

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 10, 2018

VITAL THERAPIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36201
(Commission File Number)

56-2358443
(IRS Employer Identification No.)

15010 Avenue of Science, Suite 200
San Diego, CA
(Address of principal executive offices)

92128
(Zip Code)

Registrant's telephone number, including area code: **(858) 673-6840**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b2 of this chapter).

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. Yes No

Item 1.01 Entry into a Material Definitive Agreement.

On October 11, 2018, Vital Therapies, Inc. (the “Company”) entered into an investment banking agreement (the “Engagement Agreement”) with Ladenburg Thalmann & Co. Inc. (“Ladenburg”), pursuant to which Ladenburg will act as the Company’s strategic financial advisor to assist in the review of the Company’s business and assets and exploration of strategic opportunities for enhancing stockholder value, including the potential sale or merger of the Company (a “Transaction”). Ladenburg is a New York-based investment banking firm. While the Company has commenced evaluating its available options, no conclusion as to any specific option or transaction has been reached, nor has any specific timetable been fixed for this effort, and there can be no assurance that any strategic or financial option or transaction will be presented, implemented or consummated.

Under the Company’s Engagement Agreement, as compensation for the services provided by Ladenburg, the Company shall pay, or cause to be paid, to Ladenburg, the following nonrefundable fees: (i) if the Company consummates a Transaction, it shall pay to Ladenburg a transaction fee of \$1,000,000 (the “Transaction Fee”) at the closing of the Transaction, (ii) a retainer fee of \$75,000, which is creditable against the Transaction Fee, and (iii) an opinion fee of \$250,000. Under the terms of the Engagement Agreement, the Company has agreed to indemnify Ladenburg against certain liabilities and to contribute to payments that Ladenburg may be required to make in respect to such liabilities.

The foregoing summary of the Engagement Agreement does not purport to be complete and is qualified in its entirety by reference to the Engagement Agreement, which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On October 10, 2018, Jean-Jacques Bienaimé, Douglas E. Godshall, Errol R. Halperin, J. Michael Millis, M.D. and Muneer A. Satter tendered their resignations from the Board of Directors (the “Board”) and as a member of each committee on which such director served. The Board has accepted each such resignation. The decision of each of Messrs. Bienaimé, Godshall, Halperin, Satter and Dr. Millis did not result from any disagreement with the Company on any matter related to the Company’s operations, policies or practices.

Following the resignation of Messrs. Bienaimé, Godshall, Halperin, Satter and Dr. Millis, the Board reduced the size of the Board to four members in accordance with the provisions of the Company’s Certificate of Incorporation and bylaws.

Item 8.01 Other Information.

On October 11, 2018, the Company issued a press release announcing the Engagement Agreement with Ladenburg and the reduction in the size of the Board. The press release announcing the Engagement Agreement and the reduction in the size of the Board is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this report are forward-looking statements, including, among others, statements relating to any strategic or financial option or transaction. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Risks and uncertainties include stock market conditions and our ability to identify a buyer or other investor and our ability to consummate a strategic or financial option or transaction. Although we believe that the forward-looking statements contained herein are reasonable, we can give no assurance that our expectations are correct. All forward-looking statements are expressly qualified in their entirety by this cautionary statement. For a detailed description of our risks and uncertainties, you are encouraged to review the official corporate documents filed with the SEC. These forward-looking statements speak only as of the date hereof and Vital Therapies, Inc. disclaims any obligation to update these statements except as may be required by law.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
10.1	Investment Banking Agreement between Ladenburg Thalmann & Co. Inc. and Vital Therapies, Inc., dated October 11, 2018
99.1	Press Release, dated October 11, 2018

SIGNATURE

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

VITAL THERAPIES, INC.

By: /s/ Michael V. Swanson

Michael V. Swanson
Chief Financial Officer

Date: October 11, 2018

EXHIBIT INDEX

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99.1	Press Release, dated October 11, 2018



Strictly Confidential

October 10, 2018

Duane Nash, M.D., J.D., M.B.A.
President
Vital Therapies, Inc.
15010 Avenue of Science
Suite 200
San Diego, CA 92128

INVESTMENT BANKING AGREEMENT

Dear Duane:

We are pleased to confirm our mutual understanding regarding the retention of Ladenburg Thalmann & Co. Inc. (“Ladenburg”) by Vital Therapies, Inc., its subsidiaries, affiliates, beneficiaries, successors and assigns (collectively, the “Company”), subject to the terms and conditions of this agreement (the “Agreement”).

1. **Purpose of Engagement.** Ladenburg will assist the Company as its exclusive financial advisor in connection with a possible business combination of the Company with an unaffiliated third party (a “Transaction”). A Transaction may be effected by means of any merger, consolidation, reorganization, recapitalization, business combination or other transaction pursuant to which the Company is acquired by, acquires, or is combined with, another party. For the avoidance of doubt, a Transaction may include several separate transactional elements (merger, asset sale or spin-off, and/or issuance of securities), but all of such elements shall result in the payment of only one Transaction Fee (as defined below) pursuant to this Agreement. In addition, a financing transaction for the purpose of raising cash, without any other element of a Transaction, shall not result in payment of a Transaction Fee under this Agreement.
2. **Term.** The term of this Agreement shall be for a period commencing on the date hereof and expiring on the earlier of (i) the closing of the Transaction, (ii) nine (9) months from the date hereof, and (iii) the delivery of written notice of termination from one party to the other (the “Term”). Notwithstanding any termination or expiration of this Agreement, the provisions of Paragraphs 4, 5 and 6 and Exhibit A, which is attached hereto and incorporated herein, shall survive such termination or expiration.
3. **Services.** Ladenburg will act as the Company’s financial advisor with respect to:
 - a) Assisting the Company in its preparation of a Confidential Selling Memorandum (the “Memorandum”) for distribution to potential Acquirers (as defined herein);
 - b) Identifying and introducing the Company to prospective financial investors, strategic corporate investors, acquirers of equity or assets, merger partners and/or other potential acquirers (collectively, “Acquirers”) and marketing the Transaction to such potential Acquirers;

LADENBURG THALMANN & CO. INC.
277 Park Avenue, 26th floor
New York, NY 10172
Phone 212.409.2000 • Fax 212.409.2169

MEMBER NYSE, NYSE American, FINRA, SIPC

- c) Evaluating Transaction proposals and providing the Company's management with guidance on valuation and Transaction structure and terms;
- d) Assisting the Company's management in negotiating the terms of a Transaction (as appropriate);
- e) Coordinating due diligence, documentation and Transaction closing; and
- f) Rendering an opinion (whether or not favorable) to the Company's board of directors, as to whether, on the date of such opinion, the consideration to be paid in the Transaction is fair, from a financial point of view, to the shareholders of the Company (the "Opinion").

Ladenburg shall not be required to undertake duties not reasonably within the scope of the financial advisory or investment banking services contemplated by this Agreement.

- 4. **Nature of Engagement.** In order to facilitate Ladenburg's efforts to effect a Transaction, during the Term, the Company shall not authorize any other party to act on the Company's behalf with respect to any Transaction.
 - 5. **Fees.** In consideration for the services described above, Ladenburg shall be entitled to receive, and the Company agrees to pay Ladenburg, the following compensation:
 - a) **Initial Fee.** An upfront retainer fee of \$75,000 payable by check or wire transfer on the date hereof. The initial fee is creditable against the Transaction Fee.
 - b) **Transaction Fee.** If the Company consummates a Transaction, the Company shall pay to Ladenburg a transaction fee (the "Transaction Fee"), payable by wire transfer at the closing of the Transaction, equal to \$1,000,000.
 - c) **Fairness Opinion.** The fee for rendering the Opinion shall be \$250,000 (the "Opinion Fee"), which shall be paid when Ladenburg renders the Opinion.
 - d) **Fee Obligation.** Ladenburg shall be entitled to the fees set forth in this Paragraph 5 with respect to any Transaction consummated during the Term, or within one year after the date of termination or expiration of this Agreement.
 - e) **Other.** In the event that any portion of the Transaction(s) includes instruments or arrangements not contemplated by this Agreement, then the Company agrees to negotiate with Ladenburg in good faith the amount of Transaction Fees that will be due Ladenburg under such circumstances. No fee payable to any other financial advisor by the Company or any other company in connection with the subject matter of this engagement shall reduce or otherwise affect any fee payable hereunder to Ladenburg. All fees due to Ladenburg hereunder shall have no offsets, are non-refundable and non-cancelable.
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6. **Reimbursement of Expenses.** In addition to the fees described in Paragraph 5 above, the Company agrees to reimburse Ladenburg promptly, upon request from time to time, for all reasonable, documented, out-of-pocket expenses incurred by Ladenburg (including travel, databases, fees and disbursements of counsel, and of other consultants and advisors retained by Ladenburg, etc.), provided that Ladenburg shall not be entitled to reimbursement of expenses in excess of \$50,000 in the aggregate without the prior written consent of the Company, which shall not be unreasonably withheld, conditioned or delayed.

We look forward to formalizing our business relationship. If the foregoing and the attached Exhibit A correctly set forth our agreement, please execute the enclosed copy of this letter in the space provided and return it to us.

Very truly yours,

LADENBURG THALMANN & CO. INC.

By: /s/ David Strupp
Name: David Strupp
Title: Managing Director

Confirmed and agreed to this 11th day of October, 2018

VITAL THERAPIES, INC.

By: /s/ Duane Nash
Name: Duane Nash, M.D., J.D., M.B.A.
Title: President

EXHIBIT A

- (A) **Representations of the Company.** The Company hereby represents and warrants that any and all information supplied hereunder to Ladenburg in connection with any and all services to be performed hereunder by Ladenburg for and on behalf of the Company shall be, to the best of the Company's knowledge, true, complete and correct in all material respects as of the date of such dissemination and shall not, in the aggregate, fail to state a material fact necessary to make any of such information not misleading. The Company hereby acknowledges that the ability of Ladenburg to adequately provide services as described herein is dependent upon the prompt dissemination of accurate, correct and complete information to Ladenburg. The Company further represents and warrants hereunder that this Agreement has been duly and validly authorized by all requisite corporate action; that the Company has the full right, power and capacity to execute, deliver and perform its obligations hereunder; and that this Agreement, upon execution and delivery of the same by the Company, will represent the valid and binding obligation of the Company enforceable in accordance with its terms. The representations and warranties set forth herein shall survive the termination or expiration of this Agreement.
- (B) **Indemnification.** The Company hereby agrees to indemnify and hold Ladenburg, its officers, directors, principals, employees, shareholders, affiliates, and members, and their successors and assigns, harmless from and against any and all loss, claim, damage, liability, deficiencies, actions, suits, proceedings, costs and legal expenses or expense whatsoever (including, but not limited to, reasonable legal fees and other expenses and reasonable disbursements incurred in connection with investigating, preparing to defend or defending any action, suit or proceeding, including any inquiry or investigation, commenced or threatened, or any claim whatsoever, or in appearing or preparing for appearance as witness in any proceeding, including any pretrial proceeding such as a deposition) (collectively, "Losses") arising out of, based upon, or in any way related or attributed to (i) any breach of a representation, warranty or covenant by the Company contained in this Agreement or (ii) any activities or services performed hereunder by Ladenburg, except to the extent that it is finally judicially determined in a court of competent jurisdiction that such Losses were the primary and direct result of the intentional misconduct or gross negligence of Ladenburg in performing the services hereunder.

If Ladenburg receives written notice of the commencement of any legal action, suit or proceeding with respect to which the Company is or may be obligated to provide indemnification pursuant to this Section (B), Ladenburg shall, within twenty (20) days of the receipt of such written notice, give the Company written notice thereof (a "Claim Notice"). Failure to give such Claim Notice within such twenty (20) day period shall not constitute a waiver by Ladenburg of its right to indemnity hereunder with respect to such action, suit or proceeding; provided, however, that the indemnification may be limited to the extent the Company has been materially prejudiced by any such failure or delay of timely notification. Upon receipt by the Company of a Claim Notice from Ladenburg with respect to any claim for indemnification which is based upon a claim made by a third party ("Third Party Claim"), the Company may assume the defense of the Third Party Claim with counsel of its own choosing, as described below. Ladenburg shall cooperate in the defense of the Third Party Claim and shall furnish such records, information and testimony and attend all such conferences, discovery proceedings, hearings, trial and appeals as may be reasonably required in connection therewith. Ladenburg shall have the right to employ one counsel of its own, which shall be at the Company's expense if (i) the Company and Ladenburg shall have mutually agreed in writing to the retention of such counsel, (ii) the Company shall have failed in a timely manner to assume the defense and employ counsel or experts reasonably satisfactory to Ladenburg in such litigation or proceeding or (iii) the named parties to any such litigation or proceeding (including any impleaded parties) include the Company and Ladenburg and representation of the Company and Ladenburg by the same counsel or experts would, in the reasonable opinion of Ladenburg, be inappropriate due to actual or potential differing interests between the Company and Ladenburg. The Company shall not

satisfy or settle any Third Party Claim for which indemnification has been sought and is available hereunder, without the prior written consent of Ladenburg, which consent shall not be delayed and which shall not be required if Ladenburg is granted a release in connection therewith. The indemnification provisions hereunder shall survive the termination or expiration of this Agreement.

The Company further agrees, upon demand by Ladenburg, to promptly reimburse Ladenburg for, or pay, any Loss as to which Ladenburg has been indemnified herein with such reimbursement to be made currently as any Loss is incurred by Ladenburg. Notwithstanding the provisions of the aforementioned indemnification, any such reimbursement or payment by the Company of fees, expenses, or disbursements incurred by Ladenburg shall be repaid by Ladenburg to the extent that a final judgment is finally judicially determined (after all appeals or the expiration of time to appeal) in a court of competent jurisdiction against Ladenburg based solely upon its gross negligence or intentional misconduct in the performance of its duties hereunder, and provided further, that the Company shall not be required to make reimbursement or payment for any settlement effected without the Company's prior written consent (which consent shall not be unreasonably withheld or delayed).

If for any reason the foregoing indemnification is unavailable or is insufficient to hold Ladenburg harmless, the Company agrees to contribute the amount paid or payable by Ladenburg in such proportion as to reflect not only the relative benefits received by the Company, as the case may be, on the one hand, and Ladenburg, on the other hand, but also the relative fault of the Company and Ladenburg as well as any relevant equitable considerations. In no event shall Ladenburg contribute in excess of the fees actually received by it pursuant to the terms of this Agreement.

For purposes of this Agreement, each officer, director, shareholder, member, and employee or affiliate of Ladenburg and each person, if any, who controls Ladenburg (or any affiliate) within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, shall have the same rights as Ladenburg with respect to matters of indemnification by the Company hereunder.

- (C) **Confidentiality.** Ladenburg agrees that all non-public information pertaining to the prior, current or contemplated business of the Company is valuable and confidential assets of the Company. Such information shall include, without limitation, information relating to customer lists, bidding procedures, intellectual property, patents, trademarks, trade secrets, financing techniques and sources and such financial statements of the Company as are not available to the public. Ladenburg, its officers, directors, employees, agents and members shall hold all such information in trust and confidence for the Company and shall not use or disclose any such information for other than the Company's business. Such confidentiality does not apply (i) where such information is publicly available or later becomes publicly available other than through a breach of this Agreement, (ii) where such information is subsequently lawfully obtained by Ladenburg from a third party or parties, (iii) if such information is known to Ladenburg prior to the execution of this Agreement or (iv) as may be required by law, rule or regulation.
- (D) **Independent Contractor.** It is expressly understood and agreed that Ladenburg shall, at all times, act as an independent contractor with respect to the Company and not as an employee or agent of the Company, and nothing contained in this Agreement shall be construed to create a joint venture, partnership, association or other affiliation, or like relationship, between the parties. It is specifically agreed that the relationship is and shall remain that of independent parties to a contractual relationship and that Ladenburg shall have no right to bind the Company in any manner. In no event shall either party be liable for the debts or obligations of the other except as otherwise specifically provided in this Agreement.
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- (E) **Amendment.** No modification, waiver, amendment, discharge or change of this Agreement shall be valid unless the same is evidenced by a written instrument, executed by the party against which such modification, waiver, amendment, discharge, or change is sought.
- (F) **Notices.** All notices, demands or other communications given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person or transmitted by facsimile transmission or on the third calendar day after being mailed by United States registered or certified mail, return receipt requested, postage prepaid, to the addresses herein above first mentioned or to such other address as any party hereto shall designate to the other for such purpose.
- (G) **Entire Agreement.** This Agreement contains all of the understandings and agreements of the parties with respect to the subject matter discussed herein. All prior agreements, whether written or oral, are merged herein and shall be of no force or effect.
- (H) **Severability.** The invalidity, illegality or unenforceability of any provision or provisions of this Agreement will not affect any other provision of this Agreement, which will remain in full force and effect, nor will the invalidity, illegality or unenforceability of a portion of any provision of this Agreement affect the balance of such provision. In the event that any one or more of the provisions contained in this Agreement or any portion thereof shall for any reason be held to be invalid, illegal or unenforceable in any respect, this Agreement shall be reformed, construed and enforced as if such invalid, illegal or unenforceable provision had never been contained herein.
- (I) **Construction; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Florida. The Company agrees that the sole and exclusive venue for any matters arising hereunder shall be the court of competent jurisdiction in Miami-Dade County, Florida and agrees to waive any objections to such venue. EACH OF LADENBURG AND THE COMPANY HEREBY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING, SUIT OR CLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT.
- (J) **Binding Nature.** The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties, and their respective successors and assigns.
- (K) **Counterparts.** This Agreement may be executed in any number of counterparts, including facsimile signatures, which shall be deemed as original signatures. All executed counterparts shall constitute one Agreement, notwithstanding that all signatories are not signatories to the original or the same counterpart.
- (L) **Attorneys' Fees and Court Costs.** If any party to this Agreement brings an action, directly or indirectly based upon this Agreement or the matters contemplated hereby against the other party, the prevailing party shall be entitled to recover, in addition to any other appropriate amounts, its reasonable costs and expenses in connection with such proceeding, including, but not limited to, reasonable attorneys' fees and expenses and court costs.
- (M) **Computer Virus.** During the course of this engagement, Ladenburg may exchange electronic versions of documents and emails with you using commercially available software. Unfortunately, the technology community is occasionally victimized by the creation and dissemination of so-called viruses, or similar destructive electronic programs. Ladenburg takes the issues raised by these viruses seriously and has invested in document and email scanning software that identifies and rejects files containing known viruses. Ladenburg also updates its system with the software vendor's most current releases at regular intervals.
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By utilizing this virus scanning software, Ladenburg's system may occasionally reject a communication you send. Ladenburg in turn may send you something that is rejected by your system. This infrequent occurrence is to be expected as part of the ordinary course of business.

Because the virus protection industry is generally one or two steps behind new viruses, Ladenburg cannot guarantee that its communications and documents will always be virus free. Occasionally, a virus will escape and go undetected as it is passed from system to system. Although Ladenburg believes its virus protection measures are excellent, it can make no warranty that its documents will be virus free at all times.

Please inform Ladenburg immediately in the event a virus enters your company's system via any electronic means originating from Ladenburg. Through cooperative efforts, disruption to communications can be minimized.

- (N) **Information Disclosure.** Subject to Section (C) hereof, Ladenburg may disclose any information when it is believed necessary for the conduct of its business, or where disclosure is required by law. For example, information may be disclosed for audit or research purposes, or to law enforcement and regulatory agencies to do such things as prevent fraud. Subject to Section (C) hereof, information may also be disclosed to affiliates as well as to others that are outside Ladenburg. Ladenburg may make other disclosures of information as permitted by law.
- (O) **Legal Services.** While certain principals of Ladenburg are attorneys, Ladenburg is not, in any manner, providing legal services or legal advice to the Company. Furthermore, the Company agrees and acknowledges that Ladenburg is not an advisor as to tax, accounting or regulatory matters in any jurisdiction.
- (P) **Securities Trading and Other Activities.** Ladenburg is a full service securities firm engaged, directly or indirectly, in various activities, including securities trading, investment management, financing and brokerage activities. The Company agrees and acknowledges that in the ordinary course of these activities, Ladenburg and its affiliates may actively trade the debt or equity securities (or related derivative securities) of the Company and other companies which may be the subject of the engagement contemplated by this Agreement for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities. The Company further agrees and acknowledges that Ladenburg and its affiliates also may from time to time perform various investment banking and financial advisory services for other clients and customers who may have conflicting interests with respect to the Company or the Transaction and nothing herein shall in any way limit Ladenburg's, or its affiliates', ability to provide such services.
- (Q) **No Fiduciary Duties.** The Company represents that it is a sophisticated business enterprise that has retained Ladenburg for the limited purposes set forth in this Agreement, and the parties acknowledge and agree that their respective rights and obligations are contractual in nature. Each party disclaims any intention to impose fiduciary obligations on the other by virtue of the engagement contemplated by this Agreement.
- (R) **USA Patriot Act.** If necessary, the Company agrees to provide Ladenburg with information and supporting documentation to enable Ladenburg to comply with the requirements under Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA Patriot Act") (Public Law 107-56).
- (S) **Marketing.** Ladenburg shall have the ability to publicize (i.e., use of the Company logo in its marketing materials) its role in providing the Company with the services noted herein.



VITAL THERAPIES PROVIDES STRATEGIC UPDATE

SAN DIEGO, October 11, 2018 (GLOBE NEWSWIRE) -- Vital Therapies, Inc. (Nasdaq: VTL), a biotherapeutic company that has been developing ELAD[®], a cell-based therapy targeting the treatment of liver failure, today announced updates on the Company's ongoing strategy to preserve its cash and maximize shareholder value. To further that objective, the Company has retained Ladenburg Thalmann & Co. Inc. as its strategic financial advisor to assist in the review of the Company's business and assets and exploration of strategic opportunities for enhancing stockholder value, including the potential sale or merger of the Company. The Company cannot guarantee that this process will culminate in a transaction.

As reported last month, the Company's VTL-308 study of ELAD in the treatment of severe alcoholic hepatitis failed to meet either its primary or secondary endpoints, and that the Company was ceasing any further development of the ELAD System and would explore strategic options. In an effort to preserve cash while the Company assesses its options, the Company underwent a reduction in force of approximately 80% of its workforce and will continue to evaluate the need for its remaining personnel throughout this process. In furtherance of the goal to conserve cash, the Board of Directors has now also reduced its size from nine to four members. Remaining members of the board are Faheem Hasnain, Chairman, Cheryl L. Cohen, Russell J. Cox and Lowell E. Sears.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning or implying the Company will be successful in identifying or entering into any strategic opportunities or that the Company will be able to enhance or maximize shareholder value. Risks and uncertainties related to this process include, but are not limited to, whether desirable products and combinations can be identified, and the Company's ability to conserve cash or to raise funds sufficient to acquire products or attract a partner. In addition, substantially all of the Company's clinical, manufacturing, quality, regulatory and medical personnel are no longer employees and, if the Company does not or is unable to retain certain remaining personnel, it may be difficult to complete a transaction. The Company's existing or future liabilities, including litigation, if any, could also be seen as detrimental to any potential partners. There can be no assurance that the Company will be able to conserve sufficient cash, raise additional funding on reasonable terms or at all, or complete any transaction.

Forward-looking statements are based on management's current expectations and are subject to various risks and uncertainties that could cause actual results to differ materially and adversely from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements do not constitute guarantees of future performance, and you are cautioned not to place undue reliance on these forward-looking statements.

These and other risks regarding our business are described in detail in our Securities and Exchange Commission filings, including in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018. These forward-looking statements speak only as of the date hereof, and Vital Therapies, Inc. disclaims any obligation to update these statements except as may be required by law.

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Investor Contact:

Vital Therapies, Inc.

Investor Relations

858-673-6840

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