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

Form 10-K

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

For the fiscal year ended June 30, 2016

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: 001-35285

Aviragen Therapeutics, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**59-1212264**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
2500 Northwinds Parkway, Suite 100, Alpharetta, GA	**30009**
(Address of Principal Executive Offices)	*(Zip Code)*

(678) 221 3343
(Registrant's telephone number, including area code)
Securities registered pursuant to section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $.10 per share	**The Nasdaq Stock Market LLC** **NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ 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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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 ☑

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price on December 31, 2015 was approximately $74.2 million.

Number of shares of Common Stock outstanding as of September 8, 2016: 38,640,487. The common stock is listed on the NASDAQ Global Select Market (trading symbol "AVIR")

Documents incorporated by reference:

Portions of the definitive Proxy Statement with respect to the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year are incorporated by reference into Part III of this report.

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ITEM 1. ***BUSINESS***

PART I
SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended. These forward-looking statements are principally contained in the sections entitled "Item 1-Business", "Item 2-Properties" and "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations", but may appear elsewhere. All statements other than those of historical facts contained herein are forward looking statements, which reflect our current expectations and assumptions about the future. Forward looking statements involve known and unknown risks and uncertainties that may cause actual future results, performance, achievements or events to be materially different from any results, performance, achievements or events expressed or implied by the forward-looking statements. In general, you can identify forward-looking statements by terms such as, but not limited to, "may," "will," "should," "could," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "project," "predict," "forecast," "potential," "continue," "target," "likely" or "possible," as well as the negative of such expressions, and similar expressions intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to:

- *our anticipated timing to fully enroll and report top line-data from our Phase2b SPIRITUS clinical trial for vapendavir;*
- *our anticipated timing to fully enroll and report top line-data from our Phase 2a challenge study for BTA585;*
- *our anticipated timing to fully enroll and report top line-data from our Phase 2 clinical trial for BTA074;*
- *our anticipated timing of filing our clinical hold complete response to the Food and Drug Administration for BTA585*
- *our preclinical respiratory syncytial virus ("RSV") non-fusion inhibitor that may complement BTA585;*
- *our anticipation that royalty revenue from the net sales of Relenza® may decrease in fiscal 2017 due to the expiration of the composition of matter patents for Relenza® in the multiple countries and the outcome of the pending patent application related to Relenza in the U.S.;*
- *our anticipation that we will generally incur net losses from operations in the future due to our intention to continue to support the preclinical and clinical development of our product candidates;*
- *our future financing requirements, the factors that may influence the timing and amount of those requirements and our ability to fund them;*
- *the number of months that our current cash, cash equivalents and anticipated future proceeds from existing royalty-bearing licenses and other existing license and collaboration agreements will allow us to operate; and*
- *our plan to continue to finance our operations with our existing cash, cash equivalents and proceeds from existing or potential future royalty-bearing licenses, or collaborative research and development arrangements, or through future equity and/or debt financings or other financing vehicles.*

These forward looking statements are subject to key risks and uncertainties including, without limitation: the U.S. Food and Drug Administration ("FDA") or similar foreign regulatory agency, a data safety monitoring board, an institutional review board delaying, or limiting, suspending or terminating the clinical development of any of our clinical development programs at any time for a lack of safety, tolerability, biologic activity, commercial viability, regulatory or manufacturing issues, or any other reason whatsoever; the safety or efficacy data from ongoing or future preclinical studies of any of our product candidates not supporting the clinical development of that product candidate; our capacity to successfully enroll, manage and conduct several simultaneous clinical trials on a timely basis; our ability to comply with applicable government regulations in various countries and regions in which we are conducting, or expect to conduct, clinical trials; our ability to manufacture and maintain sufficient quantities of preclinical and clinical trial material on hand to conduct and complete our preclinical studies or clinical trials on a timely basis; our ability, or that of our clinical research organizations or clinical investigators, to enroll a sufficient number of patients in our clinical trials on a timely basis; our ability to retain and recruit sufficient staff, including key executive management and employees, to manage our business; our ability to secure, manage and retain qualified third-party clinical research, preclinical research, data management, contract manufacturing and other similar vendors who we outsource many of our activities to and rely on to assist us in the design, development and implementation of the development of our product candidates; our third-party contract research, data management and manufacturing organizations fulfilling their contractual obligations on a timely basis or otherwise performing satisfactorily in the future; GlaxoSmithKline ("GSK") or Daiichi Sankyo continuing to generate net sales from Relenza® and Inavir®, respectively, and otherwise continuing to fulfill their obligations under our royalty-bearing license agreements with them in the future; our ability to maintain, protect or defend our proprietary intellectual property rights from unauthorized use by others, or not infringe on the intellectual property rights of others; our ability to successfully manage our expenses, operating results and financial position in line with our plans and expectations; the condition of the financial equity and debt markets and our ability to raise sufficient funding in such markets; changes in general economic business or competitive conditions related to our industry or product candidates; and other statements contained elsewhere in this Annual Report on Form 10-K and the risk factors described in or referred to in greater detail in the "Risk Factors" section of this Form 10-K. There may be events in the future that we are unable to predict accurately, or over which we have no control. You should read this Form 10-K, as well as the documents that we reference herein and that have been filed or incorporated by reference as exhibits, completely and with the understanding that our actual future results may be materially different from our expectations. Our business, financial condition, results of operations, and prospects may change. We undertake no obligation to update these forward-looking statements, unless we are required by law. We qualify all of the information presented in this Form 10-K, and particularly our forward-looking statements, by these cautionary statements.

Aviragen® is a registered trademark of Aviragen Therapeutics, Inc., Relenza® is a registered trademark of GlaxoSmithKline plc, Inavir® is a registered trademark of Daiichi Sankyo Company, Ltd, and TwinCaps® is a registered trademark of Hovione FarmaCiencia SA.

References to "we," "us," and "our" refer to Aviragen Therapeutics, Inc. and its subsidiaries.

Our Business

We are focused on the discovery and development of direct-acting antivirals to treat infections that affect a significant number of patients globally. We have three product candidates in clinical development that address viral infections that have limited therapeutic options: vapendavir, an oral treatment for human rhinovirus ("HRV") upper respiratory infections in moderate-to-severe asthmatics currently being evaluated in the Phase 2b SPIRITUS trial; BTA585, an oral fusion ("F") protein inhibitor in Phase 2 development for the treatment and prevention of respiratory syncytial virus ("RSV") infections; and BTA074, a topical antiviral treatment in Phase 2 development for condyloma caused by human papillomavirus ("HPV") types 6 and 11. We also have preclinical RSV non-fusion inhibitor program that we believe may complement our F-protein inhibitor BTA585.

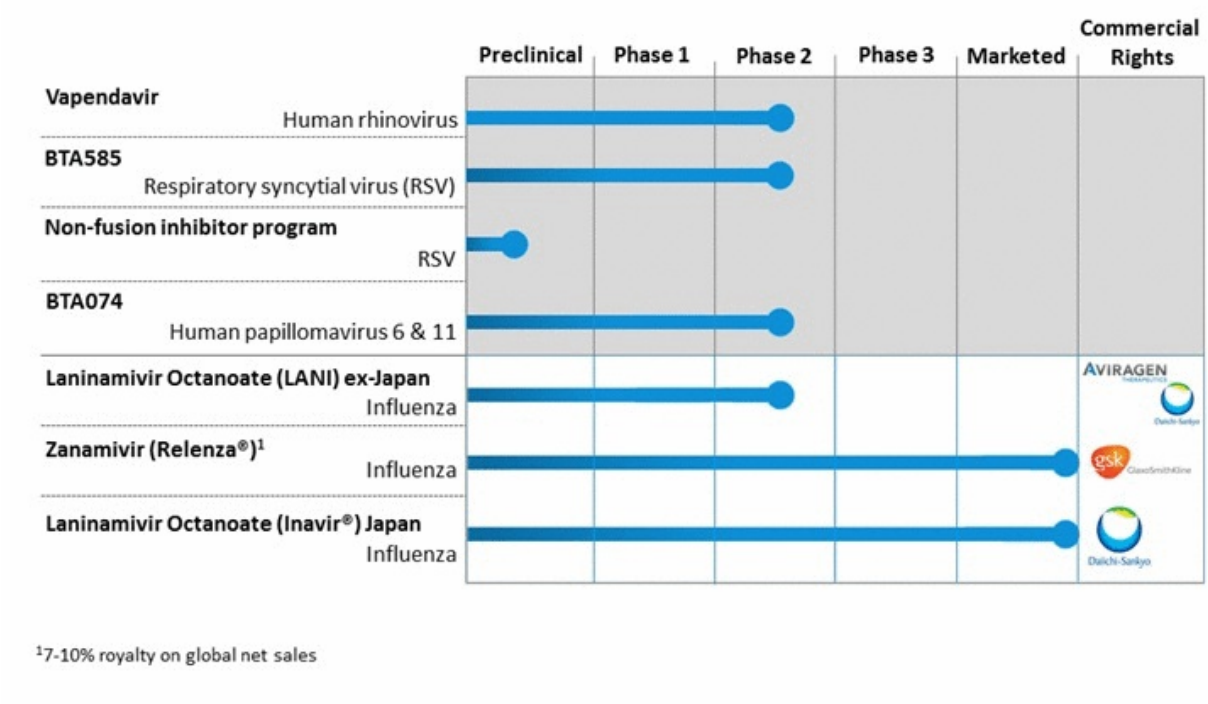
Background

We have historically focused our research and drug development capabilities on discovering and developing small molecule compounds that can prevent or treat infectious diseases. Infectious diseases are caused by pathogens that are present in the environment, such as viruses and bacteria, which enter the body through various means and overwhelm its natural defenses and cause an infection. The severity of an infectious disease varies depending on the nature of the infectious pathogen, as well as the degree to which the body's immune system or available therapies can prevent or fight the infection. The market for anti-infective drugs can be divided into three general categories: antiviral, antibacterial and antifungal. We are currently focused on developing antiviral compounds.

The use of antiviral drugs has led to a significant reduction in the morbidity and mortality associated with infectious diseases. However, for many infectious diseases, current treatment options, to the extent any such treatment options are currently available, are associated with suboptimal treatment outcomes, significant toxicities, tolerability issues or adverse side effects, the emergence of drug resistant pathogens, complex dosing schedules, and inconvenient methods of administration. These sub-optimal characteristics of many existing treatment options often lead to patients prematurely discontinuing treatment or not fully complying with treatment dosing schedules, resulting in a treatment failure. A patient's failure to comply fully with a recommended dosing schedule can also both accelerate and exacerbate the emergence of drug-resistant strains. In recent years, the increasing prevalence of drug-resistant pathogens has created ongoing treatment challenges with respect to many infectious diseases. The ability of viruses to adapt rapidly to existing or new treatments through genetic mutations allows new strains to develop that may be resistant to currently available drugs.

Our Pipeline

The following chart summarizes key information regarding our antiviral product candidates:



Human Rhinovirus ("HRV"), Asthma and Chronic Obstructive Pulmonary Disease ("COPD")

HRV is a non-enveloped, single-stranded virus that belongs to the *Picornaviridae* family. Currently more than 100 distinct serotypes of HRV are classified into three species, HRV-A, HRV-B, and HRV-C. HRV is the virus that causes the common cold. Primary market research conducted by the IMS Consulting Group on our behalf with pulmonologists, internists and general practitioners indicated that adult asthma and COPD patients experience four to six colds per year. Asthma is a common disease with underlying inflammation of the airways that affects an estimated 300 million people worldwide and 26 million people in the U.S. A 2015 study commissioned by us with the IMS Consulting Group indicated that there were 10.4 million people in the U.S. categorized as having moderate to severe asthma. Acute asthma exacerbations are a major healthcare burden, accounting for almost half of the total healthcare costs associated with asthma, and also have a major impact on the quality of life and in some cases can cause death. Recent studies in adults with asthma have documented an association between respiratory tract infection and worsening asthma symptoms, decline in lung function (disease progression), and exacerbations. Respiratory viruses, and in particular HRV, are a significant cause of exacerbations. In a 2014 study of asthma patients with cold-like symptoms, 63% of the patients had respiratory viruses that were detected by qPCR (quantitative polymerase chain reaction) and the majority of those samples (68%) contained HRV.

Exacerbations are important sequelae of HRV infection in asthma patients and their prevention has historically been the focus of asthma drug development. Poor asthma control and use of asthma reliever bronchodilator medications have been linked with an increased risk of death and asthma exacerbations can be fatal. In recent years asthma treatment guidelines have also focused on asthma control as an important goal. Asthma control is defined by a global assessment of symptoms, use of rescue medications, lung function, and patient-reported functioning and activity limitations. The Asthma Control Questionnaire ("ACQ-6") is a patient reported outcome ("PRO") tool often used to measure a drug's therapeutic impact on the worsening of asthma symptoms. In general, a well-controlled asthma patient has an ACQ score of $\leq 0.75 - 1.0$ and a patient with uncontrolled asthma has an ACQ score of ≥ 1.50. An improvement in ACQ score of ≥ 0.5 is generally considered indicative of a clinically meaningful change. Although there are several FDA approved drugs for the treatment of asthma, none are directed at respiratory viruses, including HRV.

COPD is the most common chronic respiratory condition in adults whose prevalence is expected to continue to increase in the future. Currently, the World Health Organization ("WHO") estimates that 64 million people have moderate to severe COPD worldwide. In the U.S. there are an estimated 28 million individuals over the age of 40 with COPD, with an annual average growth rate of 1.9%. Further, of the estimated 28 million COPD patients in the U.S., approximately 13 million are classified as having moderate to severe/very severe COPD.

Similar to the presence of HRV in asthma exacerbations, HRV is the most common virus detected during exacerbations of COPD. In COPD patients, colds often precede exacerbation symptoms. In a published experimental challenge study, COPD patients with an HRV infection showed more severe and prolonged lower respiratory symptoms, airway obstruction, and neutrophilic airway inflammation than subjects without COPD. In addition, a recent natural exposure study in COPD patients demonstrated that HRV prevalence and viral load at exacerbation presentation were significantly higher compared to a period when the patient was not experiencing an exacerbation. Further, the HRV viral load was elevated in COPD patients that presented to the clinic, consistent with the experimental challenge study, suggesting that viral replication may be ongoing, and antiviral therapy may be an effective treatment modality to prevent or reduce the severity of exacerbations.

There are currently no direct antiviral drugs approved for the treatment of HRV. As such, there remains a significant unmet medical need to identify treatments that can reduce the impact that HRV infection has on the frequency of exacerbations and loss of control, prevent viral transmission, lessen the severity and duration of cold-like HRV symptoms and minimize secondary bacterial infections in asthma and COPD patients.

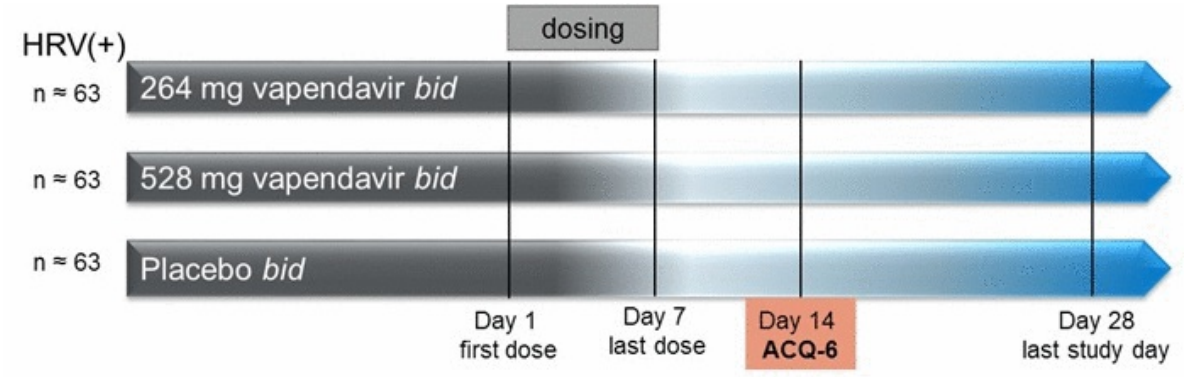
Vapendavir (BTA798)

We are developing vapendavir (BTA798), a potent antiviral capsid binder that is designed to bind to a highly conserved pocket in the HRV capsid and interfere with receptor binding and/or related early steps in the infectious cycle. Vapendavir is a potent inhibitor of picornaviruses and has been shown to inhibit the replication of a wide range of HRV serotypes and the replication of a majority of recent HRV clinical isolates in tissue culture assays. The median EC_{50} value for vapendavir against the 100 HRV serotypes is a potent 5.8 ng/mL (15.2 nM). The EC_{50} represents the concentration of drug that is required for 50% inhibition of viral replication *in vitro*. Vapendavir has also demonstrated antiviral activity against other clinically relevant enteroviruses ("EV") including EV- 71 and poliovirus types 1, 2 and 3.

Vapendavir (BTA798) Clinical Trials

Phase 2b SPIRITUS Trial. The ongoing Phase 2b SPIRITUS clinical trial of vapendavir is being conducted at approximately 68 sites in North America and Europe with a goal of enrolling approximately 190 laboratory-confirmed HRV-infected patients for the intent to treat-infected ("ITT-I") population. Patients aged 18-70 years of age that have an established history of moderate-to-severe asthma and a history of losing asthma control as a result of an upper respiratory tract infection will be eligible to be enrolled in the trial.

The following diagram summarizes the design of the multi-center, 1:1:1 randomized, double-blind, placebo-controlled dose-ranging SPIRITUS Trial:



The primary endpoint of SPIRITUS is the least square mean change from baseline (day 1) to study day 14 in ACQ-6 total score.

The secondary endpoints of this study are focused on safety and tolerability, lung function assessments such as forced expiratory volume in one second ("FEV1"), incidence of asthma exacerbations, assessments of the severity and duration of cold symptoms as measured by the Wisconsin Upper Respiratory Symptom Survey-21 ("WURSS-21"), and virology assessments such as changes in viral load. The primary efficacy analysis population will be the ITT-I population defined as all subjects with confirmed HRV infection (by either the eSensor® Respiratory Viral Panel (GenMark) or RT-PCR on any of Study Days 1, 3, 5, or 7).

Phase 1 Bioavailability Trial. In 2016, we initiated a single-center, open-label, three-period comparative bioavailability study in healthy volunteers to assess the comparability of the vapendavir phosphate salt capsule, and two new formulations of vapendavir free base in the forms of an oral suspension and tablet. Forty-six (46) subjects completed three periods of dosing and the plasma pharmacokinetic results indicated that the bioavailability of the oral suspension and tablet formulations were comparable to the capsule form of vapendavir. The oral suspension formulation is intended to enable the conduct of future pediatric trials, and the tablet formulation will allow an increase in manufacturing scale appropriate for Phase 3 trials and commercial development.

Phase 1 Drug-Drug Interaction Trial. In 2014, we also completed a drug-drug interaction study entitled 'A Phase 1, Randomized, Open-Label Study to Evaluate the Effect of Vapendavir (BTA798) on the Pharmacokinetics of Orally Administered Midazolam, a CYP3A4 Substrate, in Healthy Male and Female Volunteers'. This study was designed to assess the effect of vapendavir on the PK profile of midazolam, a CYP3A4 substrate. Additionally, the effect of midazolam on the PK profile of vapendavir, the PK profile differences of vapendavir in males and females, and the safety profile of vapendavir were assessed. Twelve (12) male and 12 female subjects aged 18 to 55 years were randomized to receive one of two oral doses of vapendavir and midazolam. Of the 24 subjects randomized, 22 completed all study visits. No serious adverse events ("SAEs") occurred during the study. The results of the study confirmed vapendavir's pharmacokinetic profile as established in prior clinical trials and established that vapendavir is a weak to moderate inducer of CYP3A4, which suggests that vapendavir may be used to treat asthma and COPD patients receiving multiple background medications.

Phase 2. In 2012, we completed a 300-patient, multicenter, randomized, double-blind, placebo-controlled study of vapendavir in adults with mild to moderate asthma that had a symptomatic HRV infection. The primary objective of the study was to determine the efficacy of vapendavir on symptoms of presumptive HRV infection in asthmatic adults, as measured by the WURSS-21 severity scores. Vapendavir was dosed at 264 mg twice daily for six days. The study was conducted over two HRV seasons (18 months), with an estimated 1200 individuals screened in order to randomize 300 subjects, 155 in the vapendavir arm and 145 in the placebo group. The trial successfully met its primary endpoint, which was a reduction of cold symptoms based on the WURSS-21 severity score averaged over days two through day four. The mean daily reduction in WURSS-21 severity score averaged over days two to four was significantly greater in the vapendavir treated group compared to the placebo group (least square mean difference: -4.01, $p = 0.020$). Vapendavir was generally tolerated and most treatment-related adverse events were of mild intensity, with moderate treatment-related events reported in 2.3% of subjects. No SAE's occurred during the study.

Phase 2 HRV39 Challenge Study. In 2009, we completed a Phase 2a placebo-controlled, double-blind, randomized, parallel group trial to determine the potential of 16.5 mg, 66 mg and 264 mg of vapendavir, when dosed twice daily for 10 days, to prevent experimental HRV39 infection (challenge design) in 41 healthy volunteers. Subjects that received 264 mg of vapendavir achieved a statistically significant reduction compared to placebo in mean viral load on days two to five inclusive. Vapendavir was generally well tolerated, and the overall incidence of adverse events was low, not dose dependent, and was similar to placebo. There was one SAE of neutropenic sepsis in a subject in the 66 mg arm of the trial.

Respiratory Syncytial Virus ("RSV")

RSV, a member of the *Paramyxoviridae* family of viruses, is a major cause of acute upper and lower respiratory tract infections in infants, young children, and adults. Datamonitor, an independent research provider, estimates that approximately 18 million people are infected annually with RSV in the seven major markets worldwide, including over 9 million children under the age of four, 5.5 million elderly, and 3 million adults with underlying disease. About 900,000 of these individuals are hospitalized for their RSV infection. These infections are particularly problematic in infants, as approximately 91,000 are hospitalized with RSV infection in the U.S. in any given year. RSV infections are also responsible for 40 to 50% of hospitalizations for pediatric bronchiolitis and 25% of hospitalizations for pediatric pneumonia. In addition to pediatric patients, elderly patients with cardiac or pulmonary conditions and adults that have received a hematopoietic stem cell transplant are at an increased risk for severe RSV infection. The overall magnitude of hospitalizations makes RSV a costly disease, although mortality is low.

To date, only three drugs have been approved to either prevent or treat RSV infections. Ribavirin is used to treat serious RSV infections in infants with severe bronchiolitis and in immunocompromised patients. However, its use is restricted due to highly variable efficacy and toxicity risks. In fact, current American Academy of Pediatrics guidelines for the treatment of bronchiolitis in children do not recommend the routine use of ribavirin to treat RSV infection due to lack of clinical evidence supporting its use. Antibody-based products RespiGam® (no longer available) and Synagis® (palivizumab) were designed, developed and approved to prevent, not treat, RSV infections in high risk premature infants. Due to the high cost of treatment with Synagis®, its use is limited in many hospitals. There remains a significant unmet need for a safe and effective treatment for RSV in all at-risk populations.

BTA585

Our lead compound, BTA585, is a potent, non-cytotoxic and selective inhibitor of the RSV F protein. Data from studies investigating the mechanism of BTA585 anti-viral activity, including analysis of RSV resistance mutants, support the conclusion that BTA585 inhibits the function of the RSV F protein. Therefore, BTA585 exerts its antiviral activity by interfering with the earliest stage of infection by inhibiting the attachment and/or fusion of the virus to the host cell. BTA585 is equally active against both RSV A and B subtypes but has no known activity against other pathogenic viruses. When tested against a panel of RSV clinical isolates, BTA585 was found to be highly potent with an average EC_{50} =95.6nM.

In September 2015, we presented at the 54th Interscience Conference on Antimicrobial Agents and Chemotherapy Meeting in Washington, D.C. from a number of *in vivo* studies designed to assess the antiviral activity of *BTA585* prior to and during experimental RSV infection in a cotton rat model. These studies demonstrated a dose-dependent decrease in virus titers in lung tissue. Similarly, a highly significant dose-dependent decrease in RSV mRNA in lung tissue was also observed in the cotton rat model.

BTA585 Clinical Trials

Phase 2a RSV Challenge Clinical Trial

The ongoing double-blind, placebo-controlled, Phase 2a trial initiated in April 2016 is designed to evaluate the safety, pharmacokinetics, and antiviral activity of orally dosed BTA585 in healthy volunteers challenged intranasally with RSV. Following a positive test for RSV or five days after challenge, approximately 60 healthy adults will be randomized to receive either BTA585 or placebo, dosed twice daily for seven days and monitored for 28 days. The primary endpoint of the study is area under the curve for the viral load in nasal wash among subjects who test positive for RSV prior to dosing. Secondary efficacy endpoints include measures of RSV clinical symptoms and other viral load endpoints such as peak viral load and time to cessation of virus detection.

On May 26, 2016, we announced a voluntary delay in enrollment in the Phase 2a trial of BTA585 being conducted in the U.K. This decision emanated from a lab report from one subject showing an increase of a cardiac enzyme level coupled with transient ECG changes, which led to a hospitalization of less than 24 hours. The subject's ECGs were normal prior to hospitalization and the cardiac enzyme levels returned to baseline shortly thereafter. We also reported that subsequent to the submission of the requisite safety report to the regulatory authorities, we received verbal communication from the FDA that the investigational new drug application ("IND") for BTA585 has been placed on clinical hold for studies being conducted in the U.S. under the IND. We expect to submit a complete response to the clinical hold in the first quarter of calendar 2017.

On July 12, 2016 we reported resumption of enrollment in the BTA585 Phase 2a trial following receiving U.K. Medicines and Healthcare Products Regulatory Agency (MHRA) and Ethics Committee approval to resume the study.

Phase 1 Multiple Ascending Dose ("MAD") Clinical Trial

In 2016, we completed a blinded, placebo-controlled MAD study, conducted in the U.S. under an IND, which evaluated the safety and PK of three cohorts of healthy volunteers (100, 400, and 600 mg BTA585) dosed orally twice a day for seven consecutive days. Each of the dose cohorts consisted of eight subjects that received BTA585 and four that received placebo. Adverse events occurring in more than two BTA585-treated subjects were headache and chromaturia. Additional results showed that BTA585 plasma Cmax was rapidly achieved at approximately one hour following oral dosing, exposure was dose-proportional, there was no accumulation of BTA585 over the duration of dosing and the half-life (T1/2) was approximately 5 to 6 hours.

Phase 1 Single Ascending Dose ("SAD") Clinical Trial

In 2016, we completed a blinded, placebo-controlled SAD study, which was conducted in the U.S. under an IND, evaluating the safety and pharmacokinetics ("PK") of six oral doses of BTA585 (50, 100, 200, 400, 500 and 800 mg) in healthy volunteers. In addition, the 100 mg cohort included an evaluation of the effect of food on the PK profile of BTA585. Each of the dose cohorts consisted of seven subjects that received BTA585 and three that received placebo. Overall, there was low incidence of adverse events ("AEs") with BTA585 treatment. AEs occurring in more than two BTA585-treated subjects included headache, nausea, and chromaturia. In the fasted subjects, pharmacokinetic data demonstrated that doses ≥ 100 mg achieved BTA585 plasma levels that exceeded the mean EC50 of RSV clinical isolates for 24 hours. The BTA585 plasma Cmax was rapidly achieved at approximately one hour following oral dosing and the half-life (T1/2) was approximately 5 to 6 hours. Additionally, dosing of BTA585 with a high fat meal did not adversely affect the PK.

Non-Fusion RSV Inhibitors

On July 5, 2016, we announced that we had entered into an exclusive, worldwide license and sponsored research agreement with Georgia State University Research Foundation (GSURF) to jointly develop and commercialize RSV replication inhibitors discovered by Professor Richard Plemper and his team in the Institute for Biomedical Sciences (IBMS) at Georgia State University. We believe that RSV replication inhibitors could be useful as a stand-alone treatment or potentially in combination therapy with BTA585 for the treatment of patients infected with RSV. We have commenced research activities using medicinal chemistry to synthesize and potentially identify compounds that have biological activity in screening models of RSV inhibition.

Human Papillomavirus ("HPV")

HPVs are small non-enveloped, double stranded DNA viruses that infect mucosal or cutaneous squamous epithelia, where they may cause benign or malignant hyperproliferation of the skin and mucosa. HPV is the most common cause of sexually transmitted infection and the disease burden includes skin warts, genital warts, cervical and other anogenital dysplasias and carcinomas, oropharyngeal cancer and recurrent respiratory papillomatosis ("RRP"). Over 40 distinct types of HPV can infect the genital tract. Approximately 90% of infections caused by HPV's are asymptomatic and resolve spontaneously within two years. However, persistent infection with some HPV types can cause cancer and other benign diseases. Of the 13 HPV types designated as human carcinogens, types 16 and 18 account for 70% of cervical cancers worldwide. Among non-carcinogenic types, HPV 6 and 11 are responsible for 90% of anogenital warts.

Genital warts, also referred to as anogenital warts or condyloma, is the most commonly identified pathology caused by genital HPVs. Genital warts are sexually transmitted, with a high rate of transmission and significant psychosocial morbidity. Genital warts are one of the most common viral sexually transmitted disease ("STD") worldwide. It is one of the most frequent STDs diagnosed among genitourinary medicine ("GUM") clinics and accounts for more frequent visits to general practitioners or GUM clinics than those for genital herpes. In 2013, the Centers for Disease Control and Prevention (CDC) estimated that in the U.S. there were more than 400,000 visits to physicians' offices related to genital warts.

Currently, no approved HPV-specific direct acting anti-viral drugs exist to treat genital warts. Existing treatments for genital warts can be divided broadly into two categories: provider-administered ablative/cytodestructive therapies (including cryotherapy, laser ablation, and trichloroacetic acid) and patient-administered topical therapies, such as podophyllotoxin, sinecatechins, and imiquimod. Imiquimod directly activates innate immune cells through Toll-like receptor 7, resulting in production of cytokines. Treatment choice depends on the morphology, number, and distribution of warts and patient preference. Significant failure and relapse rates, often as much as 20-30% or more have been reported for all of these existing treatments. Further, all existing therapies are associated with local skin reactions including itching, burning, erosions and pain. Therefore, despite the existence of marketed prophylactic vaccines, effective therapies against pathologies caused by HPV6 and HPV11 are still needed.

BTA074

BTA074 is in development for the treatment of genital warts caused by HPV. BTA074 is a potent and selective inhibitor of the interaction between two viral proteins from HPV6 and HPV11, E1 and E2, an interaction that is an essential step for HPV DNA replication and thus, viral production and pathogenesis. This inhibition results from the binding of BTA074 to the E2 protein (Kd=168 nM). BTA074 is a first-in-class directing acting antiviral specific to HPV and possesses new mechanism of action that can be exploited to treat infections caused by HPV types 6 & 11. BTA074 was selected for clinical development among more than 1200 unique compounds tested. BTA074 was developed by combining chemo-informatics modeling and *in cellulo* screening of E1/E2 protein-protein interactions. These studies showed that BTA074 inhibits the HPV6 and HPV11 E1/E2 interaction or HPV DNA replication *in cellulo* with an IC50 of 0.5-1 μM. The IC50 represents the concentration of a drug that is required for 50% inhibition of a biological process. Moreover, BTA074 is highly selective for low-risk types HPV 6 and HPV 11, since it does not inhibit replication of HPV 18 or E1/E2 protein interactions of other HPVs.

BTA074 Clinical Trials

Phase 2. The ongoing Phase 2 trial we initiated in February 2016 is intended to further validate BTA074's favorable local skin tolerability profile and antiviral activity. The trial is designed as a double-blind placebo controlled, randomized, Phase 2 study the primarily objective of which is to assess the safety, tolerability, pharmacokinetics and efficacy of twice daily topical treatments of BTA 074 5% gel for up to 16 weeks in approximately 210 genital warts patients. A primary efficacy endpoint is to determine the complete clearance rate for baseline genital warts lesions after twice daily application of BTA074 5% gel or placebo from baseline week 0 visit to the completion of the treatment.

Phase 2a. In 2013, a Phase 2a clinical trial of BTA074 5% gel was completed. The six-week, Phase 2a study in 24 subjects (16 active; eight placebo) demonstrated that twice daily application of 100 mg BTA074 5% gel had an excellent local skin tolerability profile and resulted in high patient compliance and no patient drop-outs or treatment interruptions. Further, treatment with BTA074 produced a 56% overall response rate and a 38% reduction in mean baseline wart area.

Phase 1b. In 2013, a Phase 1b multicenter, double-blind, randomized, placebo-controlled study in eight genital warts subjects (six active; two placebo) was completed. 100 mg BTA074 5% gel was applied topically twice daily for seven days to the infected area. No adverse events were reported during this study and no clinically relevant findings were observed in clinical examination, laboratory parameters, vital signs or electrocardiogram ("ECG") parameters.

Laninamivir Octanoate ("LANI")

In 2003, we cross-licensed intellectual property related to a new class of inhaled long acting neuraminidase inhibitors ("NI's") with Daiichi Sankyo. The lead product from this collaboration is LANI, also known as CS-8958, a second-generation octanoyl ester pro-drug of laninamivir. LANI has been shown to have *in vitro* neuraminidase-inhibitory activity against various influenza A and B viruses, including subtypes N1 to N9 and oseltamivir-resistant viruses, and it has also been found to be effective against a swine origin H1N1 strain. Moreover, LANI has long-lasting antiviral activity. Preclinical studies in mice have demonstrated that after intranasal administration, it was rapidly converted to its active metabolite, laninamivir, which was retained in the lungs where it had a long half-life of approximately 40 hours. Further, a single intranasal dose of LANI exhibited efficacy similar to that of repeated doses of zanamivir or oseltamivir phosphate.

LANI was successfully developed by Daiichi Sankyo in Japan and since 2010 has been marketed there as Inavir® for the treatment of influenza A and B infections. In December 2013, Inavir® was approved for use in the post-exposure prevention of influenza.

Our Strategy

We are focused on the discovery and development of direct-acting antivirals to treat infections that affect a significant number of patients globally for which there are limited therapeutic options. In the near-term we intend to employ the following strategy:

- *Focus Our Resources on the Development of our Clinical Stage Antiviral Product Candidates*. We plan to focus our resources on vapendavir, an oral treatment for HRV infections in moderate-to-severe asthmatics; BTA585, an oral fusion inhibitor in development for the treatment of RSV infections; and BTA074, a novel topical treatment for genital warts caused by HPV types 6 & 11.

  More specifically, over the next 12 months we intend to:

  - Complete enrollment in the Phase 2b SPIRITUS trial of vapendavir in patients with moderate-to-severe asthma and report top-line data around the end of the year;
  - Complete enrollment in the Phase 2a RSV viral challenge study and report top-line data around the end of calendar year 2016;
  - Complete enrollment in Phase 2 BTA074 CT4 study; and
  - Continue process development and formulation activities (adult and pediatric) for BTA585.
- Continue research activities to identify a non-fusion RSV product candidate that, in addition to being developed as a standalone compound, may potentially be complementary with our fusion inhibitor or other RSV products in development.

Research and Development

Our research and development expense in fiscal 2016, 2015 and 2014 was $26.3 million, $19.8 million and $17.5 million, respectively. In fiscal 2017, we plan to focus our research and development resources primarily on (i) the clinical development of vapendavir, BTA585 and BTA074, (ii) continue process development and formulation activities for vapendavir, BTA585 and BTA074, and (iii) conduct screening, lead-optimization, and preclinical studies on several series of RSV non-fusion inhibitors.

We use third party research firms and consultants extensively to conduct medicinal chemistry, virology, and cell culture assays activities under our management. We do not have any future plans to build laboratory facilities or hire significant staff to conduct research, discovery and certain development activities.

Sales and Marketing

We currently do not have any commercialization or sales and marketing capabilities, and we have no near term plans to invest in or build such capabilities internally. At the appropriate time, we plan to investigate partnering, collaborating with or licensing certain rights to our development programs to other larger pharmaceutical or biopharmaceutical companies to support the late stage development and commercialization of our product candidates. We will then evaluate whether partnering with a third party for these activities will be more beneficial than developing the capabilities internally for each of our product candidates.

Manufacturing

We currently do not own or operate any facilities in which we can formulate, manufacture, fill or package our product candidates. We rely on a group of contract manufacturers to produce our drug substance and to fill and package the materials required to conduct clinical trials under current good manufacturing practices, ("cGMP"). Currently, we have no plans to own or operate such facilities. If an existing contract manufacture fails to deliver on schedule, or at all, or fails to manufacture our material in accordance with their or our specifications and/or FDA regulations, it could significantly delay or interrupt the development or commercialization of our product candidates and affect our operating results and estimated development timelines. We have used contract manufacturers to produce all of the clinical trial material used in the preclinical studies and clinical trials we have conducted to-date.

Competition

The pharmaceutical and biotechnology industries are intensely competitive. Many companies, including biotechnology, chemical and pharmaceutical companies, are actively engaged in activities similar to ours, including research and the development of product candidates for the treatment of infectious diseases. Many of these companies have substantially greater financial and other resources, larger research and development staffs, and more extensive marketing and manufacturing capabilities than we do. In addition, some of them have considerably more experience in preclinical testing, conducting clinical trials and other regulatory approval procedures. There are also academic institutions, governmental agencies and other research organizations that are conducting research in areas of infectious disease which we are working. We expect to encounter significant direct competition for any of the product candidates we plan to develop. Companies that complete clinical trials obtain required regulatory approvals and commence commercial sales of their products before their competitors may achieve a significant competitive advantage.

Currently, there are no approved direct-acting antiviral drugs to treat HRV infections. However, our vapendavir product candidate, if successfully developed, would indirectly compete with drugs approved to reduce the incidence of exacerbations or improve lung function in patients with asthma and COPD, such as fluticasone propionate (Advair®), tiotoprium bromide (Spiriva®), fluticasone furoate/vilanterol (Breo Ellipta®), and roflumilast (Daliresp®). In addition to these approved drugs, there are compounds in the clinical development stage, such as inhaled β-interferon, that if successfully developed for the treatment of HRV infections could compete with vapendavir.

Effective treatments of RSV infections in pediatrics, the elderly, and the immunocompromised are very limited. Currently, only Virazole® (ribavirin) is indicated for the treatment of hospitalized infants and young children with severe lower respiratory tract infections due to RSV. We are aware that the following compounds are under development to treat RSV infections: Gilead's GS-5806, Johnson & Johnson's JJ-53718678 (ALS-8176), Ark Biosciences' AK0529 and Teva Pharmaceutical's MDT-637. The only approved drug for the prevention of RSV infections in high risk infants is MedImmune's palivizumab (Synagis®), a monoclonal antibody. There are several vaccines and antibody products designed to prevent RSV infections in clinical development. Among the clinical stage product candidates in development are Novavax's RSV F vaccine, GSK's GSK3003898A vaccine, GSK's GSK3389245A vaccine, Bavarian Nordic's BN® RSV vaccine, MedImmune's MEDI ΔM2-2 vaccine, MedImmune's monoclonal antibody MEDI8897, and Regeneron's monoclonal antibody REGN2222.

Currently there no approved HPV-specific direct acting anti-viral drugs to treat genital warts. Treatments for genital warts can be divided broadly into two categories: provider-administered ablative/cytodestructive therapies (including cryotherapy, laser ablation, and trichloroacetic acid) and patient-administered topical therapies such as podophyllotoxin (Condylox; Wartec), sinecatechins (Veregen®), and imiquimod (Zyclara®, Aldara®). We anticipate that BTA074, if successfully developed, would directly compete with the patient-applied topical treatments for genital warts. We believe key differentiating features of BTA074 could be its mechanism of action, favorable local skin tolerability, efficacy, and lower reoccurrence rate. Three prophylactic vaccines, primarily designed to prevent cervical, vulvar, vaginal, and anal cancers, are currently marketed: a bivalent HPV16/18 vaccine (Cervarix®; GSK), quadrivalent HPV16/18/6/11 (Gardasil®, Merck) and the 9-valent HPV 6/11/16/18/33/52/58 (Gardasil®9; Merck). Gardasil® 9 is indicated for females aged 9 through 26 and males aged 9 through 15, to prevent various HPV related cancers and genital warts in both sexes. Gardasil®, Gardasil® 9, and Cervarix® are not known to exhibit a therapeutic effect on existing HPV lesions.

Intellectual Property Rights and Patents

Patents and other proprietary intellectual rights are crucial in our business and industry, and establishing and maintaining these rights are essential to justify the cost to develop and commercialize any of our product candidates and products. We have sought, and intend to continue to seek, viable and strategic intellectual property rights, including, but not limited to, patent protection for our inventions, and intend to rely upon patents, trade secrets, confidential information, know-how, trademarks, improvements in our technological innovations and licensing opportunities to develop and maintain a competitive advantage for our products and product candidates. In order to protect our intellectual property rights, we typically require employees, consultants, collaborators, advisors, potential partners, service providers and contractors to enter into confidentiality agreements with us, generally stating that they will not disclose our confidential information to third parties for a certain period of time, and will otherwise not use our confidential information for anyone's benefit but ours.

The patent positions of biotechnology and pharmaceutical companies are highly uncertain and involve complex legal and factual questions. Therefore, the patentability of subject matter we claim in our patent applications, the breadth of the claims ultimately granted, or their enforceability cannot be predicted. For this reason, we may not have or be able to obtain or maintain worldwide patent protection for any or all of our products and product candidates, and our intellectual property rights may not be protected or legally enforceable in all countries throughout the world. In some cases we may rely upon data exclusivity or similar exclusivities, although there is no guarantee that such exclusivity will be available or obtained in any jurisdiction. Further, as the publication of discoveries in the scientific and/or patent literature often lags behind the actual discoveries, we cannot be certain that we or our licensors were the first to make the inventions described in our patent applications or that we or our licensors were the first to file patent applications for such inventions.

Pursuant to the terms of the Uruguay Round Agreements Act, patents filed on or after June 8, 1995 in the U. S. have a term of 20 years from the date of filing, regardless of the period of time it may take for the patent to ultimately issue. This may shorten the period of patent protection afforded to our products as patent applications in the biopharmaceutical sector often take considerable time to issue. Under the Drug Price Competition and Patent Term Restoration Act of 1984, a sponsor may obtain marketing exclusivity for a period of time following FDA approval of certain drug applications, regardless of patent status, if the drug is a new chemical entity or if new clinical studies were used to support the marketing application for the drug.

Zanamivir, a neuraminidase inhibitor ("NI") approved for the treatment and prevention of influenza A and B, is marketed worldwide as Relenza® by GSK. Most of our Relenza® patents have expired and the only substantial remaining intellectual property related to the Relenza® patent portfolio is scheduled to expire in July 2019 in Japan. On May 12, 2015, we filed a request for rehearing with the U.S. Patent and Trademark Office, Patent Trial and Appeal Board ("PTAB") in relation to the pending patent application No. 08/737,141 related to Relenza IP in the U.S. On June 23, 2015 the PTAB denied our request for a rehearing. We reported on September 11, 2015, that we have filed an another appeal in relation to the pending patent application No. 08/737,141 related to Relenza® to the United States Court of Appeals for the Federal Circuit. On July 5, 2016 legal counsel for GSK presented oral arguments relating to inhalation treatment of influenza with Relenza® to the Federal Circuit Panel. While we cannot determine the duration or the outcome of this appeal process, or how long this patent application will remain pending, however we do believe that if this most recent appeal is unsuccessful, it is unlikely that the patent claims will be ever issued and we will receive no further royalties. If the patent claims are ultimately issued, we would be eligible to receive royalties from net sales of Relenza® in the U.S. for an additional 17 years from the date of allowance.

LANI, a long acting NI for the treatment and prevention of influenza A and B, is currently marketed as Inavir® in Japan by Daiichi-Sankyo. The patent relating to the structure of LANI expires in 2017 in the U.S., the EU and Japan. The patent relating to hydrates and the crystalline form of LANI actually used in the product expires in 2021 (not including extensions) in the U.S. and EU and in 2024 in Japan. In February 2015, a patent containing claims relevant to the manufacture of Inavir® was issued in Japan and expires in December 2029. The dry-powder inhaler device patent portfolio, which includes TwinCaps®, is owned by Hovione International Limited ("Hovione") and is exclusively licensed to us and Daiichi Sankyo worldwide for the prevention and treatment of influenza and other influenza-like viral infections. These patents will expire in 2029 in the U.S., and in 2027 in the EU and Japan.

Vapendavir is an oral antiviral picornavirus capsid binder we are currently developing to treat HRV infections. We exclusively own the vapendavir patent portfolio, and issued claims under this portfolio will begin to expire in some countries in December 2021, not including extensions. Claims filed in recent patent applications related to a free-base form of vapendavir, if allowed, would extend coverage until 2034, without extensions, however, we cannot make any assurance that these claims will be allowed.

We also own a patent portfolio focused on developing several series of oral antivirals for RSV. Issued patent claims covering the composition of matter for our lead program, BTA585, will begin to expire in 2031 without extensions.

BTA074 is a direct-acting antiviral we are developing as a treatment for genital warts caused by HPV 6 and 11. The patent containing composition of matter claims expires in the U.S. in 2029 without extensions. Pending U.S. patent applications related to pharmaceutical compositions and methods of synthesis of BTA074, if allowed, would extend coverage until 2033, without extensions, however we cannot make any assurance that these claims will be allowed.

Patent Term Restoration/Extension and Marketing Exclusivity

Depending upon the timing, duration and specifics of FDA approval for the intended use of our product candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term, or extension, of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. Subject to certain limitations, the patent term restoration period is generally one-half the time between the effective date of an investigational new drug ("IND") and the submission date of a new drug application ("NDA") plus the time between the submission date of an NDA and the approval of that application, up to a total of five years. Only one patent applicable to an approved drug is eligible for the extension. The application for such extension must be submitted prior to the expiration of the patent and within 60 days of the drug's approval. The United States Patent and Trademark Office ("USPTO"), in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. Similar provisions are available in Europe and other foreign jurisdictions to extend the term of a patent that covers an approved drug. In the future, we may apply for restoration of patent term for one or more of our currently owned or licensed patents to add patent life beyond its current expiration date, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant NDA.

Market exclusivity provisions under the Federal Drug, Food and Cosmetic Act ("FDCA") can also delay the submission or the approval of certain applications of other companies seeking to reference another company's NDA. The FDCA provides a five-year period of non-patent data exclusivity within the U.S. to the first applicant to obtain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an Abbreviated New Drug Application ("ANDA"), or a 505(b)(2) NDA submitted by another company for another version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator NDA holder. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the conditions associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the original active agent. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the pre-clinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness. We cannot assure you that we will be able to take advantage of either the patent term extension or marketing exclusivity provisions of this law.

Pediatric exclusivity is another type of exclusivity available in the U.S. Pediatric exclusivity, if granted, provides an additional six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or the patent term, may be granted based on the voluntary completion of a pediatric study in accordance with a FDA request for such a study. The current pediatric exclusivity provision was reauthorized in September 2007 as part of the Food and Drug Administration Amendments Act.

Licenses and Agreements

GSK

In 1990, we entered into a royalty-bearing research and license agreement with GSK for the development and commercialization of zanamivir, a NI marketed by GSK as Relenza® to prevent and treat influenza. Under the terms of the agreement, we licensed zanamivir to GSK on an exclusive, worldwide basis and are entitled to receive royalty payments of 7% of GSK's annual net sales of Relenza® in the U.S., Europe, Japan and certain other countries and 10% in Australia, New Zealand, South Africa and Indonesia to the extent that the underlying patents in those respective countries do not expire. Most of our Relenza® issued patents have expired, and the only substantial remaining intellectual property related to the Relenza® patent portfolio is scheduled to expire in July 2019 in Japan. We will continue to receive royalties on the net sales of Relenza® in the U.S. to the extent that U.S. Patent Application No. 08/737,141 remains pending.

Daiichi Sankyo

In 2003, we entered into collaboration and license agreement with Daiichi Sankyo related to the development of second generation long acting NIs, including LANI. Under the collaboration and license agreement, we and Daiichi Sankyo cross-licensed the right to develop, make, use, sell or offer for sale, or import products based on our respective intellectual property related to our long acting NIs. A primary focus of the agreement was for the parties to collectively seek third-party licensees that could develop and commercialize the related long-acting NIs on a worldwide basis. In the event that the related intellectual property was out-licensed to a third party, we would share equally with Daiichi Sankyo in any future royalties, license fees, milestones or other payments received from such a licensee. Further, although it was the intention of the parties to seek a third-party licensee or licensees worldwide, the parties retained the right to market or co-market related products in the U.S. and other markets outside of Japan, and any sales made by either party in the U.S. would result in the selling party paying the other party a royalty rate that was half of the royalty rate paid by any other third-party licensee. To date, there have been no third-party licenses granted pursuant to this agreement; therefore, a royalty rate on net sales outside of Japan has not been established.

In March 2009, we entered into a commercialization agreement with Daiichi Sankyo, pursuant to which Daiichi Sankyo obtained exclusive marketing rights in Japan for long acting NI's, including LANI, covered by the 2003 collaboration and license agreement between the parties. In consideration for these rights, Daiichi Sankyo agreed to pay us a royalty rate equal to 4% on net sales in Japan. In September 2010, LANI (Inavir®) was approved for sale by the Japanese Ministry of Health and Welfare for the treatment of influenza in adults and children.

In April 2016, we entered into a definitive agreement and received a cash payment of $20 million from HealthCare Royalty Partners ("HCRP") in exchange for a portion of our royalty rights related to Inavir®.

Regulatory Matters

Overview

The preclinical and clinical testing, manufacture, labeling, storage, distribution, promotion, sale, export, reporting and record-keeping of drug products and product candidates is subject to extensive regulation by numerous governmental authorities in the U.S., principally the FDA and corresponding state agencies, and similar regulatory authorities in other countries.

Non-compliance with applicable regulatory requirements can result in, among other things, total or partial suspension of the clinical development, manufacturing and marketing of a product or product candidate, the refusal of the FDA or similar regulatory authorities in other countries to grant marketing approval, the withdrawal of marketing approvals, fines, injunctions, seizure of products and criminal prosecution.

U.S. Regulatory Approval

Pursuant to FDA regulations, we are required to successfully undertake a long and rigorous development process before any of our product candidates can be approved and marketed or sold in the U.S. This regulatory process typically includes the following steps:

- the successful completion of satisfactory preclinical studies under the FDA's good laboratory practices ("GLP") regulations;
- the submission and acceptance of an IND that must be reviewed and accepted by the FDA and become effective before human clinical trials may begin;
- the approval of an Institutional Review Board ("IRB") at each site or location where we plan to conduct a clinical trial to protect the welfare and rights of human subjects in clinical trials;
- the successful completion of a series of adequate and well-controlled human clinical trials to establish the safety, potency, efficacy and purity of any product candidate for its intended use, which conform to the FDA's good clinical practice ("GCP") regulations;
- the development and demonstration of manufacturing processes that conform to FDA-mandated current Good Manufacturing Practices ("cGMPs"); and
- the submission to, and review and approval by, the FDA of a NDA prior to any commercial sale or shipment of a product.

Successfully completing this development process requires a substantial amount of time, risk and financial resources. We cannot assure you that this process will be completed for any of our product candidates, or will result in the granting of an approval for any of our product candidates on a timely basis, if at all, or that we will have sufficient financial resources to see the process for any of our product candidates through to completion.

Preclinical Studies

Preclinical studies generally include laboratory, or *in vitro*, evaluation of a product candidate, its chemistry, formulation, stability and toxicity, as well as certain *in vivo* animal studies to assess its potential safety and biologic activity. We must submit the results of these preclinical studies, together with other information, including manufacturing records, analytical data and proposed clinical trial protocols, to the FDA as part of an IND, which must be reviewed by the FDA and become effective before we may begin any human clinical trials. An IND generally becomes effective approximately 30 days after receipt by the FDA, unless the FDA, within this 30-day time period, raises material concerns or questions about the intended conduct of the proposed trials and imposes what is referred to as a clinical hold or partial clinical hold. If one or more of our product candidates is placed on clinical hold, we may be required to resolve any outstanding issues to the satisfaction of the FDA before we can begin, or continue, clinical trials of such product candidates.

Certain preclinical studies must be conducted in compliance with the FDA's GLP regulations and the U.S. Department of Agriculture's Animal Welfare Act. Violations of these regulations can, in some cases, lead to invalidation of the studies, requiring such studies to be conducted again. Preclinical studies supportive of an IND generally take a year or more to complete, and there is no guarantee that an IND based on those studies will become effective, thus allowing human clinical testing to begin.

Clinical Trials

The clinical trial phase of drug development occurs after a successful IND submission, and involves the activities necessary to demonstrate the safety, tolerability, biologic activity, efficacy and dosage of an investigational new drug substance in humans, as well as the ability to produce the drug substance in accordance with the FDA's cGMP requirements. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial and the parameters to be used in assessing the safety and the activity or efficacy of the product candidate. Each clinical trial protocol must be submitted to the FDA under the IND prior to beginning the trial. Each trial, and the related clinical protocol, must be reviewed, approved and conducted under the auspices of an IRB and, with limited exceptions, requires the patient's informed consent to participate in the trial. Sponsors, investigators, and IRBs also must satisfy extensive GCPs, including regulations and guidelines for obtaining informed consent from the study subjects, complying with the protocol and investigational plan, adequately monitoring the clinical trial, and reporting any SAEs on a timely basis.

Clinical trials to support a NDA for marketing approval are typically conducted in three sequential phases: Phase 1, 2 and 3. Data from these activities are compiled in a NDA for submission to the FDA requesting approval to market the drug. These phases may be compressed, may overlap, or may be omitted in some circumstances. The FDA may also require sponsors to conduct Phase 4 clinical trials after market approval to study certain safety issues or other patient populations.

- *Phase 1*: After an IND becomes effective, Phase 1 human clinical trials can begin. A product candidate is typically introduced either into healthy human subjects or in certain cases, patients with the medical condition for which the product candidate is intended to be used. Generally, the purpose of a Phase 1 trial is to assess a product candidate's safety and the ability of the human body to tolerate it at different dose levels. Absorption, metabolism, distribution and pharmacokinetic trials are also generally performed at this stage. Phase 1 trials typically evaluate these aspects of the investigational drug in both single and multiple doses.

- *Phase 2*: During Phase 2 clinical trials, a product candidate is generally studied in an exploratory trial or trials in a limited number of patients with the disease or medical condition for which it is intended to be used in order to (i) further identify any possible adverse side effects and safety risks, (ii) assess the preliminary or potential effectiveness or biologic activity of the product candidate for specific targeted diseases or medical conditions, and (iii) assess dose tolerance and determine the optimal dose for a subsequent Phase 2 or Phase 3 trial. Phase 2 trials generally involve patients who are divided into one or more groups that will get one of several dose levels of the product candidate, and a control group that is not treated with the product candidate but either receives a placebo or a drug already on the market for the same indication. Typically, two or more Phase 2 studies will be conducted for a product candidate prior to advancing to Phase 3.

- *Phase 3*: If and when one or more Phase 2 trials demonstrate that a specific dose or range of doses of a product candidate is potentially effective and has an acceptable safety and tolerability profile, one or more Phase 3 trials may be undertaken to further demonstrate or confirm the clinical efficacy and safety of the investigational drug in an expanded patient population, with the goal of evaluating its overall risk-benefit relationship. Phase 3 trials are generally designed to reach a specific goal or end point, the achievement of which is intended to demonstrate the product candidate's clinical efficacy. The successful demonstration of clinical efficacy and safety in one or more Phase 3 trials is typically a prerequisite to the filing of a NDA for a product candidate.

The sponsor of a clinical-stage development program may request an "end-of-Phase 2 Meeting" with the FDA to assess the safety of the dose regimen to be studied in a Phase 3 clinical trial, to evaluate the planned design of a Phase 3 trial, and to identify any additional information that will be needed to support an NDA. If a Phase 3 clinical trial has been the subject of discussion at an end-of-Phase 2 Meeting, the sponsor may be eligible for a Special Protocol Assessment ("SPA"), a process by which the FDA, at the request of the sponsor, will evaluate the trial protocol and issues relating to the protocol to assess whether it is deemed to be adequate to meet the scientific and regulatory requirements identified by the sponsor. If the FDA and the sponsor reach agreement on the design and size of a Phase 3 clinical trial intended to form the primary basis of an efficacy claim in an NDA, the FDA may reduce the understanding to writing. The SPA, however, is not a guarantee of product approval by the FDA, or approval of any permissible claims about the product.

Throughout the various phases of clinical development, samples of the product candidate made in different batches are tested for stability to establish any shelf life constraints. In addition, large-scale production protocols and written standard operating procedures for each aspect of commercial manufacture and testing must be developed and validated.

Phase 1, 2, and 3 testing may not be completed successfully within any specified time period, if at all. The FDA closely monitors the progress of each of the three phases of clinical development and may, at its discretion, reevaluate, alter, suspend, or terminate further evaluation or trials based upon the data accumulated to that point and the FDA's assessment of the risk/benefit ratio to the patient. The FDA, the sponsor, a data safety monitoring board or an IRB may suspend or terminate a clinical trial at any time for various reasons, including a finding that the subjects or patients are being exposed to an unacceptable health or safety risk. The FDA can also request additional clinical trials be conducted as a condition to product approval or advancement to the next stage of development. Additionally, new government requirements may be established that could delay or prevent regulatory approval of product candidates under development.

Clinical trials performed outside the U.S. under an IND must meet the same requirements that apply to studies conducted in the U.S. The FDA may also accept a foreign clinical study not conducted under an IND if the study is well-designed, well-conducted, performed by qualified investigators, and conforms to the ethical principles contained in the Declaration of Helsinki, or with the laws and regulations of the country in which the research was conducted, whichever provides greater protection of the human subjects.

Certain information about clinical trials, including a description of the study, participation criteria, location of study sites, and contact information, is required to be sent to the National Institutes of Health, ("NIH") for inclusion in a publicly-accessible database that is available at www.clinicaltrials.gov. Sponsors also are subject to certain state laws imposing requirements to make publicly available certain information on clinical trial results. In addition, the Food and Drug Administration Amendments Act of 2007 directed the FDA to issue regulations that will require sponsors to submit to the NIH the results of all controlled clinical studies, other than Phase 1 studies.

New Drug Applications ("NDA")

If and when we believe that all the requisite clinical trials for a product candidate have been completed with satisfactory and supporting clinical, toxicology, safety and manufacturing-related data, we must submit an NDA to the FDA in order to obtain approval for the marketing and sale of a product candidate in the U.S. Among many other items, an NDA typically includes the results of all preclinical and toxicology studies and human clinical trials and a description of the manufacturing process and quality control methods. The FDA must approve the NDA prior to the marketing and sale of the related product. The FDA may deny or reject an NDA if it believes all applicable regulatory criteria are not satisfied, or it may require additional data, including clinical, toxicology, safety or manufacturing data prior to approval. The FDA has 60 days from its receipt of an NDA to review the application to ensure that it is sufficiently complete for a substantive review before accepting it for filing. The FDA may request additional information rather than accept an NDA for filing. In this event, the NDA must be amended with any additional information requested. The FDA may also refer applications for novel drug products or drug products which present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee.

An NDA can receive either standard or priority review. A product candidate representing a potentially significant improvement in the treatment, prevention or diagnosis of a life threatening or serious disease may receive a priority review. In addition, product candidates studied for their safety and effectiveness in treating serious or life-threatening illnesses that provide meaningful therapeutic benefit over existing treatments may also receive accelerated approval on the basis of adequate and well-controlled clinical trials establishing that the drug product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on the basis of an effect on a clinical endpoint other than survival or irreversible morbidity. Priority review and accelerated approval do not change the standards for approval, but may expedite the approval process.

If the results of the FDA's evaluation of the NDA and inspection of manufacturing facilities are favorable, the FDA may issue an approval letter. An approval letter authorizes the commercial marketing of the drug with specific prescribing information for a specific indication. As a condition of NDA approval, the FDA may require post-approval testing, including Phase 4 trials, and surveillance to monitor the drug's safety or efficacy and may impose other conditions, including labeling or distribution restrictions which can materially impact the potential market and profitability of the drug. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

If the FDA determines that it cannot approve the NDA in its present form, it generally issues what is referred to as a complete response letter. A complete response letter will describe all of the specific deficiencies that the agency has identified in an application that must be met in order to secure final approval of the NDA. If and when those conditions are met to the FDA's satisfaction, the FDA will typically re-review the application and possibly issue an approval letter. However, even after submitting this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. It can take several years for the FDA to approve a NDA once it is submitted, and the actual time required for any product candidate to be approved may vary substantially, depending upon the nature, complexity and novelty of the product candidate.

We cannot assure you that the FDA, or any other similar regulatory authority in another country, will grant approval for any of our product candidates on a timely basis, if at all. Success in preclinical or early-stage clinical trials does not assure success in later stage clinical trials. Data obtained from preclinical and clinical activities is not always conclusive and may be susceptible to varying interpretations that could delay, limit or prevent regulatory approval.

Post-Approval Regulations

If and when a product candidate receives regulatory approval to be marketed and sold, the approval is typically limited to a specific clinical indication or use. Further, even after regulatory approval is obtained, subsequent discovery of previously unknown safety problems with a product may result in restrictions on its use, or even complete withdrawal of the product from the market. Any FDA-approved products manufactured or distributed by us are subject to continuing regulation by the FDA, including record-keeping requirements and reporting of adverse events or experiences. Further, drug manufacturers and their subcontractors are required to register their establishments with the FDA and state agencies, and are subject to periodic inspections by the FDA and state agencies for compliance with cGMP regulations, which impose rigorous procedural and documentation requirements upon us and our contract manufacturers. We cannot be certain that we, or our present or future contract manufacturers or suppliers, will be able to comply with cGMP regulations and other FDA regulatory requirements. Failure to comply with these requirements may result in, among other things, total or partial suspension of production activities for our current and future product candidates, failure of the FDA to grant approval for the marketing of such product candidates, and withdrawal, suspension, or revocation of marketing approvals.

If the FDA approves one or more of our product candidates, we and our contract manufacturers must provide the FDA with certain updated safety, efficacy and manufacturing information. Product changes, as well as certain changes in the manufacturing process or facilities where the manufacturing occurs or other post-approval changes may necessitate additional FDA review and approval. We rely, and expect to continue to rely, on third parties for the formulation and manufacture of clinical and commercial quantities of our products. Future FDA and state inspections may identify compliance issues at the facilities of our contract manufacturers that may disrupt production or distribution, or require substantial resources to correct.

The labeling, advertising, promotion, marketing and distribution of an approved drug or biologic product must also comply with FDA and Federal Trade Commission, ("FTC") requirements which include, among others, standards and regulations for direct-to-consumer advertising, off-label promotion, industry sponsored scientific and educational activities, and promotional activities involving the Internet. The FDA and FTC have very broad enforcement authority, and failure to abide by these regulations can result in penalties, including the issuance of a warning letter directing the company to correct deviations from regulatory standards and enforcement actions that can include seizures, fines, injunctions and criminal prosecution.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further FDA review and approval. In addition, the FDA may require testing and surveillance programs to monitor the effect of approved products that have been commercialized, and in some circumstances the FDA has the power to prevent or limit further marketing of a product based on the results of these post-marketing programs.

From time to time, legislation is drafted and later introduced and passed that could significantly change the statutory provisions governing the approval, manufacturing and marketing of products regulated by the FDA. In addition, FDA regulations and guidance are often revised or reinterpreted by the agency in ways that may significantly affect our business and our product candidates. It is impossible to predict whether legislative changes will be enacted, or whether FDA regulations, guidance or interpretations will change or what the impact of such changes, if any, may be. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the U.S. or abroad, or the impact such changes could have on our business.

Other U.S. Health Care Laws and Compliance Requirements

In the U.S., our activities are subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration), other divisions of HHS (e.g., the Office of Inspector General), the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments. For example, sales, marketing and scientific/educational grant programs must comply with the anti-fraud and abuse provisions of the Social Security Act, the False Claims Act, the privacy provisions of the Health Insurance Portability and Accountability Act ("HIPAA") and similar state laws, each as amended. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990 and the Veterans Health Care Act of 1992, each as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. Under the Veterans Health Care Act, ("VHCA"), drug companies are required to offer certain drugs at a reduced price to a number of federal agencies including the U.S. Department of Veterans Affairs and U.S. Department of Defense, the Public Health Service and certain private Public Health Service designated entities in order to participate in other federal funding programs including Medicare and Medicaid. Recent legislative changes purport to require that discounted prices be offered for certain U.S. Department of Defense purchases for its TRICARE program via a rebate system. Participation under VHCA requires submission of pricing data and calculation of discounts and rebates pursuant to complex statutory formulas, as well as the entry into government procurement contracts governed by the Federal Acquisition Regulations.

In order to distribute products commercially, we must comply with state laws that require the registration of manufacturers and wholesale distributors of pharmaceutical products in a state, including, in certain states, manufacturers and distributors who ship products into the state even if such manufacturers or distributors have no place of business within the state. Some states also impose requirements on manufacturers and distributors to establish the pedigree of product in the chain of distribution, including some states that require manufacturers and others to adopt new technology capable of tracking and tracing a product as it moves through the distribution chain. Several states have enacted legislation requiring pharmaceutical companies to establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities or register their sales representatives, as well as prohibiting pharmacies and other health care entities from providing certain physician prescribing data to pharmaceutical companies for use in sales and marketing, and prohibiting certain other sales and marketing practices. All of our activities are potentially subject to federal and state consumer protection and unfair competition laws.

Foreign Regulation

In addition to regulations in the U.S., we are subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our product candidates to the extent we choose to develop these product candidates or sell any products outside of the U.S. Whether or not we obtain FDA approval for a product, we must obtain similar approval by comparable regulatory authorities in foreign countries before we can commence clinical trials or the marketing of a product in those countries. The approval process varies from country to country and the time may be longer or shorter than that required to obtain FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

EU member states require both regulatory clearances by the national competent authority and a favorable ethics committee opinion prior to the commencement of a clinical trial. Under the EU regulatory systems, we may submit marketing authorization applications either under a centralized or decentralized procedure. The centralized procedure provides for the grant of a single marketing authorization that is valid for all EU member states. The centralized procedure is compulsory for medicines produced by certain biotechnological processes, products with a new active substance indicated for the treatment of certain diseases and products designated as orphan medicinal products and optional for those products which are highly innovative or for which a centralized process is in the interest of patients. The decentralized procedure of approval provides for approval by one or more other, or concerned, member states of an assessment of an application performed by one member state, known as the reference member state. Under the decentralized approval procedure, an applicant submits an application, or dossier, and related materials (draft summary of product characteristics, draft labeling and package leaflet) to the reference member state and concerned member states. The reference member state prepares a draft assessment and drafts of the related materials within 120 days after receipt of a valid application. Within 90 days of receiving the reference member state's assessment report, each concerned member state must decide whether to approve the assessment report and related materials. If a member state cannot approve the assessment report and related materials on the grounds of potential serious risk to public health, the disputed points may eventually be referred to the European Commission, whose decision is binding on all member states.

Pharmaceutical Coverage, Pricing and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical products for which we may obtain regulatory approval to market and sell. In the U.S. and other countries, revenue from any products for which we receive regulatory approval to sell will depend considerably on the availability of reimbursement from third-party payers. Third-party payers include government health administrative authorities, managed care providers, private health insurers and other organizations. The process for determining whether a payer will provide coverage for a product may be separate from the process for setting the price or reimbursement rate that the payer will pay for the product. Third-party payers may limit coverage to specific products on an approved list, or formulary, which might not include all of the FDA-approved products for a particular indication. Third-party payers are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, which would be in addition to the costs required to obtain FDA approvals. Our products may not be considered medically necessary or cost-effective. A payer's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in developing a product.

In 2003, the U.S. government enacted legislation providing a prescription drug benefit for Medicare recipients, which became effective at the beginning of 2006. Government payment for some of the costs of prescription drugs may increase demand for any products for which we receive marketing approval. However, to obtain payments under this program, we would be required to sell products to Medicare recipients through prescription drug plans operating pursuant to this legislation. These plans will likely negotiate discounted prices for our products. In March 2010, the Patient Protection and Affordable Care Act became law in the U.S., which substantially changed the way healthcare is financed by both governmental and private insurers. We anticipate that this legislation will result in additional downward pressure on the price, if any, that we may receive for any approved product. Federal, state and local governments in the U.S. continue to consider legislation to limit the growth of health care costs, including the cost of prescription drugs. Future legislation could limit payments for pharmaceutical products, including the product candidates that we are developing.

Different pricing and reimbursement schemes exist in other countries. In the EU, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of our particular drug products to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

The marketability of any products for which we receive regulatory approval to sell may suffer if the government and third-party payers fail to provide adequate coverage and reimbursement. In addition, an increasing emphasis on managed care in the U.S. has increased, and we expect will continue to increase the pressure on pharmaceutical pricing. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Employees

As of June 30, 2016, we had 21 full-time employees, 13 of whom were engaged in research and development, and eight of whom were engaged in corporate, administration, finance, and business development activities. All of our employees have entered into non-disclosure agreements with us regarding our intellectual property, trade secrets and other confidential information. None of our employees are represented by a labor union or covered by a collective bargaining agreement, nor have we experienced any work stoppages. We believe that we maintain satisfactory relations with our employees.

Available Information

Our website address is www.aviragentherapeutics.com. Please note that this website address is provided as an inactive textual reference only. We make available free of charge through our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on our website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

ITEM 1A. RISK FACTORS

You should carefully consider the following discussion of risks, together with the other information contained in this Form 10-K. The occurrence of any of the following risks could materially harm our business, our financial condition, our ability to raise additional capital in the future, or ever become profitable. In that event, the market price per share of our common stock could decline and you could lose a portion or all of your investment in our common stock.

RISKS RELATED TO THE DEVELOPMENT OF OUR PRODUCT CANDIDATES

Our success depends largely upon our ability to advance our product candidates through the various stages of drug development. If we are unable to successfully advance or develop our product candidates, our business will be materially harmed.

Even though we generate royalty revenue from our two commercialized influenza products, all of our remaining product candidates are in early stages of development and their commercial viability remains subject to the successful outcome of current and future preclinical studies, clinical trials, manufacturing processes, regulatory approvals and the risks generally inherent in the development of pharmaceutical product candidates. Failure to advance the development of one or more of our product candidates may have a material adverse effect on our business. The long-term success of our business ultimately depends upon our ability to advance the development of our product candidates through preclinical studies and clinical trials, appropriately formulate and consistently manufacture them in accordance with strict specifications and regulations, obtain approval of our product candidates for sale by the FDA or similar regulatory authorities in other countries, and ultimately have our product candidates successfully commercialized by us or a strategic partner or licensee. We cannot assure you that the results of our ongoing or future research, preclinical studies or clinical trials will support or justify the continued development of our product candidates, or that we will ultimately receive approval from the FDA, or similar regulatory authorities in other countries, to advance the development of our product candidates**.**

Our product candidates must satisfy rigorous regulatory standards of safety, efficacy and manufacturing before we can advance or complete their development and before they can be approved for sale by the FDA or similar regulatory authorities in other countries. To satisfy these standards, we must engage in expensive and lengthy studies and clinical trials, develop acceptable and cost effective manufacturing processes, and obtain regulatory approval of our product candidates. Despite these efforts, our product candidates may not:

- demonstrate clinically meaningful therapeutic or other medical benefits as compared to a patient receiving no treatment or over existing drugs or other product candidates in development to treat the same patient population;
- be shown to be safe and effective in current and future preclinical studies or clinical trials;
- have the desired therapeutic or medical effects;
- be tolerable or free from undesirable or unexpected side effects;
- meet applicable regulatory standards;
- be capable of being appropriately formulated and manufactured in commercially suitable quantities or scale and at an acceptable cost; or
- be successfully commercialized by us or by our licensees or collaborators.

Even if we demonstrate favorable results in preclinical studies and early-stage clinical trials, we cannot assure you that the results of late-stage clinical trials will be sufficient to support the continued development of our product candidates. Many, if not most companies in the pharmaceutical and biopharmaceutical industries have experienced significant delays, setbacks and failures in all stages of development, including late-stage clinical trials, even after achieving promising results in preclinical testing or early-stage clinical trials. Accordingly, results from completed preclinical studies and early-stage clinical trials of our product candidates may not be predictive of the results we may obtain in future late-stage trials. Furthermore, even if the data collected from preclinical studies and clinical trials involving any of our product candidates demonstrate a satisfactory safety, tolerability and efficacy profile, such results may not be sufficient to obtain regulatory approval from the FDA in the U.S., or other similar regulatory agencies in other jurisdictions, which is required to market and sell the product.

Clinical trials are risky, lengthy and expensive. We incur substantial expense for, and devote significant time and resources to, preclinical testing and clinical trials, yet cannot be certain that these tests and trials will demonstrate that a product candidate is effective and well tolerated, or will ever support its approval and commercial sale. For example, clinical trials require adequate supplies of clinical trial material and sufficient patient enrollment to power the study. Delays in patient enrollment can result in increased costs and longer development times. Even if we, or a licensee or collaborator, if applicable, successfully complete clinical trials for our product candidates, we or they might not file the required regulatory submissions in a timely manner and may not receive marketing approval for the product candidate. We cannot assure you that any of our product candidates will successfully progress further through the drug development process, or ultimately will result in an approved and commercially viable product.

If the actual or perceived therapeutic benefits, or the safety or tolerability profile of any of our product candidates are not equal to or superior to other competing treatments approved for sale or in clinical development, we may terminate the development of any of our product candidates at any time, and our business prospects and potential profitability could be harmed.

We are aware of a number of companies marketing or developing various classes of anti-infective product candidates or products for the treatment of patients infected with HRV, RSV, HPV and influenza that are either approved for sale or further advanced in clinical development than ours, such that their time to approval and commercialization may be shorter than that for our product candidates.

Currently, there are no approved direct-acting antiviral drugs to treat HRV infections. However, if ever approved, our vapendavir product candidate would indirectly compete with drugs approved to reduce the incidence of exacerbations or improve lung function in patients with asthma and COPD, such as fluticasone propionate (Advair®), tiotoprium bromide (Spiriva®), fluticasone furoate/vilanterol (Breo Ellipta®), and roflumilast (Daliresp®). In addition to these approved drugs, there are compounds at the clinical development stage, such as inhaled β-interferon, that if successfully developed for the treatment of HRV infections could compete with vapendavir in the future.

Currently, there is no HPV-specific direct acting antiviral drugs available to treat genital warts or RRP. Treatments for genital warts can be divided broadly into two categories: provider-administered ablative/cytodestructive therapies (including cryotherapy, laser ablation, and trichloroacetic acid) and patient-administered topical therapies such as podophyllotoxin (Condylox; Wartec), sinecatechins (Veregen®), and imiquimod (Zyclara®, Aldara®). There are no cures for RRP, however current maintenance treatments include CO2 laser surgery, pulse dye laser surgery, endoscopic microdebriders, and intralesional injection with cidofovir. The high reoccurrence rates make the current therapies less than optimal for patients suffering with genital warts or RRP. We anticipate that BTA074, if successfully developed and commercialized, would directly compete with the patient-applied topical treatments for condyloma and could become first-line therapy for the treatment of RRP. We believe key differentiating features of BTA074 could be its mechanism of action, favorable local skin tolerability, efficacy, and a lower reoccurrence rate. Three prophylactic vaccines, primarily designed to prevent cervical, vulvar, vaginal, and anal cancers, are currently marketed: a bivalent HPV16/18 vaccine (Cervarix®; GSK), quadrivalent HPV16/18/6/11 (Gardasil®, Merck) and the 9-valent HPV 6/11/16/18/33/52/58 (Gardasil®9; Merck). Gardasil®9 is indicated for females aged 9 through 26 and males aged 9 through 15, to prevent various HPV related cancers and genital warts in both sexes. Gardasil®, Gardasil®9, and Cervarix® are not known to exhibit a therapeutic effect on existing HPV lesions.

Effective treatments of RSV infections in pediatrics, the elderly, and the immunocompromised are very limited. Currently, only Virazole® (ribavirin) is indicated for the treatment of hospitalized infants and young children with severe lower respiratory tract infections due to RSV. We are aware that the following compounds are under development: Gilead's GS-5806, Johnson and Johnson's JJ-53718678 (ALS-8176), Ark Biosciences' AK0529 and Teva Pharmaceutical's MDT-637. The only approved drug for the prevention of RSV infections in high risk infants is MedImmune's palivizumab (Synagis®), monoclonal antibody. There are several vaccines and antibody products designed to prevent RSV infections in clinical development. Among the clinical stage product candidates in development are Novavax's RSV F vaccine, GSK's GSK3003898A vaccine, GSK's GSK3003893A vaccine, Bavarian Nordic's BN® RSV vaccine, MedImmune's MEDI ΔM2-2 vaccine, MedImmune's monoclonal antibody MEDI8897, and Regeneron's monoclonal antibody REGN2222C.

If at any time we believe that any of our product candidates may not provide meaningful or differentiated therapeutic benefits, perceived or real, equal to or better than our competitor's products or product candidates, or we believe our product candidates may not have as favorable a safety or tolerability profile as potentially competitive compounds, we may delay or terminate the future development of any of our product candidates. We cannot provide any assurance that the future development of any or our product candidates will demonstrate any meaningful therapeutic benefits over potentially competitive compounds currently approved for sale or in development, or an acceptable safety or tolerability profile sufficient to justify its continued development.

Our product candidates may exhibit undesirable side effects when used alone or in combination with other approved pharmaceutical products, which may delay or preclude their development or regulatory approval, or limit their use if ever approved.

Throughout the drug development process, we must continually demonstrate the activity, safety and tolerability of our product candidates in order to obtain regulatory approval to further advance their clinical development, or to eventually market them. Even if our product candidates demonstrate adequate biologic activity and clear clinical benefit, any unacceptable side effects or adverse events, when administered alone or in the presence of other pharmaceutical products, may outweigh these potential benefits. We may observe adverse or serious adverse events or drug-drug interactions in preclinical studies or clinical trials of our product candidates, which could result in the delay or termination of their development, prevent regulatory approval, or limit their market acceptance if they are ultimately approved.

If the results from preclinical studies or clinical trials of our product candidates, including those that are subject to existing or future license or collaboration agreements, are unfavorable, we could be delayed or precluded from the further development or commercialization of our product candidates, which could materially harm our business.

In order to further advance the development of, and ultimately receive marketing approval to sell our product candidates, we must conduct extensive preclinical studies and clinical trials to demonstrate their safety and efficacy to the satisfaction of the FDA or similar regulatory authorities in other countries, as the case may be. Preclinical studies and clinical trials are expensive, complex, can take many years to complete, and have highly uncertain outcomes. Delays, setbacks, or failures can and do occur at any time, and in any phase of preclinical or clinical testing, and can result from concerns about safety, tolerability, toxicity, a lack of demonstrated biologic activity or improved efficacy over similar products that have been approved for sale or are in more advanced stages of development, poor study or trial design, and issues related to the formulation or manufacturing process of the materials used to conduct the trials. The results of prior preclinical studies or early-stage clinical trials are not predictive of the results we may observe in late-stage clinical trials. In many cases, product candidates in clinical development may fail to show the desired tolerability, safety and efficacy characteristics, despite having favorably demonstrated such characteristics in preclinical studies or early-stage clinical trials.

In addition, we may experience numerous unforeseen events during, or as a result of, preclinical studies and the clinical trial process, which could delay or impede our ability to advance the development of, receive marketing approval for, or commercialize our product candidates, including, but not limited to:

- communications with the FDA, or similar regulatory authorities in different countries, regarding the scope or design of a trial or trials, or placing the development of a product candidate on clinical hold or delaying the next phase of development until questions or issues are satisfactorily resolved, including preforming additional studies to answer their queries;
- regulatory authorities or IRB's not authorizing us to commence or conduct a clinical trial at a prospective trial site;
- enrollment in our clinical trials being delayed, or proceeding at a slower pace than we expected, because we have difficulty recruiting participants or participants drop out of our clinical trials at a higher rate than we anticipated;
- our third-party contractors, upon whom we rely to conduct preclinical studies, clinical trials and the manufacturing of our clinical trial materials, failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner;
- having to suspend or ultimately terminate a clinical trial if participants are being exposed to unacceptable health or safety risks;
- regulatory authorities or IRBs requiring that we hold, suspend or terminate our preclinical studies and clinical trials for various reasons, including non-compliance with regulatory requirements; and
- the supply or quality of material necessary to conduct our preclinical studies or clinical trials being insufficient, inadequate or unavailable.

Even if the data collected from preclinical studies or clinical trials involving our product candidates demonstrate a satisfactory tolerability, safety and efficacy profile, such results may not be sufficient to support the submission of an NDA to obtain regulatory approval from the FDA in the U.S., or other similar regulatory authorities in other foreign jurisdictions, which is required for us to market and sell our product candidates.

Most of our product candidates are generally being developed to treat seasonal respiratory infections, which could cause their clinical development to be more complex, take longer and cost more to complete than product candidates intended for non-seasonal infections.

HRV, RSV and influenza are respiratory infections that generally occur more frequently in certain months of the year in a particular geography. Accordingly, it is more efficient to conduct clinical trials in patients with these respiratory infections during the months in which the infections are more prevalent, and these trials generally cannot be as efficiently conducted year-round in any one region of the world. The seasonality in the incidence of these respiratory infections may require us to conduct additional clinical trials in both the northern and southern hemispheres in order to fully enroll these trials on a timely basis. Seasonality or variability in the incidence of these infections increases the complexity of our trial designs, exposes us to additional regulatory oversight in more countries, and generally increases the cost and time to conduct these trials.

If the FDA does not agree to lift the clinical hold on BTA585, it is unlikely that we will be able to continue its development.

We commenced our Phase 2a Challenge study for our RSV product candidate BTA585 in April 2016. The double-blind, placebo-controlled, Phase 2a trial is designed to evaluate the safety, pharmacokinetics, and antiviral activity of orally-dosed BTA585 in healthy volunteers challenged intranasally with RSV. The primary endpoint of the study is area under the curve for the viral load in nasal wash among subjects who test positive for RSV prior to dosing. In May 2016, we voluntarily delayed enrollment as a result of receiving a lab report from one subject that showed an increase in a cardiac enzyme level, coupled with transient ECG changes. At that time, we received verbal communication from the U.S. Food and Drug Administration (FDA) that the IND for BTA585 had been placed on hold for clinical studies being conducted in the U.S. under the IND. In July 2016, we reported that we resumed enrollment in our Phase 2a challenge study of BTA585 after receiving MHRA and Ethics Committee approval to resume enrollment and dosing in the Phase 2a trial. We also reported that we received written confirmation from the FDA of the previously announced clinical hold of the IND application for BTA585. We plan to submit a complete response to the FDA by the first quarter of 2017, including requested data from additional rodent studies. If the FDA does not agree to lift the clinical hold on BTA585, the viability of BTA585 as a commercial product is subject to doubt, and it would be unlikely that we would continue the development of BTA585.

If third-party contract manufacturers, upon whom we rely to formulate and manufacture our product candidates, do not perform, fail to manufacture according to our specifications, or fail to comply with strict government regulations, our preclinical studies or clinical trials could be adversely affected and the development of our product candidates could be delayed or terminated, or we could incur significant additional expenses.

We do not currently own any manufacturing facilities. We have historically used third-party contract manufacturers and we intend to continue to rely on third-party contractors for the foreseeable future, to formulate, manufacture, fill and package our product candidates. Our reliance on these third-party contract manufacturers, which in some cases are sole sourced, exposes us to a number of risks, any of which could delay or prevent the completion of our preclinical studies or clinical trials, or the regulatory approval or commercialization of our product candidates, result in higher costs or deprive us of potential product revenues in the future. Some of these risks include, but are not limited to:

- our contract manufacturers failing to develop an acceptable formulation to support late-stage clinical trials for, or the commercialization of, our product candidates;
- our contract manufacturers failing to manufacture our product candidates according to their own standards, our specifications, cGMPs or regulatory guidelines, or otherwise manufacturing material that we or regulatory authorities deem to be unsuitable for our clinical trials or commercial use;
- our contract manufacturers being unable to increase the scale of or the capacity for, or reformulate the form of our product candidates, which may cause us to experience a shortage in supply, or cause the cost to manufacture our product candidates to increase. We cannot assure you that our contract manufacturers will be able to manufacture our product candidates at a suitable commercial scale, or that we will be able to find alternative manufacturers acceptable to us that can do so;
- our contract manufacturers placing a priority on the manufacture of other customers' or their own products, rather than ours;
- our contract manufacturers failing to perform as agreed or exiting from the contract manufacturing business; and
- our contract manufacturers' plants being closed as a result of regulatory sanctions or a natural disaster.

Manufacturers of pharmaceutical drug products are subject to ongoing periodic inspections by the FDA, the U.S. Drug Enforcement Administration ("DEA") and corresponding state and other foreign agencies to ensure strict compliance with FDA-mandated cGMPs, other government regulations and corresponding foreign standards. We do not have control over our third-party contract manufacturers' compliance with these regulations and standards and accordingly, failure by our third-party manufacturers, or us, to comply with applicable regulations could result in sanctions being imposed on us or the manufacturer, which could significantly and adversely affect our business.

In the event that we need to change our third-party contract manufacturers, our preclinical studies, our clinical trials or the commercialization of our product candidates could be delayed, adversely affected or terminated, or such a change may result in the need for us to incur significantly higher costs, which could materially harm our business.

Due to various regulatory restrictions in the U.S. and many other countries, as well as potential capacity constraints on manufacturing that occur from time-to-time in our industry, various steps in the manufacture of our product candidates are sole-sourced to certain contract manufacturers. In accordance with cGMPs, changing manufacturers may require the re-validation of manufacturing processes and procedures, and may require further preclinical studies or clinical trials to show comparability between the materials produced by different manufacturers. Changing our current or future contract manufacturers may be difficult, if not impossible for us, and could be extremely costly if we do make such a change, which could result in our inability to manufacture our product candidates for an extended period of time and a delay in the development of our product candidates. Further, in order to maintain our development timelines in the event of a change in a third-party contract manufacturer, we may incur significantly higher costs to manufacture our product candidates.

If third-party vendors, upon whom we rely to conduct our preclinical studies or clinical trials, do not perform or fail to comply with strict regulations, these studies or trials may be delayed, terminated, or fail, or we could incur significant additional expenses, which could materially harm our business.

We have limited resources dedicated to designing, conducting and managing our preclinical studies and clinical trials. We have historically relied on, and intend to continue to rely on, third parties, including clinical research organizations, consultants and principal investigators, to assist us in designing, managing, conducting, monitoring and analyzing the data from our preclinical studies and clinical trials. We rely on these vendors and individuals to perform many facets of the clinical development process on our behalf, including conducting preclinical studies, the recruitment of sites and patients for participation in our clinical trials, maintenance of good relations with the clinical sites, and ensuring that these sites are conducting our trials in compliance with the trial protocol and applicable regulations. If these third parties fail to perform satisfactorily, or do not adequately fulfill their obligations under the terms of our agreements with them, we may not be able to enter into alternative arrangements without undue delay or additional expenditures, and therefore the preclinical studies and clinical trials of our product candidates may be delayed or prove unsuccessful.

Further, the FDA, or similar regulatory authorities in other countries, may inspect some of the clinical sites participating in our clinical trials or our third-party vendors' sites to determine if our clinical trials are being conducted according to GCP or similar regulations. If we or a regulatory authority determine that our third-party vendors are not in compliance with, or have not conducted our clinical trials according to applicable regulations, we may be forced to exclude certain data from the results of the trial, or delay, repeat or terminate such clinical trials.

We have limited capacity for managing clinical trials, which could delay or impair our ability to initiate or complete clinical trials of our product candidates on a timely basis and materially harm our business.

We have limited capacity to recruit and manage all of the clinical trials necessary to obtain approval for our product candidates by the FDA or similar regulatory authorities in other countries. By contrast, larger pharmaceutical and biopharmaceutical companies often have substantial staff or departments with extensive experience in conducting clinical trials with multiple product candidates across multiple indications and obtaining regulatory approval in various countries. In addition, these companies may have greater financial resources to compete for the same clinical investigators, sites and patients that we are attempting to recruit for our clinical trials. As a result, we may be at a competitive disadvantage that could delay the initiation, recruitment, timing and completion of our clinical trials and obtaining of marketing approvals, if achieved at all, for our product candidates.

If we are unable to attract or retain key employees, advisors or consultants, we may be unable to successfully develop our product candidates in a timely manner, if at all, or otherwise manage our business effectively.

We have increasingly adopted an operating model that relies on the outsourcing of a number of key responsibilities and activities to third-party vendors, such as contract research and manufacturing organizations, in order to advance the development of our product candidates. Therefore, our success depends in part on our ability to retain highly qualified key management, personnel to develop, implement and execute our business strategy and operations, and oversee the activities of our vendors, as well as any academic and corporate advisors or consultants that may assist us in this regard. We are currently highly dependent upon the efforts of our small management team to accomplish this. In order to advance the development of our product candidates, we need to retain and be able to recruit certain key personnel, consultants or advisors with experience in a number of disciplines, including but not limited to, research and development, product development, clinical trials, medical affairs, government regulation approval of pharmaceutical products, quality control and assurance, formulation and manufacturing, business development, accounting, finance, human resources and information systems. We may not be able to continue to do so in the future on acceptable terms, if at all. If we lose any key personnel, or are unable to retain qualified key personnel, directors, advisors or consultants, the development of our product candidates could be delayed or terminated and our business may be harmed.

Our industry is highly competitive and subject to rapid technological changes. As a result, we may be unable to compete successfully or develop innovative or differentiated products, which could harm our business.

Our industry is highly competitive and characterized by rapid technological change. Key competitive factors in our industry include, among others, the ability to successfully advance the development of a product candidate through preclinical and clinical trials; the efficacy, toxicology, tolerability, safety, resistance or cross-resistance, interaction or dosing profile of a product or product candidate; the timing and scope of marketing approvals, if ever achieved; reimbursement rates for and the average selling price of competing products and pharmaceutical products in general; the availability of raw materials and qualified contract manufacturing and manufacturing capacity to produce our product candidates; relative manufacturing costs; establishing, maintaining and protecting our intellectual property and patent rights; and sales and marketing capabilities.

Developing pharmaceutical product candidates is a highly competitive, expensive and risky activity with a long business cycle. Many organizations, including the large pharmaceutical and biopharmaceutical companies that have existing products on the market or in clinical development that may compete with our product candidates, have substantially more resources than we have, as well as much greater capabilities and experience than we have in research and discovery, designing and conducting preclinical studies and clinical trials, operating in a highly regulated environment, formulating and manufacturing drug substances, products and devices, and marketing and sales. Our competitors may be more successful than we are in obtaining regulatory approvals for their product candidates and achieving broad market acceptance once they are approved. Our competitors' products or product candidates may be more effective, have fewer adverse effects, be more convenient to administer, have a more favorable resistance profile, or be more effectively marketed and sold than any product we, or our potential future licensees or collaborators, may develop or commercialize. New drugs or classes of drugs from competitors may render our product candidates obsolete or non-competitive before we are able to successfully develop them or, if approved, before we can recover the expenses of developing and commercializing them. We anticipate that we or our potential future licensees or collaborators will face intense and increasing competition as new drugs and drug classes enter the market and advanced technologies or new drug targets become available. If our product candidates do not demonstrate any meaningful competitive advantages over existing products, or new products or product candidates, we may terminate the development or commercialization of our product candidates at any time.

These competitors, either alone or with their collaborators, may succeed in developing product candidates or products that are more effective, safer, less expensive or easier to administer than ours. Accordingly, our competitors may succeed in obtaining regulatory approval for their product candidates more rapidly than we can. Companies that can complete clinical trials, obtain required marketing approvals and commercialize their products before their competitors do so may achieve a significant competitive advantage, including certain patent and marketing exclusivity rights that could delay the ability of competitors to market certain products.

We also face, and expect that we will continue to face, intense competition from other companies in a number of other areas, including (i) attracting larger pharmaceutical and biopharmaceutical companies to enter into collaborative arrangements with us to acquire, license or co-develop our product candidates, (ii) identifying and obtaining additional clinical-stage development programs to bolster our pipeline, (iii) attracting investigators and clinical sites capable of conducting our clinical trials, and (iv) recruiting patients to participate in our clinical trials. We cannot assure you that product candidates resulting from our research and development efforts, or from joint efforts with our potential future licensees or collaborators, will be able to compete successfully with our competitors' existing products or product candidates in development.

We may be unable to successfully develop a product candidate that is the subject of an existing or future license agreement or collaboration if our licensee or collaborator does not perform or fulfill its contractual obligations, delays the development of our product candidate, or terminates our agreement.

We expect to continue to enter into and rely on license and collaboration agreements in the future, or other similar business arrangements with third parties, to further develop and/or commercialize some or all of our existing and future product candidates. Such licensees or collaborators may not perform as agreed upon or anticipated, may fail to comply with strict regulations, or may elect to delay or terminate their efforts in developing or commercializing our product candidates even though we have met our obligations under the arrangement.

A majority of the potential revenue from existing and any future licenses and collaborations we may enter into will likely consist of contingent milestone payments, such as payments received for achieving development or regulatory milestones, and royalties payable on the sales of approved products. Milestone and royalty revenues that we may receive under these licenses and collaborations will depend primarily upon our licensee's or collaborator's ability to successfully develop and commercialize our product candidates. In addition, our licensees or collaborators may decide to enter into arrangements with third parties to commercialize products developed under our existing or future collaborations using our technologies, which could reduce the milestone and royalty revenue that we may receive, if any. In many cases, we will not be directly or closely involved in the development or commercialization of our product candidates that are subject to licenses or collaborations and, accordingly, we will depend largely on our licensees or collaborators to develop or commercialize our product candidates. Our licensees or collaborators may fail to develop or effectively commercialize our product candidates because they:

- do not allocate the necessary resources due to internal constraints, such as limited personnel with the requisite scientific expertise, limited capital resources, or the belief that other product candidates or internal programs may have a higher likelihood of obtaining regulatory approval, or may potentially generate a greater return on investment;
- do not have sufficient resources necessary to fully support the product candidate through clinical development, regulatory approval and commercialization;
- are unable to obtain the necessary regulatory approvals; or
- prioritize other programs or otherwise diminish their support for developing and/or marketing our product candidate or product due to a change in management, business operations or strategy.

Should any of these events occur, we may not realize the full potential or intended benefit of our license or collaboration arrangements, and our results of operations may be adversely affected. In addition, a licensee or collaborator may decide to pursue the development of a competitive product candidate developed outside of our agreement with them. Conflicts may also arise if there is a dispute about the progress of, or other activities related to, the clinical development or commercialization of a product candidate, the achievement and payment of a milestone amount, the ownership of intellectual property that is developed during the course of the arrangement, or other license agreement terms. If a licensee or collaborator fails to develop or effectively commercialize our product candidates for any of these reasons, we may not be able to replace them with another third-party willing to develop and commercialize our product candidates under similar terms, if at all. Similarly, we may disagree with a licensee or collaborator as to which party owns newly or jointly-developed intellectual property. Should an agreement be revised or terminated as a result of a dispute and before we have realized the anticipated benefits of the arrangement, we may not be able to obtain certain development support or revenues that we anticipated receiving. We may also be unable to obtain, on terms acceptable to us, a license from such collaboration partner to any of its intellectual property that may be necessary or useful for us to continue to develop and commercialize the product candidate. We cannot assure you that any product candidates will emerge from any existing or future license or collaboration agreements we may enter into for any of our product candidates.

RISKS RELATED TO COMMERCIAL MATTERS

We have a history of incurring net losses and we may never achieve profitability.

We have a history of incurring net losses, some of which have been significant. We expect to incur additional net losses in the near-term, and these losses would likely increase as our research and development efforts progress to later stage activities. To become profitable, we, or our licensees or collaborators if applicable, must successfully manufacture and develop product candidates, receive regulatory approval, successfully commercialize and/or enter into profitable agreements with other parties and maintain existing and/or obtain additional intellectual property rights. It could be several years, if ever, before we receive significant revenues from any future license agreements or revenues directly from the sale of any of our product candidates.

Royalty revenues from Relenza® and Inavir® are unpredictable and subject to the seasonal incidence and severity of influenza, which could adversely affect our results of operations and financial condition. Moreover, because we sold a portion of the royalty on Inavir®, we expect our royalty cash flows from sales of Inavir® to be substantially lower than historical levels.

We currently earn royalty revenue from the net sales of Relenza® and Inavir®, which are marketed by our licensees. Although the royalty rates paid to us by our licensees are fixed at a proportion of our licensees' net sales of these products, our periodic and annual revenues from these royalties have historically been variable and subject to fluctuation based on the seasonal incidence and severity of influenza. In addition, returns of products to our licensees that were sold in prior years are taken into account in the calculation of net sales for purposes of determining the royalty revenue we receive and the amount of such returns are generally unpredictable. We cannot predict with any certainty what our royalty revenues are likely to be in any given year. Because we sold a portion of the royalty on Inavir®, we expect our Inavir® royalty cash flows to be substantially lower than historical levels. Further, most of our Relenza® patents have expired and the only substantial remaining intellectual property related to the Relenza® patent portfolio, which is solely owned by us and exclusively licensed to GSK, is scheduled to expire in July 2019 in Japan. GSK has verified that we will continue to receive royalties on the net sales of Relenza® in the U.S. to the extent that U.S. Patent Application No. 08/737,141 remains pending.

If safety, tolerability, resistance, drug-drug interactions, or efficacy concerns should arise with Relenza® or Inavir®, our future royalty revenue may be reduced, which would adversely affect our financial condition and business.

We currently earn royalty revenue from Relenza® and Inavir®, which are marketed by our licensees. Data supporting the marketing approvals and forming the basis for the safety warnings in the product labels for these products were obtained in controlled clinical trials of limited duration in limited patient populations and, in some cases, from post-approval use. As these marketed products are used over longer periods of time and by more patients, some with underlying health problems or taking other medicines, new issues such as safety, tolerability, resistance or drug-drug interaction issues could arise, which may require our licensees to provide additional warnings or contraindications on their product labels, or otherwise narrow the approved indications. Further, additional information from ongoing research or clinical trials of these products that raise any doubts or concerns about their efficacy may arise. If serious safety, tolerability, resistance, drug-drug interaction, efficacy, or any other concerns or issues arise with respect to these marketed products, sales of these products could be impaired, limited or abandoned by our licensees or by regulatory authorities, in which case our royalty revenue would decrease.

If government and third-party payers fail to provide adequate reimbursement or coverage for our products or those that are developed through licenses or collaborations, our revenues and potential for profitability may be harmed.

In the U.S. and most foreign markets, product revenues or related royalty revenue, and therefore the inherent value of our products, will depend largely upon the reimbursement rates established by third-party payers for such products. Third-party payers include government health administration authorities, managed-care organizations, private health insurers and other similar organizations. Third-party payers are increasingly examining the cost effectiveness of medical products, services and pharmaceutical drugs and challenging the price of these products and services. In addition, significant uncertainty exists as to the reimbursement status, if any, of newly approved pharmaceutical products. Further, the comparative effectiveness of new products over existing therapies and the assessment of other non-clinical outcomes are increasingly being considered in the decision by payers to establish reimbursement rates. We, or our licensees or collaborators if applicable, may also be required to conduct post-marketing clinical trials in order to demonstrate the cost-effectiveness of our products. Such studies may require us to commit a significant amount of management time and financial resources. We cannot assure you that any products we or our licensees or collaborators may successfully develop will be reimbursed in part, or at all, by any third-party payers in any country.

Many governments continue to propose legislation designed to expand the coverage, yet reduce the cost, of healthcare, including pharmaceutical products. In many foreign markets, governmental agencies control the pricing of prescription drugs. In the U.S., significant changes in federal health care policy were approved over the past several years and continue to evolve, and will likely result in reduced reimbursement rates for many pharmaceutical products in the future. We expect that there will continue to be federal and state proposals to implement increased government control over reimbursement rates of pharmaceutical products. In addition, we expect that increasing emphasis on managed care and government intervention in the U.S. healthcare system will continue to put downward pressure on the pricing of pharmaceutical products there. Recent events have resulted in increased public and governmental scrutiny of the cost of drugs, especially in connection with price increases following companies' acquisitions of the rights to certain drug products. In particular, U.S. federal prosecutors recently issued subpoenas to a pharmaceutical company seeking information about its drug pricing practices, among other issues, and members of the U.S. Congress have sought information from certain pharmaceutical companies relating to post-acquisition drug-price increases. Our revenue and future profitability could be negatively affected if these inquiries were to result in legislative or regulatory proposals that limit our ability to increase the prices of our products that may be approved for sale in the future. Legislation and regulations affecting the pricing of pharmaceutical products may change before our product candidates are approved for sale, which could further limit or eliminate their reimbursement rates. Further, social and patient activist groups, whose goal it is to reduce the cost of healthcare, and in particular the price of pharmaceutical products, may also place downward pressure on the price of these products, which could result in decreased prices of our products.

If any product candidates that we develop independently, or through licensees or collaborators if applicable, are approved but do not gain meaningful acceptance in their intended markets, we are not likely to generate significant revenues.

Even if our product candidates are successfully developed and we or a licensee or collaborator obtain the requisite regulatory approvals to market them in the future, they may not gain market acceptance or broad utilization among physicians, patients or third-party payers. The degree of market acceptance that any of our products may achieve will depend on a number of factors, including:

- the efficacy or perceived clinical benefit of the product, if any, relative to existing therapies;
- the timing of market approval and the existing market for competitive drugs, including the presence of generic drugs;
- the level of reimbursement provided by third-party payers to cover the cost of the product to patients;
- the net cost of the product to the user or third-party payer;
- the convenience and ease of administration of the product;
- the product's potential advantages over existing or alternative therapies;
- the actual or perceived safety of similar classes of products;
- the actual or perceived existence, incidence and severity of adverse effects;
- the effectiveness of sales, marketing and distribution capabilities; and
- the scope of the product label approved by the FDA or similar regulatory agencies in other jurisdictions.

There can be no assurance that physicians will choose to prescribe or administer our products, if approved, to the intended patient population. If our products do not achieve meaningful market acceptance, or if the market for our products proves to be smaller than anticipated, we may never generate significant revenues.

If we fail to enter into or maintain collaborations or other sales, marketing and distribution arrangements with third parties to commercialize our product candidates, or otherwise fail to establish marketing and sales capabilities in the future, we may not be able to successfully commercialize our products.

We currently have no infrastructure to support the commercialization of any of our product candidates, and have little, if any, experience in the commercialization of pharmaceutical products. Therefore, if we successfully develop any product candidate, and it is ultimately approved for sale, our future profitability will depend largely on our ability to access, arrange or develop suitable marketing and sales capabilities. We anticipate that we will need to establish relationships with other companies, through license, collaboration, commercialization or similar marketing and sales agreements, to successfully commercialize and market our product candidates in the U.S. and other countries around the world. To the extent that we enter into these types of agreements with other companies to sell, promote or market our products in the U.S. or abroad, our product revenues, which may be in the form of indirect revenue, a royalty, or a split of profits, may depend largely on the efforts of the other party, which may not be successful. In the event we decide to develop our own sales force and marketing capabilities, this may result in us incurring significant upfront costs to do so before we may generate any significant product revenues. We may not be able to attract and retain qualified third parties or marketing or sales personnel, or be able to establish marketing capabilities or an effective sales force.

Currency fluctuations and changes in exchange rates could increase our costs or lower our revenues.

We collect and pay a portion of our revenue and expenses in currencies other than the U.S. dollar. Fluctuations in foreign currency exchange rates can affect our operating results. We retain the majority of our cash and cash equivalents in U.S. dollars and utilize foreign currency accounts for collection and payment of revenues and expenses. Any significant foreign exchange rate fluctuations could adversely affect our financial position and results of operations.

Our employees, representatives or agents may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could expose us to financial, reputational or other harm.

Our employees, representatives or agents may engage in any fraud or other improper activities, including but not limited to:

- complying with FDA regulations or similar regulations of similar regulatory authorities in other countries;
- providing accurate information to the FDA or similar regulatory authorities in other countries;
- complying with manufacturing standards we or the FDA have established;
- complying with federal and state healthcare fraud and abuse laws and regulations or similar laws and regulations established and enforced by comparable foreign regulatory authorities;
- complying with the provisions of the Foreign Corrupt Practices Act; or
- reporting financial information or clinical or preclinical data accurately.

In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent these activities may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

Laws and regulations governing international operations may preclude us from developing, manufacturing and selling certain product candidates outside of the U.S. and require us to develop and implement costly compliance programs.

Because we have subsidiaries and conduct business outside of the U.S., we must comply with numerous laws and regulations in each jurisdiction in which we operate. The creation and implementation of international business practices compliance programs is costly and such programs are difficult to enforce, particularly where reliance on third parties is required.

The Foreign Corrupt Practices Act ("FCPA") includes provisions that prohibits any U.S. individual or business from paying, offering, authorizing payment or offering anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the U.S. to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the company, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations. The anti-bribery provisions of the FCPA are enforced primarily by the Department of Justice, while the SEC is involved with enforcement of the books and records provisions of the FCPA.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with the conduct of clinical studies and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the U.S., or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. Our operations outside of the U.S. require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the U.S., which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial penalties, including suspension or debarment from government contracting. Violation of the FCPA can result in significant civil and criminal penalties. Indictment alone under the FCPA can lead to suspension of the right to do business with the U.S. Government until the pending claims are resolved. Conviction for a violation of the FCPA can result in long-term disqualification as a government contractor. The termination of a government contract or relationship as a result of our failure to satisfy any of our obligations under laws governing international business practices could have a negative impact on our operations and harm our reputation and ability to procure government contracts. The SEC also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

If we are unable to adequately protect or expand our intellectual property related to our products, or current or future product candidates, our business prospects could be materially harmed.

Our business success depends in part on our ability to:

- obtain, maintain and protect our intellectual property rights;
- protect our trade secrets; and
- prevent others from infringing on our proprietary rights or patents.

We can protect our proprietary intellectual property rights from unauthorized use by third parties only to the extent that our proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. The patent position of pharmaceutical and biopharmaceutical companies involves complex legal and factual questions, and, therefore, we cannot predict with certainty whether we will be able to ultimately enforce our patents or proprietary rights, or avoid infringing on the patents or proprietary rights of others. Any issued patents that we own or otherwise have rights to may be challenged, invalidated or circumvented, and may not provide us with the protection against competitors that we anticipate.

The degree of future protection for our proprietary intellectual property rights is uncertain because issued patents and other legal means of establishing proprietary rights afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. Our future patent position will be influenced by the following factors:

- we, or our licensors, may not have been the first to discover the inventions covered by each of our or our licensors' pending patent applications and issued patents, and we may have to engage in expensive and protracted interference proceedings to determine priority of invention;
- our, or our licensors', pending patent applications may be denied and may not result in issued patents;
- our, or our licensors', issued patents may not provide a basis for commercially viable products, may not provide us with any competitive advantages, or may be challenged by third parties; and
- third parties may develop intellectual property that circumvents our or our licensors' patent claims or design competitive intellectual property and ultimately product candidates that fall outside the scope of our or our licensors' patents.

Due to the extensive time required for the development, testing and regulatory review and approval of a product candidate, it is possible that before a product candidate of ours may be approved for sale and commercialized, our relevant patent rights may expire, or such patent rights may remain in force for only a short period following marketing approval. We currently rely on certain patents to provide us and our licensees with exclusive rights for certain of our products. When all patents underlying a license expire, our revenue from that license may cease, and there can be no assurance that we will be able to replace it with revenue from new or existing licenses.

Zanamivir, a neuraminidase inhibitor approved for the treatment and prevention of influenza A and B, is marketed worldwide as Relenza® by GSK. Most of our Relenza® patents have expired and the only substantial remaining intellectual property related to the Relenza® patent portfolio, which is solely owned by us and exclusively licensed to GSK, is scheduled to expire in July 2019 in Japan. On May 12, 2015, we filed a request for rehearing from the PTAB in relation to the pending patent application No. 08/737,141 related to Relenza IP in the U.S. On June 23, 2015, the PTAB denied our request for a rehearing. We reported in September 11, 2015, that we have filed another appeal in relation to the pending patent application No. 08/737,141 related to Relenza® to the United States Court of Appeals for the Federal Circuit. On July 5, 2016, legal counsel for GSK presented oral arguments relating to inhalation treatment of influenza with Relenza® to the Federal Circuit Panel. While we cannot determine the duration or the outcome of this appeal process, or how long this patent application will remain pending, we believe that if this most recent appeal is unsuccessful, it is unlikely that the patent claims will ever be issued and that we will receive any further royalties.

LANI, a long acting NI for the treatment and prevention of influenza A and B, is currently marketed as Inavir® in Japan by Daiichi-Sankyo. The patent relating to the structure of LANI expires in 2017 in the U.S., the EU and Japan. The patent relating to hydrates and the crystalline form of LANI actually used in the product expires in 2021 (not including extensions) in the U.S. and EU and in 2024 in Japan. In February 2015, a patent containing claims relevant to the manufacture of Inavir® was issued in Japan and expires in December 2029. The dry-powder inhaler device patent portfolio, which includes TwinCaps®, is owned by Hovione International Limited ("Hovione") and is exclusively licensed to us and Daiichi Sankyo worldwide for the prevention and treatment of influenza and other influenza-like viral infections. These patents will expire in 2029 in the U.S., and in 2027 in the EU and Japan.

Vapendavir is an oral direct acting antiviral we are developing to treat HRV infections. We exclusively own the vapendavir patent portfolio, and issued claims under this portfolio will begin to expire in some countries in December 2021, not including extensions. Claims filed in recent patent applications related to a free-base form of vapendavir, if allowed, would extend coverage until 2034, without extensions, however we cannot make any assurance that these claims will be allowed.

BTA074 is a direct-acting antiviral we are developing as a topical treatment for genital warts caused by HPV 6 and 11. The patent containing composition of matter claims expires in the U.S. in 2029 without extensions. Pending U.S. patent applications related to pharmaceutical compositions and methods of synthesis of BTA074 if allowed, would extend coverage until 2033, without extensions, however we cannot make any assurance that these claims will be allowed.

We also own a patent portfolio focused on developing oral antivirals for RSV. Our RSV patent portfolio is comprised of a number of patent filings directed to several compound series, with the earliest projected expiries of such patents ranging from late-2024 to late-2031. Issued patent claims covering the BTA585 composition of matter will begin to expire in 2031 without extensions.

Patent rights may not provide us with adequate proprietary protection or competitive advantages against competitors with or developing similar technologies or approaches to ours. The laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the U.S., and certain countries may lack adequate rules and procedures for defending our intellectual property rights. For example, we may not be able to prevent a third party from infringing our patents in a country that does not recognize or enforce patent rights, or that imposes compulsory licenses on or restricts the prices of drugs. Changes in either patent laws or in interpretations of patent laws in the U.S. and other countries may diminish the value of our intellectual property. We may need to in-license certain technologies to successfully develop and commercialize our product candidates. We may not develop or obtain rights to products or processes that are patentable. Even if we or our licensors do obtain patents, such patents may not adequately protect the products or technologies licensed, or may otherwise be limited in scope. In addition, we may not have total control over the patent prosecution of subject matter that we license from others. Accordingly, we may be unable to exercise the same degree of control over this intellectual property as we would over our own. Others may challenge, seek to invalidate, infringe or circumvent any pending or issued patents we own or license, and rights we receive under those issued patents may not provide competitive advantages to us. We cannot assure you of the degree of protection that will be afforded by any of our issued or pending patents, or those licensed by us.

We cannot be sure that any patents will be issued from the patent applications we own or have licensed or, should any patents issue, that we will be provided with adequate protection against potentially competitive products. Furthermore, we cannot be sure that patents issued or licensed to us will be of any commercial value, or that private parties or competitors will not successfully challenge these patents or circumvent our patent position in the U.S. or abroad. In the absence of adequate patent protection, our business may be adversely affected by competitors who develop comparable technology or products.

If a third-party claims we are infringing on its intellectual property rights, we could incur significant expenses, or be prevented from further developing or commercializing our product candidates, which could materially harm our business.

Our success will also depend on our ability to operate without infringing the patents and other proprietary intellectual property rights of third parties. This is generally referred to as having the "freedom to operate." The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other intellectual property rights. The defense and prosecution of intellectual property claims, interference proceedings and related legal and administrative proceedings, both in the U.S. and internationally, involve complex legal and factual questions. As a result, such proceedings are lengthy, costly and time-consuming, and their outcome is highly uncertain. We may become involved in protracted and expensive litigation in order to determine the enforceability, scope and validity of the proprietary rights of others, or to determine whether we have the freedom to operate with respect to the intellectual property rights of others.

Patent applications in the U.S. are, in most cases, maintained in secrecy until approximately 18 months after the patent application is filed. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made. Therefore, patent applications relating to product candidates similar to ours may have already been filed by others without our knowledge. In the event that a third party has also filed a patent application covering our product candidate or other claims, we may have to participate in an adversarial proceeding, known as an interference proceeding, in the USPTO or similar proceedings in other countries, to determine the priority of invention. In the event an infringement claim is brought against us, we may be required to pay substantial legal fees and other expenses to defend such a claim and, if we are unsuccessful in defending the claim, we may be prevented from pursuing the development and commercialization of a product candidate and may be subject to injunctions and/or damage awards.

In the future, the USPTO or a foreign patent office may grant patent rights to our product candidates or other claims to third parties. Subject to the issuance of these future patents, the claims of which will be unknown until issued, we may need to obtain a license or sublicense to these rights in order to have the appropriate freedom to further develop or commercialize them. Any required licenses may not be available to us on acceptable terms, if at all. If we need to obtain such licenses or sublicenses, but are unable to do so, we could encounter delays in the development of our product candidates, or be prevented from developing, manufacturing and commercializing our product candidates at all. If it is determined that we have infringed an issued patent and do not have the freedom to operate, we could be subject to injunctions, and/or compelled to pay significant damages, including punitive damages. In cases where we have in-licensed intellectual property, our failure to comply with the terms and conditions of such agreements could harm our business.

It is becoming common for third parties to challenge patent claims on any successfully developed product candidate or approved drug. If we or our licensees or collaborators become involved in any patent litigation, interference or other legal proceedings, we could incur substantial expense, and the efforts and attention of our technical and management personnel could be significantly diverted. A negative outcome of such litigation or proceedings may expose us to the loss of our proprietary position or to significant liabilities, or require us to seek licenses that may not be available from third parties on commercially acceptable terms, if at all. We may be restricted or prevented from developing, manufacturing and selling our product candidates in the event of an adverse determination in a judicial or administrative proceeding, or if we fail to obtain necessary licenses.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information and may not adequately protect our intellectual property.

We also rely on trade secrets to protect our technology, especially where we do not believe patent protection is obtainable, or prior to us filing patent applications on any inventions we may make. However, trade secrets are difficult to protect. In order to protect our proprietary technology and processes, we also rely in part on confidentiality and intellectual property assignment agreements with our corporate and academic partners, employees, consultants, outside scientific collaborators and sponsored researchers and other advisors. These agreements may not effectively prevent disclosure of confidential information or result in the effective assignment to us of intellectual property, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information or other breaches of these agreements. In addition, others may independently discover our trade secrets and proprietary information, and in such case we may not be able to assert any trade secret rights against such party. Enforcing a claim that a third party illegally obtained and is using our trade secret is difficult, expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the U.S. may be less willing to protect trade secrets. Costly and time-consuming litigation could be necessary to seek to enforce and determine the scope of our proprietary rights, and our failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submissions, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary fee payments and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors fail to maintain the patents and patent applications covering our product candidates, our competitive position would be adversely affected.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees, including our senior management, were previously employed at other biotechnology or pharmaceutical companies. These employees typically executed proprietary rights, non-disclosure and non-competition agreements in connection with their previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any threatened or pending claims related to these matters, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

RISKS RELATED TO OWNING OUR COMMON STOCK

Our revenue, expenses and results of operations may be subject to significant fluctuations, which will make it difficult to compare our operating results from period to period.

Our revenues have historically been highly variable. Royalty revenues we earn are derived from the net sales of products used for the treatment and/or prevention of influenza. Influenza as a disease is seasonal and highly unpredictable, and sales of these products to treat influenza fluctuate in line with the nature and extent of the incidence and severity of influenza each season. Payments potentially due to us under our existing or any future collaborative arrangements, including any milestone and royalty payments, are generally intermittent in nature and are subject to significant fluctuation in both timing and amount, or may never be earned or paid at all. In addition, the returns of products to our licensees are taken into account in the calculation of net sales for purposes of calculating the royalty revenue we receive and the amount of such returns are in general unpredictable. Further, in May 2014 our contract with BARDA was terminated, such that we do not anticipate any future revenue, or cost of revenue, associated with that contract. Accordingly, our quarterly and annual revenue may be highly variable, and comparisons to previous periods may be difficult to make. Our historical and current revenues may not be indicative of our ability to achieve additional payment-generating milestones or royalties in the future, or vice versa. We expect that our operating results will also vary significantly from quarter-to-quarter and year-to-year as a result of the initiation and success or failure of preclinical studies or clinical trials we undertake, the timing of the formulation and manufacture of our product candidates, or other development-related factors and activities, as well as any business or corporate development activities we may undertake. Accordingly, our revenues, expenses and results of operations for any period, particularly over the next several quarters, may not be comparable to the revenues, expenses or results of operations for any other period.

The reporting requirements of being a company that is publicly traded on the NASDAQ Global Select Market (NASDAQ) increases our overall operating costs and subject us to further increased costs and regulatory risk that may negatively impact our business or our ability to raise capital in the future.

As a company that is publicly-traded on NASDAQ, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the listing requirements of NASDAQ. Further, Section 404 of the Sarbanes-Oxley Act requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, management must perform system and process evaluation and testing of our internal control over financial reporting to assess the effectiveness of our internal control over financial reporting and our independent auditor must perform its own assessment on our internal control over financial reporting. This testing is expensive and requires the attention of our limited management resources. The various financial reporting, legal, corporate governance and other obligations associated with being a company that is publicly traded on NASDAQ in the U.S. require us to incur significant expenditures and place additional demands and requirements on our board of directors ("Board of Directors"), executive officers, and other administrative, operational and financial personnel and resources. If we are unable to comply with these requirements in a timely and effective manner, we and/or our executive officers may be subject to sanctions by the SEC. We expect that we will continue to incur additional expenses as a result of being a company that is publicly traded on NASDAQ.

The price of our common stock price has been highly volatile, and your investment in us could suffer a decline in value.

The market price of our common stock has been and is likely to continue to be highly volatile and could be subject to wide fluctuations in response to various factors and events, including but not limited to:

- our ability to successfully advance our product candidates through preclinical and clinical development;
- disclosure of any favorable or unfavorable data from our preclinical studies or clinical trials, or other regulatory developments concerning our preclinical studies or clinical trials, the formulation and manufacturing of our product candidates, or those of our competitors;
- the approval or commercialization of new products by us or our competitors, and the disclosure thereof;
- novel scientific innovations by us or our competitors;
- rumors relating to us or our competitors;
- public concern about the safety or tolerability of our products, product candidates, or similar classes of compounds;
- litigation to which we may become subject;
- actual or anticipated variations in our quarterly or annual revenue or operating results;
- changes in general conditions or trends in the biotechnology and pharmaceutical industries;
- changes in drug reimbursement rates or government policies related to such reimbursement;
- significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;

- new regulatory legislation adopted in the U.S. or abroad;
- changes in patent legislation in the U.S. or abroad;
- our failure to achieve or meet equity research analysts' expectations or their estimates of our business or prospects, or a change in their recommendations concerning us, the value of our common stock or our industry in general;
- termination or delay in any of our existing or future license or collaboration arrangements;
- future sales of equity or debt securities, or the perception that such future sales may occur;
- the loss of our eligibility to have shares of our common stock traded on the NASDAQ Market or other listed markets due to our failure to maintain minimum listing standards;
- changes in accounting principles or a restatement of previously reported financial results;
- failure to comply with the periodic reporting requirements of publicly-owned companies under the Exchange Act and the Sarbanes-Oxley Act; and
- conditions in the economy generally and the capital markets in particular.

In addition, the stock market in general, and more specifically NASDAQ, which our common stock is traded, and the market for smaller biotechnology stocks in particular have historically experienced significant price and volume fluctuations. Volatility in the market price for a particular biotechnology company's stock has often been unrelated or disproportionate to the operating performance of that company. Market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. Due to this volatility, you may be unable to sell your shares of our common stock at or above the price you paid and you could lose all or part of your investment in us.

In order to develop our product candidates and support our operations beyond 12 months from June 30, 2016, we may need to raise additional capital. Such capital may not be available to us on acceptable terms, if at all, which could materially harm our financial condition, business and business prospects.

We believe that our existing cash, cash equivalents and investments of $69.0 million and our accounts receivable balance as of June 30, 2016, along with the anticipated proceeds from our existing royalty-bearing licenses for Relenza® and Inavir® will enable us to operate for a period of at least 12 months from June 30, 2016. This estimate assumes that we pursue our current strategy and continue the development of our existing product candidates. This estimate does not include the impact of any other significant transaction or change in our strategy or development plans in the near-future. We currently do not have any commitments for additional future funding, nor do we anticipate that we will generate any significant incremental revenue from the sale of any of our product candidates in the foreseeable future. Therefore, in order to meet our anticipated liquidity needs beyond twelve months to continue the development of our product candidates, or possibly sooner in the event we enter into other transactions, change our strategy or accelerate our development plans, we may need to secure additional capital. In the event we need to raise additional capital we expect to raise it primarily through the sale of our common stock or other equity securities, as well as through proceeds from future licensing agreements, strategic collaborations, forms of asset and debt financing, or any other financing vehicle we may enter into in the future. Funds from these sources may not be available to us on acceptable terms, if at all, and our failure to raise such funds could have a material adverse impact on our future business strategy, plans, financial condition and results of operations. If adequate capital is not available to us on acceptable terms in the future, we may be required to delay, reduce the scope of, or eliminate one or more of our research and development programs, or delay or curtail our preclinical studies and clinical trials. If additional capital is not available to us on acceptable terms, we may also need to obtain funds through license or collaborative arrangements, pursuant to which we would likely relinquish potentially valuable rights to certain of our product candidates that we might otherwise choose to develop or commercialize independently, or be forced to enter into such arrangements earlier than we would prefer, which would likely result in less favorable transaction terms. Additional equity financings may be dilutive to holders of our common stock, and debt financing, if available, may involve significant payment obligations and restrictive covenants that restrict how we operate our business.

The timing and extent of our future financing needs are uncertain and will depend on many factors, some of which are very difficult to predict or may be beyond our control, including:

- the variability of future royalty revenue we may receive under our existing royalty-bearing license agreements;
- the development timelines and plans for our product candidates, including any changes to those timelines, plans or our strategy;
- the variability, timing and costs associated with conducting clinical trials for our product candidates, the rate of enrollment in such clinical trials, and the results of these clinical trials:
- the variability, timing and costs associated with conducting preclinical studies, and the results of these studies;
- the cost of scaling up, formulating and manufacturing preclinical and clinical trial materials to evaluate our product candidates;
- whether we receive regulatory approval to advance the clinical development of our product candidates in a timely manner, if at all;
- the cost and time to obtain regulatory approvals required to advance the development of our product candidates;
- the scope and size of our research and development efforts;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish in the future;
- the cost to maintain a corporate infrastructure to support being a company that is publicly traded in the U.S. on NASDAQ; and
- the cost of filing, prosecuting, and enforcing patent and other intellectual property claims.

Future issuances of shares of our common stock may cause our stock price to decline, even if our business is doing well.

The sale and issuance of additional shares of our common stock, or the perception that such future sales could occur, including any sales by our directors, executive officers, and other insiders or their affiliates, could materially and adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities at a price we deem appropriate.

If we raise additional capital in the future, your level of ownership in us could be diluted or we could be required to relinquish certain rights.

Any issuance of securities we may undertake in the future to raise additional capital could cause the price of our common stock to decline, or require us to issue shares at a price that is lower than that paid by holders of our common stock in the past, which would result in those newly issued shares being dilutive. Further, if we obtain funds through a debt financing or through the issuance of debt or preferred securities, these securities would likely have rights senior to your rights as a common stockholder, which could impair the value of our common stock. The terms of any debt financing we enter into may include covenants that limit our flexibility in conducting our business. We also could be required to seek funds through arrangements with collaborators or others, which might require us to relinquish valuable rights to our intellectual property or product candidates that we would have otherwise retained.

We do not anticipate paying cash dividends in the foreseeable future, and accordingly, you must rely on appreciation in the price of our common stock for any return on your investment in us.

We anticipate that we will retain our earnings, if any, for future growth and therefore do not anticipate paying cash dividends in the foreseeable future. As a result, our common stock will likely only provide a return to stockholders in the event there is appreciation in its price.

Our certificate of incorporation, our bylaws, and the laws of Delaware contain provisions that could discourage, delay or prevent a change in our control or in our management.

Certain provisions of our restated certificate of incorporation, our bylaws and the laws of Delaware, the state in which we are incorporated, may discourage, delay or prevent a change in control of us or a change in our directors or management that stockholders may consider favorable. These provisions:

- allow the authorized number of directors to be changed only by resolution of our Board of Directors;
- provide that our stockholders may remove our directors only for cause;
- authorize our Board of Directors to issue without stockholder approval, up to 5,000,000 shares of preferred stock, the rights of which will be determined at the discretion of the Board of Directors that, if issued, could operate as a “poison pill” to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that is not approved by our Board of Directors;
- establish advance notice requirements for stockholder nominations to our Board of Directors or for stockholder proposals that can be acted on at stockholder meetings;
- limit who may call stockholder meetings; and
- contain a fair price provision.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, in particular those owning 15% or more of the voting rights of our common stock, from merging or combining with us for a prescribed period of time. These provisions could discourage proxy contests and make it more difficult for you and other stockholders to remove and elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of our common stock has been and may continue to be volatile, and in the past companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable rating, about our business, our stock price and trading volume could decline.

The trading market for our common stock is influenced by independent research and reports that securities or industry analysts publish about us or our business from time to time. There can be no assurance that analysts will continue to cover us or provide favorable ratings. If any analysts who cover us downgrade our stock, change their opinion of our stock or disseminate negative information regarding our business, our share price may decline. If any analysts cease coverage of our company, or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

RISKS RELATED TO OTHER ASPECTS OF OUR BUSINESS

If a product liability claim is successfully brought against us for uninsured liabilities, or such claim exceeds our insurance coverage, we could be forced to pay substantial damage awards that could materially harm our business.

The use of any of our existing or future product candidates in clinical trials and the sale of any approved pharmaceutical products may expose us to significant product liability claims. We currently have product liability insurance coverage for our ongoing clinical trials in the amount of $15 million. Further, we also require clinical research and manufacturing organizations that assist us in the conduct of our clinical trials or manufacture materials used in these trials to carry product liability insurance against such claims. This insurance coverage may not protect us against any or all of the product liability claims that may be brought against us in the future. We may not be able to acquire or maintain adequate product liability insurance coverage at a commercially reasonable cost or in sufficient amounts or scope to protect us against potential losses. In the event a product liability claim is brought against us, we may be required to pay legal and other expenses to defend the claim, as well as uncovered damage awards resulting from a claim brought successfully against us. In the event any of our product candidates are approved for sale by the FDA or similar regulatory authorities in other countries and commercialized, we may need to substantially increase the amount of our product liability coverage. Defending any product liability claim or claims could require us to expend significant financial and managerial resources, which could have an adverse effect on our business.

Our ability to use our net operating loss carry forwards to reduce taxable income generated in the future could be substantially limited or eliminated.

Our ability to use our net operating losses in the U.S., Australia, France and the United Kingdom is subject to limitations and re-assessment due to ownership changes that have occurred, or that could occur in the future. Depending on the actual amount of any limitation on our ability to use our net operating loss carry forwards, a significant portion of our future taxable income could be taxable. Additionally, tax law limitations may result in our net operating losses expiring before we have the ability to use them. In addition, financing and acquisition transactions that we may enter into in the future could significantly limit or eliminate our ability to realize any value from our net operating losses.

Our internal computer systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our drug development programs.

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing clinical trials for any of our product candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breaches were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our product candidates could be delayed.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

Not applicable.

ITEM 2. ***PROPERTIES***

We have entered into an operating lease for office space in Alpharetta, Georgia through February 2021. The total annual rent expense under this lease is approximately $0.3 million. We do not own any real property. We believe that our facilities are adequate for our current business as conducted, as well as our expected business for the foreseeable future.

ITEM 3. ***LEGAL PROCEEDINGS***

We may from time to time become subject to various claims and legal actions during the ordinary course of our business. We are not party to any legal proceedings at the date of filing of this Annual Report on Form 10-K.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our common stock trades on the NASDAQ Global Select Market under the symbol "AVIR." On September 8, 2016, we had 6,769 common stockholders of record. This figure does not represent the actual number of beneficial owners of common stock because shares are generally held in "street name" by securities dealers and others for the benefit of individual owners who may vote the shares.

The following table shows the range of high and low sales prices for our common stock for each completed fiscal quarter since June 30, 2014.

	Price	
Fiscal year ended June 30, 2016	**High**	**Low**
First Quarter	$ 2.66	$ 1.70
Second Quarter	2.31	1.73
Third Quarter	2.27	1.23
Fourth Quarter	1.99	1.32
Fiscal year ended June 30, 2015		
First Quarter	3.44	2.10
Second Quarter	2.59	2.15
Third Quarter	3.00	2.20
Fourth Quarter	2.53	1.94

Securities Authorized for Issuance under Equity Compensation Plans

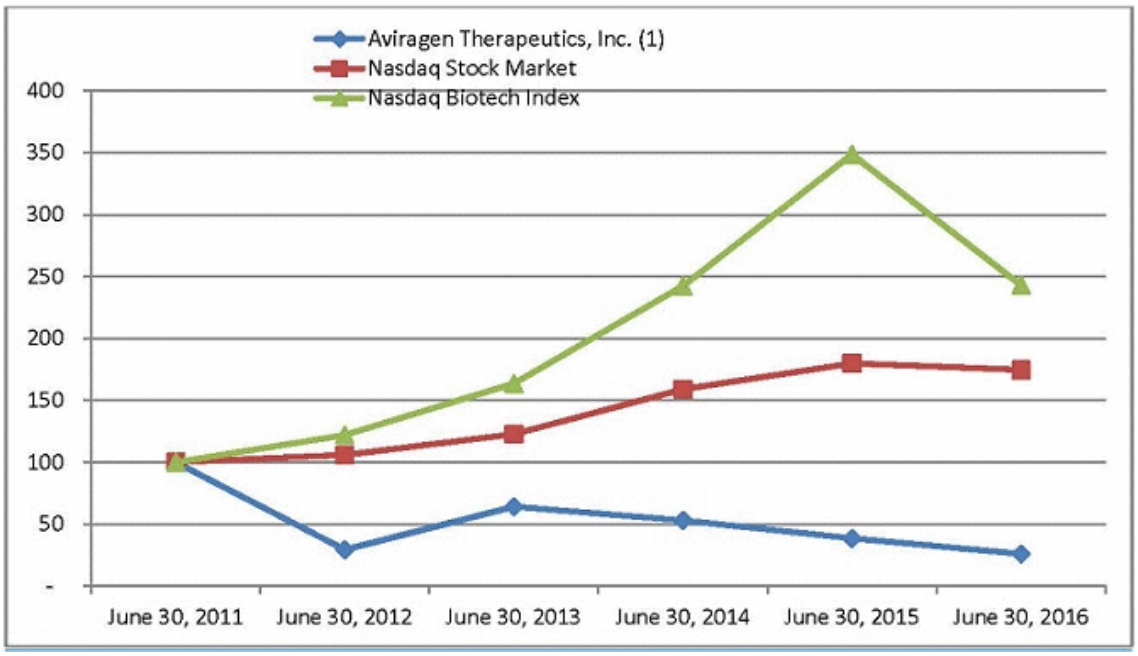
For certain information concerning securities authorized for issuance under our 2007 Omnibus Equity and Incentive Plan, see Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Dividend Policy

We have not paid or declared any dividends on our common stock in either of the two most recent fiscal years, and we do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain any earnings we may generate to fund our product development, operations and future growth. Any future determination to pay a dividend will be at the sole discretion of our Board of Directors, and will depend upon a number of factors, including our results of operations, capital requirements, financial condition, future prospects, contractual arrangements, restrictions imposed by applicable law, any limitations on payments of dividends present in any debt arrangements we may enter into in the future and other factors our Board of Directors may deem relevant.

Comparative Stock Performance

The following graph assumes $100 invested on June 30, 2011 into Aviragen Therapeutics, Inc., Nasdaq stock market index and Nasdaq Biotech index and related information should not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.



	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Aviragen Therapeutics, Inc. (1)	$ 100	$ 29	$ 64	$ 53	$ 38	$ 26
Nasdaq Stock Market	$ 100	$ 106	$ 123	$ 159	$ 180	$ 175
Nasdaq Biotech Index	$ 100	$ 122	$ 164	$ 242	$ 349	$ 243

Assumes $100 invested on June 30, 2011.

(1) Aviragen Therapeutics, Inc. (formerly Biota Pharmaceuticals, Inc.) stock performance includes Nabi Pharmaceuticals, Inc. stock performance from June 30, 2011 to November 7, 2012.

Issuer Purchases of Equity Securities

There were no stock repurchases or other purchases of equity securities by the Company during the fourth quarter ended June 30, 2016.

ITEM 6. ***SELECTED FINANCIAL DATA***

The following consolidated financial data as of June 30, 2016, 2015, and 2014 are from our audited consolidated financial statements appearing elsewhere in this Annual Report. The following consolidated financial data for June 30, 2013 and 2012 are derived from our audited consolidated financial statements not included in this Annual Report. This data should be read in conjunction with our audited consolidated financial statements and related notes, which are included elsewhere in this Annual Report on Form 10-K, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 below.

	Years Ended June 30,				
	2016	2015	2014	2013	2012
	(in millions, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenues	$ 9.3	$ 24.6	$ 68.7	$ 33.6	$ 20.4
Operating expense:					
Cost of revenue	-	3.6	51.1	20.4	9.9
Research and development	26.3	19.8	17.5	19.2	24.1
In-process research and development	-	17.6	-	-	-
General and administrative	8.0	9.4	10.2	18.0	9.4
Foreign exchange (gain) loss	0.2	(6.5)	1.4	(1.9)	(0.1)
Loss on disposal of assets	-	0.2	-	-	-
Total operating expense	34.5	44.1	80.2	55.7	43.3
Operating loss	(25.2)	(19.5)	(11.5)	(22.1)	(22.9)
Total non-operating income, net	(0.2)	0.3	0.2	13.3	3.2
Income tax benefit (expense)	-	0.1	0.3	(0.1)	0.5
Net loss	$ (25.4)	$ (19.1)	$ (11.0)	$ (8.9)	$ (19.2)
Net loss per common share:					
Basic and Diluted	$ (0.66)	$ (0.54)	$ (0.35)	$ (0.32)	$ (0.85)
Weighted average number of shares used in per common share calculations:					
Basic and Diluted	38,635,452	35,360,841	31,347,888	28,217,515	22,713,566

	As of June 30,				
	2016	2015	2014	2013	2012
			(in millions)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents and investments	$ 69.0	$ 65.5	$ 91.7	$ 66.8	$ 53.8
Total assets	72.7	79.4	114.0	85.8	69.3
Total liabilities	26.5	9.9	27.1	17.8	10.0
Total stockholders' equity	46.2	69.5	86.9	68.0	59.3

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

You should read this discussion together with the audited financial statements, related notes and other financial information included elsewhere in this Form 10-K. The following discussion contains assumptions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under "Risk Factors," "Special Note on Forward-Looking Statements" and elsewhere in this Annual Report on Form 10-K. These risks could cause our actual results to differ materially from those anticipated in these forward-looking statements.

References to "we," "us," and "our" refer to Aviragen Therapeutics, Inc. and its consolidated subsidiaries. References to "Notes" refer to the Notes to Consolidated Financial Statements included herein (refer to Item 8).

Overview

We are focused on the discovery and development of direct-acting antivirals to treat infections that have limited therapeutic options and affect a significant number of patients globally. We have three product candidates in active clinical development: vapendavir, an oral treatment for human rhinovirus ("HRV") upper respiratory infections in moderate-to-severe asthmatics currently being evaluated in the Phase 2b SPIRITUS trial; BTA585, an oral fusion protein inhibitor that has received Fast Track designation by the U.S. Food and Drug Administration ("FDA"), in Phase 2 development for the treatment and prevention of respiratory syncytial virus ("RSV") infections; and BTA074, a topical antiviral treatment in Phase 2 development for condyloma caused by human papillomavirus types 6 and 11. We also have preclinical RSV non-fusion inhibitor program that we believe complements our F-protein inhibitor BTA585.

Although several of our influenza product candidates have been successfully developed and commercialized to-date by other larger pharmaceutical companies under license, collaboration or commercialization agreements with us, we have not independently developed or received regulatory approval for any product candidate, and we do not currently have any sales, marketing or commercial capabilities. Therefore, it is possible that we may not derive any significant product revenues from any product candidates that we are developing now, or may develop in the future. We expect to incur losses for the foreseeable future as we intend to support the clinical and preclinical development of our product candidates.

We plan to continue to finance our operations with (i) our existing cash, cash equivalents, and investments (ii) proceeds from existing or potential future royalty-bearing licenses, collaborative research and development arrangements, (iii) future equity and/or forms of asset and debt financing or (iv) other financing arrangements. Our ability to continue to support our operations is dependent, in the near-term, upon our successful management of our cash resources, our continuing to receive royalty revenue under our existing licenses, our ability to enter into future collaboration, license or commercialization agreements, the successful development of our product candidates, our ability to execute future financings, if needed, and ultimately, upon the approval of our products for sale and achievement of positive cash flows from operations on a consistent basis. There can be no assurance that additional capital or funds will be available on terms acceptable to us, if at all, or that we will be able to enter into collaboration, license or commercialization agreements in the future, or that we will ever generate significant product revenue and become operationally profitable on a consistent basis.

Recent Corporate Developments

Vapendavir Phase 2b SPIRITUS Trial Ongoing. The multi-center, randomized, double-blind, placebo-controlled dose-ranging SPIRITUS trial is designed and powered to equally randomize approximately 190 laboratory-confirmed HRV infected patients across three treatment arms. The primary endpoint of the trial is the change from baseline to study day 14 in asthma symptoms and lung function as measured by the asthma control questionnaire-6 (ACQ-6) total score. Key secondary endpoints include safety and tolerability, specific lung function assessments such as forced expiratory volume in one second, forced vital capacity, peak expiratory flow, daily ß2-agonist use and the incidence of moderate and severe asthma exacerbations. We are currently more than 90% enrolled and we anticipate top-line data from this trial to be available around the end of calendar year 2016.

Vapendavir Phase 1 Bioavailability Trial. In 2016, we initiated a single-center, open-label, three-period comparative bioavailability study in healthy volunteers to assess the comparability of the vapendavir phosphate salt capsule, and two new formulations of vapendavir free base in the forms of an oral suspension and tablet. Forty-six (46) subjects completed three periods of dosing and the plasma pharmacokinetic results indicated that the bioavailability of the oral suspension and tablet formulations were comparable to the capsule form of vapendavir. The oral suspension formulation is intended to enable the conduct of future pediatric trials, and the tablet formulation will allow an increase in manufacturing scale appropriate for Phase 3 trials and commercial development.

BTA585 Phase 2a Challenge Study Ongoing. We commenced our Phase 2a Challenge study in April 2016. The double-blind, placebo-controlled, Phase 2a trial is designed to evaluate the safety, pharmacokinetics, and antiviral activity of orally-dosed BTA585 in healthy volunteers challenged intranasally with RSV. The primary endpoint of the study is area under the curve for the viral load in nasal wash among subjects who test positive for RSV prior to dosing. In May 2016, we voluntarily delayed enrollment as a result of receiving a lab report from one subject that showed an increase in a cardiac enzyme level, coupled with transient ECG changes. At that time, we received verbal communication from the U.S. FDA that the IND application for BTA585 had been placed on hold for clinical studies being conducted in the U.S. under the IND. In July 2016, we reported that we resumed enrollment in its Phase 2a challenge study of BTA585 after receiving MHRA and Ethics Committee approval to resume enrollment and dosing in the Phase 2a trial. We anticipate that top-line data will be available around the end of calendar year 2016. We also reported that we received written confirmation from the FDA of the previously announced clinical hold of the IND application for BTA585. The Company plans to submit a complete response to the FDA during the first quarter of 2017, including requested data from additional rodent studies.

BTA074 Phase 2 Trial Ongoing. The Phase 2 double-blind, randomized, placebo-controlled trial is designed to evaluate the safety, tolerability and efficacy of BTA074 5% gel in male and female patients with condyloma, or anogenital warts, caused by human papillomavirus ("HPV") types 6 & 11. We currently expect to report top-line data of the trial in the second half of 2017.

Completed Royalty Deal with Healthcare Royalty Partners for Proceeds of $20 Million. In April 2016, received gross proceeds of $20 million from HealthCare Royalty Partners from the sale of a portion of the Company's royalty rights related to Inavir®, an inhaled neuraminidase inhibitor that is approved in Japan for the treatment and prevention of influenza.

Transitioned Company Name to Aviragen Therapeutics, Inc. (NASDAQ:AVIR) from Biota Pharmaceuticals, Inc. The name change reflects the strategic shift from the organization's prior focus on drug discovery and early-stage licensing to clinical development of next generation direct-acting antivirals to treat infections that have limited therapeutic options.

Financial Operations Overview

Revenue. We have historically generated revenue primarily from royalty payments and payments for services performed pursuant to contracts, such as the terminated BARDA contract. Revenues are earned when the underlying service is rendered and all contingencies have been satisfied. Revenue for royalties is recognized when the net sales of the underlying product by the relevant third party, including actual or estimated returns within the royalty period based on agreement, are determinable. In fiscal 2017, we anticipate our royalty revenues will be lower than in fiscal 2016, due to the sale of a portion of the royalty rights of Inavir® during fiscal 2016 and due to the fact that most of our Relenza® issued patents have expired with the only substantial remaining intellectual property related to the Relenza® patent portfolio scheduled to expire in July 2019 in Japan. GSK has verified that we will continue to receive royalties on the net sales of Relenza® in the U.S. to the extent that U.S. Patent Application No. 08/737,141 remains pending. We are unable at this time to determine the duration or final outcome of this appeal process, or how long this patent application will remain pending, and how long we might continue to receive royalty revenue from net sales of Relenza® in the U.S. during our 2017 fiscal year.

Cost of Revenue. Cost of revenue represents expenses incurred by us in performing services and activities pursuant to government contracts. Cost of revenue, which historically related to the terminated BARDA contract, includes, but is not limited to, the cost of third-party service providers incurred in connection with conducting external preclinical studies and treating patients enrolled in clinical trials and monitoring, accumulating and evaluating the related clinical data; salaries and personnel-related expenses for our internal staff allocated to the contract, including benefits; and, the cost to develop, formulate and manufacture product candidates directly allocated to the contract. Cost of Revenue is expensed as incurred. In fiscal 2016, we did not record any cost of revenue and do not anticipate to record any cost of revenue in fiscal 2017.

Research and Development Expense. Research and development expense represents the cost of activities associated with the discovery, preclinical development, and clinical development of our product candidates other than those captured under Cost of revenue. These costs include, but are not limited to, fees paid to third-party service providers in connection with conducting external preclinical studies and clinical trials, monitoring, accumulating and evaluating the related preclinical and clinical data; salaries and personnel-related expenses for our internal staff, including benefits and share-based compensation; the cost to develop, formulate and manufacture product candidates; external research and chemistry, consulting fees; license expenses and sponsored research fees paid to third parties; outsourced cost of specialized information systems to evaluate and monitor our programs; depreciation; and laboratory facility costs. Research and development costs are expensed as incurred.

We anticipate that our research and development expense will increase in fiscal 2017, as compared to 2016, primarily based on: our plans for the continuation, until its expected completion around the end of calendar year 2016 of vapendavir Phase 2 clinical trial in patients with moderate and severe asthma with a presumptive HRV infection; the continuation of our Phase 2a challenge study for our RSV compound, BTA585, for the treatment of RSV, which is expected to report top line data around the end of calendar year 2016 and the continuation of our Phase 2 CT4 clinical trial for BTA-074 for the treatment of genital warts. Due to the early stage nature of our programs, our research and development expense may be highly variable in future periods depending on the results and timing of these activities. From time-to-time, we will make determinations as to how much funding or resources to direct to these programs in response to their scientific, clinical and regulatory status, anticipated market opportunity and the availability of capital to fund our programs.

A discussion of the risks and uncertainties associated with the development of our existing or future product candidates, is set forth in the "Risk Factors" section of this Form 10-K.

In-Process Research and Development ("IPR&D") Expense. IPR&D expense and other charges represent impairments and other costs associated with product candidates under development that have not received regulatory approval for marketing at the time of acquisition. IPR&D acquired through an asset acquisition is written off at the acquisition date if the assets have no alternative future use. IPR&D acquired in a business combination is capitalized as indefinite-lived intangible assets (irrespective of whether these assets have an alternative future use) until completion or abandonment of the related research and development activities. Costs associated with the development of acquired IPR&D assets are expensed as incurred.

We did not record IPR&D charges in fiscal 2016. In fiscal 2015, we recorded a charge of $17.6 million due to the write-off of an IPR&D asset related to the acquisition of Anaconda Pharma. The IPR&D project is BTA074, a patented, direct-acting antiviral in development for the treatment of genital warts, which are caused by HPV types 6 and 11. The transaction also includes additional contingent financial consideration of up to $30.0 million, which is based on the successful achievement of certain future clinical and regulatory milestones, plus a royalty that was deemed not probable based on the current status of the BTA074 compound. If and when these contingent considerations are probable, the effect of a change in estimate will be accounted in the period of change by recording a cumulative catch-up adjustment to retroactively apply the new estimate in accordance with generally accepted accounting principles in the U.S ("U.S. GAAP").

General and Administrative Expense. General and administrative expense reflects the costs incurred to manage and support our research and development activities, operations, contracts, and status as a publicly-traded company. General and administrative expense consists primarily of salaries and personnel-related expenses, including share-based compensation for personnel in executive, finance, information technology, business development and human resources functions. Other significant costs include professional fees for legal, auditing, tax, and consulting services, insurance premiums, other expenses incurred as a result of being a company that is publicly traded, depreciation and facility expenses. In fiscal 2017, we anticipate our general and administrative expense to remain essentially constant compared to our 2016 levels.

Foreign Exchange (Gain) or Loss. Foreign exchange (gain) or loss primarily relates to remeasurement of foreign currency balances in our subsidiaries that have a different functional currency than the reporting currency of the parent per Accounting Standards Codification (ASC) 830, *Foreign Currency Matters*. We re-measure all of our foreign assets and liabilities at the period-end exchange rate and the net effect of these translation adjustments is shown as a foreign currency loss or gain. In April 2015, we changed the functional currency of our subsidiaries to the U.S. dollar. Due to the change in functional currency in fiscal 2015, we expect our foreign exchange (gain) or loss in fiscal 2017 to be minimal in comparison to historical levels.

Other Income (Expense). Other income (expense) has historically consisted of the proceeds from the gain or loss on the disposal of equipment and interest income, which consists of interest earned on our cash, cash equivalents, and short-term and long-term investments.

Critical Accounting Policies and Estimates

This discussion and analysis of our current financial condition and historical results of operations are based on our audited financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of our financial statements requires us to make estimates and judgments with respect to the selection and application of accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. We believe the following critical accounting policies are important in understanding our financial statements and operating results.

Use of Estimates. The preparation of our financial statements in conformance with U.S. GAAP requires us to make estimates and judgments with respect to the selection and application of accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. We base our estimates on historical experience, current economic and industry conditions, and various other factors that we believe to be reasonable at the time, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities. Actual future results may differ from these estimates under different assumptions or conditions.

Revenue Recognition. Revenue from royalties is recognized when the net sales of the underlying product by the relevant third-party licensee, including actual or estimated returns within the royalty period based on agreement, are determinable. Revenue from services performed pursuant to a contract is generally recognized as revenue when earned, typically when the underlying services or activities are rendered.

Non-Cash Interest Expense on Liability Related to Sale of Future Royalties. In April 2016, we sold certain royalty rights related to the approved product Inavir®, sold by Daiichi Sankyo in the Japanese market, for $20 million to HealthCare Royalty Partners III, L.P. ("HCRP"). Under the relevant accounting guidance, due to a limit on the amount of royalties that HCRP can earn under the arrangement, this transaction was accounted for as a liability that will be amortized using the interest method over the life of the arrangement. We have no obligation to pay any amounts to HCRP other than to pass through to HCRP its share of royalties as they are received from Daiichi Sankyo. In order to record the amortization of the liability, we are required to estimate the total amount of future royalty payments to be received under the License Agreement and the payments that will be passed through to HCRP over the life of the agreement. The sum of the pass through amounts less the net proceeds we received will be recorded as non-cash interest expense over the life of the liability. Consequently, we impute interest on the unamortized portion of the liability and record non-cash interest expense using an imputed effective interest rate. We will periodically assess the expected royalty payments, and to the extent such payments are greater or less than our initial estimate, we will adjust the amortization of the liability and interest rate. As a result of this accounting, even though we do not retain HCRP's share of the royalties, we will continue to record non-cash revenue related to those royalties until the amount of the associated liability and related interest is fully amortized.

Accrued Expenses. The preparation of our financial statements requires us to estimate expenses that we believe have been incurred, but for which we have not yet received invoices from our vendors and for employee services that we have not yet made payment. This process primarily involves identifying services and activities that have been performed by third-party vendors on our behalf and estimating the level to which they have been performed and the associated cost incurred for such service as of each balance sheet date. Examples of expenses for which we generally accrue based on estimates include fees for services, such as those provided by clinical research and data management organizations and investigators in conjunction with the conduct of our clinical trials, research organizations that perform preclinical studies, and fees owed to contract manufacturers in connection with the formulation or manufacture of materials for our preclinical studies and clinical trials. In order to estimate costs incurred to-date and evaluate the adequacy of a related accrued liability, we monitor and analyze the progress and related activities, under the terms of the underlying contract or agreement, any invoices received and the budgeted costs. We make these estimates based upon the facts and circumstances known to us at the time and in accordance with U.S. GAAP.

Share-Based Compensation. We use the Black-Scholes method to estimate the value of stock options granted to employees and directors. Our forfeiture rate is based on historical experience as well as anticipated turnover and other qualitative and quantitative factors, which may change over time. Also, we have used in the past a lattice model with a Monte Carlo simulation to value the grants of market stock units ("MSUs"). This valuation methodology utilizes several key assumptions, including the average closing stock price on the grant date, expected volatility of the Company's stock price, risk-free rates of return and expected dividend yield. There may be adjustments to future periods if actual forfeitures differ from current estimates. Our time-based awards are issued with graded vesting. The compensation cost of these graded vesting awards is recognized using the straight-line method.

In-Process Research and Development Expense. IPR&D expense and other charges represent impairments and other costs associated with product candidates under development that have not received regulatory approval for marketing at the time of acquisition. IPR&D acquired through an asset acquisition is written off at the acquisition date if the assets have no alternative future use. IPR&D acquired in a business combination is capitalized as indefinite-lived intangible assets (irrespective of whether these assets have an alternative future use) until completion or abandonment of the related research and development activities. Costs associated with the development of acquired IPR&D assets are expensed as incurred.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued guidance on the balance sheet classification of deferred taxes which eliminates the current requirement to present deferred tax assets and liabilities as current and noncurrent in a classified balance sheet and now requires entities to classify all deferred tax assets and liabilities as noncurrent. This guidance is effective for the Company's fiscal year ended September 2018. Early adoption is permitted. The Company prospectively adopted the guidance immediately which resulted in the offset of $0.5 million of deferred tax assets and liabilities from the condensed consolidated balance sheet at December 31, 2015. The Company did not make any changes to prior periods.

In August 2014, the FASB issued authoritative accounting guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. This guidance is effective for annual reporting beginning after December 15, 2016, including interim periods within the year of adoption, with early application permitted. Accordingly, the standard is effective for the Company on July 1, 2017. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued authoritative accounting guidance related to revenue from contracts with customers. This guidance is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This guidance is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Accordingly, the Company will adopt this guidance on July 1, 2017. Companies may use either a full retrospective or a modified retrospective approach to adopt this guidance. The Company is evaluating which transition approach to use and its impact, if any, on its consolidated financial statements.

In January 2016, the FASB issued guidance related to financial instruments - overall recognition and measurement of financial assets and financial liabilities. The guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The update to the standard is effective for public companies for interim and annual periods beginning after December 15, 2017. Accordingly, the standard is effective for the Company on July 1, 2018. The Company is currently evaluating the impact that the standard will have on the consolidated financial statements.

In February 2016, the FASB issued new guidance on leases. This guidance replaces the prior lease accounting guidance in its entirety. The underlying principle of the new standard is the recognition of lease assets and lease liabilities by lessees for substantially all leases, with an exception for leases with terms of less than twelve months. The standard also requires additional quantitative and qualitative disclosures. The guidance is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The standard requires a modified retrospective approach, which includes several optional practical expedients. Accordingly, the standard is effective for the Company on July 1, 2019. The Company is currently evaluating the impact that this guidance will have on the consolidated financial statements.

In March 2016, the FASB issued guidance on stock compensation: improvements to employee share-based payment accounting as part of the FASB simplification initiative. The new standard provides for changes to accounting for stock compensation including 1) excess tax benefits and tax deficiencies related to share based payment awards will be recognized as income tax expense in the reporting period in which they occur; 2) excess tax benefits will be classified as an operating activity in the statement of cash flow; 3) the option to elect to estimate forfeitures or account for them when they occur; and 4) increase tax withholding requirements threshold to qualify for equity classification. The guidance is effective for public companies for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, and early adoption is permitted. Accordingly, the standard is effective for the Company on July 1, 2017. The Company is currently evaluating the impact that the guidance will have on the consolidated financial statements.

Results of Operations

Fiscal Years Ended June 30, 2016 and 2015

Summary. For the fiscal year ended June 30, 2016, we reported a net loss of $25.4 million as compared to a net loss of $19.1 million for the prior fiscal year ended June 30, 2015. Basic and diluted net loss per share was $0.66 for the fiscal year ended June 30, 2016, as compared to a basic and diluted net loss per share of $0.54 for the fiscal year ended June 30, 2015. We expect to incur losses for the foreseeable future as we intend to support the clinical and preclinical development of our product candidates. The following commentary provides details underlying changes from the last fiscal year in the major line items of our statement of operations:

Revenue. Revenue decreased to $9.3 million for the fiscal year ended 2016 from $24.6 million in 2015. The following table summarizes the key components of our revenue in the fiscal years ended June 30, 2016 and 2015:

	Fiscal Year Ended June 30,	
	2016	2015
	(in millions)	
Royalty revenue – Relenza®	$ 4.8	$ 11.4
– Inavir®	4.3	4.8
Non-cash royalty revenue related to sale of future royalties to HCRP	0.2	-
Revenue from contract services	—	8.4
Total revenue	$ 9.3	$ 24.6

Royalty revenue decreased primarily due to a larger Relenza® government stock pile order received in fiscal 2015 and lower seasonal sales of Relenza® and Inavir® in 2016 due to a mild flu season as compared to fiscal 2015. Revenue from services decreased due to the cancellation of our service contract with BARDA in May 2014. On April 22, 2016, we sold certain royalty rights related to the approved product Inavir® in the Japanese market for $20 million to HeathCare Royalty Partners III, L.P. ("HCRP"). This transaction was accounted for as a liability that will be amortized using the interest method over the life of the arrangement. As a result of this accounting, even though we did not retain the related royalties under the transaction as the amounts are remitted to HCRP, we will continue to record revenue related to these royalties until the amount of the associated liability and related interest is fully amortized. The non-cash royalty revenue recorded in 2016 was $0.2 million.

Cost of Revenue. Cost of revenue decreased to zero for fiscal year 2016 from $3.6 million in fiscal 2015. Cost of revenue in 2015 was incurred for the development of LANI under the BARDA contract, which has since been terminated.

Research and Development Expense. Research and development expense increased to $26.3 million in fiscal 2016 from $19.8 million in fiscal 2015. The following table summarizes the components of our research and development expense for the fiscal years ended June 30, 2016 and 2015:

	Fiscal Year Ended June 30,	
	2016	2015
	(in millions)	
Direct preclinical, clinical and product development expenses	$ 21.2	$ 11.1
Salaries, benefits and share-based compensation expenses	4.0	5.8
Other expenses	0.8	0.8
Depreciation and facility related expenses	0.3	2.1
Total research and development expense	$ 26.3	$ 19.8

Direct preclinical, clinical and product development expense increased largely due to the ongoing costs of the Phase 2b SPIRITUS clinical trial for vapendavir, the introduction of BTA585 into clinical trials this year, including the Phase 1 SAD and MAD trials and startup expenses for the Phase 2a challenge trial that was initiated in April 2016, and expenses for the Phase 2 clinical trial for BTA074 that was initiated in February 2016. Salaries, benefits and share-based compensation, as well as depreciation and facility related expenses decreased primarily due to the closure of our early stage research facility in March 2015.

In-Process Research and Development Expense. IPR&D was zero for fiscal 2016 as compared to $17.6 million for fiscal 2015, which was related to the acquisition of Anaconda Pharma in June 2015. We accounted for the acquisition as an asset acquisition of IPR&D with no alternative future use, and therefore expensed the total consideration paid for the acquisition. IPR&D expenses also included $1.0 million of transaction costs we incurred directly related to the Anaconda Pharma acquisition.

General and Administrative Expense. General and administrative expense decreased to $8.0 million in fiscal year 2016 from $9.4 million in 2015. The following table summarizes the components of our general and administrative expense for the fiscal years ended June 30, 2016 and 2015:

	Fiscal Year Ended June 30,	
	2016	2015
	(in millions)	
Salaries, benefits and share-based compensation expenses	$ 4.6	$ 5.8
Professional and legal fees expenses	1.0	0.8
Other expenses	2.4	2.8
Total general and administrative expense	$ 8.0	$ 9.4

Salaries, benefits and share-based compensation and other expenses decreased primarily due to a reduction in administrative personnel related to our early stage research facility closure in March 2015. Professional and legal expense increased primarily due to market research consulting fees incurred during fiscal 2016.

Foreign Exchange (Gain) Loss. The impact of foreign exchange changed from a gain of $6.5 million in fiscal 2015 to a loss of $0.2 million in fiscal 2016. The current year loss of $0.2 million is due to fluctuations in foreign currency exchange rates versus the U.S. dollar, largely related to the Australian dollar. The decrease compared to prior year gain was primarily due to our change in functional currency in April 2015 to the U.S. dollar, as we were no longer required to remeasure U.S. dollar based assets and liabilities, thus the loss in fiscal 2016 is minimal compared to prior fiscal year. The vast majority of our cash holdings are held in the U.S. dollar. We re-measure all of our foreign assets and liabilities at the period-end exchange rate and the net effect of these translation adjustments is shown as a foreign currency loss or gain.

Fiscal Years Ended June 30, 2015 and 2014

Summary. For the fiscal year ended June 30, 2015, we reported a net loss of $19.1 million as compared to net loss of $11.0 million in 2014. Basic and diluted net loss per share was $0.54 for the fiscal year ended June 30, 2015, as compared to a basic and diluted net loss per share of $0.35 for the fiscal year ended June 30, 2014. The following commentary provides details underlying changes from last year in the major line items of our statement of operations:

Revenue. Revenue decreased to $24.6 million for the fiscal year ended 2015 from $68.7 million in 2014. The following table summarizes the key components of our revenue for the fiscal years ended June 30, 2015 and 2014:

	Fiscal Year Ended June 30,	
	2015	2014
	(in millions)	
Royalty revenue – Relenza®	$ 11.4	$ 10.6
– Inavir®	4.8	4.5
Revenue from contract services	8.4	53.6
Total revenue	$ 24.6	$ 68.7

Royalty revenue from net sales of Relenza® increased primarily due to a rise in government stockpiling orders, offset in part by lower seasonal sales of Relenza®. Royalty revenue from Inavir® increased slightly due to higher seasonal sales in Japan. Revenues from contract services decreased due to a reduction in contract service revenue related to the cancellation of our contract with BARDA in May 2014 for the convenience of the U.S. Government offset in part by contract revenue from BARDA related close-out activities.

Cost of Revenue. Cost of revenue decreased to $3.6 million in the fiscal year ended 2015 from $51.1 million in 2014.The following table summarizes the components of our cost of revenue in the fiscal years ended June 30, 2015 and 2014:

	Fiscal Year Ended June 30,	
	2015	2014
	(in millions)	
Direct preclinical, clinical and product development expenses	$ 3.3	$ 44.6
Salaries, benefits and share-based compensation expenses	0.2	5.9
Other expenses	0.1	0.6
Total cost of revenue expense	$ 3.6	$ 51.1

Direct preclinical, clinical and product development expenses decreased due to reduced third-party clinical costs incurred associated with the development of LANI as a result of the BARDA contract terminating in May 2014, offset in part by contract revenue from BARDA related close-out activities. Salaries, benefits and share-based compensation expenses decreased primarily as a result of the cost of certain personnel no longer being allocated to work under the BARDA contract. Other expenses decreased due to reduction in miscellaneous costs as a result of the termination of the BARDA contract.

Research and Development Expense. Research and development expense increased to $19.8 million in the fiscal year ended 2015 from $17.5 million in 2014. The following table summarizes the components of our research and development expense for the fiscal years ended June 30, 2015 and 2014:

	Fiscal Year Ended June 30,	
	2015	2014
	(in millions)	
Direct preclinical, clinical and product development expenses	$ 11.1	$ 5.1
Salaries, benefits and share-based compensation expenses	5.8	7.1
Other expenses	0.8	2.0
Depreciation and facility related expenses	2.1	3.3
Total research and development expense	$ 19.8	$ 17.5

Direct preclinical, clinical and product development expenses increased largely due to the initiation of our Phase 2 SPIRITUS clinical trial of vapendavir in February 2015 and IND-enabling studies associated with BTA585, our lead RSV compound, which were completed in June 2015. Salaries, benefits and share-based compensation expenses decreased primarily due to reductions in personnel working on other research and development activities as a result of the closure of our early stage research facility in March 2015. Other expenses decreased due to lower research and intellectual patent filing costs on other product candidates. Depreciation and facility-related expenses also decreased as a result of the closure of our early stage research facility.

In-Process Research and Development Expense. IPR&D was $17.6 million in our fiscal year ended 2015 which was related to the acquisition of Anaconda Pharma in June 2015. We accounted for the acquisition as an asset acquisition of IPR&D with no alternative future use, and therefore expensed the total consideration paid for the acquisition. IPR&D expenses also included $1.0 million of transaction costs we incurred directly related to the Anaconda Pharma acquisition. No IPR&D or related transaction expenses were incurred in the previous year.

General and Administrative Expense. General and administrative expense decreased to $9.4 million in fiscal year ended 2015 from $10.2 million in 2014. The following table summarizes the components of our general and administrative expense in the fiscal years ended June 30, 2015 and 2014:

	Fiscal Year Ended June 30,	
	2015	2014
	(in millions)	
Salaries, benefits and share-based compensation expenses	$ 5.8	$ 5.3
Professional and legal fees expenses	0.8	1.6
Other expenses	2.8	3.3
Total general and administrative expense	$ 9.4	$ 10.2

Salaries, benefits and share-based compensation expenses increased largely due to a higher share-based compensation, incentive compensation expenses and staff benefits. Professional and legal fees expenses decreased primarily due to lower ongoing professional fees as result of integration of the Company's administrative functions to one location. Other expenses decreased due to lower administrative expenses as a result of the Company's previous integration and restructuring efforts.

Foreign Exchange (Gain) Loss. Foreign exchange changed from a loss to a gain primarily due to the appreciation of the U.S. dollar as compared to the Australian dollar during our 2015 fiscal year and the related translation of those foreign currency balances and transactions in our subsidiaries that have a different functional currency than the U.S. reporting currency on our statement of operations. The vast majority of our cash holdings in our foreign subsidiaries are held in the U.S. dollar. We also translate all of the assets and liabilities of our non-U.S. subsidiaries at the period-end exchange rate and the net effect of these translation adjustments is shown on our condensed consolidated balance sheet as a component of stockholders' equity.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception through June 30, 2016, we have funded our operations primarily with public offerings of equity securities and license fees, royalties, royalty monetization, research agreements, government contracts and grants. In March 2011, we were awarded a contract by BARDA for the late-stage development of laninamivir octanoate ("LANI") on a cost-plus-fixed-fee basis. On May 7, 2014, the HHS office of the ASPR and BARDA notified us of its decision to terminate the contract for the development of LANI for the convenience of the U.S. Government.

At June 30, 2016, our cash, cash equivalents and investments were $69.0 million. Our cash and cash equivalents are generally held in a variety of interest-bearing short-term deposits with large U.S. banks, and our investments have an average maturity of less than one year.

Cash Flows

For the fiscal year ended June 30, 2016, cash and cash equivalents increased by $5.0 million. This increase was primarily the result of cash provided by our investing activities.

Net cash used by operating activities was $14.1 million for the fiscal year ended June 30, 2016, which reflected our net loss during the period of $25.4 million, partially offset by a net decrease in operating assets of $9.1 million and $2.2 million of non-cash charges primarily for share-based compensation.

Our net loss resulted largely from our funding of research and development activities including conducting clinical and preclinical studies, manufacturing and formulation of our product candidates, as well as ongoing general and administrative expenses offset in part by our royalty revenues. The net changes in operating assets and liabilities primarily reflects a $11.9 million decrease in accounts receivable due largely to the timing of the receipt of royalties, offset in part by a $2.1 million increase in prepaid expenses.

Net cash provided by investing activities during the fiscal year ended June 30, 2016 consisted of the maturity of $16.1 million of investments and sale of long-term investments of $0.7 million, offset in part by the purchase of $15.3 investments and capital expenditures of $0.2 million.

Net cash used in financing activities during the fiscal year ended June 30, 2016 consisted of an $18.1 million liability related to the sale of future royalties and $0.3 million for payment on a note payable.

At June 30, 2016, our cash and cash equivalents totaled $49.7 million, not including our short-term investments of $19.3 million. Our cash and cash equivalents are currently held in the form of short-term deposits with large U.S. banks. Our short-term investments consist primarily of U.S. treasury securities, U.S. government agency securities, certificates of deposit and corporate securities.

Funding Requirements

Our future funding requirements are difficult to determine and will depend on a number of factors, including:

- the development timelines and plans for our product candidates, including any changes to those timelines, plans or our strategy;
- the variability, timing and costs associated with conducting clinical trials for our product candidates, the rate of enrollment in such clinical trials, and the results of these clinical trials:
- the variability, timing and costs associated with conducting preclinical studies, and the results of these studies;
- the cost of scaling up, formulating and manufacturing preclinical and clinical trial materials to evaluate our product candidates;
- whether we receive regulatory approval to advance or begin the clinical development of our product candidates in a timely manner, if at all;
- the cost and time to obtain regulatory approvals required to advance the development of our product candidates;
- the scope and size of our research and development efforts;
- the variability of future royalty revenue we may receive from existing royalty-bearing license agreements;
- the size and cost of the general and administrative function we need to manage our operations, including the infrastructure to support being a publicly-traded company; and
- the cost of filing, prosecuting, and enforcing patent and other intellectual property claims.

Based on our current strategy and operating plan, and considering the potential costs associated with advancing the preclinical and clinical development of our product candidates, we believe that our existing cash, cash equivalents and investments of approximately $69.0 million, as well as our accounts receivables as of June 30, 2016, along with the anticipated proceeds from existing royalty-bearing licenses will enable us to operate for a period of at least 12 months ending June 30, 2017.

We currently do not have any commitments for future funding, nor do we anticipate that we will generate significant revenue, aside from revenue from existing royalty-bearing arrangements. Therefore, in order to meet our anticipated liquidity needs beyond 12 months to support the development of our product candidates, or possibly sooner in the event we enter into other transactions or revise our strategy or development plans, we may need to raise or secure additional capital. If we do, we would expect to do so primarily through the sale of additional common stock or other equity securities, as well as through proceeds from future licensing agreements, strategic collaborations, forms of asset or debt financing, or any other financing arrangement. Funds from these sources may not be available to us on acceptable terms, if at all, and our failure to raise such funds could have a material adverse impact on our future business strategy and plans, financial condition and results of operations. If adequate funds are not available to us on acceptable terms in the future, we may be required to delay, reduce the scope of, or eliminate one or more, if not all, of our research and development programs, or delay or curtail preclinical studies and clinical trials, or reduce our internal cost structure. If additional capital is not available to us on acceptable terms, we may need to obtain funds through license agreements, or collaborative or partner arrangements pursuant to which we will likely relinquish rights to certain product candidates that we might otherwise choose to develop or commercialize independently, or be forced to enter into such arrangements earlier than we would prefer, which would likely result in less favorable transaction terms. Additional equity financings may be dilutive to holders of our common stock, and debt financing, if available, may involve significant payment obligations and restrictive covenants that restrict how we operate our business.

Off-Balance Sheet Arrangements

At June 30, 2016, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Contractual Obligations and Commitments

We have entered into an operating lease for our corporate office in Alpharetta, Georgia through February 2021. The total annual rent expense under this lease is approximately $0.3 million. As of June 30, 2016, future payments under this non-cancellable operating leases and purchase obligations are as follows (in millions):

	Payments Due By Period				
	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 Years
Operating leases	$ 1.4	$ 0.3	$ 0.9	$ 0.2	$ —
Purchase obligations	0.7	0.7	—	—	—
Total contractual obligations	$ 2.1	$ 1.0	$ 0.9	$ 0.2	$ —

The above contractual obligations table does not include any amounts or payments related to development, regulatory, or commercialization milestones on our product candidates, as the payments are contingent on the achievement of these milestones, which have not occurred.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Interest Rate Risk

Our exposure to interest rate risk is currently confined to interest earnings, as our cash, cash equivalents and short and long term investments are invested in highly liquid money market funds, short-term bank deposits, U.S. agency securities, U.S. treasury securities, certificates of deposit and AA/ Aa grade bond securities. The primary objective of our investment activities is to preserve our capital to fund operations. We do not use derivative financial instruments to manage interest rate risk. If a 10% change in interest rates were to have occurred on June 30, 2016, this change would not have had a material effect on future earnings or cash flows.

Our exposure to credit risk is managed through our investment policy that specifies credit quality standards for our cash, cash equivalents and investments, which limits the amount of credit exposure to any single party or industry. We place any excess cash not needed to fund operations with highly-rated short-term investments in order to limit the amount of credit exposure.

Foreign Currency Exchange Rate Risk

We report our financial results in U.S. dollars; however, we conduct business in other foreign countries. In April 2015, we changed our subsidiaries functional currency to the U.S. dollar.

We generated a portion of our revenue and collection of those receivables in foreign currencies. Similarly, we incur costs in foreign currencies and are subject to fluctuations in the exchange rate of the U.S. dollar against major foreign currencies, including the Euro, British Pound, Japanese Yen and Australian dollar, which can result in foreign currency exchange gains and losses that may impact our financial results. Continued currency exposure to fluctuation in these exchange rates could result in financial results that are not comparable from quarter-to-quarter, or year-to-year. Where appropriate, we hold cash reserves in currencies in which those reserves are anticipated to be expended, but a majority of cash holdings are in the U.S. dollar. If a 10% change or more in currency rates were to have occurred on June 30, 2016, this change would not have had a material effect on future earnings or cash flows.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

The information required by this Item is included in our Financial Statements and Supplementary Data listed in Item 15 of Part IV of this Annual Report on Form 10-K.

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934,) as amended (the "Exchange Act")) of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, management and our Chief Executive Officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f)) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that the receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and,
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Our management, including our Chief Executive Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived, operated, tested and monitored, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

Our management, including our Chief Executive Officer, assessed the effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this Annual Report on Form 10-K. In making this assessment, management used the criteria set forth in Internal Control-Integrated 2013 Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, ("COSO"). Based on their assessment, management has concluded that, as of June 30, 2016, our internal control over financial reporting is effective based on the COSO criteria.

The effectiveness of our internal control over financial reporting as of June 30, 2016 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report, which is included in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Incorporated by reference to the sections labeled "Proposal 1 Election of Directors," "Executive Officers," and "Corporate Governance" in our definitive proxy statement to be filed in connection with our 2016 annual meeting of stockholders.

Code of Ethics

We have adopted a code of ethics for our directors, officers and employees, which is available on our website at www.aviragentherapeutics.com in the Investor section under "Corporate Governance." If we make any substantive amendments to the code of ethics or grant any waiver from a provision of the code of ethics to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website. The information on, or that can be accessed from, our website is not incorporated by reference into this Annual Report.

ITEM 11. *EXECUTIVE COMPENSATION*

Incorporated by reference to the sections labeled "Executive Compensation," "Compensation of Directors" and "Compensation Committee Report" in our definitive proxy statement to be filed in connection with our 2016 annual meeting of stockholders.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS*

Incorporated by reference to the sections labeled "Principal Stockholders," and "Executive Compensation" in our definitive proxy statement to be filed in connection with our 2016 annual meeting of stockholders.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Incorporated by reference to the sections labeled "Certain Relationships and Related Transactions" and "Corporate Governance" in our definitive proxy statement to be filed in connection with our 2016 annual meeting of stockholders.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

Incorporated by reference to the section labeled "Independent Registered Public Accountants" in our definitive proxy statement to be filed in connection with our 2016 annual meeting of stockholders.

PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

(a)(1) Financial Statements

The following documents are included on pages F-1 through F-31 attached hereto and are filed as part of this annual report on Form 10-K.

(a)(2) Financial Statement Schedules

Not applicable

(a)(3) List of Exhibits Required by Item 601 of Regulation S-K

See Item 15(b) below.

(b) Exhibits

The exhibits which are filed or furnished with this report or which are incorporated herein by reference are set forth in the Exhibit Index hereto.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Alpharetta, Georgia on this 13th day of September 2016.

Aviragen Therapeutics, Inc.

By: /s/ Joseph M. Patti, PhD

Joseph M. Patti
President and Chief Executive Officer

Pursuant to the requirements the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Joseph M. Patti, PhD Joseph M. Patti	President, Chief Executive Officer and Director (Principal Executive Officer)	September 13, 2016
/s/ Mark P. Colonnese Mark P. Colonnese	Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	September 13, 2016
/s/ Russell Plumb Russell Plumb	Chairman and Director	September 13, 2016
/s/ Anne VanLent Anne VanLent	Lead Director	September 13, 2016
/s/ Geoffrey F. Cox, PhD Geoffrey F. Cox	Director	September 13, 2016
/s/ Armando Anido Armando Anido	Director	September 13, 2016
/s/ John Richard John Richard	Director	September 13, 2016
/s/ Michael Dougherty Michael Dougherty	Director	September 13, 2016
/s/ Michael Dunne, M.D. Michael Dunne	Director	September 13, 2016

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Aviragen Therapeutics, Inc.

We have audited the accompanying consolidated balance sheet of Aviragen Therapeutics, Inc. as of June 30, 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the year ended June 30, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aviragen Therapeutics, Inc. at June 30, 2016, and the consolidated results of its operations and its cash flows for the year ended June 30, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Aviragen Therapeutics, Inc.'s internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated September 13, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
September 13, 2016

Report of Independent Registered Public Accounting Firm on Internal Control

The Board of Directors and Stockholders of Aviragen Therapeutics, Inc.

We have audited Aviragen Therapeutics, Inc.'s internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Aviragen Therapeutics Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Aviragen Therapeutics, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Aviragen Therapeutics, Inc. as of June 30, 2016 and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year ended June 30, 2016 of Aviragen Therapeutics, Inc. and our report dated September 13, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
September 13, 2016

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Aviragen Therapeutics, Inc.:

In our opinion, the consolidated balance sheet as of June 30, 2015 and the related consolidated statements of operations and comprehensive loss, of stockholders' equity and of cash flows for each of two years in the period ended June 30, 2015 present fairly, in all material respects, the financial position of Aviragen Therapeutics, Inc. and its subsidiaries (formerly known as Biota Pharmaceuticals, Inc.) at June 30, 2015, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Atlanta, GA
September 11, 2015

Aviragen Therapeutics, Inc.
Consolidated Balance Sheets
(in millions, except share data)

	As of June 30,	
	2016	**2015**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 49.7	$ 44.7
Other accounts receivable, net of allowance	0.7	12.6
Short-term investments	19.3	12.9
Prepaid expenses and other assets	2.7	0.6
Total current assets	72.4	70.8
Non-current assets:		
Long-term investments	-	7.9
Property and equipment, net	0.3	0.2
Deferred tax asset	-	0.5
Total non-current assets	0.3	8.6
Total assets	$ 72.7	$ 79.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3.9	$ 1.9
Accrued expenses and other current liabilities	3.6	5.4
Contract payable (BARDA)	-	1.0
Short-term note payable	0.4	0.2
Liability related to sale of future royalties, current portion	1.3	-
Deferred tax liability	-	0.5
Total current liabilities	9.2	9.0
Long-term note payable, net of current portion	0.3	0.8
Liability related to sale of future royalties, net of current portion	16.8	-
Other long-term liabilities, net of current portion	0.2	0.1
Total liabilities	26.5	9.9
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.10 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $0.10 par value; 200,000,000 shares authorized; 38,640,487 shares and 38,609,086 shares issued and outstanding at June 30, 2016 and June 30, 2015, respectively	3.9	3.9
Additional paid-in capital	157.6	155.6
Accumulated other comprehensive income	19.0	18.9
Accumulated deficit	(134.3)	(108.9)
Total stockholders' equity	46.2	69.5
Total liabilities and stockholders' equity	$ 72.7	$ 79.4

See accompanying notes to the consolidated financial statements.

Aviragen Therapeutics, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in millions)

	Fiscal Years Ended June 30,		
	2016	**2015**	**2014**
Revenue:			
Royalty revenue and milestones	$ 9.1	$ 16.1	$ 15.1
Non-cash royalty revenue related to the sale of future royalties	0.2	—	—
Revenue from services	—	8.4	53.5
Other	—	0.1	0.1
Total revenue	9.3	24.6	68.7
Operating expense (income):			
Cost of revenue	—	3.6	51.1
Research and development	26.3	19.8	17.5
In-process research and development	—	17.6	—
General and administrative	8.0	9.4	10.2
Foreign exchange (gain) loss	0.2	(6.5)	1.4
Loss on disposal of assets	—	0.2	—
Total operating expense	34.5	44.1	80.2
Loss from operations	(25.2)	(19.5)	(11.5)
Other income (expense):			
Non-cash interest expense on liability related to sale of future royalties	(0.3)	—	—
Other income	0.1	0.3	0.2
Total other income (expense)	(0.2)	0.3	0.2
Loss before tax	(25.4)	(19.2)	(11.3)
Income tax benefit (expense)	—	0.1	0.3
Net loss	$ (25.4)	$ (19.1)	$ (11.0)
Basic and diluted loss per share	$ (0.66)	$ (0.54)	$ (0.35)
Basic and diluted weighted average shares outstanding	38,635,452	35,360,841	31,347,888
Comprehensive loss:			
Net loss	$ (25.4)	$ (19.1)	$ (11.0)
Exchange differences on translation of foreign operations	—	(7.8)	1.5
Change in fair value of available for sale investments	0.1	(0.1)	—
Total comprehensive loss	$ (25.3)	$ (27.0)	$ (9.5)

See accompanying notes to the consolidated financial statements.

Aviragen Therapeutics, Inc.
Consolidated Statements of Stockholders' Equity
(in millions)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balances at June 30, 2013	28,352,326	$ 2.8	$ 118.7	$ (78.8)	$ 25.3	$ 68.0
Exchange differences on translation of foreign operations	-	-	-	-	1.5	1.5
Net loss	-	-	-	(11.0)	-	(11.0)
Total Comprehensive loss						(9.5)
Common stock issued	6,685,985	0.7	26.1	-	-	26.8
Restricted stock units issued, net	62,650	-	0.2	-	-	0.2
Share-based compensation	-	-	1.4	-	-	1.4
Balances at June 30, 2014	35,100,961	3.5	146.4	(89.8)	26.8	86.9
Exchange differences on translation of foreign operations	-	-	-	-	(7.8)	(7.8)
Change in fair value of investments	-	-	-	-	(0.1)	(0.1)
Net loss	-	-	-	(19.1)	-	(19.1)
Total Comprehensive loss						(27.0)
Common stock issued	3,500,000	0.4	7.1	-	-	7.5
Restricted stock units issued, net	8,125	-	-	-	-	-
Share-based compensation	-	-	2.1	-	-	2.1
Balances at June 30, 2015	38,609,086	3.9	155.6	(108.9)	18.9	69.5
Change in fair value of investments	-	-	-	-	0.1	0.1
Net loss	-	-	-	(25.4)	-	(25.4)
Total Comprehensive loss						(25.3)
Restricted stock units issued, net	31,401	-	-	-	-	-
Share-based compensation	-	-	2.0	-	-	2.0
Balances at June 30, 2016	38,640,487	$ 3.9	$ 157.6	$ (134.3)	$ 19.0	$ 46.2

See accompanying notes to the consolidated financial statements.

Aviragen Therapeutics, Inc.
Consolidated Statements of Cash Flows
(in millions)

	Years Ended June 30,		
	2016	**2015**	**2014**
Cash flows from operating activities provided by/(used in):			
Net loss	$ (25.4)	$ (19.1)	$ (11.0)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	0.1	1.1	2.4
Share-based compensation	2.0	2.1	1.7
Loss recorded on disposal of assets	—	0.2	—
Acquisition of IPR&D	—	17.6	—
Non-cash royalty revenue related to sale of future royalties	(0.2)		
Non-cash interest expense related to sale of future royalties	0.3	—	—
Change in operating assets and liabilities (net of liabilities acquired):			
Accounts receivable	11.9	6.2	(7.1)
Prepaid expenses and other assets	(2.1)	0.1	1.4
Deferred revenue	—	—	(0.3)
Accounts payable and accrued expenses and other liabilities	(0.7)	(15.8)	10.6
Accrued severance obligations	—	(2.0)	(1.0)
Net cash used in operating activities	(14.1)	(9.6)	(3.3)
Cash flows from investing activities:			
Acquisition of asset, net of cash acquired	—	(8.9)	—
Purchases of short and long-term investments	(15.3)	(17.7)	(10.0)
Maturity of short-term investments	16.1	—	
Call redemption of long-term investments	—	6.9	—
Sale of long-term investments	0.7	—	—
Proceeds from sale of property and equipment	—	0.4	—
Purchases of property and equipment	(0.2)	(0.1)	(0.1)
Net cash provided by (used in) investing activities	1.3	(19.4)	(10.1)
Cash flows from financing activities:			
Repayments on note payable	(0.3)	(0.1)	—
Net proceeds from sale of future royalties	18.1	—	—
Issuance of common stock	—	—	26.8
Net cash provided by (used in) financing activities	17.8	(0.1)	26.8
Net increase (decrease) in cash and cash equivalents	5.0	(29.1)	13.4
Cash and cash equivalents at beginning of period	44.7	81.7	66.8
Effects of exchange rate movements on cash and cash equivalents	—	(7.9)	1.5
Cash and cash equivalents at end of period	$ 49.7	$ 44.7	$ 81.7
Supplemental cash flow disclosure of non-cash transaction:			
Asset acquired through issuance of common stock	$ —	$ 7.5	$ —

See accompanying notes to the consolidated financial statements.

(1) Company Overview

Aviragen Therapeutics, Inc., together with its wholly owned subsidiaries ("Aviragen", or the "Company") is a biopharmaceutical company focused on the discovery and development of direct-acting antivirals to treat infections that have limited therapeutic options and affect a significant number of patients globally. The Company has three product candidates in active clinical development: vapendavir, an oral treatment for human rhinovirus ("HRV") upper respiratory infections in moderate-to-severe asthmatics currently being evaluated in the Phase 2b SPIRITUS trial; BTA585, an oral fusion protein inhibitor that has received Fast Track designation by the U.S. Food and Drug Administration ("FDA"), in Phase 2 development for the treatment and prevention of respiratory syncytial virus ("RSV") infections; and BTA074, a topical antiviral treatment in Phase 2 development for condyloma caused by human papillomavirus types 6 and 11. The Company is incorporated in the state of Delaware and its corporate headquarters are located in Alpharetta, Georgia.

Although several of the Company's influenza product candidates have been successfully developed and commercialized to-date by other larger pharmaceutical companies under collaboration, license or commercialization agreements with the Company, it has not independently developed or received regulatory approval for any product candidate, and the Company does not currently have any sales, marketing or commercial capabilities. Therefore, it is possible that the Company may not successfully derive any significant product revenues from any product candidates that it is developing now, or may develop in the future. The Company expects to incur losses for the foreseeable future as it intends to support the clinical and preclinical development of its product candidates.

The Company plans to continue to finance its operations with (i) existing cash, cash equivalents and investments, (ii) proceeds from existing or potential future royalty-bearing licenses or collaborative research and development arrangements, (iii) future equity and/or asset or debt financings, or (iv) other financing arrangements. The Company's ability to continue to support its operations is dependent, in the near-term, upon managing its cash resources, continuing to receive royalty revenue under existing licenses, entering into future collaboration, license or commercialization agreements, the successful development of its product candidates, executing future financings and ultimately, upon the approval of its products for sale and achieving positive cash flows from operations on a consistent basis. There can be no assurance that additional capital or funds will be available on terms acceptable to the Company, if at all, that the Company will be able to enter into collaboration, license or commercialization agreements in the future, or that the Company will ever generate significant product revenue and become operationally profitable on a consistent basis.

(2) Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements of Aviragen Therapeutics, Inc. and its wholly owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in consolidation. The Company's fiscal year ends on June 30.

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include accruals, liabilities and obligations, tangible assets and deferred income taxes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable, note payable and accrued liabilities. The carrying amounts of those financial instruments are considered to be representative of their respective fair values because of the short-term nature of those investments.

Cash Equivalents and Investments

Cash equivalents consist of short-term, highly liquid investments with original maturities of 90 or fewer days when purchased. Investments with original maturities between 90 and 365 days when purchased are considered to be short-term investments. Investments with original maturities over 365 days when purchased are considered to be long-term investments. The Company has classified its entire investment portfolio as available-for-sale. These securities are recorded as cash equivalents, short-term or long-term investments. Short-term and long-term investments are carried at the fair value based upon observable inputs based on quoted market prices. The amortized cost of securities is adjusted for amortization of premiums and accretion of discounts to maturity. Amortization and accretion are included in interest income, net, and any realized gains and losses are also included in interest income, net. All unrealized gains and losses are reported in other comprehensive loss. The cost basis of all securities sold is based on the specific identification method. Available-for-sale securities as of June 30, 2016 consisted primarily of U.S. treasury securities, U.S. government agency securities, corporate notes and certificates of deposit.

Concentration of Credit Risk and Other Risks and Uncertainties

Cash, cash equivalents and short- and long-term investments consist of financial instruments that potentially subject the Company to concentrations of credit risk to the extent recorded on the balance sheets. The Company believes that it has established guidelines for investment of its excess cash that maintain principal and liquidity through its policies on concentration, diversification, investment maturity, and investment grade.

Receivables

Accounts receivable are recorded at the invoiced amount. An allowance for returns is estimated based on historical information patterns and sales and return information provided by the partner. The current year expense to adjust revenue for returns, if any, is recorded in the consolidated statements of operations.

Property and Equipment

Fixed assets are recorded at acquisition cost, net of accumulated depreciation and impairment. Depreciation on tangible property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful life of machinery, equipment, software and fixtures is three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or estimated useful life of the asset. Maintenance and repairs are charged to operations as incurred.

Leased Assets

The Company accounts for its leases at their inception as either an operating or capital lease, depending on certain defined criteria. All of the Company's leases in effect at June 30, 2016 and 2015 are considered operating leases. The costs of operating leases are charged to the consolidated statement of operations on a straight-line basis over the lease term. The difference between cash payments and straight line rent expense is recorded as deferred rent liability. The balance of deferred rent liabilities is classified in the balance sheet as other liabilities. Additionally, any incentives the Company receives are treated as a reduction of expenses over the term of the agreement. Leasehold improvements provided by the landlord are capitalized at cost and amortized over the lesser of their expected useful life or the life of the lease, without assuming renewal features, if any, are exercised.

Foreign Currency

Functional and reporting currency. Items included in the Company's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates, referred to as the functional currency. The Company operates in several jurisdictions with local currencies including the Euro, the Australian dollar, British Pound, and the U.S. dollar. The consolidated financial statements are presented in U.S. dollars. Effective April 1, 2015, the Company changed its subsidiaries' functional currency to the U.S. dollar based on significant changes in economic facts and circumstances that indicated clearly that the functional currency had changed.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the related transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of operations.

For periods prior to the change in functional currency of all subsidiaries to the U.S. dollar on April 1, 2015, the results and financial position of any operations that had a functional currency different from the U.S. dollar were translated into U.S. dollar amounts. Assets and liabilities were translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items were translated at average rates for the period. All resulting exchange differences were recognized as accumulated other comprehensive income, a separate component of stockholders' equity. On consolidation, exchange differences arising from the translation of any net investment in foreign entities were recorded in stockholders' equity as part of accumulated other comprehensive income, net of related taxes.

Patent Expense

Legal fees incurred for patent application costs for product candidates have been charged to expense and reported in general and administrative expense.

Share-Based Compensation Expense

Share-based compensation expense relates to stock options, restricted stock units or other equity-based grants. The fair market value of stock options is determined at the grant date using the Black-Scholes option pricing model based on the date the grant is issued. The fair market value of restricted stock units or other equity-based grants are also determined at the grant date, based on the closing price of the Company's common stock on that date. The value of the awards that are ultimately expected to vest is recognized, net of forfeitures, as an expense on a straight-line basis over the employee's requisite service period. The Company uses the lattice model with a Monte Carlo simulation to value the grants of market stock units ("MSUs"). This valuation methodology utilizes several key assumptions, including the average closing stock price on the grant date, expected volatility of the Company's stock price, risk-free rates of return and expected dividend yield.

Income Taxes

The Company applies ASC 740 – *Income Taxes,* which established financial accounting and reporting requirements for the effects of income taxes that result from the Company's activities during the current and preceding years. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted statutory tax rates expected to apply to taxable income in the jurisdictions and years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Where the Company determines that it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future, the deferred tax assets are reduced by a valuation allowance. The valuation allowance is sufficient to reduce the deferred tax assets to the amount that the Company determines is more likely than not to be realized.

Revenue Recognition

Revenue consists primarily of royalty payments and payments for services performed pursuant to contracts. Revenue from royalties is recognized when the net sales of the underlying product by the relevant third party, including actual or estimated returns within the royalty period based on agreement, are determinable. The Company receives estimates of the amount of royalty revenue from its licensees on a quarterly basis. Revenue from services performed pursuant to contracts or grants is recognized when earned, typically when the underlying services or activities are rendered. The Company analyzes cost reimbursable contracts to determine whether it should report such reimbursements as revenue, or as an offset to the related research and development expenses incurred. For costs incurred and revenues generated from third parties where the Company is deemed to be the principal participant, such as the previous BARDA contract, it recognizes revenue and costs using the gross basis of accounting.

Non-Cash Interest Expense on Liability Related to Sale of Future Royalties

In April 2016, the Company sold certain royalty rights related to the approved product Inavir®, sold by Daiichi Sankyo in the Japanese market, for $20 million to HealthCare Royalty Partners III, L.P. ("HCRP"). Under the relevant accounting guidance, due to a limit on the amount of royalties that HCRP can earn under the arrangement, this transaction was accounted for as a liability that will be amortized using the interest method over the life of the arrangement. The Company has no obligation to pay any amounts to HCRP other than to pass through to HCRP its share of royalties as they are received from Daiichi Sankyo. In order to record the amortization of the liability, the Company is required to estimate the total amount of future royalty payments to be received under the License Agreement and the payments that will be passed through to HCRP over the life of the agreement. The sum of the pass through amounts less the net proceeds received will be recorded as non-cash interest expense over the life of the liability. Consequently, the Company imputes interest on the unamortized portion of the liability and records non-cash interest expense using an estimated effective interest rate. The Company will periodically assess the expected royalty payments, and to the extent such payments are greater or less than the initial estimate, it will adjust the amortization of the liability and interest rate.

Cost of Revenue

Cost of revenue represents expenses incurred by the Company in performing services and activities pursuant to government contracts for which it records related revenue and expense on the gross basis of accounting. Cost of revenue, which relates to the terminated BARDA contract, includes, but is not limited to, the cost of third-party service providers incurred in connection with conducting external preclinical studies and clinical trials, monitoring, accumulating and evaluating the related preclinical and clinical data; salaries and personnel-related expenses for our internal staff allocated to the contract, including benefits; and, the cost to develop, formulate and manufacture product candidates directly allocated to the specific contract.

Research and Development Expense

Research and development expense represents the cost of activities associated with the discovery, preclinical development, and clinical development of the Company's product candidates other than those captured under cost of revenue. These costs include, but are not limited to, fees paid to third-party service providers in connection with conducting external preclinical studies and clinical trials, monitoring, accumulating and evaluating the related preclinical and clinical data; salaries and personnel-related expenses for our internal staff, including benefits and share-based compensation; the cost to develop, formulate and manufacture product candidates; legal fees associated with patents and intellectual property related to our product candidates; external research and chemistry, consulting fees; license expenses and sponsored research fees paid to third parties; and outsourced cost of specialized information systems to evaluate and monitor our programs, depreciation and laboratory facility costs. Research and development expenses are expensed as incurred.

In-Process Research and Development ("IPR&D") Expense

IPR&D expense and other charges represent impairments and other costs associated with product candidates under development that have not received regulatory approval for marketing at the time of acquisition. IPR&D acquired through an asset acquisition is written off at the acquisition date if the assets have no alternative future use. IPR&D acquired in a business combination is capitalized as indefinite-lived intangible assets (irrespective of whether these assets have an alternative future use) until completion or abandonment of the related research and development activities. Costs associated with the development of acquired IPR&D assets are expensed as incurred.

General and Administrative Expense

General and administrative expense reflects the costs incurred to manage and support our research and development activities, operations, contracts, and status as a publicly-traded company. General and administrative expense consists primarily of salaries and personnel-related expenses, including share-based compensation for personnel in executive, finance, information technology, business development and human resources functions. Other significant costs include professional fees for legal, auditing, tax, and consulting services, insurance premiums, other expenses incurred as a result of being a company that is publicly traded, and depreciation and facility expenses.

Total Comprehensive Income

Comprehensive income is defined as the total change in stockholders' equity during the period other than from transactions with stockholders, and for the Company, includes net income, unrealized gains and loss from available for sale securities and cumulative translation foreign currency adjustments.

Limited Suppliers

The Company may rely on single-source third-party suppliers and contract manufacturers to formulate or manufacture its product candidates pursuant to FDA current good manufacturing practices ("cGMP") requirements. The failure of a single-source supplier or single-source contract manufacturer to produce and deliver specific candidates on a timely basis, or at all, could delay or interrupt the development process and affect the Company's operating results.

Recent Accounting Standards

In November 2015, the Financial Accounting Standards Board ("FASB") issued guidance on the balance sheet classification of deferred taxes which eliminates the current requirement to present deferred tax assets and liabilities as current and noncurrent in a classified balance sheet and now requires entities to classify all deferred tax assets and liabilities as noncurrent. This guidance is effective for the Company's fiscal year ended September 2018. Early adoption is permitted. The Company prospectively adopted the guidance immediately which resulted in the offset of $0.5 million of deferred tax assets and liabilities from the condensed consolidated balance sheet at December 31, 2015. The Company did not make any changes to prior periods.

In August 2014, the FASB issued authoritative accounting guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. This guidance is effective for annual reporting beginning after December 15, 2016, including interim periods within the year of adoption, with early application permitted. Accordingly, the standard is effective for the Company on July 1, 2017. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued authoritative accounting guidance related to revenue from contracts with customers. This guidance is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This guidance is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Accordingly, the Company will adopt this guidance on July 1, 2017. Companies may use either a full retrospective or a modified retrospective approach to adopt this guidance. The Company is evaluating which transition approach to use and its impact, if any, on its consolidated financial statements.

In January 2016, the FASB issued guidance related to financial instruments - overall recognition and measurement of financial assets and financial liabilities. The guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The update to the standard is effective for public companies for interim and annual periods beginning after December 15, 2017. Accordingly, the standard is effective for the Company on July 1, 2018. The Company is currently evaluating the impact that the standard will have on the consolidated financial statements.

In February 2016, the FASB issued new guidance on leases. This guidance replaces the prior lease accounting guidance in its entirety. The underlying principle of the new standard is the recognition of lease assets and lease liabilities by lessees for substantially all leases, with an exception for leases with terms of less than twelve months. The standard also requires additional quantitative and qualitative disclosures. The guidance is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The standard requires a modified retrospective approach, which includes several optional practical expedients. Accordingly, the standard is effective for the Company on July 1, 2019. The Company is currently evaluating the impact that this guidance will have on the consolidated financial statements.

In March 2016, the FASB issued guidance on stock compensation: improvements to employee share-based payment accounting as part of the FASB simplification initiative. The new standard provides for changes to accounting for stock compensation including 1) excess tax benefits and tax deficiencies related to share based payment awards will be recognized as income tax expense in the reporting period in which they occur; 2) excess tax benefits will be classified as an operating activity in the statement of cash flow; 3) the option to elect to estimate forfeitures or account for them when they occur; and 4) increase tax withholding requirements threshold to qualify for equity classification. The guidance is effective for public companies for annual periods, and interim periods within those annual periods, beginning after December 15, 2016, and early adoption is permitted. Accordingly, the standard is effective for the Company on July 1, 2017. The Company is currently evaluating the impact that the guidance will have on the consolidated financial statements.

(3) Stock Purchase Agreement

On June 3, 2015, the Company completed the acquisition of Anaconda Pharma pursuant to a stock purchase agreement, dated February 25, 2015, the ("agreement"). Under the terms of the agreement, at closing all of Anaconda Pharma's outstanding shares were acquired for 3.5 million shares of the Company's common stock and $8.0 million in cash, subject to certain closing and post-closing adjustments. The transaction also includes additional contingent financial consideration of up to $30.0 million, which is based on the successful achievement of certain future clinical and regulatory milestones, plus a royalty. If and when these contingent considerations are probable the effect of a change in estimate will be accounted in the period of change by recording a cumulative catch-up adjustment to retroactively apply the new estimate in accordance with U.S. GAAP.

The fair value of the issuance of 3.5 million of Aviragen's common stock in the acquisition of Anaconda Pharma's was $7.5 million or $2.14 per share, based on the volume weighted average price on June 3, 2015. The purchase price paid at closing was calculated as follows:

(in millions)		
Fair value of Aviragen common stock issued	$	7.5
Estimated transaction and exit costs		1.0
Cash consideration issued		8.0
Total purchase price	$	16.5

The Company had also incurred $1.0 million of transaction costs directly related to the Anaconda Pharma acquisition, which includes expenditures for advisory, legal, fairness opinion, accounting and other similar services.

The IPR&D project is BTA074, a patented, direct-acting antiviral in development for the treatment of genital warts, as well as the orphan disease recurrent respiratory papillomatosis, both of which are caused by HPV types 6 and 11. The accounting fair value of BTA074 IPR&D was $17.6 million.

The total estimated purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed in connection with the transaction, based on their estimated fair values. Anaconda Pharma was a development stage enterprise, therefore the acquisition was not considered to be a business combination as it did not meet the definition of a business. The Company determined that the acquired assets can only be used for a specific and intended purpose and have no alternative future use after taking into consideration further research and development, regulatory and marketing approval efforts required in order to reach technological feasibility. Accordingly, the acquisition was accounted for as a purchase of IPR&D assets with no alternative future use and the entire amount was charged to IPR&D expense as of the acquisition date. Further, the contingent financial consideration will be recognized if and when the contingency is resolved and becomes payable.

The allocation of the total purchase price, as shown above, to the acquired tangible and intangible assets and assumed liabilities of Anaconda Pharma based on their fair values as of the acquisition date are as follows:

(in millions)		
Cash and cash equivalents	$	0.3
Prepaid expenses and other current assets		0.2
Notes payable		(1.0)
Accounts payable		(0.4)
Accrued expenses		(0.2)
Sub-total net fair value of acquired assets and liabilities		(1.1)
In-process research and development		17.6
Total purchase price	$	16.5

Further, the Company assumed an interest-free loan of $1.0 million with a French local development authority for previous research and development activities related to BTA074. As of June 30, 2016 and June 30, 2015, $0.7 million and $1.0 million was outstanding under this note payable, respectively.

Future minimum payments due under notes payable as of June 30, 2016 are as follows:

(in millions)	
2017	$ 0.4
2018	0.2
2019	0.1
2020	-
2021	-
Total future payments	$ 0.7

(4) Short-Term Financial Instruments

Financial Assets (in millions)

	As of June 30,	
	2016	**2015**
Financial assets:		
Cash and cash equivalents	$ 49.7	$ 44.7
Short-term investments	19.3	12.9
Accounts receivable, net of allowance	0.7	12.6
Total current financial assets	69.7	70.2
Financial liabilities:		
Accounts payable and current accrued liabilities	7.5	8.3
Short-term note payable	0.4	0.2
Total current financial liabilities	7.9	8.5
Net financial assets	$ 61.8	$ 61.7

The carrying value of the cash and cash equivalents, accounts receivable, short-term note payable and accounts payable approximates fair value because of their short-term nature. The Company regularly reviews all financial assets for impairment. There were no impairments recognized in 2016 and 2015.

(5) Fair Value Measurements

A fair value hierarchy has been established which requires the Company to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table sets forth the financial assets and liabilities that were measured at fair value on a recurring basis at June 30, 2016, by level within the fair value hierarchy. The assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company utilizes a third party pricing service. The pricing service utilizes industry standard valuation models and observable market inputs to determine value that include surveying the bond dealer community, obtaining benchmark quotes, incorporating relevant trade data, and updating spreads daily. There have been no transfers of assets or liabilities between the fair value measurement classifications.

(in millions) **June 30, 2016**	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents	$ 1.5	$ 1.5	$ —	$ —
Short-term investments available-for-sale	19.3	10.0	9.3	—
Long-term investments available-for-sale	—	—	—	—
Total	$ 20.8	$ 11.5	$ 9.3	$ —

June 30, 2015	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents	$ 6.3	$ 6.3	$ —	$ —
Short-term investments available-for-sale	12.9	12.9	—	
Long-term investments available-for-sale	7.9	—	7.9	—
Total	$ 27.1	$ 19.2	$ 7.9	$ —

The Company has had no realized gains or losses from the sale of investments for the fiscal year ended June 30, 2016. The following table shows the unrealized gains and losses and fair values for those investments as of June 30, 2016 and June 30, 2015 aggregated by major security type:

(in millions) **June 30, 2016**	**At Cost**	**Unrealized Gains**	**Unrealized (Losses)**	**At Fair Value**
Money market funds	$ 1.5	$ —	$ —	$ 1.5
Debt securities of U.S. government agencies	2.0	—	—	2.0
U.S. Treasury securities	7.0	—	—	7.0
Corporate notes	2.9	0.1	—	3.0
Certificates of deposit	7.3	—	—	7.3
Total	$ 20.7	$ 0.1	$ —	$ 20.8

June 30, 2015	At Cost	Unrealized Gains	Unrealized (Losses)	At Fair Value
Money market funds	$ 6.3	$ —	$ —	$ 6.3
Debt securities of U.S. government agencies	6.5	—	—	6.5
U.S. Treasury Securities	9.6	—	(0.1)	9.5
Corporate notes	2.9	—	—	2.9
Certificates of deposit	1.9	—	—	1.9
Total	$ 27.2	$ —	$ (0.1)	$ 27.1

As of June 30, 2016 and June 30, 2015, the Company had investments in an unrealized gain/(loss) position below material disclosure thresholds in the table above. The Company has determined that the unrealized gains and losses on these investments are temporary in nature and expects the security to mature at its stated maturity principal. All available-for-sale securities held at June 30, 2016 will mature over a one year period. The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying value because of the short-term nature of these financial instruments respectively, at June 30, 2016 and June 30, 2015. The fair value of our short and long term note payable, which is measured using Level 2 inputs, approximates book value, at June 30, 2016 and June 30, 2015.

(6) Property and Equipment

Property and equipment consist of the following (in millions):

	As of June 30, 2016	As of June 30, 2015
Property and equipment	$ 0.3	$ 0.2
Leasehold improvements	0.3	0.2
Total Property and equipment	0.6	0.4
Accumulated depreciation	(0.3)	(0.2)
Property and equipment, net	$ 0.3	$ 0.2

Depreciation and amortization expense was $ 0.1 million, $1.1 million, and $2.4 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

(7) Accrued and Other Current Liabilities

Accrued and other current liabilities consist of the following (in millions):

	As of June 30, 2016	As of June 30, 2015
Professional fees	$ 0.1	$ 0.8
Salary and related costs	0.6	1.6
Research and development services	2.2	1.7
Other accrued expenses	0.7	1.3
Total accrued expenses and other liabilities	$ 3.6	$ 5.4

(8) Liabilities Related to Sale of Future Royalties

In April 2016, the Company sold certain royalty rights related to the approved product Inavir®, sold by Daiichi Sankyo in the Japanese market, for $20 million to HealthCare Royalty Partners III, L.P. ("HCRP"). Under the relevant accounting guidance, due to a limit on the amount of royalties that HCRP can earn under the arrangement, this transaction was accounted for as a liability that will be amortized using the interest method over the life of the arrangement. The Company has no obligation to pay any amounts to HCRP other than to pass through to HCRP its share of royalties as they are received from Daiichi Sankyo. In order to record the amortization of the liability, the Company is required to estimate the total amount of future royalty payments to be received under the License Agreement and the payments that will be passed through to HCRP over the life of the agreement. The sum of the pass through amounts less the net proceeds received will be recorded as non-cash interest expense over the life of the liability. Consequently, the Company imputes interest on the unamortized portion of the liability and records non-cash interest expense using an estimated effective interest rate. The Company will periodically assess the expected royalty payments, and to the extent such payments are greater or less than the initial estimate, the Company will adjust the amortization of the liability and interest rate. As a result of this accounting, even though the Company does not retain HCRP's share of the royalties , it will continue to record non-cash revenue related to those royalties until the amount of the associated liability and related interest is fully amortized..

The following table shows the activity within the liability account during the year ended June 30, 2016:

	in millions
Total Liability related to sale of future royalties, June 30, 2015	$ —
Proceeds from sale of future royalties, net *	17.8
Non-cash royalty revenue paid to HCRP	—
Non-cash interest expense recognized	0.3
Total Liability related to sale of future royalties, June 30 2016	$ 18.1

*Represents gross proceeds of $20.0 million less a royalty payment of $1.3 million paid to HCRP and $0.9 million in deferred financing costs.

(9) Stockholders' Equity

In January 2014, the Company closed a public offering in which it sold approximately 6.7 million shares of its common stock at a purchase price of $4.30 per share. The net proceeds to the Company from the sale of these shares after underwriting discounts, commissions and other offering expenses were approximately $26.8 million.

(10) Commitments and Contingent Liabilities

Operating Leases

The Company has a non-cancellable operating lease for its corporate headquarters in Alpharetta, Georgia that expires in February 2021. The lease includes an escalating base rent schedule and a tenant incentive towards leasehold improvements of approximately $0.1 million which are being recognized as a reduction in rent expense on a straight line basis over the term of the lease. Future minimum lease payments, in millions, under non-cancellable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2016 are (in millions):

2017	$ 0.3
2018	0.3
2019	0.3
Thereafter	0.5
Total minimum lease payments	$ 1.4

Rent expense was $0.2 million, $0.7 million and $0.7 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, which in the earlier years included rent for facilities that have since been closed.

(11) Income Taxes

For financial reporting purposes, income before taxes includes the following components (in millions):

	Fiscal Years Ended June 30,		
	2016	2015	2014
United States	$ (4.9)	$ (26.7)	$ (8.3)
Foreign	(20.5)	7.5	(3.0)
Total	$ (25.4)	$ (19.2)	$ (11.3)

The expense (benefit) for income taxes is comprised of:

	Fiscal Years Ended June 30,		
	2016	2015	2014
Current:			
Federal	$ -	$ -	$ -
State	-	-	-
Foreign	-	(0.1)	(0.3)
	-	(0.1)	(0.3)
Deferred:			
Federal	-	-	-
State	-	-	-
Foreign	-	-	-
	-	-	-
Total tax (benefit) expense	$ -	$ (0.1)	$ (0.3)

The reconciliation between the Company's effective tax rate and the statutory rate is as follows:

	Fiscal Years Ended June 30,		
	2016	2015	2014
Income tax (benefit) expense at federal statutory rate	$ (8.9)	$ (6.7)	$ (4.0)
State and local income taxes, net of federal benefit	(0.2)	(1.0)	(0.3)
Foreign tax rate differential	1.0	(0.4)	0.4
In-process research and development	-	6.9	-
Change in valuation allowance	9.4	0.8	4.1
Gain on merger	-	0.4	0.1
ISO expense	0.3	-	-
Research and development expenses	-	-	(0.1)
Research and development tax credits	-	(0.1)	(0.3)
Foreign tax credit	(0.2)	(0.2)	-
Deferred true-up	(0.9)	-	-
Other	(0.5)	0.2	(0.2)
Income tax (benefit) expense	$ -	$ (0.1)	$ (0.3)

The following table includes deferred tax assets and liabilities as of June 30, 2016 and 2015:

	As of June 30,	
	2016	**2015**
Deferred tax assets:		
Foreign net operating loss carryforwards	$ 20.2	$ 19.8
US federal and state loss carryforwards	6.1	5.4
Research credits	2.2	-
Amortization	0.6	0.6
Depreciation	-	-
Accrued compensated-related costs	1.6	1.4
Sale of future royalty rights	5.4	-
Other	0.1	0.4
Subtotal	36.2	27.6
Less valuation allowance	(36.2)	(27.1)
Total net deferred tax asset	-	0.5
Unearned Income	-	(0.5)
Net deferred tax assets	-	-
Current net deferred tax liability	-	(0.5)
Noncurrent net deferred tax asset	-	0.5
Net deferred taxes	$ -	$ -

Significant components of deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. As of June 30, 2016 and 2015 a full valuation allowance had been established, as the Company has determined that the realization of its deferred tax assets is not more likely than not. The Company recorded $36.2 million and $27.1 million of valuation allowance as of June 30, 2016 and 2015, respectively.

As of June 30, 2016 and 2015, the Company has $15.7 million and $13.8 million, respectively of gross U.S. federal net operating loss carryforwards that expire at various dates through 2034. Under IRC section 382, certain significant changes in ownership may restrict the future utilization of its U.S. tax loss carryforwards. As of June 30, 2016 and 2015, the Company also has accumulated tax losses of $32.1 million and $ 34.7 million, respectively for Australia, $22.8 million and $25 million, respectively for the United Kingdom and $18.8 million and $13.2 million, respectively for France available for carry forward against future earnings, which under relevant tax laws do not expire but may not be available under certain circumstances.

As of June 30, 2016 and 2015, the Company's foreign subsidiaries have no positive accumulated earnings. As such, no federal or state income taxes have been provided on the losses of its foreign subsidiaries under ASC 740. If in the future there are positive earnings generated from the Company's foreign subsidiaries, the Company will evaluate whether to record any applicable federal and state income taxes on such earnings.

Uncertain Tax Positions

The Company files income tax returns in the U.S, Australia, France and the United Kingdom, as well as with various U.S. states. The Company is subject to tax audits in all jurisdictions in which it files income tax returns. Tax audits by their very nature are often complex and can require several years to complete. There are currently no tax audits that have commenced with respect to income tax returns in any jurisdiction.

Under the tax statute of limitations applicable to the Internal Revenue Code, the Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for years before 2013. Under the statute of limitations applicable to most state income tax laws, the Company is no longer subject to state income tax examinations by tax authorities for years before 2012 in states in which it has filed income tax returns. Certain states may take the position that the Company is subject to income tax in such states even though the Company has not filed income tax returns in such states and, depending on the varying state income tax statutes and administrative practices, the statute of limitations in such states may extend to years before 2009. The Company began foreign operations in 1985. The Company is subject to foreign tax examinations by tax authorities for all years of operations.

The Company does not have any unrecognized tax benefits as of June 30, 2016.

(12) Share-Based Compensation

For the fiscal years ended June 30, 2016, 2015 and 2014, the Company recorded share-based compensation expense related to grants from equity incentive plans of $2.0 million, $2.1 million, and $1.7 million, respectively. No income tax benefit was recognized in the statements of operations and no share-based compensation expense was capitalized as part of any assets for the fiscal years ended June 30, 2016 and 2015.

Stock Options. The fair value of each stock option award was estimated at its respective date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Fiscal Years Ended June 30,		
	2016	**2015**	**2014**
Risk-free interest rate	1.40%	1.70%	1.50%
Dividend yield	—	—	—
Expected volatility	.75	.82	.79
Expected life of options (years)	4.8	5.9	5.9
Fair value of options granted	$ 1.26	$ 1.65	$ 2.47

The risk-free rate interest rate is based on the expected life of the option and the corresponding U.S. Treasury bond, which in most cases is the U.S. five year Treasury bond. The expected term of stock options granted is derived from actual and expected option behavior and represents the period of time that options granted are expected to be outstanding. The Company uses historical data to estimate option exercise patterns and future employee terminations to determine expected life and forfeitures. Expected volatility is based on the historical volatility of the Company's publicly traded common stock. The following table summarizes the stock option activity for the fiscal years end June 30, 2016 and 2015:

	Number of Stock Options	**Weighted Average Exercise Price Per Option**	**Weighted-Average Remaining Contractual Term**	**Aggregate Intrinsic Value $(0000)**
Balance at June 30, 2014	2,463,369	$ 9.09		
Granted	1,432,000	2.42		
Exercised	—	—		
Forfeited or expired	(531,252)	13.37		
Balance at June 30, 2015	3,364,117	5.58	7.9	$ -
Granted	1,636,667	2.17		
Exercised	—	—		
Forfeited or expired	(249,361)	12.77		
Balance at June 30, 2016	4,751,423	$ 4.07	6.6	$ -

The total intrinsic value of stock options exercised during the fiscal years ended June 30, 2016 and 2015 was zero, and no cash proceeds were received by the Company. Further, no actual tax benefits were realized, as the Company currently records a full valuation allowance for all tax benefits due to uncertainties with respect to its ability to generate sufficient taxable income in the future.

The following tables summarize information relating to outstanding and exercisable stock options as of June 30, 2016:

	June 30, 2016				
	Outstanding			Exercisable	
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$1.37 — $2.40	1,948,647	8.03	$ 2.17	465,007	$ 2.38
$2.47 — $2.85	1,257,500	5.63	2.56	201,250	2.75
$3.14 — $4.24	1,299,090	6.04	4.07	1,196,590	4.06
$6.11 — $39.60	246,186	3.76	26.81	216,186	29.64
	4,751,423	6.63	$ 4.07	2,079,033	$ 6.22

Restricted Stock Awards. A summary of the Company's outstanding restricted stock activity for the fiscal years ended June 30, 2016 and 2015 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at June 30, 2014	8,750	$ 3.93
Granted	—	—
Forfeited	—	—
Outstanding at June 30, 2015	8,750	3.93
Granted	—	—
Forfeited	—	—
Outstanding at June 30, 2016	8,750	$ 3.93

Restricted Stock Units and Market Stock Units (MSUs). A summary of the Company's outstanding restricted stock and market stock unit (MSU) activity for the fiscal years ended June 30, 2016 and 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at June 30, 2014	189,427	$ 3.94
Awarded	47,500	2.41
Released	(80,144)	3.94
Forfeited	(60,202)	3.87
Unvested at June 30, 2015	96,581	3.23
Awarded	2,500	2.49
Released	(43,541)	2.44
Forfeited	(6,334)	2.41
Outstanding at June 30, 2016	49,206	$ 4.00

In December 2013, the Company awarded 108,133 MSUs to employees that can vest on January 1, 2017. The vesting of these awards is subject to the respective employee's continued employment through this settlement period. The number of MSUs granted represents the target number of units that are eligible to be earned based on the attainment of certain market-based criteria involving the Company's stock price. The number of MSUs actually earned is calculated upon the vesting of the award. Participants may ultimately earn between 0% and 250% of the target number of units granted based on actual stock performance. Accordingly, additional MSUs may be issued or currently outstanding MSUs may be cancelled upon final determination of the number of awards earned. Compensation expense, including the effect of forfeitures, is recognized over the applicable service period.

The Company values grants of MSUs using a lattice model with a Monte Carlo simulation. This valuation methodology utilizes several key assumptions, including the 20-day average closing stock price on the grant date, expected volatility of the Company's stock price, risk-free rates of return and expected dividend yield. There were no grants of MSUs for the fiscal years ended June 30, 2016 and June 30, 2015. The assumptions used in the Company's valuation of the MSU's are summarized as follows:

	For the Fiscal Year Ended June 30, 2014
Expected dividend yield	0.00%
Expected stock price volatility	0.86
Risk-free interest rate	0.64%
20-day trading average stock price on grant date	$ 3.98
Weighted-average per share grant date fair value	$ 7.69

As of June 30, 2016 and 2015 there was $2.6 million and $3.2 million, respectively, of unrecognized share-based compensation expense related to all unvested share-based awards, discounted for future forfeitures. This balance is expected to be recognized over a weighted-average period of two years.

(13) Retirement Benefits

The Company contributed $0.2 million, $0.4 million, and $0.8 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, toward standard defined contribution plans for employees. Contributions by the Company during fiscal year ending June 30, 2016 can be up to four percent of an employee's salary. For fiscal years ending June 30, 2015 and 2014 contributions by the Company can be up to nine percent of non-US employee's salary and up to four per cent of a US employee's salary.

(14) Net Loss per Share

Basic and diluted loss per share has been computed based on net loss and the weighted-average number of common shares outstanding during the applicable period. For diluted net loss per share, common stock equivalents (shares of common stock issuable upon the exercise of stock options and warrants) are excluded from the calculation of diluted net loss per share as their inclusion would be anti-dilutive. The Company has excluded all options to purchase common stock in periods indicating a loss, as their effect is anti-dilutive.

The following table sets forth the computation of historical basic and diluted net loss per share:

	Fiscal Year Ended June 30,		
	2016	2015	2014
Net loss (in millions)	$ (25.4)	$ (19.1)	$ (11.0)
Weighted average shares outstanding	38,635,452	35,360,841	31,347,888
Shares used to compute diluted earnings per share	38,635,452	35,360,841	31,347,888
Basic loss per share	$ (0.66)	$ (0.54)	$ (0.35)
Diluted loss per share	$ (0.66)	$ (0.54)	$ (0.35)
Number of antidilutive stock options excluded from computation	4,751,423	3,604,737	2,275,441

(15) Licenses, Royalty, Collaborative and Contractual Arrangements

Royalty agreements

The Company entered into a royalty-bearing research and license agreement with GSK in 1990 for the development and commercialization of zanamivir, a neuraminidase inhibitor ("NI") marketed by GSK as Relenza® to treat influenza. Under the terms of the agreement, the Company licensed zanamivir to GSK on an exclusive, worldwide basis and is entitled to receive royalty payments of 7% of GSK's annual net sales of Relenza® in the U.S., Europe, Japan and certain other countries as well as 10% of GSK's annual net sales of Relenza® in Australia, New Zealand, South Africa and Indonesia. Most of the Company's Relenza® patents have expired and the only substantial remaining intellectual property related to the Relenza® patent portfolio, which is solely owned by the Company and exclusively licensed to GSK, is scheduled to expire in July 2019 in Japan. On May 12, 2015, the Company filed a request for rehearing with the U.S. Patent and Trademark Office, Patent Trial and Appeal Board ("PTAB") in relation to the pending patent application No. 08/737,141 related to Relenza intellectual property in the U.S. On June 23, 2015 the PTAB denied the Company's request for a rehearing. The Company reported on September 11, 2015, that it filed an appeal in relation to the pending patent application No. 08/737,141 related to Relenza® in the United States Court of Appeals for the Federal Circuit. On July 5, 2016 legal counsel for GSK presented oral arguments relating to inhalation treatment of influenza with Relenza® to the Federal Circuit Panel. While the Company cannot determine the duration or the outcome of this appeal process, or how long this patent application will remain pending, the Company believes that if this most recent appeal is unsuccessful, it is unlikely that the patent claims will ever be issued and that the Company will receive any further royalties. If the patent claims are ultimately issued, the Company would be eligible to receive royalties from net sales of Relenza® in the U.S. for an additional 17 years from the date of allowance

The Company also generates royalty revenue from the sale of Inavir® in Japan, pursuant to a collaboration and license agreement that the Company entered into with Daiichi Sankyo in 2009. In September 2010, laninamivir octanoate was approved for sale by the Japanese Ministry of Health and Welfare for the treatment of influenza in adults and children, which Daiichi Sankyo markets as Inavir®. Under the agreement, the Company currently receives a 4% royalty on net sales of Inavir® in Japan and is eligible to earn sales milestone payments. Under the collaboration and license agreement, the Company and Daiichi Sankyo have cross-licensed the world-wide rights to develop and commercialize the related intellectual property, and have agreed to share equally in any royalties, license fees, or milestone or other payments received from any third party licenses outside of Japan. Patents on the composition of matter for LANI in Japan generally expire in 2024.

On April 22, 2016, the Company entered into a Royalty Interest Acquisition Agreement ("Agreement") with HealthCare Royalty Partners III, L.P. ("HCRP"). Under the Agreement, HCRP made a $20 million cash payment to the Company in consideration for acquiring from the Sellers certain royalty rights ("Royalty Rights") related to the approved product Inavir® in the Japanese market. The Royalty Rights were obtained pursuant to the collaboration and license agreements (the "License Agreement") and a commercialization agreement that the Company entered into with Daiichi Sankyo Company, Limited.

Collaborative and contract arrangements

On July 5, 2016, the Company announced that it had entered into an exclusive, worldwide license for respiratory syncytial virus (RSV) replication inhibitors intellectual property with Georgia State University Research Foundation ("GSURF") in exchange for an upfront fee, future milestone payments and royalties on future net sales of any products that utilize the underlying RSV intellectual property. The Company has an obligation to make a minimum payment of $10,000 to GSURF annually until the license agreement expires or is terminated. The Company also entered into a two year sponsored research agreement with GSURF for annual sponsored research payments.

In March 2011, the Company's wholly owned subsidiary, Biota Scientific Management Pty Ltd., was awarded a contract by BARDA for the late-stage development of LANI on a cost-plus-fixed-fee basis. BARDA is part of the U.S. Office of the Assistant Secretary for Preparedness and Response ("ASPR") within the U.S. Department of Health and Human Services (HHS). The BARDA contract was designed to fund and provide the Company with all technical and clinical data and U.S. based manufacturing to support the filing of a U.S. new drug application ("NDA") with the FDA for LANI. On May 7, 2014 HHS/ASPR/BARDA notified the Company of its decision to terminate the contract for the development of LANI for the convenience of the U.S. Government. The Company completed and finalized all activities related to the settlement and close out this contract in June 2015. The Company was considered an active participant in the BARDA contract, with exposure to significant risks and rewards of commercialization relating to the development of LANI. Therefore, revenues from and costs associated with the contract are recorded and recognized on a gross basis in the consolidated statement of operations.

The following tables summarize the key components of the Company's revenues (in millions):

	Fiscal Years Ended June 30,		
	2016	**2015**	**2014**
Royalty revenue – Relenza®	$ 4.8	$ 11.4	$ 10.6
– Inavir®	4.3	4.8	4.5
Non-cash royalty revenue related to sale of royalties	0.2	-	-
Revenue from services	-	8.4	53.6
Total revenue	$ 9.3	$ 24.6	$ 68.7

(16) Restructuring Charges

The Company recognizes restructuring charges when a plan that materially changes the scope of its business or the manner in which that business is conducted is adopted and communicated to the impacted parties, and the expenses have been incurred or are reasonably estimable.

Fiscal 2014 Restructuring Activity
In the fourth quarter of fiscal 2014, the Company announced a restructuring as result of the termination for convenience of the BARDA contract. These restructuring activities were completed in fiscal 2015. The Company recorded $2.1 million in restructuring charges during fiscal 2014, which comprised of severance and other employee related benefits of which $0.9 million was recorded in cost of revenue, $1.0 million in research and development and $0.2 million in general and administrative. The remaining severance and other employment costs of approximately $2.0 million were paid in fiscal 2015.

(17) Quarterly Financial Information (Unaudited)

The table below sets forth summary unaudited consolidated quarterly financial information for the years ended June 30, 2016 and 2015 (in millions):

	Quarter Ended			
	6/30/2016	**3/31/2016**	**12/31/2015**	**9/30/2015**
Revenues	$ 0.6	$ 5.3	$ 1.7	$ 1.7
Operating expenses	7.4	10.5	8.2	8.4
Net (loss) income	(7.1)	(5.2)	(6.5)	(6.6)
Net (loss) income per share (1):				
Basic	$ (0.18)	$ (0.14)	$ (0.17)	$ (0.17)
Diluted	$ (0.18)	$ (0.14)	$ (0.17)	$ (0.17)

	Quarter Ended			
	6/30/2015	**3/31/2015**	**12/31/2014**	**9/30/2014**
Revenues	$ 4.1	$ 5.9	$ 13.9	$ 0.7
Operating expenses	24.1	4.8	7.5	7.7
Net loss	(19.9)	1.2	6.5	(6.9)
Net loss per share (1):				
Basic	$ (0.55)	$ 0.02	$ 0.19	$ (0.20)
Diluted	$ (0.55)	$ 0.02	$ 0.19	$ (0.20)

(1) Due to the use of the weighted average shares outstanding for each quarter for computing earnings per share, the sum of the quarterly per share amounts may not equal the per share amount for the year.

EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporation by Reference		
			Form	File No.	Date Filed
2.1	Merger Implementation Agreement, dated April 22, 2012, between Nabi Biopharmaceuticals and Biota Holdings Limited		8-K	001-35285-12773718	04/23/12
2.2	Amendment Deed, dated August 6, 2012, to the Merger Implementation Agreement, dated April 22, 2012, between Nabi Biopharmaceuticals and Biota Holdings Limited		8-K	001-35285-121016660	08/08/12
2.3	Amendment Deed, dated September 17, 2012, to the Merger Implementation Agreement, dated April 22, 2012, as amended by the Merger Implementation Agreement Amendment dated August 6, 2012, between Nabi Biopharmaceuticals and Biota Holdings Limited		8-K	001-35285-121096040	09/18/12
2.4	Stock Purchase Agreement, dated February 25, 2015, among Biota Pharmaceuticals, Inc., each of the shareholders of Anaconda Pharma party thereto and the Holder Representative thereunder		10-Q	001-35285-15847337	05/08/15
3.1	Restated Certificate of Incorporation of Aviragen Therapeutics, Inc.	X			
3.2	Restated By-laws of Aviragen Therapeutics, Inc.	X			
4.1	Form of Common Stock Certificate		10-K	000-04829-08651814	03/15/07
10.1†	Collaboration and License Agreement, dated September 29, 2003, between Biota Holdings Limited and Sankyo Co., Ltd.		10-Q	001-35285-13834721	05/10/13
10.2†	Amendment #1 to Collaboration and License Agreement, dated June 30, 2005, between Biota Holdings Limited, Biota Scientific Management Pty. Ltd. and Sankyo Company, Ltd.		10-Q	001-35285-13834721	05/10/13
10.3	Amendment #2 to Collaboration and License Agreement, dated March 27, 2009, between Biota Holdings Limited, Biota Scientific Management Pty. Ltd. and Daiichi Sankyo Company, Limited.		10-Q	001-35285-13834721	05/10/13

10.4†	Commercialization Agreement, dated March 27, 2009, between Biota Holdings Limited, Biota Scientific Management Pty. Ltd and Daiichi Sankyo Company, Ltd.	10-Q	001-35285-13834721	05/10/13
10.5†	Contract, dated March 31, 2011, between Biota Scientific Management Pty. Ltd. and Office of Biomedical Advanced Research and Development Authority within the Office of the Assistant Secretary for preparedness and Response at the U.S. Department of Health and Human Services.	10-Q	001-35285-13834721	05/10/13
10.6†	Research and License Agreement, dated February 21, 1990, by and among Biota Scientific Management Pty. Ltd., Biota Holdings Limited, Glaxo Australia Pty. Ltd. and Glaxo Group Limited.	10-Q	001-35285-13834721	5/10/13
10.7	Form of Indemnification Agreement for Directors and Executive Officers	8-K	001-35285-13817036	05-06-13
10.9+	Employment Agreement, dated as of October 1, 2014, between Biota Pharmaceuticals, Inc., and Russell H. Plumb	10-Q	001-35285-15584221	02/06/15
10.10+	Amended Executive Employment Agreement, dated as of October 1, 2014, between Biota Pharmaceuticals, Inc., and Joseph M. Patti	10-Q	001-35285-15584221	02/06/15
10.11+	Form Non-Plan Stock Units Agreement	8-K	001-35285-121206005	11/14/12
10.12+	Form of Letter Agreement for Stock Option Grant	8-K	001-35285-121206005	11/14/12
10.13+	2007 Omnibus Equity and Incentive Plan	DEF 14A	000-04829-07763351	04/12/07
10.14+	Executive Employment Agreement, dated as of November 26, 2013, between Biota Pharmaceuticals, Inc., and Peter Azzarello	8-K	001-35285-131247987	11/27/13

10.15+	Form of Employee Stock Option Agreement under the 2007 Omnibus Equity and Incentive Plan		8-K	001-35285-131266832	12/10/13
10.16+	Form of Market-Based Stock Unit Award Agreement under the 2007 Omnibus Equity and Incentive Plan		8-K	001-35285-131266832	12/10/13
10.17	At Market Issuance Sales Agreement, dated October 2, 2015, by and between Biota Pharmaceuticals, Inc., MLV & Co. LLC and FBR Capital Markets & Co.		8-K	001-35285 151141459	10/02/15
10.18+	Executive Employment Agreement, effective as of November 2, 2015, between Biota Pharmaceuticals, Inc. and Mark Colonnese.		8-K	001-35285 151189714	11/2/15
10.19	Royalty Interest Acquisition Agreement by and between Aviragen Therapeutics, Inc., Biota Holdings Pty Ltd, Biota Scientific Management Pty. Ltd. and HealthCare Royalty Partners III, L.P. dated April 22, 2016.		8-K	001-35285 161590079	4/26/16
10.20	Protective Rights Agreement between Aviragen Therapeutics, Inc. and HealthCare Royalty Partners III, L.P. dated April 22, 2016.		8-K	001-35285 161590079	4/26/16
16.1	Letter from PwC, dated March 24, 2016.		8-K	001-35285 161527343	3/24/16
21.1	List of Subsidiaries	X			
23.1	Consent of Ernst & Young	X			
23.1a	Consent of PricewaterhouseCoopers LLP.	X			
31.1*	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended	X			
31.2*	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended	X			
32.1*	Certification of Chief Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350	X			
32.2*	Certification of Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350	X			

101**	XBRL Instance Document	X
101**	XBRL Taxonomy Extension Schema Document	X
101**	XBRL Taxonomy Calculation Document	X
101**	XBRL Taxonomy Definition Linkbase Document	X
101**	XBRL Taxonomy Label Linkbase Document	X
101**	XBRL Taxonomy Presentation Linkbase Document	X

+ Indicates a management contract or compensatory plan or arrangement in which any director or named executive officer participates.
† Confidential treatment has been granted with respect to certain portions of this exhibit.
* This certification is being furnished solely to accompany this annual report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of Aviragen Therapeutics, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.
** Furnished, not filed.

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

AVIRAGEN THERAPEUTICS, INC.

Aviragen Therapeutics, Inc. (the "Corporation") filed its original certificate of incorporation under its former name, North American Biologicals, Inc., with the Secretary of State of the State of Delaware on March 14, 1969. This Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation on September 12, 2016, in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Corporation's certificate of incorporation as heretofore amended or supplemented, and there are no discrepancies between those provisions and the provisions of this Restated Certificate of Incorporation.

FIRST: The name of the corporation is Aviragen Therapeutics, Inc.

SECOND: The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808. The name of the Corporation's registered agent at such address is United States Corporation Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 205,000,000 shares consisting of

a) 5,000,000 shares of Preferred Stock, par value $.10 per share, and

b) 200,000,000 shares of Common Stock, par value $.10 per share.

Except as otherwise provided by law, the shares of stock of the Corporation, regardless of class, may be issued by the Corporation from time to time in such amounts, for such consideration and for such corporate purposes as the Board of Directors may from time to time determine.

Shares of Preferred Stock may be issued from time to time in one or more series of any number of shares as may be determined from time to time by the Board of Directors, provided that the aggregate number of shares issued and not cancelled of any and all such series shall not exceed the total number of shares of Preferred Stock authorized by this Certificate of Incorporation. Each series of Preferred Stock shall be distinctly designated. Except in respect of the particulars fixed for series by the Board of Directors as permitted hereby, all shares of Preferred Stock shall be of equal rank and shall be identical. All shares of any one series of Preferred Stock shall be alike in every particular, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative. The voting powers, if any, of each such series and the preferences and relative, participating, optional and other special rights of each such series and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series at any time outstanding; and the Board of Directors is hereby expressly granted authority to fix, in the resolution or resolutions providing for the issue of stock of a particular series of Preferred Stock, the voting powers, if any, of each such series and the designations, preferences and relative, participating, optional and other special rights of each such series and the qualifications, limitations and restrictions thereof to the full extent now or hereafter permitted by this Certificate of Incorporation and the laws of the State of Delaware.

Subject to the provisions of any applicable law, this Restated Certificate of Incorporation or of the By-Laws with respect to the closing of the transfer books or the fixing of a record date for the determination of stockholders entitled to vote, and except as otherwise provided by law or herein or by the resolution or resolutions providing for the issue of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall exclusively possess the voting power for the election of directors and for all other purposes, each holder of record of shares of Common Stock being entitled to one vote for each share of Common Stock standing in his name on the books of the Corporation.

There is hereby established a series of the authorized preferred shares of this corporation having a par value of $.10 per share and a stated value of $.65 per share, which series shall be designated as "Series A Convertible Preferred Stock," shall consist of 1,538,462 shares, which number of shares may not be increased, and shall have the following rights, preferences and limitations:

a) Conversion Rights. At any time subsequent to the Issue Date, the holders of any one or more shares of the Series A Convertible Preferred Stock may, at their option, convert such share or shares, on the terms and conditions set forth in this Paragraph a), into fully paid and non-assessable common shares of this Corporation as such common shares shall be constituted at the Issue Date. Each share of Series A Convertible Preferred Stock shall be convertible into one common share, $.10 par value per share; provided, however, that the number of common shares issuable on conversion of each share of Series A Convertible Preferred Stock (the "Conversion Amount") shall be subject to adjustment as follows:

(1) In case this Corporation shall at any time (i) subdivide its outstanding common shares of the class issuable upon conversion of the Series A Convertible Preferred Stock into a greater number of shares, or (ii) pay a dividend to holders of its securities in common shares of the class issuable upon the conversion of the Series A Convertible Preferred Stock, the Conversion Amount shall be proportionately increased. In case this Corporation shall at any time combine its outstanding common shares of the Class issuable upon conversion of the Series A Convertible Preferred Stock, the Conversion Amount shall be proportionately decreased. Any such adjustment shall become effective retroactively immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision or combination.

(2) In case of any reclassification or change of the common shares of the class issuable upon conversion of the Series A Convertible Preferred Stock (other than a change from no par value to par value, or from par value to no par value, or a change in par value, or as a result of a subdivision or combination of shares) into a lesser number of shares, or in case of any consolidation or merger of this Corporation with or into another corporation (other than a merger with a subsidiary in which merger this Corporation is the continuing corporation and which does not result in any reclassification or change of outstanding common shares of the class issuable upon conversion of the Series A Convertible Preferred Stock), or in case of any sale or substantially all of the property of this Corporation, the holder of each share of the Series A Convertible Preferred Stock then outstanding shall have the right thereafter, subject to the terms and conditions of this Paragraph a), to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, or sale by a holder of the number of common shares of this Corporation into which such share of Series A Convertible Preferred Stock might have been converted immediately prior to such reclassification, change, consolidation, merger, or sale, and shall have no other conversion rights under these provisions; and effective provision shall be made in the Articles of Incorporation of the resulting or surviving corporation or otherwise, so that the provisions set forth herein for the protection of the conversion rights of the Series A Convertible Preferred Stock shall thereafter be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property deliverable upon conversion of the Series A Convertible Preferred Stock remaining outstanding or other convertible preferred stock received by the holders in place thereof; and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon the exercise of the conversion privilege, such shares, securities or property as the holders of the Series A Convertible Preferred Stock remaining outstanding, or other convertible preferred stock received by the holders in place thereof, and to make provisions for the protection of the conversion right as above provided. In case securities or property other than common shares shall be issuable or deliverable upon conversion as aforesaid, then all reference in this Subparagraph (2) shall be deemed to apply so far as appropriate and as nearly as may be, to such other securities or property.

(3) No fractional common shares shall be issued on any conversion, but in lieu thereof, this Corporation shall, at its option, either (a) pay therefor in cash in an amount equal to the current market value of such fractional interest computed on the basis of the last reported sale of common shares on any national securities exchange on which the common shares may then be listed prior to the date upon which conversion is deemed to have been effected, or, if such shares are not then so listed, at the average of the bid and asked prices of such common shares in the over-the-counter market on the three (3) business days prior to the date upon which conversion is deemed to have been effected, as shown by the National Association of Securities Dealers, Inc., Automated Quotation System Level I, or the nearest comparable system, or in the absence of either, the fair market value as determined by the Board of Directors (whose determination shall be conclusive), or (b) make such arrangements as the Board of Directors shall approve to enable the holder of a fractional interest to sell such interest or buy an additional fractional interest sufficient to make one whole share of common stock.

Whenever there is a subdivision or combination of, or a dividend payable in, common shares requiring a change in the Conversion Amount, this Corporation shall file with the Transfer Agent for its common shares in the City of New York, New York, and at its principal office in the City of Miami, Florida, a statement signed by the President or a Vice President and by the Treasurer or the Secretary of this Corporation, describing specifically such subdivision or combination of or dividend payable in common shares and stating the adjustments which shall be made to the Conversion Amount and the Conversion Amount as so adjusted. The statement so filed shall be open to inspection by any holder of record of shares of Series A Convertible Preferred Stock. This Corporation shall at the time of filing any such statement mail notice to the same effect to the holders of shares of Series A Convertible Preferred Stock at their addresses appearing on the books of this Corporation or supplied by them to this Corporation for the purpose of notice.

Upon surrender to this Corporation at the office of the Corporation in Miami, Florida, or at such other place or places, if any, as the Board of Directors of this Corporation may determine, of certificates, duly endorsed to this Corporation or in blank, for shares of Series A Convertible Preferred Stock to be converted, together with directions in writing to this Corporation to convert such shares specifying the name and address of the person, corporation, firm or other entity to whom such shares are to be issued, this Corporation will issue as of the time of such surrender the number of full common shares issuable on conversion thereof and as promptly as practicable thereafter will deliver certificates for such common shares and either cash for any remaining fraction of a share or order forms entitling holders to sell fractional interests or purchase additional fractional interests necessary to make a full share, as provided in Subparagraph (2) above.

Shares of Series A Convertible Preferred Stock converted into common shares as hereinbefore provided shall be retired and restored to the status of authorized and unissued preferred shares. Shares so converted shall not be reissued as Series A Convertible Preferred Stock.

This Corporation shall at all times after the Issue Date reserve for issuance upon conversion of Series A Convertible Preferred Stock a sufficient number of full common shares for the conversion of each outstanding share of Series A Convertible Preferred Stock at the current Conversion Amount.

b) Rights Upon Liquidation or Dissolution. The amounts payable to holders of Series A Convertible Preferred Stock in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, shall be equal to the amounts set apart or payable on account of the shares of common stock in the same amount, as if such Series A Convertible Preferred Stock had been fully converted into Common Stock. The holder's of Series A Convertible Preferred Stock shall be entitled to no further participation in any remaining assets of this Corporation after payment of the foregoing amounts. Neither the consolidation or merger of this Corporation with or into any other corporation or corporations, nor the sale or lease of all or substantially all the assets of this Corporation shall be deemed to be a liquidation, dissolution or winding up of this Corporation within the meaning of any of the provisions of this Paragraph b).

c) Voting Rights.

(1) The holders of Series A Convertible Preferred Stock shall have one vote per share on all matters to come before the shareholders of this Corporation and shall vote together with the Common Stock and not as a separate class except as otherwise herein specifically provided and except that the holders of the Series A Convertible Preferred Stock shall be entitled to vote as a class for the approval or rejection of those matters which under the provisions of the laws of the State of Delaware require approval of a designated portion of the shares of such class or series.

So long as 769,231 or more of the shares of Series A Convertible Preferred Stock shall be outstanding, or, if there have been share adjustments as described in Section a) above, so long as there are outstanding the number of shares which equals fifty percent or more of the shares outstanding from time to time after giving effect to said share adjustments, if any, the holders thereof, voting as a separate class, shall be entitled to elect a majority of the whole Board of Directors of the Corporation. The holders of the Common Stock shall be entitled to elect a minority of the Board of Directors of the Corporation voting as a separate class.

No director elected by the holders of the Series A Convertible Preferred Stock, voting as a class, shall during his or her term of office be removed from office except upon the vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the number of shares of Series A Convertible Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose, and any vacancy caused by the death, resignation, inability to serve, or removal of any director elected by the holders of the Series A Convertible Preferred Stock, voting as a separate class, shall be filled only by a vote of the remaining directors elected by the Series A Convertible Preferred Stock voting as a separate class.

In case the special voting rights of the holders of the Series A Convertible Preferred Stock for the election of a majority of the Corporation's Board of Directors shall cease in accordance with the provisions of the Section, the terms of office of the directors so elected shall cease at the next annual meeting of stockholders.

(2) Unless the vote or consent of the holders of a greater number of shares of Series A Convertible Preferred Stock shall at the time be required by law the consent of the holders of at least a majority of the number of shares of Series A Convertible Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for the purpose at which the holders of Series A Convertible Preferred Stock shall vote separately as a class, shall be necessary for authorizing, effecting or validating the sale, lease, exchange, transfer or conveyance of all or substantially all of the property or business of the Corporation, or the parting with control thereof, or the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation; provided, however, that the provisions of this Subsection (2) shall not apply to, nor shall any consent of the holders of the Series A Convertible Preferred Stock be required for, the merger or consolidation of the Corporation, into or with another corporation, or the merger or consolidation of another corporation into or with the Corporation, if none of the preferences, rights, powers or privileges of the Series A Convertible Stock or the holders thereof will be adversely affected thereby, and if the Corporation resulting from such merger or consolidation shall be bound by the provisions hereof as fully and to the same extent as if it were the Corporation.

(3) The consent of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the number of shares of Series A Convertible Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose at which the holders of Series A Convertible Preferred Stock shall vote separately as a class, shall be necessary for authorizing, effecting or validating any amendment, alteration, or repeal of any of the provisions of the Restated Certificate of Incorporation of the Corporation, or any certificate amendatory thereof or supplemental thereto, so as to affect adversely any of the rights, powers, preferences or privileges of the Series A Convertible Preferred Stock or the holders thereof.

(4) If at any time dividends are declared on the Corporation's common shares, the Series A Convertible Preferred Stock shall have a right pari passu with the common shares as to the distribution of dividends.

Pursuant to the authority conferred by this Article FOURTH upon the Board of Directors of the Corporation, the Board of Directors of the Corporation created a series of shares of Preferred Stock designated as "Series One Preferred Stock," by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on September 4, 1997, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Series One Preferred Stock are set forth in Appendix A hereto and are incorporated herein by reference.

Pursuant to the authority conferred by this Article FOURTH upon the Board of Directors of the Corporation, the Board of Directors of the Corporation created a series of shares of Preferred Stock designated as "Series A Junior Participating Preferred Stock," by filing a certificate of designations of the Corporation with the Secretary of State of the State of Delaware on August 25, 2011, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Series A Junior Participating Preferred Stock are set forth in Appendix B hereto and are incorporated herein by reference.

FIFTH: The Board of Directors of the Corporation shall consist of seven members or such other number as shall be designated by the Board of Directors. The Board of Directors is expressly authorized and empowered to adopt, amend and repeal By-Laws, subject to the power of the stockholders to amend or repeal any By-Law made by the Board of Directors.

SIXTH: Unless and except to the extent that the By-Laws shall so require, the election of the directors need not be by written ballot.

SEVENTH: (i) Except as set forth in Part (ii) of this Article Seventh the affirmative vote or consent of the holders of (x) 75% of the shares of Common Stock of the Corporation entitled to vote for the election of directors and (y) 50% of the Series A Convertible Preferred Stock (so long as they have right to elect a majority of the Corporation's directors as provided for herein), voting as a separate class, shall be required (a) for the adoption of any agreement for the merger or consolidation of the Corporation with or into any Other Corporation (as hereinafter defined), or (b) to authorize any sale, lease, exchange, mortgage, pledge or other disposition of all, or substantially all of the assets of the Corporation or any Subsidiary (as hereinafter defined) having a then net worth in excess of $250,000 (as hereinafter defined) to any Other Corporation, or (c) to authorize the issuance or transfer by the Corporation of any Substantial Amount (as hereinafter defined) of securities of the Corporation in exchange for the securities or assets of any Other Corporation. Such affirmative vote or consent shall be in addition to the vote or consent of the holders of the stock of the Corporation otherwise required by law, the Certificate of Incorporation of the corporation or any agreement or contract to which the Corporation is a party.

(ii) The provisions of Part (i) of this Article Seventh shall not be applicable to any transaction described therein if such transaction is approved by resolution of the Board of Directors of the Corporation, provided that a majority of the members of the Board of Directors voting for the approval of such transaction were duly elected and acting members of the Board of Directors prior to the time any such Other Corporation may have become a Beneficial Owner (as hereinafter defined) of 5% or more of the shares of the stock of the Corporation entitled to vote for the election of directors.

(iii) For the purposes of Part (ii) of this Article Seventh, the Board of Directors shall have the power and duty to determine for the purposes of this Article Seventh, on the basis of information known to such Board, if and when any Other Corporation is the Beneficial Owner of 5% or more of the outstanding shares of stock of the Corporation entitled to vote for the election of directors. Any such determination shall be conclusive and binding for all purposes of this Article Seventh.

(iv) As used in this Article Seventh the following terms shall have the meanings indicated:

"Other Corporation" means any person, firm, corporation, or other entity, other than a Subsidiary of the Corporation.

"Subsidiary" means any corporation in which the Corporation owns, directly or indirectly, more than 50% of the voting securities.

"Substantial Amount" means any securities of the Corporation having a then fair market value of more than $250,000.

An Other Corporation (as defined above) shall be deemed to be the "Beneficial Owner" of stock if such Other Corporation or "affiliate" or "associate" of such Other Corporation (as those terms are defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934 (15 U.S.C. 78 aaa et seq.)), as amended from time to time, directly or indirectly, controls the voting of conversion or other rights to acquire such stock.

(v) This Article Seventh may not be amended, revised or revoked, in whole or in part, except by the affirmative vote or consent of the holders of (x) 75% of the shares of Common Stock of the Corporation entitled to vote for the election of directors and (y) 50% of the shares of the Series A Convertible Preferred Stock (so long as they have right to elect a majority of the Corporation's directors as provided herein), voting as a separate class, each series of which shall be considered for the purposes of this Article Seventh as one class of stock.

EIGHTH: a) The Corporation shall indemnify its officers, directors, employees and agents against liabilities, damages, settlements and expenses (including attorneys' fees) incurred in connection with the Corporation's affairs to the full extent permitted by law, and as more particularly set forth in the Corporation's By-laws. Such indemnification provisions of the Corporation's By-laws may be enacted and modified from time to time by resolution of the Corporation's Board of Directors.

b) Notwithstanding any other provision of this Article Eighth, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this provision to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

c) Any repeal or modification of any provision of this Article Eighth by the stockholders of the Corporation shall not adversely affect any right to protection of a director of the Corporation existing at the time of such repeal or modification.

NINTH: From time to time any of the provisions of this Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed or permitted by said laws and by this Certificate of Incorporation; and all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this Article Ninth.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be signed and attested by its President and Chief Executive Officer and Assistant Secretary, respectively, on this 12th day of September, 2016.

By: /s/ Joseph M. Patti
President and Chief Executive Officer

Attest:

By: /s/ Mark P. Colonnese
Assistant Secretary

Appendix A

CERTIFICATE OF DESIGNATIONS

of

SERIES ONE PREFERRED STOCK

of

NABI

(Pursuant to Section 151 of the
Delaware General Corporation Law)

NABI (hereinafter called the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies that the following resolutions were adopted by the Board of Directors of the Corporation as required by Section 151 of the DGCL at a meeting duly called and held on July 25, 1997:

WHEREAS, Article Four of the Company's Amended and Restated Certificate of Incorporation (hereinafter called the "Certificate of Incorporation") authorizes eighty million (80,000,000) shares of capital stock, consisting of five million (5,000,000) shares of preferred stock, $.10 par value per share (the "Preferred Stock") issuable from time to time in one or more series, and seventy-five million (75,000,000) shares of common stock, $.10 par value per share (the "Common Stock").

NOW, THEREFORE, BE IT RESOLVED, in accordance with Section 151 of the DGCL and pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") pursuant to Article Four of the Certificate of Incorporation whereby the Board of Directors is authorized to fix the designations, powers, preferences and relative, participating, optional or other special rights, if any, and qualifications, limitations or restrictions thereof, of any wholly unissued series of Preferred Stock, and to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such series (but not below the number of shares thereof then outstanding), the Board of Directors hereby creates a series of Preferred Stock and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series One Preferred Stock" (the "Series One Preferred Stock") and the number of shares constituting the Series One Preferred Stock shall be 750,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series One Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series One Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series One Preferred Stock with respect to dividends, the holders of shares of Series One Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series One Preferred Stock, in an amount (if any) per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock of the Company or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series One Preferred Stock. In the event the Corporation shall at any time after the issuance of any share or fraction of a share of Series One Preferred Stock declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series One Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series One Preferred Stock as provided in paragraph (A) of this Section at the same time it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series One Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. No dividend or distribution (other than a dividend payable in shares of Common Stock) on the Common Stock shall be paid or set aside for payment on the Common Stock unless the dividend or distribution required as a result thereof to be paid on the Series One Preferred Stock shall be simultaneously paid or set aside for payment on the Series One Preferred Stock.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series One Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series One Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series One Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series One Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series One Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series One Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series One Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series One Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series One Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series One Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on outstanding shares of Series One Preferred Stock shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series One Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series One Preferred Stock, except dividends paid ratably on the Series One Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series One Preferred Stock; provided, that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series One Preferred Stock.

(iv) except as permitted by subclause (v) of this Section 4(A), redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series One Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series One Preferred Stock; or

(v) purchase or otherwise acquire for consideration any shares of Series One Preferred Stock, or any shares of stock ranking on a parity with the Series One Preferred Stock (either as to dividends or upon liquidation, dissolution or winding up), except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series One Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series One Preferred Stock unless, prior thereto, the holders of shares of Series One Preferred Stock shall have received the greater of (i) $1.00 per share plus an amount equal to any accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, and (ii) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock. The amount to which holders of Series One Preferred Stock may be entitled upon liquidation, dissolution or winding up of the Corporation pursuant hereto is hereinafter referred to as the "Series One Preferred Liquidation Preference." In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series One Preferred Stock were entitled immediately prior to such event under clause (ii) above shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) In the event that there are not sufficient assets available to permit payment in full of the Series One Preferred Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series One Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series One Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series One Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series One Preferred Stock shall not be redeemable.

Section 9. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series One Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series One Preferred Stock, voting together as a single class.

Section 10. Ranking. The Series One Preferred Stock shall rank (i) junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets on liquidation unless the terms of any such series of Preferred Stock shall provide otherwise, and (ii) senior to the Common Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Senior Vice President and Chief Financial Officer, and attested by its Secretary, this 27th day of August 1997.

/s/ Alfred J. Fernandez
Alfred J. Fernandez
Senior Vice President and
Chief Financial Officer

Attest:

/s/ Constantine Alexander

Secretary

Appendix B

CERTIFICATE OF DESIGNATIONS

of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

NABI BIOPHARMACEUTICALS

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Nabi Biopharmaceuticals, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolutions were adopted by the Board of Directors of the Corporation as required by Section 151 of the Delaware Act at a meeting duly called and held on August 24, 2011:

WHEREAS, Article Four of the Company's Restated Certificate of Incorporation (hereinafter called the "Certificate of Incorporation") authorizes one-hundred thirty million (130,000,000) shares of capital stock, consisting of five million (5,000,000) shares of preferred stock, $.10 par value per share (the "Preferred Stock") issuable from time to time in one or more series, and one-hundred twenty-five million (125,000,000) shares of common stock, $.10 par value per share (the "Common Stock").

NOW, THEREFORE, BE IT RESOLVED, in accordance with Section 151 of the General Corporation Law and pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") pursuant to Article Four of the Certificate of Incorporation whereby the Board of Directors is authorized to fix the designations, powers, preferences and relative, participating, optional or other special rights, if any, and qualifications, limitations or restrictions thereof, of any wholly unissued series of Preferred Stock, and to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such series (but not below the number of shares thereof then outstanding), the Board of Directors hereby creates a series of Preferred Stock and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 125,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any class or series of stock of the Corporation ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock and of any other stock ranking junior to the Series A Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time after the issuance of any share or fraction of a share of Series A Preferred Stock, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section at the same time it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. No dividend or distribution (other than a dividend payable in shares of Common Stock) on the Common Stock shall be paid or set aside for payment on the Common Stock unless the dividend or distribution required as a result thereof to be paid on the Series A Preferred Stock shall be simultaneously paid or set aside for payment on the Series A Preferred Stock.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(D) If, at the time of any annual meeting of stockholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series A Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at such meeting of stockholders (and at each subsequent annual meeting of stockholders), unless all dividends in arrears on the Series A Preferred Stock have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Corporation, the holders of Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock as is specified in paragraph (A) of this Section 3. Each such additional director shall serve until the next annual meeting of stockholders for the election of directors, or until his successor shall be elected and shall qualify, or until his right to hold such office terminates pursuant to the provisions of this Section 3(D). Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the provisions of this Section 3(D) may be removed at any time, without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section 3(D) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock, subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made (i) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received the greater of (x) $10.00 per share plus an amount equal to any accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, and (y) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (ii) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. The amount to which holders of Series A Preferred Stock may be entitled upon liquidation, dissolution or winding up of the Corporation pursuant hereto is hereinafter referred to as the "Series A Preferred Liquidation Preference". In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) In the event that there are not sufficient assets available to permit payment in full of the Series A Preferred Liquidation Preference and the liquidation preferences of all other classes and series of stock of the Corporation, if any, which rank on a parity with the Series A Preferred Stock in respect thereof, then such remaining assets shall be distributed ratably to the holders of the Series A Preferred Stock and the holders of such parity shares in proportion to their respective liquidation preferences.

(C) Neither the merger or consolidation of the Corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, junior to all series of any other class of the Corporation's Preferred Stock, except to the extent that any such other series specifically provides that it shall rank on a parity with or junior to the Series A Preferred Stock.

Section 10. Amendment. At any time any shares of Series A Preferred Stock are outstanding, the Certificate of Incorporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 11. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

[Signature Page Follows]

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by the undersigned this 25th day of August, 2011.

NABI BIOPHARMACEUTICALS

By: /s/ Raafat E.F. Fahim
Name: Raafat E.F. Fahim
Title: President and Chief Executive Officer

Exhibit 3.2

RESTATED BY-LAWS

OF

AVIRAGEN THERAPEUTICS, INC.

ARTICLE I

Offices

The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is The Corporation Trust Company.

The corporation may also have offices at such other places within or without the State of Delaware as the Board of Directors may from time to time appoint or the business of the corporation may require.

ARTICLE II

Meetings of Stockholders

Section l. Place of Meetings. All meetings of stockholders for any purpose shall be held at such place, within or without the State of Delaware, as shall be designated by the Board of Directors or the Chairman of the Board or the President and stated in the notice of the meeting. The Board of Directors may, in its sole discretion, determine that a meeting of stockholders shall not be held in any place but shall instead be held solely by means of remote communication. If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders not physically present at a meeting of stockholders may, by means of remote communication, participate in a meeting of stockholders and be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (a) the Board of Directors shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder, (b) the Board of Directors shall implement reasonable measures to provide such stockholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (c) if any stockholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

Section 2. Annual Meeting. An annual meeting of the stockholders of the corporation, for the election of Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held on such date and at such time as shall be fixed from time to time by the Board of Directors and stated in the notice of the meeting.

Section 3. Special Meetings. Special meetings of the stockholders may be called by the Chairman of the Board, the President or by order of the Board of Directors. Business transacted at any special meeting shall be confined to the purpose or purposes stated in the notice of such meeting.

Section 4. Notice of Meeting. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, the certificate of incorporation or these by-laws, notice of the time and place of holding each annual meeting and each special meeting of stockholders shall be given by the Secretary, not less than ten nor more than sixty days before the meeting, to each stockholder of record entitled to vote at such meeting.

When a meeting is adjourned to another place, date or time, unless the adjournment is for more than thirty days or a new record date is fixed for the adjourned meeting, notice of the adjourned meeting need not be given if the time, place, if any, thereof, and the means of remote communication, if any, by which stockholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally called.

Section 5. List of Stockholders. At least ten days before every meeting of stockholders a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary, who shall have charge of the stock ledger. Nothing contained in this Section 5 shall require the corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 6. Quorum. At any meeting of stockholders, the holders of issued and outstanding shares of capital stock which represent a majority of the votes entitled to be cast thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, then either the person presiding over the meeting or the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented.

Section 7. Voting. At any meeting of the stockholders, every stockholder having the right to vote shall be entitled to vote in person or may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after 11 months from its date. When a quorum is present at any meeting, a plurality of the votes properly cast for election to the Board of Directors and a majority of the votes properly cast on any question other than election to the Board of Directors shall decide the question unless the question is one upon which by express provision of law or of the certificate of incorporation or of these by-laws a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 8. Fixing of Record Date.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action other than stockholder action by written consent, the Board of Directors may fix a record date, which shall not precede the date such record date is fixed and shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any such other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given. The record date for any other purpose other than stockholder action by written consent shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed the Board of Directors within 10 days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

Section 9. Nomination of Directors. Only persons who are nominated in accordance with the procedures set forth in the By-laws shall be eligible to serve as Directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders (a) by or at the direction of the Board of Directors or (b) by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this Section 9, who shall be entitled to vote for the election of Directors at the meeting and who complies with the notice procedures set forth in this Section 9. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days prior to the meeting; provided, however, that in the event that less than 100 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the corporation's books, of such stockholder and (ii) the class and number of shares of the corporation which are beneficially owned by such stockholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible to serve as a Director of the corporation unless nominated in accordance with the procedures set forth in this By-law. The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the By-laws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 9, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

Section 10. Notice of Business. At any meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of the corporation who is a stockholder of record at the time of giving of the notice provided for in this Section 10, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 10. For business to be properly brought before a stockholder meeting by a stockholder, the business must relate to a proper subject matter for stockholder action and the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days prior to the meeting; provided, however, that in the event that less than 100 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely must be received no later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the corporation which are beneficially owned by the stockholder and (d) any material interest in the stockholder in such business. Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at a stockholder meeting except in accordance with the procedures set forth in this Section 10. The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of the By-laws, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 10, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section.

Section 11. Conduct of Meeting. The Board of Directors shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem appropriate. Subject to such rules and regulations of the Board of Directors, if any, the person presiding over the meeting shall have the right and authority to convene and adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of the person presiding over the meeting, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the person presiding over the meeting shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulations of the opening and closing of the polls for balloting and matters which are to be voted on by ballot. The person presiding over the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if the person presiding over the meeting should so determine and declare, any such matter or business shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE III

Directors

Section 1. Directors and Their Terms of Office. The corporation shall have one or more Directors, the number of Directors to be determined from time to time by vote of a majority of Directors then in office. Each Director shall hold office until his or her successor is elected and qualified. A Director need not be a stockholder. No decrease in the number of Directors shall affect the term of any Director in office.

Section 2. Powers of Directors. The affairs, property and business of the corporation shall be managed by the Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by law or by the certificate of incorporation or these by-laws directed or required to be exercised or done by the stockholders.

Section 3. Vacancies. If any vacancies occur in the Board of Directors caused by death, resignation, retirement, disqualification or removal from office of any Directors or otherwise, or any new Directorship is created by any increase in the authorized number of Directors, Directors to fill the vacancy or vacancies or to fill the newly created Directorship shall be filled solely by a majority vote of the Directors then in office, whether or not a quorum, at any meeting of the Board and the Directors so chosen shall hold office until their successors are duly elected and qualified.

Section 4. Annual Meeting of Directors. The first meeting of each newly elected Board of Directors may be held without notice immediately after an annual meeting of stockholders (or a special meeting of stockholders held in lieu of an annual meeting) at the same place as that at which such meeting of stockholders was held, or such first meeting may be held at such place (within or without the State of Delaware) and time as shall be fixed by the consent in writing of all the Directors or as may be called in the manner hereinafter provided with respect to the call of special meetings.

Section 5. Regular Meetings of Directors. Regular meetings of the Board of Directors may be held at such times and at such place or places (within or without the State of Delaware) as the Board of Directors may from time to time prescribe. No notice need be given of any regular meeting and a notice, if given, need not specify the purposes thereof.

Section 6. Special Meetings of Directors. Special meetings of the Board of Directors may be called at any time by or under the authority of the Chairman of the Board or the President and shall be called by him or her or by the Secretary on written request of any two Directors or, if they fail to do so, by two Directors in the name of the Secretary, to be held in each instance at such place (within or without the State of Delaware) as the person calling the meeting may designate in the call thereof. Notice of each special meeting of the Board of Directors, stating the time and place thereof, shall be given to each Director by the Secretary, not less than twenty-four hours before the meeting. Such notice need not specify the purposes of the meeting.

Section 7. Quorum; Voting. At any meeting of the Board of Directors a majority of the Directors then in office shall constitute a quorum for the transaction of business, but if a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present. Except as otherwise provided by law or by the certificate of incorporation or by these by-laws, the affirmative vote of a majority of the Directors present at a meeting at which there is a quorum shall be the act of the Board of Directors.

Section 8. Meetings by Telephone. Members of the Board of Directors or of any committee thereof may participate in meetings of the Board of Directors or of such committee by means of conference telephone or other communications equipment by means of which all person participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 9. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or of such committee. Such filings shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 10. Compensation. By resolution of the Board of Directors, the Directors, as such, may receive stated salaries for their services, and may be allowed a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board. Members of committees may also be allowed a fixed sum and expenses of attendance, if any, for attending committee meetings. Nothing herein contained shall preclude any Director from serving the corporation in any other capacity and receiving compensation for such services.

Section 11. Chairman of the Board. The Board of Directors shall select from its members a Chairman of the Board who shall preside at all meetings of the Board of Directors.

ARTICLE IV

Committees

The Board of Directors may: (a) designate, change the membership of or terminate the existence of any committee or committees, each committee to consist of one or more Directors; (b) designate one or more Directors as alternate members of any such committee who may replace any absent or disqualified member at any meeting of the committee; and (c) determine the extent to which each such committee shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, including the power to authorize the seal of the corporation to be affixed to all papers which require it and the power and authority to declare dividends or to authorize the issuance of stock, excepting, however, such powers which by law, by the certificate or incorporation or by these by-laws the Board of Directors is prohibited from so delegating. In the absence or disqualification of any member of such committee and his or her alternative, if any, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the Board or such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these by-laws for the conduct of business by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors upon request.

ARTICLE V

Officers

Section 1. Officers and Their Election, Term of Office and Vacancies. The officers of the corporation shall be a President, a Secretary, a Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board of Directors may from time to time determine and elect or appoint. All officers shall be elected annually by the Board of Directors at their first meeting following the annual meeting of stockholders or any special meeting held in lieu thereof and shall hold office until their successors are duly elected and qualified. All officers may, but need not be, members of the Board of Directors. Two or more offices may be held by the same person. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. If any vacancy shall occur among the officers, it shall be filled by the Board of Directors.

Section 2. President. The President shall be the chief executive officer of the corporation with full control and responsibility for management decisions, subject to the supervision and control of the Board of Directors and such limitations as the Board of Directors may from time to time impose. The President when present shall preside at all meetings of the stockholders. It shall be his duty and he shall have the power to see that all orders and resolutions of the Board are carried into effect. Subject to the direction of the Board of Directors, the President shall have power to sign all stock certificates, contracts and other instruments of the corporation which are authorized and shall have general supervision of all of the other officers.

Section 3. Vice Presidents. In the absence or disability of the President, his or her powers and duties shall be performed by the Vice President, if only one, or, if more than one, by the one designated for the purpose by the Board. Each Vice President shall have such other powers and perform such other duties as the Board shall from time to time designate.

Section 4. Treasurer. The Treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositaries as shall be designated by the Board or in the absence of such designation in such depositaries as he or she shall from time to time deem proper. He or she shall disburse the funds of the corporation as shall be ordered by the Board, taking proper vouchers for such disbursements. He or she shall promptly render to the President and to the Board such statements of his or her transactions and accounts as the President and Board respectively may from time to time require. The Treasurer shall perform such duties and have such powers additional to the foregoing as the Board may designate.

Section 5. Assistant Treasurers. In the absence or disability of the Treasurer, his or her powers and duties shall be performed by the Assistant Treasurer, if only one, or if more than one, by the one designated for the purpose by the Board. Each Assistant Treasurer shall have such other powers and perform such other duties as the Board shall from time to time designate.

Section 6. The Secretary. The Secretary shall issue notices of all meetings of stockholders and Directors and of the executive and other committees where notices of such meetings are required by law or these by-laws. He or she shall keep the minutes of meetings of stockholders and of the Board of Directors and of the executive and other committees, respectively, unless such committees appoint their own respective secretaries and be responsible for the custody thereof. Unless the Board shall appoint a transfer agent and/or registrar, the Secretary shall be charged with the duty of keeping, or causing to be kept, accurate records of all stock outstanding, stock certificates issued and stock transfers. He or she shall sign such instruments as require his or her signature and shall perform such other duties and shall have such powers as the Board of Directors shall designate from time to time, in all cases subject to the control of the Board of Directors. The Secretary shall have custody of the corporate seal, shall affix and attest such seal on all documents whose execution under seal is duly authorized. In his or her absence at any meeting, an Assistant Secretary or the Secretary pro tempore shall perform his or her duties thereat.

Section 7. Assistant Secretaries. In the absence or disability of the Secretary, his or her powers and duties shall be performed by the Assistant Secretary, if only one, or, if more than one, by the one designated for the purpose by the Board. Each Assistant Secretary shall have such powers and perform such other duties as the Board shall from time to time designate.

Section 8. Salaries. The salaries of officers, agents and employees shall be fixed from time to time by or under authority from the Board of Directors.

ARTICLE VI

Resignations and Removals

Section 1. Officers, Agents, Employees and Members of Committees. Any officer of the corporation may resign at any time upon notice given in writing or by electronic transmission given to the Board of Directors or to the Chairman of the Board or to the President or to the Secretary of the corporation; and any member of any committee may resign upon notice given in writing or by electronic transmission given either as aforesaid or to the committee of which he or she is a member or to the chairman thereof. Any such resignation shall take effect at the time specified therein, or if the time be not specified, upon receipt thereof, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The Board of Directors may at any time, with or without cause, remove from office or discharge or terminate the employment of any officer, agent, employee or member of any committee.

Section 2. Directors. Any Director of the corporation may resign at any time upon notice given in writing or by electronic transmission given to the Board of Directors or to the Chairman of the Board or to the President or the Secretary of the corporation. Any such resignation shall take effect at the time specified therein, or if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any Director, or the entire Board of Directors, may be removed from office at any time, but only by the affirmative vote of the holders of at least seventy-five (75%) of the voting power of all of the then-outstanding shares of capital stock of the corporation entitled to vote generally in the election of Directors, and his or her successor or their successors shall be elected by the remaining Directors as provided in these By-laws in the filling of other vacancies.

ARTICLE VII

Indemnification of Directors, Officers and Others

Section 1. Directors and Officers. Subject to the provisions of Section 5, the corporation shall indemnify, to the fullest extent permitted by the General Corporation Law of the State of Delaware as presently in effect or as hereafter amended:

(a) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether external or internal to the corporation (other than by action by or in the right of the corporation) by reason of the fact that he or she is or was a Director or officer of the corporation, or is or was serving at the request of the corporation as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such suit, action or proceeding if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was not unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was lawful.

(b) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a Director or officer of the corporation, or is or was serving at the request of the corporation as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

(c) In addition to and without limiting the foregoing provisions of this Article VII and except to the extent otherwise required by law, any person seeking indemnification under or pursuant to this Section 1 shall be deemed and presumed to have met the applicable standard of conduct set forth in this Section l unless the contrary shall be established, and the corporation shall have the burden of proof to overcome such prescription in connection with the making by any person or entity of any determination contrary to that presumption.

Section 2. Employees and Agents. Subject to the provisions of Section 5, the Board of Directors, in its discretion, may authorize the corporation to indemnify to the fullest extent permitted by the General Corporation Law of the State of Delaware (as presently in effect or as hereafter amended):

(a) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was an employee or agent of the corporation, or is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such suit, action or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was an employee or agent of the corporation, or is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) and amounts, to the extent permitted by law, paid in settlement actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

Section 3. Indemnification for Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that a present or former Director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or in Section 2 of this Article, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to such person, (ii) an adjudication that such person was liable to the corporation, (iii) a plea of guilty or nolo contendere by such person, (iv) an adjudication that such person did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and (v) with respect to any criminal proceeding, an adjudication that such person had reasonable cause to believe his or her conduct was unlawful, such person shall be considered for the purposes hereof to have been wholly successful with respect thereto.

Section 4. Procedure. Any indemnification under this Article VII (unless required by law or ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former Director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections l and 2 of this Article VII. Such determination shall be made, with respect to a person who is a Director or officer at the time of such determination, (i) by a majority vote of the Directors who are not parties to such action, suit or proceeding, even though less than a quorum or (ii) by a committee of such Directors designated by majority vote of such Directors, even though less than a quorum or (iii) if there are no such Directors, or if such Directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders of the corporation.

Section 5. Notification and Defense of Claim; Right to Institute Suit.

(a) In addition to and without limiting the foregoing provisions of this Article VII and except to the extent otherwise required by law, it shall be a condition of the corporation's obligation to indemnify under Sections l and 2 of this Article VII (in addition to any other condition in these by-laws or by law provided or imposed) that the person asserting, or proposing to assert, the right to be indemnified, must notify the corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving such person for which indemnity will or could be sought, but the failure to so notify shall not affect the corporation's objection to indemnify except to the extent the corporation is adversely affected thereby. With respect to any action, suit, proceeding or investigation of which the corporation is so notified, the corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to such person. After notice from the corporation to such person of its election so to assume such defense, the corporation shall not be liable to such person for any legal or other expenses subsequently incurred by such person in connection with such action, suit, proceeding or investigation other than as provided below in this subsection (a). Such person shall have the right to employ his or her own counsel in connection with such action, suit, proceeding or investigation, but the fees and expenses of such counsel incurred after notice from the corporation of its assumption of the defense thereof shall be at the expense of such person unless (i) the employment of counsel by such person has been authorized by the corporation, (ii) counsel to such person shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the corporation and such person in the conduct of the defense of such action, suit, proceeding or investigation or (iii) the corporation shall not in fact have employed counsel to assume the defense of such action, suit, proceeding or investigation, in each of which cases the fees and expenses of counsel for such person shall be at the expenses of the corporation, except as otherwise expressly provided by this Article VII. The corporation shall not be entitled, without the consent of such person, to assume the defense of any claim brought by or in the right of the corporation or as to which counsel for such person shall have reasonably made the conclusion provided for in clause (ii) above. The corporation shall not be required to indemnify such person under this Article VII for any amounts paid in settlement of any action, suit, proceeding or investigation effected without its written consent. The corporation shall not settle any action, suit, proceeding or investigation in any manner which would impose any penalty or limitation on such person without such person's written consent. Neither the corporation nor such person will unreasonably withhold their consent to any proposed settlement.

(b) If a claim for indemnification or advancement of expenses under this Article VII is not paid in full by the corporation within 90 days after a written claim therefor has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expenses of prosecuting such claim.

Section 6. Reduction and Reimbursement. The corporation's indemnification under Sections 1 and 2 of this Article VII of any person who is or was a Director, officer, employee or agent of the corporation, or is or was serving, at the request of the corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person receives as indemnification (i) under any policy of insurance purchased and maintained on his or her behalf by the corporation, (ii) from such other corporation, partnership, joint venture, trust or other enterprise, or (iii) under any other applicable indemnification provision. In the event the corporation makes an indemnification payment under this Article VII and the person receiving such payment is subsequently reimbursed from the proceeds of insurance or by such other corporation, partnership, joint venture, trust or other enterprise, such person shall promptly refund such indemnification payments to the corporation to the extent of such reimbursement.

Section 7. Advance of Expenses. In the event that the corporation does not assume the defense pursuant to Section 5, any expenses (including attorneys' fees) incurred by a Director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this Article VII. Any advance under this Section 4 shall be made promptly, and in any event within ninety days, upon the written request of the person seeking the advance.

Section 8. Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of the General Corporation Law of the State of Delaware (as presently in effect or hereafter amended), the certificate of incorporation of the corporation or these by-laws.

Section 9. Consolidation or Merger. In the discretion of the Board of Directors of the corporation, for the purposes of this Article VII, references to "the corporation" may also include any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its Directors or officers, so that any person who is or was a Director or officer of such constituent corporation, or is or was serving at the request of such constituent corporation as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise, would stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as he or she would have with respect to such other constituent corporation if its separate existence had continued.

Section 10. Non-Exclusive; Savings Clause. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article VII shall not be deemed exclusive of any other rights to which any person, whether or not entitled to be indemnified under this Article VII, may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. Each person who is or becomes a Director or officer as described in Section 1 shall be deemed to have served or to have continued to serve in such capacity in reliance upon the indemnity provided for in this Article VII. All rights to indemnification under this Article VII shall be deemed to be provided by a contract between the corporation and the person who serves as a Director or officer of the corporation at any time while these by-laws and other relevant provisions of the General Corporation Law of the State of Delaware and other applicable law, if any, are in effect. Any repeal or modification thereof shall not affect any rights or obligations then existing.

Section 11. Inurement. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 12. Definitional Matters. For purposes of this Article VII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service by a Director or officer of the corporation which imposes duties on, or involves services by, such person with respect to any employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Article VII.

ARTICLE VIII

Capital Stock

Section 1. Stock Certificates. Each stockholder shall be entitled to a certificate or certificates representing in the aggregate the share owned by him or her and certifying the number and class thereof, which shall be in such form as this Board shall adopt. Each certificate of stock shall be signed by the Chairman of the Board or the President or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before the certificate is issued, such certificate may nevertheless be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 2. Transfer of Stock. Shares of stock shall be transferable on the books of the corporation pursuant to applicable law and such rules and regulations as the Board of Directors shall from time to time prescribe.

Section 3. Holders of Record. Prior to due presentment for registration of transfer the corporation may treat the holder of record of a share of its stock as the complete owner thereof exclusively entitled to vote, to receive notifications and otherwise entitled to all the rights and powers of a complete owner thereof, notwithstanding notice to the contrary.

Section 4. Transfer Agent and Registrar. The Board of Directors may at any time appoint a transfer agent or agents and/or registrar or registrars for the transfer and/or registration of shares of stock.

Section 5. Lost, Stolen, Destroyed or Mutilated Stock Certificates. The Board of Directors may direct a new stock certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, destroyed or mutilated, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, destroyed or mutilated. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, destroyed or mutilated certificate or certificates, or his or her legal representative, to (a) advertise the same in such manner as it shall require and/or (b) give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, destroyed or mutilated and/or (c) comply with any other reasonable requirements prescribed by the Board.

ARTICLE IX

Securities of Other Corporations

Subject to any limitations that may be imposed by the Board of Directors, the Chairman of the Board, the President or any person or persons authorized by the Board may in the name and on behalf of the corporation (i) act, or appoint any other person or persons (with or without powers of substitution) to act in the name and on behalf of the corporation (as proxy or otherwise), at any meeting of the holders of stock or other securities of any corporation or other organization, securities of which shall be held by this corporation, or (ii) express consent or dissent, as a holder of such securities, to corporate or other action by such other corporation or organization.

ARTICLE X

Checks, Notes, Drafts and Other Instruments

Checks, notes, drafts and other instruments for the payment of money drawn or endorsed in the name of the corporation may be signed by any officer or officers or person or persons authorized by the Board of Directors to sign the same. No officer or person shall sign any such instrument as aforesaid unless authorized by the Board to do so.

ARTICLE XI

Dividends and Reserves

Section 1. Dividends. Dividends upon the capital stock of the corporation may, subject to any provisions of the certificate of incorporation, be declared pursuant to law by the Board of Directors. Dividends may be paid in cash, in property or in shares of the capital stock.

Section 2. Reserves. Before payment of any dividend there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Directors shall think conducive to the interest of the corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE XII

Corporate Seal

The corporate seal shall be in such form as the Board of Directors may from time to time prescribe and the same may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE XIII

Fiscal Year

The fiscal year of the corporation shall be fixed, and shall be subject to change, by the Board of Directors.

ARTICLE XIV

Books and Records

The books, accounts and records of the corporation, except as may be otherwise required by the laws of the State of Delaware, may be kept outside of the State of Delaware, at such place or places as the Board of Directors may from time to time appoint. Except as may otherwise be provided by law, the Board of Directors shall determine whether and to what extent the books, accounts, records and documents of the corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any book, account, record or document of the corporation, except as conferred by law or by resolution of the stockholders or Board of Directors.

ARTICLE XV

Notices

Section 1. Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under any provision of law, the certificate of incorporation, or these by-laws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if (a) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent and (b) such inability becomes known to the Secretary or an Assistant Secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Notice given pursuant to the immediately preceding paragraph shall be deemed given: (a) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (b) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (c) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (ii) such posting and (ii) the giving of such separate notice; and (d) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the Secretary or any Assistant Secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

For purposes of these by-laws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Section 2. Waiver of Notice. Whenever notice is required, the certificate of incorporation, these by-laws or as otherwise provided by law, a written waiver thereof, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, Directors or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission.

ARTICLE XVI

Severability

If any term or provision of the by-laws, or the application thereof to any person or circumstance or period of time, shall to any extent be invalid or unenforceable, the remainder of the by-laws, or the application of such term or provision to persons or circumstances or periods of time other than those as to which it is invalid or unenforceable, shall not be affected thereby and each term and provision of the by-laws shall be valid and enforced to the fullest extent permitted by law. All restrictions, limitations, requirements and other provisions of these by-laws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be contrary to law.

ARTICLE XVII

Amendments

The Board of Directors and the stockholders shall each have the power to adopt, alter, amend and repeal these by-laws, and any by-laws adopted by the Directors or the stockholders under the powers conferred hereby may be altered, amended or repealed by the Directors or by the stockholders; provided, however, that these by-laws shall not be altered, amended or repealed by action of the stockholders, and no by-law shall be adopted by action of the stockholders, without the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all the shares of the corporation entitled to vote generally in the election of Directors, voting together as a single class.

Exhibit 21.1

List of Subsidiaries

Biomune Corporation

Biota Holdings Pty, Ltd.

Biota Scientific Management Pty, Ltd.

Biota Europe Limited

Anaconda Pharma, S.A.S.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-3 No. 333-205272) for the registration of 125,000,000 of its securities;
- Registration Statement (Form S-8 No. 333-134954) pertaining to the registration of up to 100,000 shares of its Common Stock;
- Registration Statement (Form S-8 No. 333-143238) pertaining to the offer and sale of 2,500,000 shares of its Common Stock issuable pursuant to its 2007 Omnibus Plan;
- Registration Statement (Form S-8 No. 333-143239) pertaining to the issuance of 500,000 additional shares under the Company's 2000 Employee Stock Purchase Plan;
- Registration Statement (Form S-8 No. 333-188111) pertaining to the registration of 1,231,573 shares of its Common Stock outside of the Registrant's stockholder-approved plan;

of our reports dated September 13, 2016 with respect to the consolidated financial statements of Aviragen Therapeutics, Inc. and the effectiveness of internal control over financial reporting of Aviragen Therapeutics, Inc. included in this Annual Report (Form 10-K) of Aviragen Therapeutics, Inc. for the year ended June 30, 2016.

/s/ Ernst & Young LLP

Atlanta, Georgia
September 13, 2016

Exhibit 23.1a

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-205272) and Form S-8 (No. 333-188111, No. 333-134954, No. 333-143238 and No. 333-143239) of Aviragen Therapeutics, Inc. (formerly known as Biota Pharmaceuticals, Inc.) of our report dated September 11, 2015 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Atlanta, GA
September 13, 2016

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
Under the Securities Exchange Act of 1934

I, Joseph M. Patti, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended June 30, 2016 of Aviragen Therapeutic, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: September 13, 2016

/s/ Joseph M. Patti

President, Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
Under the Securities Exchange Act of 1934

I, Mark P. Colonnese, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended June 30, 2016 of Aviragen Therapeutics, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: September 13, 2016

/s/ Mark P. Colonnese

Executive Vice President, Chief Financial Officer

Exhibit 32.1

Certification Pursuant To Section 906 of the
Sarbanes-Oxley Act 2002

In connection with the Annual Report on Form 10-K of Aviragen Therapeutics, Inc. (the "Company") for the fiscal year ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

32. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph M. Patti

President, Chief Executive Officer (Principal Executive Officer)

September 13, 2016

Exhibit 32.2

Certification Pursuant To Section 906 of the
Sarbanes-Oxley Act 2002

In connection with the Annual Report on Form 10-K of Aviragen Therapeutics, Inc. (the “Company”) for the fiscal year ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark P. Colonnese

Executive Vice President, Chief Financial Officer

September 13, 2016