 days after the end of the contract (CDRL A011 / QASP #1).

3.3.4. Technical Data Packet. The Contractor shall provide the COR with a complete technical data packet (TDP) upon request by the Government within seven (7) business days. The Contractor shall prepare and maintain currency of a TDP that includes all necessary documentation and technical data and reports collected and prepared during the development effort funded by the Government. The TDP shall include all necessary documentation and data for the Government, or its designee, to continue the development or production of the product, including but not limited to the Design History File, Device Master Record, and Device History File. The Contractor shall assist in the technical transfer as directed by the Government. The Contractor shall provide copies of TDP content as requested by Government and at contract expiration (CDRL A010 / QASP #8).

3.4. Contract Tasks and Performance Objectives Required After FDA Clearance/Approval:

3.4.1. FDA Cleared Devices. The Contractor shall provide two (2) FDA cleared the PoNS™ devices with an indication as an aid to therapy for chronic balance deficits resulting from mild to moderate TBI, and all accessories, product inserts, and supporting manuals/literature (e.g., including user, technical, and maintenance manuals), as applicable, to the COR within 10 business days of FDA clearance (QASP #9). Any minor deviation of the above indication required by FDA guidance, must be approved by the Government and will be considered in scope of this contract.

3.5. Contract Tasks and Performance Objectives Required During Duration of Contract:

3.5.1. Progress, Status, and Management Reports. The Contractor shall provide annual, quarterly, and monthly Progress, Status, and Management Reports that describe progress made within the period, status of milestones and deliverables, cost expenditures against proposed costs (resource utilization), and inform the Government of existing or potential issues and problem areas and risk mitigation plans. The Contractor shall periodically provide an oral or email status report as the task proceeds to support the integrated product team needs for presentations and other tasks as needed to support the product effort. The reports shall include an updated IMS that shows the percent

complete of each scheduled task item. Percent complete is defined as the cumulative amount of work actually performed through the end of the reporting month expressed as a percentage of the total amount of work to be performed. Monthly reports shall be provided to the COR the 10th day of each month, quarterly reports shall be provided the 15th day of each quarter, and annual reports shall be provided the 15th day after the end of each year (CDRL A011 / QASP #1).

3.5.2. **Production or Delivery Problem Reports.** Any significant positive or negative deviation to the schedule or scope of a task shall be explained and documented by the Contractor in its annual, quarterly, and monthly progress, and Status and Management Report shall be reported to the Government within 2 weeks of identification as a Production or Delivery Problem Report (CDRL A011 / QASP #1).

3.5.3. **Annual Program Reviews.** The Contractor shall formally present the prior year's progress as part of an annual program review (for example, the IPR). The content of the briefing shall include but not be limited to the following: completed tasks within the year, highlights of completed tasks, summary of results from in-process studies, schedule updates, summary of results from completed studies, risks/issues, and funding execution. The annual program reviews shall be held at Fort Detrick, MD and may be held in conjunction with the integrated product team (IPT) meetings with senior leadership. Additional requests for travel to Fort Detrick, MD may be requested by the Government as needed (CDRL A011 / QASP #1).

3.5.4. **FDA Communication and Study Reports.** The Contractor shall provide the COR with FDA Communication and Study Reports. Regulatory documents including informal emails sent to the FDA are sent concurrently to the Government. Meeting notes shall be sent to the Government if efforts to attend verbal meetings (such as phone calls or meetings at the FDA) are not possible. Copies of informal and formal regulatory communications received from the FDA shall be sent within three (3) business days of receipt. Copies of Clinical Monitoring Reports should be sent within 30 business days of receipt (CDRL A013 / QASP #7).

3.5.5. **Trip Reports.** The Contractor shall provide Trip Reports within five (5) business days for trips that have been requested by the Government. The report should describe the purpose, results of the trip, and actual costs (CDRL A001 / QASP #1).

3.5.6. The Contractor shall assist in Kick-Off, coordination, progress update, and informational meetings.

3.5.7. The Contractor shall provide guidance and consult with Principal Investigator, senior staff, and clinical personnel during formal training and to review data from pilot trial. The Contractor shall provide recommendations for modifications to interventions when used with the PoNS™ device, measurement tools and procedures.

3.5.8. The Contractor shall consult on data interpretation and collaborate on publications and presentations.

4. **Deliverables:**

The Contractor shall provide deliverables as described in the below chart.

Deliverable Table

Item	PWS Ref	Title	Distribution	E	Initial & Subsequent
1	2.2.1.1.	Program Manager Point of Contact	COR	1	Upon award of contract
2	3.1.1.	Final Project Management Plan (A001)	COR	1	Within 30 Calendar days after contract award; update quarterly
3	3.1.1.	Final Integrated Master Schedule (CDRL A001)	COR	1	Within 30 Calendar days after contract award; update quarterly
4	3.1.1.	Risk Management Plan (CDRL A001)	COR	1	Within 30 Calendar days after contract award; updated quarterly
5	3.1.2.	Quality Control	COR	1	Within 30 Calendar days after contract

Item	PWS Ref	Title	Distribution	E	Initial & Subsequent
		Plan (CDRL A002)			award; update as needed; review quarterly
6	3.1.3.	IRB-approved Clinical Protocol for each Study Site (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
7	3.1.3.	Statistical Analysis Plan (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
8	3.1.3.	Clinical Monitoring Plan (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
9	3.1.3.	Data Management Plan (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
10	3.1.3.	Proposed Clinical Data Management System (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
11	3.1.3.	Sample Case Report Forms (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
12	3.1.3.	End User Guidelines (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
13	3.1.3.	Recruitment and Retention Plan for each Clinical Site (CDRL A003)	COR	1	Within 3 months of award of contract and when additional sites are added.
14	3.1.4.	IRB Approvals (CDRL A004)	COR	1	Within 3 months of award of contract and prior to start of clinical trial and when additional sites are added.
15	3.1.5.	Representative Test Articles (sent to study sites) (CDRL A005)	COR	1	Prior to start of clinical trial
16	3.1.5.	Contingency Manufacturing Plan (CDRL A005)	COR	1	Prior to start of clinical trial
17	3.2.1.	Conduct Clinical Trial (CDRL A006)	COR	1	Copy of agreement with each study site prior to the start of the trial; monthly status report
18	3.2.2.	Interim Clinical Study Report & Mitigation Plan (CDRL A007)	COR		Within 30 days of completion of n = 60 subjects (and/or a proportionate amount consistent with FDA guidance)
19	3.3.1.	Final Clinical Study Report (CDRL A008)	COR	1	Within 75 days after completion of study
20	3.3.2.	FDA Submission Packet (CDRL A009)	COR	1	Concurrently with FDA submission
21	3.3.3.	Final Report	COR	1	Within 30 days after end of contract
22	3.3.4.	Technical Data Packet (CDRL A010)	COR	1	Seven (7) business days upon request and final TDP at end of contract

Item	PWS Ref	Title	Distribution	E	Initial & Subsequent
23	3.4.1.	FDA cleared PoNS™ Devices	COR	N A	Within 10 business days of FDA clearance (2 devices)
24	3.5.1.	Monthly Progress, Status, and Management Reports (CDRL A011)	COR	1	Monthly reports due the 10th day of each month.
25	3.5.1.	Quarterly Progress, Status, and Management Reports (CDRL A011)	COR	1	Quarterly reports due the 15th day after end of each quarter.
26	3.5.1.	Annual Progress, Status, and Management Reports (CDRL A011)	COR		Annual reports due the 15th day after end of each year
27	3.5.2.	Production or Delivery Problem Reports (CDRL A012)	COR	1	Within 2 weeks of identification of deviation to schedule or scope of any task as needed
28	3.5.3.	Annual Program Reviews	IPT	N A	Annually In Process Review at Fort Detrick, MD
29	3.5.4.	FDA Communication and Study Reports (CDRL A013)	COR	1	Concurrently and/or 3 business days as applicable (see PWS 3.1.18.)
30	3.5.5.	Trip Reports	COR	1	Within 5 business days for Government requested travel

5. List of Acronyms:

AMEDD	Army Medical Department
CFR	Code of Federal Regulations
CONUS	Continental United States (excludes Alaska and Hawaii)
COR	Contracting Officer Representative
CRO	Clinical Research Organization
DD250	Department of Defense Form 250 (Receiving Report)
DD254	Department of Defense Contract Security Requirement List
DFARS	Defense Federal Acquisition Regulation Supplement
DoD	Department of Defense
FAR	Federal Acquisition Regulation
FDA	United States Food and Drug Administration
HIPAA	Health Insurance Portability and Accountability Act of 1996
IAW	In Accordance With
IMS	Integrated Master Schedule
IRB	Institutional Review Board
KO	Contracting Officer
n	Number of Research Subjects
NA	Not Applicable
NDA	Non-disclosure Agreement
NHC	NeuroHabilitation Corporation
OCI	Organizational Conflict of Interest

OCONUS	Outside Continental United States (includes Alaska and Hawaii)
ODC	Other Direct Costs
PM	Project Manager
PoNS™	Portable Neuromodulation Stimulator
PWS	Performance Work Statement
QA	Quality Assurance
QAP	Quality Assurance Program
QASP	Quality QAP Assurance Surveillance Plan
QC	Quality Control
QCP	Quality Control Plan
QSR	Quality Systems Regulations
TDP	Technical Data Packet
TBI	Traumatic Brain Injury
USAMMA	United States Army Medical Materiel Agency
USAMRMC	United States Medical Research and Materiel Command

SECTION F - DELIVERIES OR PERFORMANCE

The following Delivery Schedule item for CLIN 0001 has been changed from:

DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	DODAAC
POP 01-JUL-2015 TO 31-DEC-2017	N/A	US ARMY MEDICAL MATERIEL AGENCY 693 NEIMAN STREET FREDERICK MD 21702 301-619-4518 FOB: Destination	W25MWY

To:

DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	DODAAC
POP 01-JUL-2015 TO 31-DEC-2018	N/A	US ARMY MEDICAL MATERIEL AGENCY 693 NEIMAN STREET FREDERICK MD 21702 301-619-4518 FOB: Destination	W25MWY

The following Delivery Schedule item for CLIN 0002 has been changed from:

DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	DODAAC

POP 01-JUL-2015 TO 31-DEC-2017	N/A	US ARMY MEDICAL MATERIEL AGENCY 693 NEIMAN STREET FREDERICK MD 21702 301-619-4518 FOB: Destination	W25MWY	US ARMY MEDICAL MATERIEL AGENCY

To:

DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	DODAAC	
POP 01-JUL-2015 TO 31-DEC-2018	N/A	US ARMY MEDICAL MATERIEL AGENCY 693 NEIMAN STREET FREDERICK MD 21702 301-619-4518 FOB: Destination	W25MWY	US ARMY MEDICAL MATERIEL AGENCY

The following Delivery Schedule item for CLIN 0003 has been changed from:

DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	DODAAC	
POP 01-JUL-2015 TO 31-DEC-2017	N/A	US ARMY MEDICAL MATERIEL AGENCY 693 NEIMAN STREET FREDERICK MD 21702 301-619-4518 FOB: Destination	W25MWY	US ARMY MEDICAL MATERIEL AGENCY

To:

DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	DODAAC	
POP 01-JUL-2015 TO 31-DEC-2018	N/A	US ARMY MEDICAL MATERIEL AGENCY 693 NEIMAN STREET FREDERICK MD 21702 301-619-4518 FOB: Destination	W25MWY	US ARMY MEDICAL MATERIEL AGENCY

SECTION G - CONTRACT ADMINISTRATION DATA

The following have been modified:
ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

PROJECT TITLE: Development and U.S. Food and Drug Administration (FDA) Clearance of the Portable Neuromodulation Stimulator (PoNS™) Device.

The requirement is an R&D contract.

GOVERNMENT POINTS OF CONTACT

The Contract Specialist for this contract is Chris Sult at USAMRAA, ATTN: Chris Sult, MRMC-AAA-SD, 820 Chandler Street, Fort Detrick, MD 21702-5014 or christopher.m.sult.civ@mail.mil or 301-619-1342.

The Contracting Officer for this contract is Kelly Green at USAMRAA, ATTN: Kelly Green, MRMC-AAA-SD, 820 Chandler Street, Fort Detrick, MD 21702-5014 or kelly.r.green.civ@mail.mil or 301-619-1346.

The Contracting Officer's Representative for this contract is Brian Dacanay at USAMMA, ATTN: Brian Dacanay, 693 Neiman Street, Fort Detrick, MD 21702 or Brian.i.dacanay.civ@mail.mil or 301-619-4348.

(End of Summary of Changes)

EXHIBIT 31.1

CERTIFICATIONS

I, Phillippe Deschamps, certify that:

1) I have reviewed this report on Form 10-Q of Helius Medical Technologies, Inc.

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

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

4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

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

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

Date: November 9, 2017

/s/ Phillippe Deschamps
Phillippe Deschamps
Chief Executive Officer and Director

EXHIBIT 31.2

CERTIFICATIONS

I, Joyce LaViscount, certify that:

1) I have reviewed this report on Form 10-Q of Helius Medical Technologies, Inc.

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

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

4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

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

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

Date: November 9, 2017

/s/ Joyce LaViscount
Joyce LaViscount
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
HELIUS MEDICAL TECHNOLOGIES, INC.
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2017
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I am the Chief Executive Officer of Helius Medical Technologies, Inc., a Wyoming corporation (the "Company"). I am delivering this certificate in connection with the Form 10-Q of the Company for the quarter ended September 30, 2017 and filed with the Securities and Exchange Commission ("Form 10-Q").

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I hereby certify that, to the best of my knowledge, the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2017

/s/ Phillippe Deschamps
Phillippe Deschamps
Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
HELIUS MEDICAL TECHNOLOGIES, INC.
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2017
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I am the Chief Financial Officer of Helius Medical Technologies, Inc., a Wyoming corporation (the "Company"). I am delivering this certificate in connection with the Form 10-Q of the Company for the quarter ended September 30, 2017 and filed with the Securities and Exchange Commission ("Form 10-Q").

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I hereby certify that, to the best of my knowledge, the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2017

/s/ Joyce LaViscount
Joyce LaViscount
Chief Financial Officer
(Principal Financial Officer)