

Spectra Energy Partners, LP
Form 10-Q
August 06, 2015
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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 June 30, 2015

or

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

For the transition period from _____ to _____

Commission file number 1-33556

SPECTRA ENERGY PARTNERS, LP
(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation)

5400 Westheimer Court

Houston, Texas 77056

(Address of principal executive offices, including zip code)

713-627-5400

(Registrant's telephone number, including area code)

41-2232463

(IRS Employer Identification No.)

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

At June 30, 2015, there were 298,290,611 Common Units and 6,087,563 General Partner Units outstanding.

SPECTRA ENERGY PARTNERS, LP
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June 30, 2015
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements represent management’s intentions, plans, expectations, assumptions and beliefs about future events. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. Forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Factors used to develop these forward-looking statements and that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- state, provincial, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the natural gas and oil industries;
- outcomes of litigation and regulatory investigations, proceedings or inquiries;
- weather and other natural phenomena, including the economic, operational and other effects of hurricanes and storms;
- the timing and extent of changes in interest rates and foreign currency exchange rates;
- general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for natural gas and oil and related services;
 - potential effects arising from terrorist attacks and any consequential or other hostilities;
- changes in environmental, safety and other laws and regulations;
- the development of alternative energy resources;
- results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions;
- increases in the cost of goods and services required to complete capital projects;
- growth in opportunities, including the timing and success of efforts to develop U.S. and Canadian pipeline, storage, gathering and other related infrastructure projects and the effects of competition;
- the performance of natural gas transmission, storage and gathering facilities, and crude oil transportation and storage;
 - the extent of success in connecting natural gas and oil supplies to transmission and gathering systems and in connecting to expanding gas and oil markets;
- the effects of accounting pronouncements issued periodically by accounting standard-setting bodies;
- conditions of the capital markets during the periods covered by forward-looking statements; and
- the ability to successfully complete merger, acquisition or divestiture plans; regulatory or other limitations imposed as a result of a merger, acquisition or divestiture; and the success of the business following a merger, acquisition or divestiture.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Spectra Energy Partners, LP has described. Spectra Energy Partners, LP undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SPECTRA ENERGY PARTNERS, LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per-unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating Revenues				
Transportation of natural gas	\$454	\$402	\$ 918	\$ 828
Transportation of crude oil	90	70	174	141
Storage of natural gas and other	59	59	117	143
Total operating revenues	603	531	1,209	1,112
Operating Expenses				
Operating, maintenance and other	178	166	359	322
Depreciation and amortization	73	70	146	143
Property and other taxes	30	46	71	90
Total operating expenses	281	282	576	555
Operating Income	322	249	633	557
Other Income and Expenses				
Earnings from equity investments	45	29	85	57
Other income and expenses, net	17	6	26	9
Total other income and expenses	62	35	111	66
Interest Expense	63	62	120	129
Earnings Before Income Taxes	321	222	624	494
Income Tax Expense	5	2	7	28
Net Income	316	220	617	466
Net Income—Noncontrolling Interests	9	5	17	9
Net Income—Controlling Interests	\$307	\$215	\$ 600	\$ 457
Calculation of Limited Partners' Interest in Net Income:			_M98 />	

Restricted Stock Awards

Upon receipt of a restricted stock award, a participant generally will recognize taxable ordinary income when the shares cease to be subject to restrictions in

an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid to the Company by the participant for the shares. However, no later than 30 days after a participant receives the restricted stock award, the participant may elect to recognize taxable ordinary income in an amount equal to the fair market value of the shares at the time of receipt. Provided that the election is made in a timely manner, when the restrictions on the shares lapse, the participant will not recognize any additional income. When a participant sells the shares, the participant will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the amount, if any, paid to the Company by the participant for the shares plus the amount of taxable ordinary income recognized by the participant either at the time the restrictions lapsed or at the time of election, if an election was made by the participant. If the participant forfeits the shares to the Company (e.g., upon the

participant s

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termination prior to expiration of the restriction period), the participant may not claim a deduction with respect to the income recognized as a result of the election.

Any dividends paid with respect to shares of restricted stock generally will be taxable as ordinary income to the participant at the time the dividends are received.

*Performance Awards
and Other Stock Unit
Awards*

A participant generally will not recognize taxable income upon the grant of a performance award. Upon the distribution of cash, shares or other property to a participant pursuant to the terms of a performance award, the participant generally will recognize taxable ordinary income equal to the excess of the amount of cash or the fair market value of any property transferred to the participant over any amount paid to the Company by the participant with respect to the award. The tax consequences of other

stock unit awards will depend upon the specific terms of each award.

Section 409A of the Code

If an award under the 2015 Plan constitutes nonqualified deferred compensation that is subject to Section 409A of the Code, certain requirements must be met (e.g., rules regarding deferral elections, distributions and acceleration of benefits). If the requirements are not satisfied, the participant may have to include an amount in income currently (or, if later, when no longer subject to a substantial risk of forfeiture), and may be subject to an additional tax equal to 20% of the amount included in income plus interest from the date of deferral (at the IRS underpayment rate plus 1%). Restricted stock and options are generally exempted from the requirements of Section 409A of the Code if certain requirements are satisfied (e.g., if the option exercise price can never be less than the fair market value of the stock on the grant date).

Tax Consequences to the Company

In the foregoing cases, the Company generally will be entitled to a deduction at the same time and in the same amount as a participant recognizes ordinary income, subject to the limitations imposed under Section 162(m) of the Code. As discussed above, as a public company, the Company is subject to the tax-deduction rule of Section 162(m) of the Code (applicable to compensation in excess of \$1 million paid to certain of the Company's executive officers during any year). The Plan includes a limitation on the number of shares that may be granted subject to awards made to an employee during any fiscal year to permit, but not require, the Company to qualify certain awards granted under the Plan as performance-based compensation, which is excepted from the general tax-deduction rule. The Section 162(m) stock limit in the Plan is 5,000,000 shares for an employee per fiscal year. Under the Plan, there is a limit of \$500,000 cash award for an employee during a year. Stock options issued under the Plan will generally

qualify as performance-based compensation with an exercise price equal to at least the fair market value of the underlying stock on the date of grant, while stock awards with service based vesting will generally not qualify as performance-based compensation, and therefore compensation amounts arising in connection with stock units and stock awards with service based vesting may be subject to the Section 162(m) tax deduction rule.

Tax Withholding

The Company is authorized to withhold from any award granted or payment due under the 2015 Plan the amount of any withholding taxes due in respect of the award or payment and to take such other action as may be necessary to satisfy all obligations for the payment of applicable withholding taxes. The committee is authorized to establish procedures for election by participants to satisfy their obligations for the payment of withholding taxes by delivery of shares of the Company's stock or by directing the

Company to retain stock
otherwise deliverable in
connection with the
award.

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**Equity Compensation
Plan Information**

We currently maintain three equity compensation plans that provide for the issuance of our common stock to officers and other employees, directors and consultants, each of which have been approved by our shareholders: our 2002 Long Term Incentive Plan, our Employee Stock Purchase Plan and the 2015 Plan (which amended and restated our 2006 Equity Incentive Plan). Each of our equity compensation plans were previously approved by our shareholders. The following table sets forth information regarding outstanding options and shares reserved for future issuance under the foregoing plans as of December 31, 2017:

Number of Securities	Weighted-Average
to be Issued Upon	Exercise Price of
Exercise of	Exercise Price of
Outstanding Options, Outstanding Options, Warrants and Rights	Outstanding Options, Warrants and Rights Refl
(a)	(b)

Equity compensation plans approved by shareholders	32,250,000	\$0.06
Equity compensation plans not approved by shareholders		
Total	32,250,000	\$0.06

(1)

Includes 12,922,267 shares available for issuance under the 2015 Plan and 703,708 shares available for issuance under our Employee Stock Purchase Plan. Shares available for issuance under the 2015 Incentive Plan may be granted in the form of stock options, stock awards, restricted stock awards, restricted stock units, stock appreciation rights or any other form of equity compensation approved by the Board or the Compensation Committee.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE INTERNATIONAL ISOTOPES INC. 2015 INCENTIVE PLAN.

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**PROPOSAL NO. 5:
APPROVAL OF AN
AMENDMENT TO
OUR RESTATED
CERTIFICATE OF
FORMATION TO
EFFECT A REVERSE
STOCK SPLIT**

The Board has adopted a resolution approving, and recommends to the shareholders for their approval, a proposed amendment to our Restated Certificate of Formation to authorize the Board to effect a reverse stock split with the primary intent to reduce the number of issued and outstanding shares of our common stock and to increase the per share trading value of our common stock, and for other purposes as described below in this proxy statement. Under this proposed amendment, a certain number of outstanding shares of our common stock, as determined by the applicable ratio, would be combined into one share of our common stock (the Reverse Stock Split).

If approved by the shareholders, the Board would have discretion to implement the Reverse Stock Split within a ratio range of 1-for-20 up to 1-for-150. The Board

believes that shareholder approval of a range of ratios (as opposed to approval of a specified ratio) would provide the Board with maximum flexibility to achieve the purposes of the Reverse Stock Split and, therefore, is in the best interests of us and our shareholders. The actual timing for implementation of the Reverse Stock Split would be determined by the Board based upon its evaluation as to when such action would be most advantageous to us and our shareholders.

Furthermore, notwithstanding shareholder approval, the Board also would have the discretion not to implement a Reverse Stock Split. If the Board were to elect to implement a Reverse Stock Split, the Board will set the exchange ratio within the range approved by the shareholders. The Board would base such a determination upon the then current trading price of our common stock, among other things. No further action on the part of the stockholders will be required to either implement or abandon the Reverse Stock Split.

The text of the form of amendment to our Restated Certificate of

Formation that would be filed with the Secretary of State of the State of Texas to effect the Reverse Stock Split is set forth in Appendix B to this proxy statement; provided, however, that such text is subject to amendment to include such changes as may be required by the office of the Secretary of State of the State of Texas and as the Board deems necessary and advisable to effect the Reverse Stock Split. If the Reverse Stock Split is approved by the shareholders and following such approval the Board determines that a Reverse Stock Split is in the best interest of us and our shareholders, our Restated Certificate of Formation would be amended accordingly.

The Board recommends the Reverse Stock Split for the following reasons:

.

The Board believes that a reduction of the number of issued and outstanding shares of our common stock and a higher per share market price of our common stock could encourage investor interest in us

and promote greater liquidity for our shareholders;

.

The Board believes that the Reverse Stock Split is the most effective means of increasing the per share market price of our common stock in order to facilitate our ability to meet the closing per share price criteria required to be listed on a major stock exchange, such as the New York Stock Exchange or the Nasdaq Stock Market; and

.

The Board believes that a reduction in the number of issued and outstanding shares of our common stock would be in our best interests as our capital structure would be more comparable to other publicly traded companies of similar size.

Reverse Stock Split

Our common stock is traded on the OTCQB market under the symbol INIS.OB . The closing

price of our common stock on the OTCQB on April 18, 2018 was \$0.057 per share and during the period April 18, 2017 through April 18, 2018 ranged from a low of \$0.057 per share to a high of \$0.11 per share.

We may determine that it is in our shareholders best interests to list on a major stock exchange, such as the New York Stock Exchange or the Nasdaq Stock Market.

Many major stock exchanges have listing criteria that require companies to satisfy minimum average closing prices over a threshold amount during a consecutive trading period in order to gain or maintain listing eligibility. The Nasdaq Stock Market, for example, currently requires that a company's common stock have a bid price that is greater than or equal to \$4.00 per share over a period of time. The Reverse Stock Split would give us additional flexibility and ability to reach these levels.

We also believe that an increase in the per share price of our common stock could encourage increased investor

interest in our common stock and possibly promote greater liquidity for our shareholders. We believe that the current low per share price of our common stock has had a negative effect on the marketability of our common stock. We believe there are several reasons for this effect. First, many institutional investors view stocks trading at low prices as unduly speculative in nature and, as a result, avoid investing in such stocks. Second, because the brokers' commissions on lower-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current per-share price of our common stock can result in individual shareholders paying transaction costs (commissions, markups or markdowns) that constitute a higher percentage of their total share value than would be the case if the share price of our common stock were substantially higher. This factor may also limit the

willingness of institutional investors to purchase our common stock. Third, a variety of policies and practices of brokerage firms discourage individual brokers within those firms from dealing in low-priced stocks. These policies and practices pertain to the payment of brokers' commissions and to time-consuming procedures that make the handling of low-priced stocks unattractive to brokers from an economic standpoint. Fourth, many brokerage firms are reluctant to recommend low-priced stocks to their customers. Finally, the analysts at many brokerage firms do not monitor the trading activity or otherwise provide coverage of low-priced stocks.

Reducing the number of outstanding shares of our common stock through the Reverse Stock Split is intended, absent other factors, to simplify our capital structure and to increase the per share market price of our common stock. However, other factors, such as our financial results, market conditions and the market perception of our business may harm the market price of our common stock. As a

result, there can be no assurance that the Reverse Stock Split, if completed, will result in the intended benefits described above, that the market price of our common stock will increase following the Reverse Stock Split, that the market price of our common stock will remain at such higher value for any significant length of time or that we will qualify for listing on a major stock exchange.

Board Discretion to Implement the Reverse Stock Split

If the Reverse Stock Split is approved by our shareholders at the Annual Meeting, the Reverse Stock Split will be effected, if at all, only upon a determination by the Board that the Reverse Stock Split at the applicable ratio (with such ratio determined by the Board as described above) is in the best interests of us and our shareholders. We believe the availability of a range of reverse stock split ratios will provide us with the flexibility to implement the Reverse Stock Split in a manner designed to maximize the anticipated benefits for us and our shareholders. In

determining the reverse stock split ratio to implement, if any, following the receipt of stockholder approval, the Board may consider, among other factors:

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the historical trading price and trading volume of our common stock;

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the then-prevailing trading price and trading volume of our common stock and the anticipated impact of the Reverse Stock Split on the trading market for our common stock;

.

our satisfaction of the requirements, and ability, to list on a major stock exchange; and

.

prevailing general market conditions.

Notwithstanding approval of the Reverse Stock Split by the shareholders, the Board may, in its sole discretion, abandon all

of the proposed amendments and determine prior to the effectiveness of any filing with the Secretary of State of the State of Texas not to effect the Reverse Stock Split, as permitted under Section 21.052 of the Texas Business Organizations Code.

Impact of the Proposed Reverse Stock Split If Implemented

Except to the extent that whole shares will be exchanged in lieu of fractional shares as described below, the Reverse Stock Split would affect all of our shareholders uniformly and would not affect any shareholder's percentage ownership interest or proportionate voting power. The principal effects of the Reverse Stock Split will be that:

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the number of issued and outstanding shares of our common stock will be reduced proportionately based on the final reverse stock split ratio as determined by the Board;

.

based on the final reverse stock split ratio, the per share exercise price of all outstanding option awards will be

increased proportionately and the number of shares of our common stock issuable upon the exercise of all outstanding option awards will be reduced proportionately. These adjustments will result in approximately the same aggregate exercise price being required to be paid for all outstanding option awards upon exercise, although the aggregate number of shares issuable upon the exercise of such option awards will be reduced proportionately following the Reverse Stock Split;

.

based on the final reverse stock split ratio, the per share exercise price of all outstanding warrants will be increased proportionately and the number of shares of our common stock issuable upon the exercise of all outstanding warrants will be reduced proportionately. These adjustments will result in approximately the same aggregate exercise price being required to be paid for all outstanding warrants upon exercise, although the aggregate number of shares issuable upon the exercise of such warrants will be reduced proportionately following the Reverse

Stock Split;

.

the number of shares reserved for issuance and any maximum number of shares with respect to which equity awards may be granted to any participant under our equity compensation plans will be reduced proportionately based on the final reverse stock split ratio; and

.

the Reverse Stock Split may increase the number of shareholders who own odd lots (less than 100 shares). Shareholders who hold odd lots may experience an increase in the cost of selling their shares and may have greater difficulty in executing sales.

Effective Date

If the Reverse Stock Split is approved at the Annual Meeting and the Board elects to proceed with the Reserve Stock Split within the range of the approved ratios, the Reverse Stock Split would become effective when the filing of the certificate of amendment to our Restated Certificate of Formation is accepted and recorded by the office of the Secretary of State of the State of Texas (the Effective Date), although the exact timing of the filing will be determined by the Board based on its determination that such action will be in the best interests of us and our shareholders as discussed above. Except as explained below with respect to fractional shares, on the Effective Date, shares of our common stock issued and outstanding immediately prior thereto will be, automatically and without any action on the part of the shareholders, combined, converted and changed into new shares of common stock in accordance with the reverse stock split ratio determined by the Board within the range set forth in this proposal.

Fractional Shares

No fractional shares would be issued if, as a result of the Reverse Stock Split, a registered stockholder would otherwise become entitled to a fractional share. Instead, stockholders who otherwise would be entitled to receive fractional shares because they hold a number of shares not evenly divisible by the ratio of the Reverse Stock Split will automatically be entitled to receive an additional share of common stock. In other words, any fractional share will be rounded up to the nearest whole number.

Exchange of Stock Certificates

Shareholders holding shares of our common stock in certificate form will be sent a transmittal letter by our transfer agent after the effectiveness of the Reverse Stock Split.

The letter of transmittal will contain instructions on how a shareholder should surrender its, his or her certificate(s) representing shares of our common stock (Old Certificates) to the transfer agent in exchange for certificates representing the appropriate number of whole shares of post-reverse stock split common stock (New

Certificates). No New Certificates will be issued to a shareholder until such shareholder has surrendered all Old Certificates, together with a properly completed and executed letter of transmittal, to the transfer agent. No shareholder will be required to pay a transfer or other fee to exchange his, her or its Old Certificates for New Certificates registered in the same name.

Upon surrendering all Old Certificates together with a properly completed and executed letter of transmittal, shareholders will receive a New Certificate(s) representing the number of whole shares of common stock to which they are entitled as a result of the Reverse Stock Split.

If an Old Certificate has a restrictive legend on the back of the Old Certificate, the New Certificate will be issued with the same restrictive legend that is on the back of the Old Certificate. Any shareholder whose Old Certificate has been lost, destroyed or stolen will be entitled to a New Certificate only after complying with the requirements that we and the transfer agent customarily apply in connection with lost,

stolen or destroyed
certificates.

Shareholders who hold
uncertificated shares,
either as direct or
beneficial owners, will
have their holdings
electronically adjusted
by the transfer agent
(and, for beneficial
owners, by their brokers
or banks that hold in
street name for their
benefit, as the case may
be) to give effect to the
Reverse Stock Split.

Upon the Reverse Stock
Split, we intend to treat
shares of common stock
held by shareholders in
street name, that is,
through a bank, broker
or other nominee, in the
same manner as
shareholders whose
shares of common stock
are registered in their
names. Banks, brokers or
other nominees will be
asked to effect the
Reverse Stock Split for
their beneficial holders.
However, these banks,
brokers or other
nominees may have
different procedures than
registered shareholders
for processing the
Reverse Stock Split. If a
shareholder holds shares
of our common stock
with a bank, broker or
other nominee and has
any questions in this
regard, the shareholder is
encouraged to contact
the shareholder's bank,
broker or other nominee.

SHAREHOLDERS
SHOULD NOT
DESTROY ANY
STOCK
CERTIFICATE(S) AND
SHOULD NOT
SUBMIT ANY STOCK
CERTIFICATE(S)
UNTIL REQUESTED
TO DO SO.

**Accounting
Consequences of the
Reverse Stock Split**

The par value per share of our common stock will remain unchanged at \$0.01 per share after the Reverse Stock Split. As a result, on the Effective Date of the Reverse Stock Split, stated capital attributable to our common stock will be reduced and additional paid-in-capital will be increased by the amount by which stated capital is reduced. Per share net income or loss will be increased because there will be fewer shares of our common stock outstanding. We do not anticipate that any other accounting consequences, including changes to the amount of share-based compensation expense to be recognized in any period, will arise as a result of the Reverse Stock Split.

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No Appraisal Rights

Under Texas law, our shareholders are not entitled to rights of dissent and appraisal with respect to the Reverse Stock Split.

Amendment to Restated Certificate of Formation

The form of the proposed amendment to our Restated Certificate of Formation to effect the Reverse Stock Split is attached to this proxy statement as Appendix B; provided, however, that such text is subject to amendment to include such changes as may be required by the office of the Secretary of State of the State of Texas and as the Board deems necessary and advisable to effect the Reverse Stock Split. If the Reverse Stock Split is completed, the amendment will effect a reverse stock split of our common stock at the ratio selected by the Board in its discretion and previously publicly announced by us.

Material Federal U.S. Income Tax

**Consequences of the
Reverse Stock Split**

The following is a summary of certain material United States federal income tax consequences of the Reverse Stock Split to a stockholder that is a U.S. Holder, as defined below. This summary does not purport to be a complete discussion of all of the possible federal income tax consequences of the Reverse Stock Split and is included for general information only. Further, it does not address any state, local or foreign income or other tax consequences, including gift or estate taxes and the Medicare contribution tax on net investment income. Also, it does not address the tax consequences to stockholders that are subject to special tax rules, such as banks, insurance companies, regulated investment companies, personal holding companies, foreign entities, nonresident alien individuals, broker-dealers, tax-exempt entities, stockholders that received common stock as compensation for services or pursuant to the exercise of an employee stock option, or stockholders who

have held, or will hold, stock as part of a straddle, hedging or conversion transaction for federal income tax purposes. This summary also assumes that you are a U.S. Holder who has held, and will hold, shares of common stock as a capital asset, as defined in the Internal Revenue Code of 1986, as amended (the Code), i.e., generally, property held for investment. Finally, the following discussion does not address the tax consequences of transactions occurring prior to or after the reverse stock split (whether or not such transactions are in connection with the reverse stock split), including, without limitation, the exercise of options or rights to purchase common stock in anticipation of the Reverse Stock Split.

The tax treatment of a stockholder may vary depending upon the particular facts and circumstances of such stockholder. You should consult with your own tax advisor with respect to the tax consequences of the Reverse Stock Split. As used herein, the term U.S. Holder means a stockholder that is, for federal income tax purposes: a citizen or

resident of the United States; a corporation or other entity taxed as a corporation created or organized in or under the laws of the United States or any state, including the District of Columbia; an estate the income of which is subject to federal income tax regardless of its source; or a trust that (i) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The following discussion is based on the Code, applicable Treasury Regulations, judicial authority and administrative rulings and practice, all as of the date hereof. The Internal Revenue Service could adopt a contrary position. In addition, future legislative, judicial or administrative changes or interpretations could adversely affect the accuracy of the statements and conclusions set forth herein. Any such changes or interpretations could be applied retroactively and could affect the tax consequences described herein. No ruling from

the Internal Revenue Service or opinion of counsel has been obtained in connection with the Reverse Stock Split.

No gain or loss should be recognized by a U.S. Holder upon such U.S. Holder's exchange of pre-reverse stock split shares of common stock for post-reverse stock split shares of common stock pursuant to the Reverse Stock Split. The aggregate tax basis of the post-reverse stock split shares received in the Reverse Stock Split (including any whole share received in exchange for a fractional share) will be the same as the stockholder's aggregate tax basis in the pre-reverse stock split shares exchanged therefor. The stockholder's holding period for the post-reverse stock split shares will include the period during which the stockholder held the pre-reverse stock split shares surrendered in the Reverse Stock Split. Special tax basis and holding period rules may apply to U.S. Holders that acquired different blocks of stock at different prices or at different times.

THE PRECEDING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN FEDERAL U.S. INCOME TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DISCUSSION OF ALL POTENTIAL TAX EFFECTS RELEVANT THERETO. YOU SHOULD CONSULT YOUR OWN TAX ADVISORS AS TO THE PARTICULAR FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT IN LIGHT OF YOUR SPECIFIC CIRCUMSTANCES.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF AN AMENDMENT TO OUR RESTATED CERTIFICATE OF FORMATION, AS AMENDED, TO EFFECT A REVERSE STOCK SPLIT OF THE OUTSTANDING SHARES OF OUR COMMON STOCK BY A RATIO OF NOT LESS THAN 1-FOR-20 AND NOT MORE THAN 1-FOR-150 AT

**ANY TIME, WITH
THE EXACT RATIO
TO BE SET AT A
WHOLE NUMBER
WITHIN THIS
RANGE BY THE
BOARD OF
DIRECTORS IN ITS
SOLE DISCRETION.**

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MANAGEMENT

The following table sets forth certain information regarding our executive officers who are responsible for overseeing the management of our business and one key employee as of April 20, 2018:

Names	Age	Positions with the Company
<i>Executive Officers:</i>		
Steve T. Laflin	61	Director, President and Chief Executive Officer
Laurie A. McKenzie-Carter	61	Chief Financial Officer and Secretary
<i>Key Employee:</i>		
John Miller	53	Radiation Safety and Regulatory Manager

Please refer to the biographical information for Steve T. Laflin set forth on page 7 of this proxy statement.

Laurie A. McKenzie-Carter has served as our Chief Financial Officer since November 2007. Ms. McKenzie-Carter joined

us in August 2007 as our Chief Accounting Officer. In addition to overseeing the management and coordination of all of our financial reporting functions, Ms.

McKenzie-Carter works closely with the Chief Executive Officer on strategic planning activities such as budgeting and forecasting and has been instrumental in managing compliance issues including developing and maintaining our system of internal controls. Ms. McKenzie-Carter's professional experience includes over twenty years of public and private accounting work and she is our key employee for SEC reporting and works closely with legal and audit counsel to assure accurate and timely filings. Ms.

McKenzie-Carter holds a bachelor's degree in Political Science from the University of California, Davis, and is a Certified Public Accountant licensed in the states of Idaho and New Mexico.

John Miller has served as our Radiation Safety and Regulatory Manager since 2001. In addition to overseeing our radiation and safety programs, Mr. Miller is the lead employee for

regulatory issues and licensing. Considering the extensive requirements for regulatory compliance, licensing, and permits, Mr. Miller plays an especially important role for our business. Mr. Miller has over 25 years of nuclear physics, safety, and licensing experience and has been instrumental in preparation and approval of our Nuclear Regulatory Commission (NRC) license for operations in Idaho and more than 28 subsequent amendments to that license. Mr. Miller was also instrumental in our successful completion of NRC licensing for our proposed uranium de-conversion and fluorine extraction processing facility in New Mexico. Mr. Miller has a BS in Physics, an MS in Environmental Engineering, and is a Certified Health Physicist.

**COMPENSATION OF
DIRECTORS AND
EXECUTIVE
OFFICERS**

**2017 Summary
Compensation Table**

The following table provides information concerning the compensation of our named executive officers for the fiscal years ended December 31, 2016 and 2017.

Name and Principal Position	Year	Salary Bonus		Option	Stock	All O
		(\$)	(\$)	Awards	Awards	Compen
		(\$) ⁽¹⁾	(\$) ⁽¹⁾	(\$) ⁽¹⁾	(\$) ⁽¹⁾	(\$)
Steve. T. Laflin <i>President and Chief Executive Officer</i>	2017	224,012	27,500	115,907	28,000	1
Laurie McKenzie-Carter <i>Chief Financial Officer</i>	2016	219,042	25,000		15,107	1
	2017	119,204	4,000	37,425		
	2016	113,736	11,571			

(1)

The amounts included under the Option Awards and Stock Awards columns reflect aggregate grant date fair value of the option and stock awards granted in each respective fiscal year, computed in accordance with FASB ASC Topic 718, excluding the effect of any estimated forfeitures. Assumptions used in the calculations

of these amounts are included in Note 9 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

(2)

Consists of a monthly housing allowance of \$6,000 per month plus related tax gross-up payments for Mr. Laflin, and life insurance premiums paid by the Company for both Mr. Laflin and Ms. McKenzie-Carter.

**Narrative Disclosure to
Summary
Compensation Table**

Steve Laflin Employment Agreement. Effective February 2012, we entered into an Amended and Restated Employment Agreement, as further amended by that certain Modification #1 to the Amended and Restated Employment Agreement, dated as of October 12, 2016 (collectively, the Employment Agreement) with Mr. Laflin to serve as our President and Chief Executive Officer at a base salary of \$200,000 with an annual \$5,000 increase to his base salary, subject to further adjustment annually by

the Board. Mr. Laflin may also receive an annual bonus at the end of each year, at the discretion of the Board.

Upon each anniversary of the Employment Agreement, Mr. Laflin is entitled to receive \$28,000 of fully vested shares of our common stock issued pursuant to our equity compensation plans, calculated based on the average closing price of our common stock for the 20 trading days prior to the date of grant; provided, however, that if the average closing price of our common stock for the 20 trading days prior to the date of grant is below \$0.05 per share, then the number of shares of common stock to be issued shall be calculated based on a price of \$0.05 per share.

In addition, pursuant to the Employment Agreement, Mr. Laflin will receive a monthly housing allowance for \$6,000 plus additional tax gross up payments for the monthly housing allowance. Mr. Laflin is also subject to confidentiality, noncompete and nondisparagement provisions under the Employment Agreement.

The term of the Employment Agreement continues until February 28, 2022.

Mr. Laflin is also entitled to certain payments upon the occurrence of certain events under the Employment Agreement.

If we terminate Mr. Laflin without cause, or if we were to be dissolved or sold, or if we were to become a private company whose shares are no longer traded on a public exchange, the Board would have the power to terminate Mr. Laflin's employment and Mr. Laflin would be entitled to receive salary and benefits under his employment agreement through the date of termination and for an additional 12 months thereafter. In the event that Mr. Laflin is terminated for cause or if Mr. Laflin terminates the Employment Agreement, he would be entitled to receive any salary and benefits that have accrued through the termination date.

2017 Equity Grants. As described above, pursuant to his Employment Agreement, Mr. Laflin is entitled to a stock award each year equal to \$28,000 of shares of our common stock, subject to certain stock price limitations.

In connection therewith, Mr. Laflin was granted a fully vested stock award of 350,000 shares of common stock in February 2017,

calculated based on a stock price of \$0.08 per share. We withheld 140,175 shares to satisfy Mr. Laflin's tax obligations in connection with this issuance. The net shares issued on February 28, 2017 totaled 209,825 shares.

**2017 Outstanding
Equity Awards at
Fiscal Year-End Table**

The following table provides information regarding the number and estimated value of outstanding stock awards held by each of our named executive officers as of December 31, 2017.

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Name	Grant Date	Option Awards	
		Exercisable	Unexercisable
Steve T. Laflin	5/4/2009	2,000,000	
	10/27/2014	4,000,000	
	7/11/2017 ⁽¹⁾	1,000,000	3,000,000
Laurie McKenzie-Carter	5/4/2009	500,000	
	10/27/2014	1,250,000	
	7/11/2017 ⁽¹⁾	250,000	750,000

(1)

The option vests in four equal annual installments beginning on the grant date.

Termination and Change in Control Arrangements

Under our 2006 Equity Incentive Plan, to maintain all of the participants' rights in the event of (i) a merger or consolidation where we are not the surviving company; (ii) the dissolution of the Company, or (iii) a transfer of all or substantially all of our assets, any outstanding options will become fully exercisable and

vested to the full extent of the original grant and the plan administrator can provide a cash-out for awards in connection with the transaction.

Assuming the occurrence of one of these events at December 31, 2017, Mr. Laflin and Ms. McKenzie-Carter would be entitled to acceleration of all outstanding equity awards, totaling \$75,000 and \$18,750, respectively, based on the closing price of our common stock of \$0.085 per share as reported on the OTCQB on December 29, 2017, the last trading date of 2017.

As described above, Mr. Laflin is also entitled to certain payments upon the occurrence of certain events under his Employment Agreement.

If we terminated Mr. Laflin without cause, or if we were to be dissolved or sold, or if we were to become a private company whose shares were no longer traded on a public exchange, the Board would have the power to terminate Mr. Laflin's employment and Mr. Laflin would be entitled to receive salary and benefits under his employment agreement through the date of termination and for an additional 12 months

thereafter, which would be a payment of approximately \$224,000 (excluding benefits) assuming any of such events occurred as of December 31, 2017. In the event that Mr. Laflin was terminated for cause or if Mr. Laflin terminated the Employment Agreement, he would only be entitled to receive any salary and benefits that had accrued through the termination date.

2017 Director Compensation

The following table sets forth information regarding compensation for each of our non-employee directors for the year ended December 31, 2017. We generally do not pay our non-employee directors retainer fees or other fees for service related to the Board or its committees. Equity awards may be granted to the members of the Board from time to time under our equity compensation plans. We also reimburse our non-employee directors for their costs associated with attending Board and committee meetings. In 2017, we did not reimburse Mr. Grosso or Mr. Richart for any expenses in connection with attending any of our

Board and committee meetings.

In connection with his appointment in August 2017, we entered into a Board of Directors Compensation Agreement with Dr. Atcher, pursuant to which Dr. Atcher receives compensation at an hourly rate of \$250 per hour for the time spent in connection with his Board service, including any research work done at the Company's request and attendance at Board and Board committee meetings.

Steve Laflin does not receive any additional compensation for his service as a director.

See 2017 Summary Compensation Table above for the compensation earned in 2017 by Mr. Laflin for his service as our President and Chief Executive Officer.

Name	Fees Earned or Paid in			Total (\$)
	Cash (\$)	Option Awards (\$) ⁽¹⁾	All Other Compensation (\$)	
Ralph M. Richart ⁽²⁾				
Christopher Grosso		74,703		74,703
Dr. Robert Atcher	1,500	11,237		12,737

(1)

The amounts included under the Option Awards column reflect aggregate grant date fair value of the option awards granted in 2017, computed in accordance with FASB ASC Topic 718, excluding the effect of any estimated forfeitures. Assumptions used in the calculations of these amounts are included in Note 9 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

(2)

Mr. Richart resigned from the Board effective August 2, 2017.

As of December 31, 2017, the aggregate number of shares underlying outstanding stock option awards for each non-employee director was as follows:
Dr. Atcher -
1,000,000 shares; and
Mr. Grosso -
6,500,000 shares.

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**SECURITY
OWNERSHIP OF
CERTAIN
BENEFICIAL
OWNERS AND
MANAGEMENT**

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of April 18, 2018 by:

.

each person who to our knowledge beneficially owned more than 5% of our common stock on that date;

.

each of our named executive officers and directors; and

.

all of our executive officers and directors as a group.

The number of shares beneficially owned by each entity or person is determined under the SEC rules, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership

includes any shares as to which the individual has the sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days of April 18, 2018 through the exercise of any stock option or other right.

Except as otherwise indicated, each person named in the tables below has sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by such person.

Unless otherwise indicated, the address for all persons named below is c/o International Isotopes Inc., 4137 Commerce Circle, Idaho Falls, Idaho 83401.

Name and address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class⁽¹⁾
<i>Greater than 5% Shareholders:</i>		
Kennerman Associates Inc. ⁽²⁾ 480 Broadway, Suite 310 Saratoga Springs, New York 12866 Ralph M. Richart ⁽³⁾	195,804,771	43.3%
	103,543,587	23.8%

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480 Broadway,
Suite 310

Saratoga Springs,
New York 12866

John M. McCormack⁽⁴⁾ 91,087,004 21.1%

1303 Campbell
Road

Houston, TX 77055

William Nicholson 24,183,637 5.9%

121 Post Oak Lane,
#2105

Houston, TX 77055

*Directors and
Named Executive
Officers:*

Robert Atcher

Christopher Grosso⁽⁵⁾⁽⁶⁾ 36,787,322 8.7%

Steve T. Laflin⁽⁷⁾ 11,667,123 2.8%

Laurie McKenzie-Carter⁽⁸⁾ 2,535,443 *

All Directors and Executive Officers
as a Group (4 persons) 50,989,888 11.9%

*

Less than 1%.

(1)

Percentage beneficially owned below is based on 408,132,409 shares of our common stock outstanding on April 18, 2018.

(2)

Based on a Schedule 13G/A filed with the SEC on April 20, 2018,

for which Kennerman Associates, Inc. has shared dispositive power and includes shares of various investment advisory clients and shares held by Christopher Grosso, a principal of Kennerman Associates, Inc.

(3)

Includes (i) 4,500,000 shares subject to stock options exercisable within 60 days of April 18, 2018, (ii) 7,040,000 shares issuable upon conversion of the Company's Series C Convertible Redeemable Preferred Stock, (iii) warrants to purchase 16,020,000 shares of our common stock which are currently exercisable and (iv) 1,374,866 shares held in a family trust.

(4)

Includes (i) 59,200,831 shares beneficially owned by trusts for the benefit of Mr. McCormack's family members, (ii) 7,000,000 shares issuable upon conversion of the Company's Series C Convertible Redeemable Preferred Stock, and (iii) warrants to purchase 16,000,000 shares of our common stock that are currently exercisable.

(5)

Includes (i) 5,000,000 shares subject to vested stock options exercisable within 60 days April 18, 2018, (ii) warrants to purchase 2,520,000 shares of our common stock which are currently exercisable, (iii) 5,040,000 shares issuable upon conversion of the Company's Series C Convertible Redeemable Preferred Stock, and (iv) 3,230,834 shares beneficially held by family members.

Excludes 159,017,449 shares of common stock owned by various investment advisory clients of Kennerman Associates, Inc. d/b/a Kershner Grosso & Co.

(6)

Mr. Grosso and Ralph Richart are members of a group pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended, because Mr. Grosso has investment power of the shares owned by Mr. Richart.

The beneficial ownership number and percentage set forth in the table above for Mr. Grosso excludes shares beneficially owned by Mr. Richart. Mr. Grosso disclaims beneficial ownership of shares owned by Mr. Richart.

(7)

Includes 7,000,000
shares subject to stock
options exercisable
within 60 days of April
18, 2018.

(8)

Includes 2,000,000
shares subject to stock
options exercisable
within 60 days of April
18, 2018.

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**Section 16(a) Beneficial
Ownership Reporting
Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations from certain of our officers and directors that no other reports were required, we believe that all required reports of our officers, directors and greater than ten percent stockholders under Section 16(a) were timely filed during the year ended December 31, 2017, except for:

.

Three late Form 4s for Steve Laflin related to (i) a stock award granted to Mr. Laflin in accordance with his employment agreement in February 2017, filed on March 6, 2017, (ii) a stock option exercise on March 20, 2017, filed on March 24, 2017, and (iii) an option award granted on July 11, 2017, filed on August 3, 2017;

.

One late Form 4 for Christopher Grosso related to an option award granted on July 11, 2017, filed on August 3, 2017;

.

One late Form 4 for Laurie McKenzie-Carter related to an option award granted on July 11, 2017, filed on August 3, 2017; and

.

One late Form 3 and Form 4 for Robert Atcher related to his appointment as a director on August 2, 2017, each filed on August 17, 2017.

**RELATED PERSON
TRANSACTIONS**

Series C Preferred Stock

In September 2016, the Company borrowed an aggregate of \$360,000 from Mr. Richart, our former Chairman of the Board and Mr. Grosso, one of our directors and current Chairman of the Board, under the terms of a promissory note. The \$360,000 promissory note bears interest at 6%, which is payable upon maturity of the note on March 31, 2017, and was secured by all unencumbered assets of the Company. Per the terms of the note, at any time, the lenders may settle any or all of the principal and accrued interest with shares of the Company's common stock, or other securities of the Company, based on the average closing price of the Company's common stock over a 20-day period. In February 2017, all principal plus accrued interest under this promissory note was converted into shares of our Series C Convertible Redeemable Preferred Stock (the "Series C Preferred Stock") and warrants that we offered through a private placement transaction, as described below.

In February 2017, the Company completed a private placement transaction with certain investors, including Mr. Grosso, for the sale of an aggregate of 3,433 shares of our Series C Preferred Stock and Class M warrants to purchase an aggregate of 17,165,000 shares of our common stock, for total gross proceeds of approximately \$3.4 million (the Series C Private Placement). The Series C Preferred Stock accrues dividends at a rate of 6% per annum, payable annually on February 17 of each year, commencing on February 17, 2018. The Series C Preferred Stock are convertible at the option of the investors at any time into shares of our common stock at an initial conversion price equal to \$0.10 per share, subject to certain adjustments. At any time after February 17, 2019, if the volume-weighted average closing price of our common stock over a period of 90 consecutive trading days is greater than \$0.25 per share, we may redeem all or any portion of the outstanding Series C Preferred Stock at the original purchase price per share plus any accrued and unpaid dividends, payable in shares of common stock. All outstanding shares

of Series C Preferred Stock will be redeemed by the Company on February 17, 2022 at the original purchase price per share, payable in cash or shares of common stock, at the option of the holder.

The Class M Warrants are immediately exercisable at an exercise price of \$0.12 per share, subject to adjustment as set forth in the warrant, and have a term of five years. Mr. Grosso participated in the Series C Private Placement by exchanging outstanding the principal plus accrued interest on a promissory note (as described above), and purchasing additional shares of Series C Preferred Stock in cash.

Mr. Grosso and his family members purchased an aggregate of 704 shares of Series C Preferred Stock and Class M warrants to purchase an aggregate of 3,520,000 shares of common stock in the Series C Private Placement for aggregate consideration of \$704,000. Mr. Grosso is entitled to receive dividends on his ownership of the Series C Preferred Stock.

Promissory Note with C. Grosso

In August 2017, the Company borrowed

\$60,000 from Mr. Grosso, our Chairman of the Board, pursuant to a promissory note. The promissory note is unsecured, accrues interest at 5% per year, which is payable upon maturity on June 30, 2018.

Promissory Note with C. Grosso and S. Laflin

In April 2018, the Company borrowed \$120,000 from Mr. Grosso, our Chairman of the Board, and Mr. Laflin, our Chief Executive Officer, pursuant to a promissory note. The promissory note is unsecured, accrues interest at 6% per year, which is payable upon maturity on August 1, 2018.

Policy on Transactions with Related Persons

The full Board reviews and approves any business transactions in which related persons may have an interest. In determining whether to approve or ratify any such transaction, the Board considers, in addition to other factors it deems appropriate, whether the transaction is on terms no less favorable to us than those involving unrelated parties. All transactions disclosed above were reviewed and approved in

accordance with the
policy set forth above.

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OTHER MATTERS

Householding

As permitted by the SEC's proxy statement rules, we will deliver only one set of proxy materials to multiple shareholders sharing the same address, unless we have received contrary instructions from one or more of the shareholders. We will, upon written or oral request, promptly deliver a separate copy of the proxy materials to a shareholder at a shared address to which a single copy of the proxy materials was delivered and will include instructions as to how the shareholder can notify us that the shareholder wishes to receive a separate copy of the proxy materials.

Registered shareholders wishing to receive separate proxy materials in the future or registered shareholders sharing an address wishing to receive a single copy of the proxy materials in the future may contact our transfer agent at Computershare Trust Company, N.A., 250 Royall Street, Canton, MA 02021, Telephone: (800) 962-4284.

Other Matters

We do not intend to bring before the Annual

Meeting any matters other than the proposals specifically described above, and we know of no matters other than those to come before the Annual Meeting. If any other matters properly come before the Annual Meeting or any postponement or adjournment thereof, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with the recommendation of our management on such matters, including any matters dealing with the conduct of the Annual Meeting.

BY ORDER OF THE
BOARD OF
DIRECTORS,

/s/ Steve T. Laflin
Steve T. Laflin
President and
Chief Executive
Officer

Idaho Falls, Idaho

June 19, 2018

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Appendix A

**INTERNATIONAL
ISOTOPES INC.**

**AMENDED AND
RESTATED 2015
INCENTIVE PLAN**

*(As Amended and
Restated on _____,
2018)*

SECTION 1. PURPOSE

This International Isotopes Inc. 2015 Incentive Plan is an amendment and restatement of the International Isotopes Inc. 2006 Equity Incentive Plan. The purpose of the International Isotopes Inc. 2015 Incentive Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Related Companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's stockholders.

**SECTION 2.
DEFINITIONS**

Certain capitalized terms used in the Plan have the meanings set forth in

Appendix A.

SECTION 3.
ADMINISTRATION

3.1

Administration of the Plan

The Plan shall be administered by the Board or the Compensation Committee, which shall be composed of two or more directors, each of whom is a non-employee director within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission, and an outside director within the meaning of Section 162(m) of the Code, or any successor provision thereto.

Notwithstanding the foregoing, the Board may delegate responsibility for administering the Plan with respect to designated classes of Eligible Persons to different committees consisting of one or more members of the Board, subject to such limitations as the Board deems appropriate, except with respect to Awards to Participants who are subject to Section 16 of the

Exchange Act or Awards granted pursuant to Section 16 of the Plan.

Members of any committee shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board or the Compensation Committee may authorize one or more officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board or the Compensation Committee; provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any person subject to Section 16 of the Exchange Act. All references in the Plan to the Committee shall be, as applicable, to the Compensation Committee or any other committee or any officer to whom the Board or the Compensation Committee has delegated authority to administer the Plan.

3.2

Administration and Interpretation by Committee

(a)

Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Committee shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a Committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Award to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (vii) determine whether, to what extent and under what circumstances cash, shares of Common Stock, other property and other amounts

payable with respect to an Award shall be deferred either automatically or at the election of the Participant;

(viii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan;

(ix) establish such rules and regulations as it shall deem appropriate for the proper administration of the Plan; (x) delegate ministerial duties to such of the Company's employees as it so determines; and

(xi) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b)

The Committee shall have the right, without stockholder approval, to

(i) cancel or amend outstanding Options or SARs for the purpose of repricing, replacing or regranting such Options or SARs with Options or SARs that have a purchase or grant price that is less than the purchase or grant price for the original Options or SARs except in connection with

adjustments provided in Section 15, or (ii) issue an Option or amend an outstanding Option to provide for the grant or issuance of a new Option on exercise of the original Option.

(c)

The effect on the vesting of an Award of a Company-approved leave of absence or a Participant's working less than full-time shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors or executive officers, by the Compensation Committee, whose determination shall be final.

(d)

Decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, any Participant, any stockholder and any Eligible Person. A majority of the members of the Committee may determine its actions.

**SECTION 4. SHARES
SUBJECT TO THE
PLAN**

4.1

**Authorized Number of
Shares**

Subject to adjustment from time to time as provided in Section 15.1, the number of shares of

Common Stock
authorized for issuance
under the Plan shall be:

(a)

80,000,000 shares; plus

(b)

11,089,967
shares authorized but not
issued under the
Company's 2002
Long-Term Incentive
Plan (the **Prior Plan**).

Shares issued under the
Plan shall be drawn from
authorized and unissued
shares or shares now
held or subsequently
acquired by the
Company.

4.2

Share Usage

(a)

Shares of Common
Stock covered by an
Award shall not be
counted as used unless
and until they are
actually issued and
delivered to a
Participant. If any
Award lapses, expires,
terminates or is canceled
prior to the issuance of
shares thereunder or if
shares of Common Stock
are issued under the Plan

to a Participant and thereafter are forfeited to or otherwise reacquired by the Company, the shares subject to such Awards and the forfeited or reacquired shares shall again be available for issuance under the Plan. Any shares of Common Stock (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the purchase price of an Award or to satisfy tax withholding obligations in connection with an Award, or (ii) covered by an Award that is settled in cash, or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued, shall be available for Awards under the Plan. The number of shares of Common Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional shares of Common Stock subject or paid with respect to an Award.

(b)

The Committee shall also, without limitation, have the authority to

grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(c)

Notwithstanding anything in the Plan to the contrary, the Committee may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination, then, to the extent determined by the Board or the Compensation Committee, the shares available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities that are parties to such

acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is completed is approved by the Board and said agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, said terms and conditions shall be deemed to be the action of the Committee without any further action by the Committee, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

(d)

Notwithstanding the other provisions in this Section 4.2, the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 4.1, subject to adjustment as provided in Section 15.1.

SECTION 5.
ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Committee from time to time selects. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

SECTION 6. AWARDS

6.1

Form, Grant and Settlement of Awards

The Committee shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan.

Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

6.2

Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, notice or agreement that shall contain such terms, conditions, limitations and restrictions as the Committee shall deem advisable and that are not inconsistent with the Plan.

6.3

Deferrals

The Committee may permit or require a Participant to defer receipt of the payment of any Award. If any such deferral election is permitted or required, the Committee, in its sole discretion, shall establish rules and procedures for such payment deferrals, which may include the grant of additional Awards or provisions for the payment or crediting of interest or dividend equivalents, including converting such credits to deferred stock unit equivalents.

6.4

Dividends and Distributions

Participants may, if the Committee so determines, be credited with dividends paid with respect to shares of Common Stock underlying an Award in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of

Common Stock,
Restricted Stock or
Stock Units.

SECTION 7. OPTIONS

7.1

Grant of Options

The Committee may grant Options designated as Incentive Stock Options or Nonqualified Stock Options.

7.2

Option Exercise Price

The exercise price for shares purchased under an Option shall be as determined by the Committee, but shall not be less than 100% of the Fair Market Value on the Grant Date, except in the case of Substitute Awards.

7.3

Term of Options

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be ten years from the Grant Date.

7.4

Exercise of Options

The Committee shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable, any of which provisions may be waived or modified by the Committee at any time. To the extent an Option has vested and become exercisable, the Option may be exercised in whole or from time to time in part by delivery to or as directed or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Committee, setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement, if any, and such representations and agreements as may be required by the Committee, accompanied by payment in full as described in Sections 7.5 and 13. An Option may be exercised only for whole shares and may not be exercised for less

than a reasonable number of shares at any one time, as determined by the Committee.

7.5

Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Committee for that purchase, which forms may include:

(a)

cash, check or wire transfer;

(b)

having the Company withhold shares of Common Stock that would otherwise be issued to the Participant that on the day prior to the exercise date have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(c)

tendering (either actually or, so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock that on the day prior to the exercise date have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option owned by the Participant for at least six months (or any other period necessary to avoid adverse accounting consequences to the Company);

(d)

so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to

the extent permitted by law, delivery of a properly executed exercise notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the aggregate amount of proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(e)

such other consideration as the Committee may permit.

7.6

Effect of Termination of Service

The Committee shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the

Committee at any time.

If not so established in the instrument evidencing the Option, the Option shall be exercisable according to the following terms and conditions, which may be waived or modified by the Committee at any time:

(a)

Any portion of an Option that is not vested and exercisable on the date of a Participant's Termination of Service shall expire on such date.

(b)

Any portion of an Option that is vested and exercisable on the date of a Participant's Termination of Service shall expire on the earliest to occur of:

(i)

if the Participant's Termination of Service occurs for reasons other than Cause, Retirement, Disability or death, the date that is three months after such Termination of Service;

(ii)

if the Participant's Termination of Service occurs by reason of Retirement, Disability or death, the one-year anniversary of such Termination of Service; and

(iii)

the last day of the maximum term of the Option (the **Option Expiration Date**).

Notwithstanding the foregoing, if a Participant dies after his or her Termination of Service but while an Option is otherwise exercisable, the portion of the Option that is vested and exercisable on the date of such Termination of Service shall expire upon the earlier to occur of (y) the Option Expiration Date and (z) the one-year anniversary of the date of death, unless the Committee determines otherwise.

Also notwithstanding the foregoing, in case a Participant's Termination of Service occurs for Cause, all Options granted to the Participant shall automatically expire upon first notification to the Participant of such termination, unless the Committee determines otherwise. If a

Participant's employment or service relationship with the Company is suspended pending an investigation of whether the Participant shall be terminated for Cause, all the Participant's rights under any Option shall likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant's Termination of Service, any Option then held by the Participant may be immediately terminated by the Committee, in its sole discretion.

(c)

A Participant's change in status from an employee to a consultant, advisor or independent contractor, or a change in status from a consultant, advisor or independent contractor to an employee, shall not be considered a Termination of Service for purposes of this Section 7.6.

SECTION 8.
INCENTIVE STOCK
OPTION
LIMITATIONS

Notwithstanding any other provisions of the Plan, the terms and conditions of any Incentive Stock Options shall in addition comply in all respects with

Section 422 of the Code,
or any successor
provision, and any
applicable regulations
thereunder, including, to
the extent required
thereunder, the
following:

8.1

Dollar Limitation

To the extent the aggregate Fair Market Value (determined as of the Grant Date) of Common Stock with respect to which a Participant's Incentive Stock Options become exercisable for the first time during any calendar year (under the Plan and all other stock option plans of the Company and its parent and subsidiary corporations) exceeds \$100,000, such portion in excess of \$100,000 shall be treated as a Nonqualified Stock Option. In the event the Participant holds two or more such Options that become exercisable for the first time in the same calendar year, such limitation shall be applied on the basis of the order in which such Options are granted.

8.2

Eligible Employees

Individuals who are not employees of the Company or one of its parent or subsidiary corporations may not be granted Incentive Stock Options.

8.3

Exercise Price

The exercise price of an Incentive Stock Option shall be at least 100% of the Fair Market Value of the Common Stock on the Grant Date, and in the case of an Incentive Stock Option granted to a Participant who owns more than 10% of the total combined voting power of all classes of the stock of the Company or of its parent or subsidiary corporations (a **Ten Percent Stockholder**), shall not be less than 110% of the Fair Market Value of the Common Stock on the Grant Date.

The determination of more than 10% ownership shall be made in accordance with Section 422 of the Code.

8.4

Option Term

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Incentive Stock Option shall not exceed ten years, and in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, shall not exceed five years.

8.5

Exercisability

An Option designated as an Incentive Stock Option shall cease to qualify for favorable tax treatment as an Incentive Stock Option to the extent it is exercised (if permitted by the terms of the Option) (a) more than three months after the date of a Participant's Termination of Service if termination was for reasons other than death or disability, (b) more than one year after the date of a Participant's Termination of Service if termination was by reason of disability, or (c) after the Participant has been on leave of absence for more than 90 days, unless the Participant's reemployment rights are guaranteed by statute or contract.

8.6

Taxation of Incentive Stock Options

In order to obtain certain tax benefits afforded to Incentive Stock Options under Section 422 of the Code, the Participant must hold the shares acquired upon the exercise of an Incentive Stock Option for two

years after the Grant Date and one year after the date of exercise.

A Participant may be subject to the alternative minimum tax at the time of exercise of an Incentive Stock Option.

The Participant shall give the Company prompt notice of any disposition of shares acquired on the exercise of an Incentive Stock Option prior to the expiration of such holding periods.

8.7

Code Definitions

For the purposes of this Section 8 disability, parent corporation and subsidiary corporation shall have the meanings attributed to those terms for purposes of Section 422 of the Code.

SECTION 9. STOCK APPRECIATION RIGHTS

9.1

Grant of Stock Appreciation Rights

The Committee may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Committee shall

determine in its sole discretion. An SAR may be granted in tandem with an Option or alone (freestanding). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2.

An SAR may be exercised upon such terms and conditions and for the term as the Committee determines in its sole discretion; provided, however, that, subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the SAR, the term of a freestanding SAR shall be as established for that SAR by the Committee or, if not so established, shall be ten years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable.

9.2

Payment of SAR Amount

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the difference between the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Committee as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Committee in its sole discretion.

9.3

Waiver of Restrictions

Notwithstanding any other provisions of the Plan, the Committee, in its sole discretion, may waive the vesting period and any other terms, conditions or restrictions on any SAR under such circumstances and subject to such terms and

conditions as the
Committee shall deem
appropriate.

**SECTION 10. STOCK
AWARDS,
RESTRICTED STOCK
AND STOCK UNITS**

10.1

**Grant of Stock
Awards, Restricted
Stock and Stock Units**

The Committee may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a Related Company or the achievement of any performance goals, as the Committee shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

10.2

**Vesting of Restricted
Stock and Stock Units**

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or

Stock Units, or upon a Participant's release from any terms, conditions and restrictions of Restricted Stock or Stock Units, as determined by the Committee, and subject to the provisions of Section 13, (a) the shares of Restricted Stock covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash.

10.3

Waiver of Restrictions

Notwithstanding any other provisions of the Plan, the Committee, in its sole discretion, may waive the repurchase or forfeiture period and any other terms, conditions or restrictions on any Restricted Stock or Stock Unit under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 11.
PERFORMANCE
AWARDS

11.1

Performance Shares

The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award.

Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee.

Notwithstanding the foregoing, the amount to be paid under an Award of Performance Shares

may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

11.2

Performance Units

The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award.

Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee.

Notwithstanding the foregoing, the amount to be paid under an Award of Performance Units

may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

SECTION 12. OTHER
STOCK OR
CASH-BASED
AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Committee deems appropriate, the Committee may grant other incentives payable in cash or in shares of Common Stock under the Plan.

SECTION 13.
WITHHOLDING

The Company may require the Participant to pay to the Company the amount of (a) any taxes that the Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award (tax withholding obligations) and (b) any amounts due from the Participant to the Company or to any Related Company (other obligations). The Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

The Committee may permit or require a Participant to satisfy all or part of the Participant's tax

withholding obligations and other obligations by (a) paying cash to the Company, (b) having the Company withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant, (c) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (d) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of the shares so withheld may not exceed the employer's minimum required tax withholding rate, and the value of the shares so tendered may not exceed such rate to the extent the Participant has owned the tendered shares for less than six months, if such limitations are necessary to avoid adverse accounting consequences to the Company.

SECTION 14.
ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as

collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death.

During a Participant's lifetime, an Award may be exercised only by the Participant.

Notwithstanding the foregoing and to the extent permitted by Section 422 of the Code, the Committee, in its sole discretion, may permit a Participant to assign or transfer an Award to a Permitted Transferee subject to such terms and conditions as the Committee shall specify.

SECTION 15.
ADJUSTMENTS

15.1

Adjustment of Shares

In the event, at any time or from time to time, a

stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (a) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (b) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, then the Committee shall make proportional adjustments in (i) the maximum number and kind of securities available for issuance under the Plan; (ii) the maximum number and kind of securities issuable to an individual in a calendar year as set forth in Section 16.3 and as Incentive Stock Options as set forth in Section 4.2; and (iii) the number and kind of securities that are subject to any outstanding Award and the per share price of such securities, without any change in the aggregate price to be paid therefor. The determination by the

Committee, as to the terms of any of the foregoing adjustments shall be conclusive and binding.

Notwithstanding the foregoing, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards.

Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Company Transaction shall not be governed by this Section 15.1 but shall be governed by Sections 15.2 and 15.3, respectively.

15.2

Change In Control

The following provisions shall apply unless a Participant's written

agreement provides otherwise. If, while any Options, Stock Appreciation Rights, Restricted Stock Awards or Performance Awards are outstanding under the Plan, there shall occur (a) a merger or consolidation of the Company with or into another corporation in which the Company shall not be the surviving corporation, (b) a dissolution of the Company, or (c) a transfer of all or substantially all of the assets of the Company in one transaction or a series of related transactions to one or more other persons or entities, then, with respect to each Option, Stock Appreciation Right and Restricted Stock Award outstanding immediately prior to the consummation of such transaction, if provision is not otherwise made in

writing in connection with such transaction for the substitution of securities of another corporation, and without the necessity of any action by the Board of Directors, each such Option, Stock Appreciation Right, Restricted Stock Award or Performance Award shall terminate, but (A) the holder of any outstanding Option shall be entitled, immediately prior to the effective date of such transaction, to purchase the number of shares that are then vested and exercisable; (B) the holder of any Stock Appreciation Right shall be entitled, immediately prior to the effective date of such transaction, to exercise such Right to the extent the Option is exercisable at such time in accordance with its terms; and (C) the recipient of any Performance Award shall be entitled, immediately prior to the effective date of such transaction, to receive the then vested shares or values under such Award. The unexercised portion of any Option or Stock Appreciation Right, and all non-vested Restricted Stock, Stock Unit and Performance Awards shall be deemed canceled, forfeited, and terminated as of the effective date of such transaction.

15.3

Change in Control Cash Out

Notwithstanding the foregoing, the Committee, in its sole discretion, may instead provide that a Participant's outstanding Awards shall terminate upon or immediately prior to such a transaction and that the Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the value of the per share consideration received by holders of Common Stock in such transaction, or, in the event the transaction does not result in direct receipt of consideration by holders of Common Stock, the value of the deemed per share consideration received, in each case as determined by the Committee in its sole discretion, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Committee in its sole discretion) exceeds (y) if

applicable, the respective aggregate exercise price or grant price for such Award.

15.4

Further Adjustment of Awards

Subject to Section 15.2 and 15.3, the Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change in control of the Company, as defined by the Committee, to take such further action as it determines to be necessary or advisable with respect to Awards.

Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Committee may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants.

The Committee may take such action before

or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change in control that is the reason for such action.

15.5

No Limitations

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

15.6

Fractional Shares

In the event of any adjustment in the number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment.

15.7

Section 409A of the Code

Notwithstanding anything in this Plan to the contrary, (a) any adjustments made pursuant to this Section 15 to Awards that are considered deferred compensation within the meaning of Section 409A of the Code are intended to be made in compliance with the requirements of Section 409A of the Code; (b) any adjustments made pursuant to Section 15 to Awards that are not considered deferred compensation subject to Section 409A of the Code are intended to be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code; and (c) in any event, the Committee shall not have the authority to make any adjustments pursuant to Section 15 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the time of grant to be subject thereto; provided however that

notwithstanding anything to the contrary in the Plan in no event shall the Company be liable to any Participant for or with respect to any taxes, penalties or interest which may be imposed upon a Participant pursuant to Section 409A of the Code.

SECTION 16. CODE
SECTION 162(m)
PROVISIONS

Notwithstanding any other provision of the Plan, if the Committee determines, at the time Awards are granted to a Participant who is, or is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Section 16 is applicable to such Award.

16.1

Performance Criteria

If an Award is subject to this Section 16, then the lapsing of restrictions thereon and the distribution of cash, shares of Common Stock or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one of or any combination of the following performance criteria for the Company as a whole or any business unit of the Company, as reported or calculated by the Company: cash flows (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital); working capital; earnings per share; book value per share; operating income (including or excluding depreciation, amortization, extraordinary items, restructuring charges or other expenses); revenues; operating margins; return on assets; return on equity; debt; debt plus equity; market or economic value added; stock price appreciation; total

stockholder return; cost control; strategic initiatives; market share; net income; return on invested capital; improvements in capital structure; or customer satisfaction, employee satisfaction, services performance, subscriber, cash management or asset management metrics (together, the **Performance Criteria**). Such performance goals also may be based on the achievement of specified levels of Company performance (or performance of an applicable affiliate or business unit of the Company) under one or more of the Performance Criteria described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder.

16.2

Adjustment of Awards

Notwithstanding any provision of the Plan other than Section 15, with respect to any

Award that is subject to this Section 16, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance goals except in the case of the death or disability of the Covered Employee.

16.3

Limitations

Subject to adjustment from time to time as provided in Section 15.1, no Covered Employee may be granted Awards other than Performance Units subject to this Section 16 in any calendar year period with respect to more than 5,000,000 shares of Common Stock for such Award, and the maximum dollar value payable with respect to Performance Units subject to this Section 16 granted to any Covered Employee in any one calendar year is \$500,000.

The Committee shall have the power to impose such other restrictions on Awards subject to this Section 16 as it may deem necessary or appropriate to ensure that such

Awards satisfy all requirements for performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

SECTION 17.
AMENDMENT AND
TERMINATION

17.1

**Amendment,
Suspension or
Termination**

The Board or the Compensation Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan; and provided, further, that any amendment that requires shareholder approval may be made only by the Board.

Subject to Section 17.3, the Committee may amend the terms of any outstanding Award, prospectively or retroactively.

17.2

Term of the Plan

Unless sooner terminated as provided herein, the Plan shall terminate ten years from the Effective Date. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

Notwithstanding the foregoing, no Incentive Stock Options may be granted more than ten years after the later of (a) the Effective Date and (b) the approval by the stockholders.

17.3

Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made

in a manner so as to constitute a modification that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option.

Notwithstanding the foregoing, any adjustments made pursuant to Section 15 shall not be subject to these restrictions.

SECTION 18.
GENERAL

18.1

No Individual Rights

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

18.2

Issuance of Shares

Notwithstanding any other provision of the Plan, the Company shall have no obligation to

issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (a) the Participant to represent and warrant at the time of any such exercise or

receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares and (b) such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurring in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Committee may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

To the extent the Plan or any instrument

evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be affected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

18.3

Indemnification

Each person who is or shall have been a member of the Board, or a committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or

paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

18.4

No Rights as a Stockholder

Unless otherwise provided by the Committee or in the instrument evidencing the Award or in a written employment, services or

other agreement, no Award, other than a Stock Award, shall entitle the Participant to any cash dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

18.5

Compliance With Laws and Regulations

In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an incentive stock option within the meaning of Section 422 of the Code.

18.6

Participants in Other Countries or Jurisdictions

Without amending the Plan, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in this Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions

in which the Company or any Related Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

18.7

No Trust or Fund

The Plan is intended to constitute an unfunded plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

18.8

Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

18.9

Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

18.10

Choice of Law

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Idaho without giving effect to principles of conflicts of law.

18.11

Legal Requirements

The granting of Awards and the issuance of shares of Common Stock under the Plan is subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

SECTION 19. EFFECTIVE DATE

The effective date (the **Effective Date**) is the date on which the Plan as amended and restated as authorized as by the Board on February 13, 2015 and approved by the Board on April 29, 2015 is approved by the

stockholders of the Company. If the stockholders of the Company do not approve the Plan within 12 months after the Board's adoption of the Plan, any Incentive Stock Options granted under the Plan will be treated as Nonqualified Stock Options.

APPENDIX A

DEFINITIONS

As used in the Plan,

Acquired Entity means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

Award means any Option, Stock Appreciation Right, Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of Common Stock as may be designated by the Committee from time to time.

Board means the Board of Directors of the Company.

Cause, unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor

violations), in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Committee has the meaning set forth in Section 3.1.

Common Stock means the common stock, par value \$.01 per share, of the Company.

Company means International Isotopes Inc., a Texas corporation.

Compensation Committee means the Compensation Committee of the Board.

Covered Employee means a covered employee as that term is defined for purposes of Section 162(m)(3) of the Code or any successor provision.

Disability, unless otherwise defined by the Committee or in the instrument evidencing the Award or in a written

employment, services or other agreement between the Participant and the Company or a Related Company, means a mental or physical impairment of the Participant that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Participant to be unable to perform his or her material duties for the Company or a Related Company and to be engaged in any substantial gainful activity, in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

Effective Date has the meaning set forth in Section 20.

Eligible Person means any person eligible to receive an Award as set forth in Section 5.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time.

Fair Market Value means the average of the high and low

trading prices for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the last preceding date on which the Common Stock was traded, unless determined otherwise by the Committee using such methods or procedures as it may establish.

Grant Date means the later of (a) the date on which the Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Committee or (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

Incentive Stock Option means an Option granted with the intention that it qualify as an incentive stock option as that term is defined for purposes of Section 422 of the Code or any successor provision.

Nonqualified Stock Option means an Option other than an Incentive Stock Option.

Option means a right to purchase Common Stock granted under Section 7.

Parent Company means a company or other entity which as a result of a Company Transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries.

Participant means any Eligible Person to whom an Award is granted.

Performance Award means an Award of Performance Shares or Performance Units granted under Section 11.

Performance Criteria has the meaning set forth in Section 16.1.

Performance Share means an Award of units denominated in shares of Common Stock granted under Section 11.1.

Performance Unit means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 11.2.

Permitted Transferee means a member of an optionee's immediate family, trusts for the benefit of such immediate family members, and partnerships in which the optionee and/or such immediate family members are the only partners, provided that no consideration is provided for the transfer. Immediate family members shall include an optionee's descendants (children, grandchildren and more remote descendants), and shall

include step-children and relationships arising from legal adoption.

Plan means the International Isotopes Inc. 2015 Equity Incentive Plan.

Related Company means any entity that is directly or indirectly controlled by, in control of or under common control with the Company.

Restricted Stock means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are subject to restrictions prescribed by the Committee.

Retirement, unless otherwise defined in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means

Retirement as defined for purposes of the Plan by the Committee or the Company's chief human resources officer or other person performing that function or, if not so defined, means Termination of Service on or after the date the Participant reaches normal retirement age, as that term is defined in Section 411(a)(8) of the Code.

Securities Act means the Securities Act of 1933, as amended from time to time.

Stock Appreciation Right or **SAR** means a right granted under Section 9.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

Stock Award means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are not subject to restrictions prescribed by the Committee.

Stock Unit means an Award denominated in units of Common Stock granted under Section 10.

Substitute Awards means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

Termination of Service means a termination of employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by

reason of death,
Disability or Retirement.

Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors and executive officers, by the Compensation Committee, whose determination shall be conclusive and binding.

Transfer of a Participant's employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Compensation Committee determines otherwise, a Termination of Service shall be deemed to occur if the Participant's employment or service relationship is with an entity that has ceased to be a Related Company.

Appendix B

**PROPOSED
CERTIFICATE OF
AMENDMENT**

TO

**RESTATED
CERTIFICATE OF
FORMATION**

OF

**INTERNATIONAL
ISOTOPES INC.**

International Isotopes Inc. (the Corporation), a corporation organized and existing under and by virtue of the Texas Business Organizations Code, hereby certifies that:

1.

The name of the filing entity is International Isotopes Inc.

2.

The filing entity is a for-profit corporation.

3.

The Restated Certificate of Formation of the

Corporation is hereby amended by adding the following paragraph to the end of Article IV:

Upon effectiveness of this Certificate of Amendment, a []-to-[] reverse stock split of the Corporation's Common Stock shall become effective, pursuant to which every [] ([]) outstanding shares of Common Stock immediately prior to the effectiveness of this Certificate of Amendment shall be automatically reclassified and combined into one (1) share of Common Stock, par value \$0.01 per share, without any action by the holder thereof (the Reverse Stock Split), subject to the treatment of fractional interests as described below. Notwithstanding the immediately preceding sentence, no fractional shares will be issued in connection with the Reverse Stock Split. Shareholders of record who otherwise would be entitled to receive fractional shares, will be entitled to rounding up of their fractional share to the nearest whole share. No shareholders will receive cash in lieu of fractional shares. Each certificate that immediately prior to

the Reverse Stock Split represented shares of Common Stock (Old Certificates) shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the treatment of fractional interests as described above. The total number of shares of all classes of stock which the Corporation is authorized to issue shall not be affected by the Reverse Stock Split and shall remain as set forth in the first paragraph to this Article IV.

4.

The aforesaid amendment to the Corporation's Restated Certificate of Formation has been approved in the manner required by the Texas Business Organizations Code and by the governing documents of the Corporation.

IN WITNESS
WHEREOF,
International Isotopes
Inc. has caused this
Certificate of
Amendment to be signed

by its duly authorized
officer, this ___ day of
____, 20__.

INTERNATIONAL
ISOTOPES INC.

By:
Name:
Title:



