

BIOCRYST PHARMACEUTICALS INC

Form 10-K/A

March 27, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2017

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 000-23186

BIOCRYST PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	62-1413174
(State of other jurisdiction of	(I.R.S.
incorporation or organization)	employer
	identification
	no.)

4505 Emperor Blvd., Suite 200, Durham, North Carolina 27703

(Address of principal executive offices)

(919) 859-1302

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$.01 Par Value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

Title of class

None

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

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Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) 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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

The Registrant estimates that the aggregate market value of the Common Stock on June 30, 2017 (based upon the closing price shown on the NASDAQ Global Select Market on June 30, 2017) held by non-affiliates was \$440,626,219.

The number of shares of Common Stock, par value \$.01, of the Registrant outstanding as of January 31, 2018 was 98,606,110 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

On January 21, 2018, we entered into an Agreement and Plan of Merger, or the “Merger Agreement,” (the mergers described therein, the “Mergers”) with Idera Pharmaceuticals, Inc., a Delaware corporation (“Idera”). In light of the proposed Mergers, we currently do not anticipate holding an annual meeting of stockholders in 2018 and we are filing this Amendment to file certain information that is typically included in our definitive proxy statement for our annual meeting.

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, originally filed with the Securities and Exchange Commission (“SEC”) on March 12, 2018 (the “Original Filing”). We are filing this Amendment to amend Part III of the Original Filing to include the information required by and not included in Part III of the Original Filing because we no longer intend to file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2017. Part IV is being amended solely to add as exhibits certain new certifications in accordance with Rule 13a-14(a) promulgated by the SEC under the Securities Exchange Act of 1934. Because no financial statements have been included in this Amendment and this Amendment does not contain or amend any disclosure with respect to Items 307 and 308 of Regulations S-K, paragraphs 3, 4 and 5 of the certifications have been omitted.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings made with the SEC on or subsequent to March 12, 2018.

Unless the context otherwise indicates, as used in this Amendment, the terms “we,” “our,” “us,” the “Company” and “BioCryst” refer to BioCryst Pharmaceuticals, Inc.

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PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Board of Directors**

The table below sets forth the name, age and existing positions with BioCryst of each director:

			Served as
Name	Age(1)	Position(s) with the Company	Director Since
George B. Abercrombie	63	Director	2011
Fred E. Cohen, M.D., D.Phil.	61	Director	2013
Stanley C. Erck	69	Director	2008
Nancy J. Hutson, Ph.D.	68	Director	2012
Robert A. Ingram	75	Director, Chairman of the Board	2015
Kenneth B. Lee, Jr.	70	Director	2011
Sanj K. Patel	48	Director	2015
Jon P. Stonehouse	57	Director, President, Chief Executive Officer	2007

(1) Age as of March 26, 2018.

Below you can find information, including biographical information, about our current directors as well as a discussion of the specific experiences, qualifications, attributes and skills considered by the Board in concluding that such individuals should serve as directors.

George B. Abercrombie was appointed to the Board in October 2011. Mr. Abercrombie has over 30 years of experience as a business leader in the pharmaceutical industry. Mr. Abercrombie currently holds the position of Senior Vice President and Chief Commercial Officer at Innoviva, Inc., a publicly traded bio-pharmaceutical asset management company. He served from 2001 to 2009 as the President and Chief Executive Officer of Hoffmann-La Roche Inc., a pharmaceutical company, where he was responsible leading operations in both the U.S. and Canada. During his tenure, Mr. Abercrombie also served as a member of the Roche Pharmaceutical Executive Committee, which was responsible for developing and implementing global strategy for the Pharmaceuticals Division. In 1993, Mr. Abercrombie joined Glaxo Wellcome Inc. as Vice President and General Manager of the Glaxo Pharmaceuticals Division, and was later promoted to Senior Vice President, U.S. Commercial Operations. Prior to joining Glaxo, he spent over ten years at Merck & Co., Inc., where he gained experience in sales and marketing, executive sales management and business development. Mr. Abercrombie began his career as a pharmacist after receiving a bachelor's

degree in pharmacy from the University of North Carolina at Chapel Hill, and later earned an MBA from Harvard University. Mr. Abercrombie also serves on the Board of Brickell Biotech, a private pharmaceutical company. He formerly served on the Boards of Directors of Inspire Pharmaceuticals, Inc., Ziopharm Oncology, Inc, Tranzyme Pharma, Aptus Health, Inc. and DemeRX. Additionally, he is an Adjunct Professor at Duke University's Fuqua School of Business and a board member of the North Carolina GlaxoSmithKline Foundation. He previously served on the Executive Committee and Board of Directors of the Pharmaceutical Research & Manufacturers of America (PhRMA), as well as on the Board of the Johns Hopkins School of Hygiene and Public Health. Mr. Abercrombie's executive experience in the pharmaceutical industry and management positions with major pharmaceutical companies provide an excellent background for service on the Board.

Fred E. Cohen, M.D., D.Phil. was appointed to the Board in July 2013. In 2001, Dr. Cohen joined TPG Capital, a private investment firm, to initiate and lead TPG's venture efforts in biotechnology and life sciences. He retired from this role at the end of 2016 and now serves as a Senior Advisor to TPG. Beginning in 1986, and until his retirement in 2016, Dr. Cohen served as a member of the faculty of University of California, San Francisco (UCSF). At UCSF, Dr. Cohen served as an Internist for hospitalized patients, a consulting Endocrinologist and as the Chief of the Division of Endocrinology and Metabolism. His research interests include structure based drug design, prion diseases, computational biology and heteropolymer chemistry. Dr. Cohen received his B.S. degree in Molecular Biophysics and Biochemistry from Yale University, his D.Phil. in Molecular Biophysics from Oxford on a Rhodes Scholarship, his M.D. from Stanford and his postdoctoral training and postgraduate medical training in Internal Medicine and Endocrinology at UCSF. He is a Fellow of the American College of Physicians and the American College of Medical Informatics and a member of the American Society for Clinical Investigation and Association of American Physicians. Dr. Cohen was elected to the National Academy of Medicine of the National Academy of Sciences in 2004 and the American Academy of Arts and Sciences in 2008. Currently, Dr. Cohen also serves on the Board of Directors of Genomic Health, Inc., Veracyte, Inc., Tandem Diabetes Care, Inc., Five Prime Therapeutics, Inc., UroGen Pharma Ltd., and CareDx, Inc., as well as on the Boards of several privately held companies. Dr. Cohen's extensive expertise in the pharmaceutical industry, private investment expertise and experience serving on boards of biotechnology companies contribute valuable insight and experience to the Board.

Stanley C. Erck was appointed to the Board in December 2008. Mr. Erck has over 30 years of executive leadership experience in the pharmaceutical industry. Mr. Erck has served as President, CEO and Director of Novavax, Inc., a publicly traded biopharmaceutical company since 2011, having previously served as Executive Chairman from 2010 to 2011, and he has served as a director of Novavax since 2009. From 2000 through 2008, Mr. Erck served as President and Chief Executive Officer of Iomai Corporation, a biopharmaceutical company, leading the company through an initial public offering and a merger with Intercell AG, an Austrian vaccine company, and through the development of a late-stage infectious disease product candidate. Prior to Iomai, Mr. Erck served as President and Chief Executive Officer of Procept, Inc., a publicly traded immunology company; as Vice President, Corporate Development at Integrated Genetics Inc. (now Genzyme Corp.), and in management positions within Baxter International Inc. In addition to Novavax, Mr. Erck currently sits on the Board of Directors of MaxCyte, Inc. He received his undergraduate degree from the University of Illinois and his MBA from the University of Chicago Graduate School of Business. Mr. Erck's executive experience in the biotech industry and his management positions with major pharmaceutical companies, including his experience with late-stage product candidate development, provide an excellent background for service on the Board.

Nancy J. Hutson, Ph.D. was appointed to the Board in January 2012. Dr. Hutson brings over 30 years of experience as a seasoned professional and leader within the pharmaceutical industry. She retired from Pfizer, Inc. in 2006 after spending 25 years in several research and leadership positions, most recently serving as Senior Vice President of Global Research & Development (R&D) as well as Director of Pfizer's pharmaceutical R&D site, Groton/New London Laboratories. Dr. Hutson received a Bachelor of Arts degree from Illinois Wesleyan University and a Ph.D. in physiology from Vanderbilt University. Dr. Hutson currently serves on the Board of Directors for Endo Pharmaceuticals Holdings, Inc. She also previously served on the Board of Directors of Inspire Pharmaceuticals, Inc. and Cubist Pharmaceuticals, Inc. Dr. Hutson's extensive experience in research and development in the pharmaceutical industry provides valuable insight to the Board.

Robert A. Ingram was appointed to the Board in August 2015 and was elected Chairman of the Board in May 2017. Mr. Ingram joined Hatteras Venture Partners, a venture capital firm formed to invest primarily in early stage companies with a focus on biopharmaceuticals, medical devices, diagnostics, healthcare IT, and related opportunities in human medicine, as a General Partner in January 2007. He began his career in the pharmaceutical industry as a professional sales representative and rose through a series of roles with increasing responsibility to ultimately become CEO and Chairman of GlaxoWellcome, a pharmaceutical company. He co-led the merger and integration that formed GlaxoSmithKline (GSK) in December 2000. He subsequently served as the Chief Operating Officer and President of Pharmaceutical Operations at GSK from January 2001 to January 2003. He served as Vice Chairman Pharmaceuticals of GSK, acting as a special advisor to GSK's corporate executive team, until January 1, 2010. Mr. Ingram serves as Chairman of the Boards of Novan, Inc., a pharmaceutical company, and Cree, Inc., a manufacturer of semiconductor light-emitting diode materials and devices, and Viamet Pharmaceuticals, Inc., a private company focused on anti-infective research. Mr. Ingram also serves as a member of the board of directors of HBM Healthcare Investments, Ltd., a publicly traded Swiss investment company, and of Malin Corporation plc, a publicly traded life sciences company based in Ireland, and is also a director of PhaseBio Pharmaceuticals, Inc., a private clinical-stage biopharmaceutical company. Mr. Ingram graduated from Eastern Illinois University with a B.S. degree in Business Administration. In addition to his professional responsibilities, Mr. Ingram formed and chaired the CEO Roundtable on Cancer at the request of former President George H. W. Bush, and he is a member of numerous other civic and professional organizations. Mr. Ingram is a member of the boards for the James B. Hunt Jr. Institute for Educational Leadership and Policy, H. Lee Moffitt Cancer Center, CEO Roundtable on Cancer, Research Triangle Institute, Research Triangle Foundation and Chairman, GlaxoSmithKline Foundation, and is on the Advisory Board of the

Leonard D. Schaeffer Center for Health Policy & Economics, University of Southern California. Mr. Ingram's extensive experience in the pharmaceutical industry as both an executive and director and his private investment expertise contribute valuable insight and expertise to the Board.

Kenneth B. Lee, Jr. was appointed to the Board in June 2011. Mr. Lee has over 40 years of experience counseling management teams, boards of directors and investors of technology-based companies worldwide. He is currently a General Partner with Hatteras Venture Partners, LLC, a venture capital fund focusing on life science companies, which he joined in 2003. Previously he was President of A.M. Pappas & Associates, LLC, following 29 years with Ernst & Young LLP, where he was most recently Managing Director of the firm's health sciences corporate finance group, and at one time served as the National Director of the Life Sciences Practice. Mr. Lee received a Bachelor of Arts degree from Lenoir-Rhyne College and an MBA from the University of North Carolina at Chapel Hill. Mr. Lee is currently on the Board of Directors of Aralez, Inc., and previously served on the Boards of private companies, Clinipace, Clinverse and A.M. Pappas & Associates. Previously, Mr. Lee served on the Boards of Abgenix, Inc., CV Therapeutics, Inspire Pharmaceuticals, Maxygen, Inc., and OSI Pharmaceuticals. He has served in various leadership capacities on these Boards, including Chairman of the Board, Independent Lead Director and Chairman of Audit and Compensation Committees. Mr. Lee's experience advising biotechnology companies regarding financial and partnering strategies, his extensive background in finance and his experience serving on the Boards of biotech companies contribute valuable insight and experience to the Board.

Sanj K. Patel was appointed to the Board in September 2015. He brings more than 25 years of experience in the pharmaceutical and biotech industries and has a combination of scientific, clinical and commercial skills. Mr. Patel is the Chairman and CEO of Kiniksa Pharmaceuticals, which was formed in 2015 to develop therapies for patients with devastating diseases and unmet medical need. Mr. Patel founded Synageva Biopharma Corp., a biopharmaceutical company, in June 2008 to focus on rare diseases, and designed and initiated its lead program (Kanuma®) for LAL Deficiency in July 2008. Synageva completed its initial public offering on the NASDAQ Global Market in November 2011 and raised over \$1 billion in capital in less than 5 years. In June 2015, Synageva was sold to Alexion Pharmaceuticals for \$9.5 billion (including cash), which represented the highest premium ever paid for a biotech company valued over \$5 billion. Prior to Synageva, Mr. Patel was at Genzyme Corporation (1999-2008) where most recently he was the head of U.S. Sales, Marketing and Commercial Operations for Genzyme Therapeutics franchise and led the U.S. launch of Myozyme®, in addition to sales and marketing responsibility for Cerezyme®, Fabrazyme® and Aldurazyme®. Previously, Mr. Patel held several cross-functional senior leadership roles at Genzyme, including Vice President, Clinical Research and Head of the Global Clinical Research Operations Council for all Genzyme divisions, including Therapeutics, Oncology and Transplant. Mr. Patel was responsible for clinical operations and development for all cross-business Genzyme products and was instrumental in the path to commercialization of several treatments. Notably, Mr. Patel led the Fabrazyme® clinical operations team and development program to FDA approval in April 2003. Prior to Genzyme, Mr. Patel held roles in clinical research and commercial operations with increasing levels of responsibility at Burroughs Wellcome, Hoechst Marriion Roussel and Fujisawa/Otsuka Pharmaceuticals. Mr. Patel obtained his BSc with Honors in Pure and Applied Biology (Biotechnology) from the University of the South Bank, London. He completed his management and business studies at Ealing College, London and his Pharmacology research program at the Wellcome Foundation. Mr. Patel is a member of the Board of Directors for Syros Pharmaceuticals, a publicly traded biotechnology company. He is also the founder and director of the Sanj K. Patel and Family Foundation, a philanthropic organization that supports various charities for patients with rare and devastating diseases. Mr. Patel's scientific, clinical and commercial experience in the pharmaceutical industry as well as his experience as CEO for a public company provide valuable expertise for the Company's Board.

Jon P. Stonehouse joined BioCryst in January 2007 as Chief Executive Officer and Director. He was also named President in July 2007. Prior to joining the Company, he served as Senior Vice President of Corporate Development for Merck KGaA, a pharmaceutical company, since July 2002. His responsibilities included corporate mergers and acquisitions, global licensing and business development, corporate strategy and alliance management. Prior to joining Merck KGaA, Mr. Stonehouse held a variety of roles at Astra Merck/AstraZeneca. Mr. Stonehouse began his career in the pharmaceutical industry as a sales representative and held increasing sales leadership positions at Merck &Co., Inc. In 2008 and 2011, respectively, Mr. Stonehouse joined the Advisory Boards of Precision Biosciences, Inc., a private biotechnology company and Genscript, a private bioservices company. Also in December 2014, he joined the Board of Directors of Bellicum Pharmaceuticals, Inc., a publicly traded clinical stage biopharmaceutical company focused on novel cellular immunotherapies. Mr. Stonehouse earned his BS in Microbiology at the University of Minnesota. As Chief Executive Officer and President of BioCryst, Mr. Stonehouse brings to the Board an intimate knowledge of our business, and his executive experience in a variety of capacities at major pharmaceutical companies provides industry-specific operational experience that is beneficial to the Board.

Executive Officers

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Below you can find information, including biographical information, about our executive officers (other than Mr. Stonehouse, whose biographical information appears above).

<u>Name</u>	<u>Age(1)</u>	<u>Position(s) with the Company</u>
Yarlagadda S. Babu, Ph.D.	65	Senior Vice President of Drug Discovery
Alane P. Barnes	52	Vice President, General Counsel, and Corporate Secretary
Lynne M. Powell	51	Senior Vice President and Chief Commercial Officer
William P. Sheridan	63	Senior Vice President and Chief Medical Officer
Thomas R. Staab II	50	Senior Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer

(1) Age as of March 26, 2018.

Yarlagadda S. Babu, Ph.D. joined BioCryst in 1988 and was BioCryst's first full-time employee. Dr. Babu has served as the Company's Vice President — Drug Discovery since 1992. In October of 2013, Dr. Babu's title was changed to Senior Vice President of Drug Discovery. Prior to joining BioCryst, he served five years on the biochemistry faculty at the University of Alabama at Birmingham ("UAB"). Dr. Babu obtained his PhD from the Indian Institute of Science, Bangalore and spent three years in the Laboratory of Molecular Biophysics at the University of Oxford, UK before joining UAB. He has over 70 publications in peer-reviewed journals, and a number of issued and pending patents to his credit.

Alane P. Barnes joined BioCryst in July 2006 as its General Counsel. She was named Corporate Secretary in 2007, and has served as Vice President, General Counsel & Corporate Secretary since 2011. She was named as an executive officer in 2013. Ms. Barnes is responsible for all legal affairs of the company including but not limited to all contract negotiations, SEC compliance, corporate governance, IP strategy and management, licensing transactions, government contract management and dispute resolution. She graduated magna cum laude from Cumberland School of Law in 1997 and is a member of Curia Honoris, scholar of merit. Ms. Barnes received her B.S. in Natural Science with a concentration in biology and chemistry from UAB. Prior to joining the Company, Ms. Barnes worked for the UAB Research Foundation where she managed intellectual property, negotiated license transactions and facilitated the emergence of new companies based on university technology. Prior to employment at the UAB Research Foundation Ms. Barnes practiced corporate law with a prominent law firm in Birmingham, Alabama. Currently, she serves on the Board of the Biotechnology Association of Alabama and has served as a mentor for Alabama Launchpad, a competition created to fuel the development of companies in Alabama. Ms. Barnes regularly speaks at national conferences regarding the pharmaceutical business and at other women's success conferences. She is a 2010 graduate of MOMENTUM, an organization geared toward building leadership in women.

Lynne M. Powell joined BioCryst in January 2015 as its Senior Vice President and Chief Commercial Officer. In this role, Ms. Powell's primary responsibility will be to formulate BioCryst's global commercial strategy and to build the global organization that launches our oral kallikrein inhibitors for the prophylactic treatment of hereditary angioedema. Ms. Powell brings 24 years of industry experience to BioCryst. Most recently she served as Senior Vice President of North American Commercial Operations from January 2010 to December 2014 at CSL Behring, a biotherapeutics company. In this role, Ms. Powell was accountable for the financial performance and general management of CSL Behring's commercial activities within the U.S. and Canada. Throughout her 17 year career at CSL Behring, Ms. Powell assumed increasing responsibilities within the R&D and commercial functions of the organization. She gained significant global experience as Vice President, Global Commercial Development and Head of Business Development & European Marketing at CSL Behring. Ms. Powell launched five products globally for rare diseases, including hereditary angioedema disease ("HAE"). Prior to CSL Behring, Ms. Powell held positions of increasing responsibility within GlaxoWellcome plc's commercial strategy and clinical research organizations.

William P. Sheridan joined BioCryst in July 2008 as its Senior Vice President and Chief Medical Officer. Dr. Sheridan spent 15 years in drug development at Amgen Pharmaceuticals, Inc., most recently as Vice President of North American Medical Affairs from March 2007 to November 2007, prior to joining the Company. Dr. Sheridan organized and led Amgen's U.S. Medical Affairs function, making significant contributions to the successful launch of many compounds, including Aranesp®, Enbrel®, Kineret®, Neulasta® and Sensipar®. In addition to his most recent position at Amgen, Dr. Sheridan served at the Vice President level in International Medical Affairs, from March 2005 to February 2007; Global Health Economics, from January 2004 to January 2005; and Outcomes Research, U.S. Medical Affairs and Product Development from January 2002 to December 2003. Prior to joining Amgen, Dr. Sheridan practiced medicine at the Royal Melbourne Hospital in Victoria, Australia as Head of the Bone Marrow Transplant Service. He earned his MB BS degree (M.D. equivalent) at the University of Melbourne in Victoria. He is a board-certified fellow of the Royal Australasian College of Physicians, with a sub-specialty in hematology and medical oncology. After leaving Amgen in November 2007 and prior to joining the Company, Dr. Sheridan served as an independent consultant for pharmaceutical companies, including BioCryst.

Thomas R. Staab, II joined BioCryst in July 2011 as its Chief Financial Officer and Treasurer. Prior to joining BioCryst, Mr. Staab served as Executive Vice President, Chief Financial Officer and Treasurer of Inspire Pharmaceuticals from May 2003 through its \$430 million acquisition by Merck & Co., Inc. in May 2011. Prior to joining Inspire, he held senior financial positions of acting Chief Financial Officer and Treasurer at Triangle Pharmaceuticals, Inc. through its \$480 million acquisition by Gilead Sciences, Inc. in 2003. Before joining Triangle, Mr. Staab spent eight years working for PriceWaterhouseCoopers LLP providing audit and business advisory services to national and multi-national corporations in the biotechnology, pharmaceutical, pulp and paper and communications industries. Mr. Staab currently serves on the Executive Committee of the Board of Directors of the North Carolina Biosciences Organization (“NCBIO”) as its Chairman. He is a Certified Public Accountant and received a B.S. in Business Administration and a Masters of Accounting from the University of North Carolina at Chapel Hill.

Code of Business Conduct

We have a code of business conduct that applies to all our employees as well as to each member of the Board. The code of business conduct is available on our website at www.biocryst.com under the Corporate Governance section. The Company intends to post on its website any amendments to, or waivers from, its code of business conduct. To date, there have not been any waivers by us under the code of business conduct.

Audit Committee

The Company has an Audit Committee, currently consisting of Mr. Lee, as its Chairman, Mr. Abercrombie and Mr. Erck, which is responsible for the review of internal accounting controls, financial reporting and related matters. The Audit Committee also recommends to the Board the independent accountants selected to be the Company’s auditors and reviews the audit plan, financial statements and audit results. The Board has adopted an Audit Committee Charter, available on the Company’s website, that meets all applicable rules of Nasdaq and the SEC. The Audit Committee members are “independent” directors as defined by Nasdaq and the SEC and meet the heightened independence standards applicable to Audit Committee members under Nasdaq and SEC rules and meet Nasdaq’s financial literacy requirements for audit committee members. The Board has determined that Mr. Lee qualifies as an “audit committee financial expert,” as such term is defined by the SEC. The Audit Committee met 4 times during 2017.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Act”) requires our officers, directors and persons who beneficially own more than 10% of a registered class of our equity securities (collectively, “Reporting Persons”), to file reports of ownership with the Securities and Exchange Commission. Reporting Persons are required by the Act regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by us during 2017, or written representations from certain Reporting Persons that no Forms 5 were required for those persons, the Company believes that its Reporting Persons were in compliance with all applicable filing requirements.

ITEM 11. *EXECUTIVE COMPENSATION*

COMPENSATION DISCUSSION AND ANALYSIS

Philosophy and Overview of Compensation

The Compensation Committee (referred to in this section as the Committee) of the Board of Directors has the responsibility for establishing, implementing and monitoring adherence with the Company's compensation philosophy. Our goal is to provide a compensation package that attracts, motivates and retains employees' talent and is designed to align employees' interests with the Company's corporate strategies, business objectives and the interests of the stockholders. We refer to the individuals who served as our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, during 2017, as well as the other individuals included in the Summary Compensation Table, as our "Named Executive Officers" or "NEOs." Those individuals are as follows:

• Jon P. Stonehouse, who joined the Company in January 2007 as Chief Executive Officer and Director. He was also named President in July 2007.

- Thomas R. Staab, II, who joined the Company in July 2011 as its Chief Financial Officer and Treasurer. He was also named Principal Accounting Officer in January 2013.

• Yarlagadda S. Babu, Ph.D., who joined the Company in 1988 and was BioCryst's first full-time employee. Dr. Babu has served as the Company's Vice President — Drug Discovery since 1992. In October 2013, Dr. Babu's title was changed to Senior Vice President of Drug Discovery.

• William P. Sheridan, who joined the Company in July 2008 as its Senior Vice President and Chief Medical Officer.

• Lynne M. Powell, who joined the Company in January 2015 as its Senior Vice President and Chief Commercial Officer.

The Committee's primary objectives for our executive compensation program are as follows:

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to have a substantial portion of each officer's compensation contingent upon the Company's performance as well as upon his or her own level of performance and contribution towards the Company's performance and long-term strategic goals;

to align the interests of our executives with the Company's corporate strategies, business objectives and the long-term interests of our stockholders; and

to attract, motivate and retain our executive talent.

Role of the Compensation Committee and Executive Officers

The Committee has the authority to determine the Company's compensation philosophy, assess overall corporate performance for the year end and its impact on the bonus pool, options pool and base salary adjustment pool, and to establish compensation for the Company's executive officers. The Company does not conduct annual individual performance reviews; rather, compensation decisions for each individual employee, including the CEO and the other Named Executive Officers, have been determined by the Committee based on its assessment of the performance of the Company. Management recommended this approach as a mechanism to align the incentives of every employee with those of the Company's shareholders and to reinforce the highly focused corporate strategy of the Company. The CEO makes recommendations to the Committee with respect to employee compensation. Neither the CEO nor any other Named Executive Officer participates in the Committee's final determination of compensation for officers or directors.

Role of Compensation Consultants

It is the practice of the Company to use a compensation consultant to perform an annual competitive compensation analysis of the Company's overall compensation practices. In 2015, the Committee engaged Radford, a division of Aon Hewitt ("Radford") as the Company's compensation consultant, to conduct the overall analysis of the Company's compensation practices and those of comparable companies in the biotechnology industry.

Under the direction of the Committee, Radford annually conducts an analysis of overall compensation practices, including benchmark comparisons of base salary, annual incentive targets and stock option grant levels against a “peer group” of comparable companies discussed in more detail below. The results of this analysis are reviewed by the Committee in connection with its annual compensation decisions, including base salary determinations, annual incentive targets and long-term equity grant levels.

Peer Group

The Committee considers relevant market pay practices when setting executive compensation to increase our ability to recruit and retain high performing talent. In assessing market competitiveness, the Committee compares the Company’s executive compensation with executive compensation at a designated set of companies (the “Peer Group”), consisting of 25 other publicly traded biopharmaceutical companies, with market capitalization ranging from approximately \$100 million to \$1.6 billion, companies that generally:

are similar to the Company in terms of one or more of the following: size (i.e., employee headcount, revenue, market capitalization, etc.), stage of development for primary products, cash runway, and research and development (“R&D”) investment;

have named executive officer positions that are comparable to the Company’s in terms of breadth, complexity, and scope of responsibilities; and

compete with the Company for employee talent.

Each Peer Group company participated in a Radford survey of executive total compensation for various corporate positions, which survey is widely used among biotechnology companies. Radford analyzed both survey data and compensation information reported in the public filings of the Peer Group companies for the comparative analysis and adjusted the data to reflect the age of the reported information. The 2017 Peer Group consisted of the following companies:

Accelaron Pharma	Cempra	Epizyme	OncoMed Pharmaceuticals
AcelRx Pharmaceuticals	ChemoCentryx	Idera Pharmaceuticals	Progenics Pharmaceuticals
Agenus	Chimerix	Inovio Pharmaceuticals	Regulus Therapeutics
Ardelyx	Cytokinetics	Keryx Biopharmaceuticals	Rigel Pharmaceuticals
Array BioPharma	Dynavax Technologies	MacroGenics	Sangamo Therapeutics
BioDelivery Sciences International	Enanta Pharmaceuticals	NewLink Genetics	ZIOPHARM Oncology
Celldex Therapeutics			

Role of the 2017 Advisory Vote on Executive Compensation

At our annual meeting in May 2017, our stockholders approved our “say-on-pay” proposal with more than 76% of the votes cast approving our executive compensation policies as described in our 2017 Proxy Statement filed on April 12, 2017. The Committee believes that this vote reflected stockholder agreement with the Committee’s overall compensation philosophy and actions, and therefore, the Committee continued to apply similar principles in determining the amounts and types of executive compensation for fiscal 2017, with specific compensation decisions to be made each year in consideration of these principles and the Company’s results and performance. In order to align employee incentives to shareholder interests, the performance of each employee, including that of the CEO and other Named Executive Officers, is evaluated based on the Committee’s assessment of the overall performance of the Company. The Committee will continue to consider the outcome of stockholder say-on-pay votes in making future executive compensation decisions.

Elements of Executive Compensation

The Company’s 2017 compensation program for executive officers was primarily comprised of the following elements:

• base salary;

• annual incentive compensation;

• long-term equity incentive awards; and

• other employee benefits.

Base Salary

The Company provides our employees with base salary to compensate them for services rendered during the fiscal year. In determining the base salary amount for each Named Executive Officer, the Committee primarily considers:

• industry experience, knowledge and qualifications;

• salary levels in effect for comparable positions within the Company's industry obtained from the Radford Biotechnology Survey; and

• individual performance of the executive and the general performance of the Company.

The Company's compensation practice is to generally target the competitive 50th percentile for base salary, annual incentive and stock option grants. Base salary levels for our Named Executive Officers may fluctuate from the 50th percentile based on each Named Executive Officer's particular experience, performance and value to the Company. For example, high-performing, experienced Named Executive Officers may be paid at or above the 75th percentile, while newer Named Executive Officers may be paid at a lower percentile. Base salary amounts are typically reviewed annually as part of the Company's performance review process as well as upon a promotion or other change in responsibility. To assist the Committee in determining appropriate base salary increases, the Company's compensation consultant provided competitive base salary levels by analyzing the competitive data described in more detail above.

In setting 2017 salaries, consistent with its philosophy for the last several years and given the small number of employees of the Company and the highly focused strategy of the Company, the Committee did not consider individual performance reviews but continued the approach of assessing all employees based on corporate performance. The Committee also considered the market competitiveness of the Company's current base salaries compared to the 2016 Peer Group based on the analysis prepared by Radford. For base salary, in consideration of, among other things, the unfavorable results of the "OPuS-2" (Oral ProhyplaxiS 2) clinical trial of orally administered avoralstat in patients with HAE and the ultimate discontinuation of the avoralstat program, as well as the delay of the Company's Phase 2 study of BCX7353 in HAE patients ("APeX-1"), the Committee determined that all employees, including the Named Executive Officers, should not receive a base salary increase at that time. As a result, the 2017 salaries for the Named Executive Officers were initially unchanged from their 2016 salaries. In February 2017, in consideration of recent developments in 2017, including the positive results of the interim analysis of APeX-1, advancements in the HAE and broad spectrum antiviral ("BSAV") programs, and the Company's progress with respect to RAPIVAB post-marketing commitments, the Committee reevaluated 2017 base salaries, including the market competitiveness of the 2017 base salaries compared to the Company's 2016 Peer Group based on the analysis prepared by Radford. Beginning in March 2017, the Committee approved a 3% increase in the annualized base salary of all employees for the remainder of 2017, including the Named Executive Officers.

The results of the base salary increases for the Named Executive Officers, beginning in March 2017, are as follows:

For Mr. Stonehouse, the increase resulted in an annualized base salary of \$535,422, between the 25th and 50th percentile compared to the 2016 Peer Group.

For Dr. Babu, the increase resulted in an annualized base salary of \$384,346, between the 25th and 50th percentile compared to the 2016 Peer Group.

For Dr. Sheridan, the increase resulted in an annualized base salary of \$471,431, above the 75th percentile compared to the 2016 Peer Group.

For Mr. Staab, the increase resulted in an annualized base salary of \$436,119, above the 75th percentile compared to the 2016 Peer Group.

For Ms. Powell, the increase resulted in an annualized base salary of \$371,315, between the 50th and 75th percentile compared to the 2016 Peer Group.

In setting 2018 salaries, consistent with its philosophy for 2017 salaries and given the small number of employees of the Company and the highly focused strategy of the Company, the Committee did not consider individual performance reviews but continued the approach of assessing all employees based on corporate performance. The Committee also considered the market competitiveness of the Company's current base salaries compared to the 2017 Peer Group based on the analysis prepared by Radford. For base salary, this resulted in all employees other than the Named Executive Officers receiving an approximate 3% increase, with larger percentage increases for certain employees whose base salary was deemed by the Committee to be substantially below market compared to the 2017 Peer Group based on analysis prepared by Radford. Similarly, this resulted in all of the Named Executive Officers (other than Dr. Babu) receiving an approximate 3% increase in base salary.

The results of the 2018 base salary increases for the Named Executive Officers were as follows:

For Mr. Stonehouse, the increase resulted in a base salary of \$550,000, between the 25th and 50th percentile compared to the 2017 Peer Group.

For Dr. Babu, the committee approved an approximate 9% increase, which resulted in a base salary of \$420,000, between the 50th and 75th percentile compared to the 2017 Peer Group. This increase reflected a determination to move Dr. Babu's compensation to between the 50th and 75th percentile compared to the 2017 Peer Group in recognition of the value of his contributions to the Company.

For Dr. Sheridan, the increase resulted in a base salary of \$485,574, above the 75th percentile compared to the 2017 Peer Group.

For Mr. Staab, the increase resulted in a base salary of \$449,202, above the 75th percentile compared to the 2017 Peer Group.

For Ms. Powell, the increase resulted in a base salary of \$382,454, between the 50th and 75th percentile compared to the 2017 Peer Group.

Annual Incentive Compensation (AIP)

It is the Committee's objective to have all of each officer's annual incentive program ("AIP") compensation contingent upon the Company's performance based on the achievement of pre-established corporate performance objectives. In order to reinforce the highly focused strategy of the Company, when determining the 2017 AIP payouts, the Committee did not consider individual performance reviews but rather assessed all officers based solely on its assessment of corporate performance against established corporate objectives.

The AIP provides an incentive target and maximum (each expressed as a percentage of annual base salary) for all employees of the Company, and is stratified by organization level of responsibility. For 2017, the Committee conducted an overall evaluation of Company performance in light of Company performance objectives.

The target and maximum percentages for all employees, including each Named Executive Officer, were set based on benchmark data described below. Based on performance, the actual payout can range from zero to the maximum percentage of annual base salary and varies by level in the Company. The overall amount of the AIP pool each performance year is determined by the Committee and based on their assessment of Company performance against the current year corporate objectives multiplied by the sum of all participants at target performance. The AIP plan allows the Committee to use its discretion in setting the size of the AIP pool. The Committee may decide that the pool is as low as 0 for a year of poor Company performance and may establish a pool that exceeds target for a year of exceptional Company performance.

The AIP provides that if the employment of a participating employee is terminated as a result of death, retirement or permanent disability, the employee is eligible to receive a pro rata award based on his or her base salary on the date of separation during the plan year in which the employee was considered an active employee and the number of whole months actually worked. In all other circumstances, absent provisions to the contrary in an employment agreement, all awards are forfeited if an employee voluntarily or involuntarily terminates employment with the Company before the annual incentive awards are paid.

In 2015, the Committee engaged Radford as compensation consultant to leverage Radford's specific expertise in the biotechnology sector. Radford reassessed comparative company benchmark data based upon the Radford Biotechnology Survey for 2015 and, based on Radford's reassessment, the Committee adjusted the targets for the Named Executive Officers in accordance with such data. The Committee maintained the targets and maximums for the Named Executive Officers in the 2017 plan year as follows: Jon Stonehouse: target 55% and maximum 75%; Dr. Sheridan, Dr. Babu, Mr. Staab and Ms. Powell: target 40% and maximum 48%. At the time these ranges were set, the Committee believed that payout at the target performance level was challenging but achievable and that payout at the maximum performance level represented a "stretch" performance target, but was nevertheless achievable. In order to further tie individual compensation to Company performance, payout to individuals under the AIP are based on Company performance and awards under the plan are typically settled in cash. All awards are reviewed and approved by the Committee.

In January 2017, the Committee considered the unfavorable results of the OPuS-2 clinical trial and ultimate discontinuation of the avoralstat program, as well as the delay of the APeX-1 clinical trial in 2016, and determined that no AIP awards would be made for 2016 performance. Subsequently, in February 2017, in consideration of the positive results of the interim analysis of APeX-1 and other aspects of the HAE program beyond APeX-1, the advancement of the BSAV programs, and the Company's progress with respect to RAPIVAB, the Committee approved an incentive award to the Company's Named Executive Officers consisting of a cash payment equal to 85% of each executive's AIP target from 2016, which was paid in March 2017.

The corporate objectives established for 2017 Company performance were: (i) advancing our HAE program (potentially worth up to 60% of target), (ii) advancing HAE backup candidates (potentially worth up to 10% of target), (iii) progressing our BCX4430 program (potentially worth up to 10% of target), (iv) making progress with respect to remaining RAPIVAB regulatory filing obligations (potentially worth up to 10% of target), and (v) advancing the Company's early discovery programs (potentially worth up to 10% of target). In assessing the Company's performance against the 2017 objectives, in December 2017, the Committee determined that the objectives were fully met with respect to advancing the HAE program as a result of the topline results from APeX-1, the completion of end of Phase 2 meetings with the FDA and EMA, and the initiation of registration batches of API, fully met with respect to advancing early stage programs as a result of approving the progression of two compounds into IND-enabling studies, and partially met with respect to RAPIVAB regulatory filings as a result of the U.S. pediatric approval granted in 2017. In consideration of the foregoing, the Committee awarded payouts under the AIP at 75% of target for each recipient. In assessing 2017 Company performance in light of the 2017 objectives, the Committee in its discretion attributed the following values to the achievement of Company objectives: 60% of target attributable to the achievement of the objective relating to advancing the HAE program, 10% of target attributable to the achievement of the objective relating to advancing early stage programs, and 5% of target attributable to the partial achievement of the objective relating to RAPIVAB regulatory filing obligations. Because the remaining 2017 objectives were determined by the Committee not to have been achieved, the Committee attributed none of the AIP award to Company performance in respect of those objectives.

Long-Term Equity Incentive Awards

All of the Company's employees, including the executive officers, are eligible to participate in the Company's periodic awards of stock options and other stock grants under the Company's Stock Incentive Plan. These awards are designed to:

- create a greater sense of employee ownership;
- enhance the link between creation of stockholder value and long-term employee compensation;
- provide an opportunity for increased equity ownership by employees, which increases the alignment of the financial interests of our employees and our stockholders; and
- maintain competitive levels of total compensation.

The Committee has historically granted equity awards to all employees, including the executive officers, on an annual basis. The overall grant pool is established on an annual basis based, in part, on the Committee's assessment of competitive stock option grant levels by organization level and the number of employees at each level using competitive data provided by Radford based on its analysis of the Company's current Peer Group. In determining the amount of each grant, the Committee also considers the Company performance, assessed on an annual basis.

In January 2017, in consideration of, among other things, the unfavorable results of OPuS-2 clinical trial and the ultimate discontinuation of the avoralstat program, as well as the delay of the APeX-1 clinical trial in 2016, the Committee determined that no long-term equity grant would be made with respect to 2016 performance at that time.

In February 2017, in light of the positive results of the interim analysis of APeX-1, advancements in the HAE and BSAV programs, and the Company's progress with respect to RAPIVAB post-marketing commitments, the Committee authorized an equity incentive grant to ensure competitive compensation and promote employee retention and recruitment (the "2017 Equity Incentive Grant"). In establishing the size of the 2017 Equity Incentive Grant, the Committee also reviewed the analysis presented by Radford regarding the Company's 2016 Peer Group equity compensation practices, the number of shares of common stock available for grant under the Company's Stock Incentive Plan, existing levels of stock ownership among executives, the vesting schedules of previously granted long-term equity incentive awards, changes in and the volatility of the Company's stock price, the financial impact to the Company of the 2017 Equity Incentive Grant, and the perceived impact of previously issued long-term equity incentive awards in retaining and motivating employees. Considering the foregoing, the Committee determined to grant long-term equity incentive awards at a level representing the 50th percentile of comparative companies based on the 2016 Peer Group data provided by Radford. The Committee further determined that in keeping with current market trends and based on the limitations of the available equity pool, the long-term equity incentive awards for 2015 performance should consist 100% of stock options and no restricted stock units. Exercising its discretion in consideration of the foregoing factors, in February 2017, the Committee awarded: to Mr. Stonehouse, options to purchase 500,000 shares of common stock; to Mr. Staab, options to purchase 175,000 shares of common stock; to Dr. Babu, options to purchase 175,000 shares of common stock; to Dr. Sheridan, options to purchase 175,000 shares of common stock; and to Ms. Powell, options to purchase 150,000 shares of common stock.

The stock options granted in February 2017 have a four-year 25% annual vesting schedule. All stock options granted under the Stock Incentive Plan expire ten years after the date of the grant. This provides a reasonable time frame during which the executive officers and other employees who receive grants can benefit from the appreciation of the Company's shares. The exercise price of options granted under the Stock Incentive Plan cannot be less than 100% of the fair market value of the underlying stock on the date of grant.

In December 2017, in consideration of the assessment of the Company's performance against corporate performance objectives for 2017 as described under "Annual Incentive Compensation (AIP)" above and in reviewing the analysis provided by Radford regarding the Company's 2017 Peer Group equity compensation practices and the number of shares of common stock available for grant under the Company's Stock Incentive Plan, the Committee determined to grant long-term equity incentive awards at a level representing the 50th percentile of comparative companies based on the 2017 Peer Group data provided by Radford. The Committee further determined that in keeping with current market trends and based on the limitations of the available equity pool, the long-term equity incentive awards for 2017 performance should consist 100% of stock options and no restricted stock units. In recognition of the limitations of the available equity pool, the Committee determined that 50% of the stock options to be awarded would be issued in December 2017 and the remaining stock options would be issued on a second grant date to be determined by the Committee after the Company's 2018 annual shareholders meeting. In light of the proposed Mergers with Idera, the second tranche of stock options will not be issued. Exercising its discretion in consideration of the foregoing factors, in December 2017, the Committee awarded: to Mr. Stonehouse, options to purchase 300,000 shares of common stock; to Mr. Staab, options to purchase 100,000 shares of common stock; to Dr. Babu, options to purchase 100,000 shares of common stock; to Dr. Sheridan, options to purchase 100,000 shares of common stock; and to Ms. Powell, options to purchase 80,000 shares of common stock.

The stock options granted in December 2017 have a four-year 25% annual vesting schedule. All stock options granted under the Stock Incentive Plan expire ten years after the date of the grant. This provides a reasonable time frame during which the executive officers and other employees who receive grants can benefit from the appreciation of the Company's shares. The exercise price of options granted under the Stock Incentive Plan cannot be less than 100% of the fair market value of the underlying stock on the date of grant.

Clawback Policy

In January 2013, our Board implemented a "clawback" policy. The policy provides that in the event of material noncompliance with financial reporting under the securities laws, we may recover (in whole or in part) any performance based incentive payments and equity-based performance awards received by our named executive officers three years prior to a material financial restatement, if the Board determines that such executive officer was personally involved in misconduct with respect to material noncompliance that led to the restatement and that such incentive payment or equity-based performance award would have been lower had they been calculated based on the restated results.

Other Elements of Compensation

In order to attract and retain key talent and pay market levels of compensation, we offer broad-based retirement, health and welfare employee benefits to our eligible employees, including our Named Executive Officers, subject to the terms and conditions of each benefit program. Our Named Executive Officers are eligible to participate in these benefits on the same basis as other full-time employees.

Medical Insurance. The Company makes available to eligible employees and their dependents group health, dental and vision insurance coverage.

Life and Disability Insurance. The Company makes available disability and life insurance at coverage levels based upon the employee's level of compensation. In addition, as part of Mr. Stonehouse's employment agreement, he is entitled to have either a \$1 million life insurance policy payable to his beneficiary upon death, or, if there is no policy in place, we are required to pay his beneficiary \$1 million. An insurance policy was in place at December 31, 2017.

Defined Contribution Plan. The Company offers a retirement plan designed to meet the requirements under Section 401(k) of the Internal Revenue Code. The 401(k) plan permits eligible employees to defer up to 100% of their annual eligible compensation, subject to certain limitations imposed by the Internal Revenue Code. Employee elective deferrals are immediately vested and non-forfeitable. The Company makes matching contributions equal to the first 5% of the employee elective deferrals, which vest over a period not to exceed six years.

Stock Purchase Plan. The Company sponsors a broad-based employee stock purchase plan (the “ESPP”), designed to meet the requirements under Section 423 of the Internal Revenue Code. The ESPP permits employees to purchase Company stock at a discount through payroll deductions. ESPP participants are granted a purchase right to acquire shares of common stock at a price that is 85% of the stock price on either the first day of the stock purchase period or the last day of the stock purchase period, whichever is lower. The purchase dates occur on the last business days of January and July of each year. To pay for the shares, each participant may authorize periodic payroll deductions from 1% to 15% of the employee’s cash compensation, subject to certain limitations imposed by the Internal Revenue Code. In addition, no employee may purchase more than 3,000 shares in each purchase period and/or \$25,000 in each calendar year. All payroll deductions collected from the participant during the purchase period are automatically applied to the purchase of common stock on the dates indicated above provided the participant remains an eligible employee and has not withdrawn from the ESPP prior to the purchase date.

Other. With the exception of the commuting expense reimbursements described below and the relocation expenses described under the caption “Executive Relocation Policy,” the Company makes available certain other fringe benefits to executive officers that are the same as are made available to its other employees, such as tuition reimbursement and payment of professional dues. The aggregate amount of these other fringe benefits was less than \$10,000 for each NEO during 2017.

In September 2013, the Committee determined, in order to retain the employment of Dr. Sheridan and better accommodate his personal situation, to reimburse Dr. Sheridan’s reasonable commuting expenses for traveling regularly from his home in California to North Carolina to oversee and manage the clinical development operations of the Company. The Committee also determined to grant Dr. Sheridan “gross up” payments to reimburse the taxes on such commuting reimbursements, provided that the total amount for such reimbursement and “gross up” payments do not exceed \$50,000 in a calendar year. In 2017, the Company paid commuting reimbursements and “gross up” payments to Dr. Sheridan in the amounts of \$17,210 and \$10,361, respectively.

In 2017, the Company paid commuting expense reimbursements and “gross up” payments to Ms. Powell in the amounts of \$21,166 and \$10,400, respectively.

Executive Relocation Policy. In November 2007, the Board approved the Committee’s recommended adoption of an Executive Relocation Policy (the “Relocation Policy”) for certain new employees of the Company, including executive officers. The Relocation Policy provides for a house hunting trip, temporary living and trips home for up to 90 days, home selling support or direct reimbursement for some selling expenses, moving costs and temporary storage of goods, customary closing expenses on the new home, a miscellaneous allowance of one month’s salary, not to exceed \$5,000, and gross up of all taxable expenses. The Relocation Policy requires 100% repayment of benefits if the employee leaves or is terminated for cause within 12 months from the hire date.

CEO Pay Ratio

The following is a reasonable estimate, prepared under applicable SEC rules, of the ratio of the annual total compensation of our CEO to the median of the annual total compensation of our other employees. We determined our median employee based on 2017 annual base salary and 2017 AIP awards for each of our 78 employees (excluding the CEO) as of December 31, 2017. The annual total compensation of our median employee (other than the CEO) for 2017 was \$205,353. As disclosed in the Summary Compensation Table included in this CD&A, our CEO's annual total compensation for 2017 was \$3,921,189. Based on the foregoing, the ratio of the 2017 annual total compensation of our CEO to the median of the annual total compensation of all other employees was 19 to 1. Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported above should not be used as a basis for comparison between companies.

Employment Agreement of CEO

Mr. Stonehouse entered into a one-year employment agreement with the Company on January 5, 2007 that automatically renews for successive annual terms. Mr. Stonehouse's minimum annual compensation is \$400,000 with the potential to earn a cash bonus of up to \$300,000 based on the Company's achievement of performance related goals. In addition, Mr. Stonehouse is entitled to receive reasonable vacation, sick leave, medical benefits, \$1 million of life insurance during the term of his employment, participation in profit sharing or retirement plans, payment of fees for his participation in the advisory council at Duke University, and reimbursement for reasonable attorneys' fees incurred in connection with the negotiation of his employment agreement. His agreement also provided for stock option and restricted stock awards. The termination and change in control provisions of Mr. Stonehouse's agreement are set forth under the heading "Potential Payments Upon Termination or Change in Control." Mr. Stonehouse's current base salary and annual incentive compensation levels are described above under the headings "Elements of Executive Compensation—Base Salary and —Annual Incentive Compensation (AIP)."

Employment Agreements of Other Named Executive Officers

Under Mr. Staab's agreement, effective May 2011, he is entitled to a base salary of \$370,000 and is eligible for an annual cash bonus of up to 30% of his base salary. The termination and change in control provisions of Mr. Staab's agreement are set forth under the heading "Potential Payments Upon Termination or Change in Control."

Under Dr. Sheridan's agreement, effective June 2008, he is entitled to a base salary of \$375,000 and a bonus based on a target amount equal to at least 25% of his base compensation. Dr. Sheridan was also provided with relocation assistance under the Relocation Policy consisting of temporary housing for up to six months and payment of certain moving expenses. The termination and change in control provisions of Dr. Sheridan's agreement are set forth under the heading "Potential Payments Upon Termination or Change in Control."

Under Dr. Babu's agreement, effective April 2012, he is entitled to a base salary of \$331,450 and a bonus based on a target amount equal to at least 30% of his base compensation. The termination and change in control provisions of Dr. Babu's agreement are set forth under the heading "Potential Payments Upon Termination or Change in Control."

Under Ms. Powell's agreement, effective January 2015, she is entitled to a base salary of \$350,000 and a bonus based on a target amount equal to at least 35% of her base compensation. The termination and change in control provisions of Ms. Powell's agreement are set forth under the heading "Potential Payments Upon Termination or Change in Control."

Current base salary and annual incentive compensation levels for each of our Named Executive Officers are described above under the headings "Elements of Executive Compensation—Base Salary and —Annual Incentive Compensation (AIP)."

The stock option provisions for the other Named Executive Officers are the same as all other employees. In the event of termination of service other than on account of death or disability, each executive has three months to exercise any options exercisable prior to the termination in service. In the event of permanent disability, the executive will be able to exercise all outstanding options vested at the time of such disability in their entirety within the earlier of 12 months or the expiration of the option. In the event of death, the executor of his estate will be able to exercise all of the outstanding options in their entirety within the earlier of 12 months or the expiration of the option. If the executive has completed five years of service, all outstanding options vest in their entirety at death, but with less than five years of service only the portion of the option that was exercisable at the time of death will be exercisable during the 12-month period. As with all employees, if the executive is no longer an employee of the Company, but prior to the last date of employment continues service with the Company in another capacity, such as service as a consultant or service as a member of the Board of Directors, his outstanding options continue to vest and be exercisable until three months after separation from such service or expiration of the option.

Upon termination, each Named Executive Officer is entitled to receive amounts earned during the term of employment. These items are: accrued vacation pay, vested amounts payable under the Company's 401(k) plan, and the ability to exercise any outstanding vested stock options for a period of three months following the final date of employment.

In addition, upon death or disability, the executive, or beneficiary in the event of death, will receive benefits under the Company's disability benefit program or payments under a life insurance policy, as applicable.

The standard stock option terms for all optionees, including the Named Executive Officers, provides for full acceleration of vesting upon certain events. Full acceleration is automatic upon a change in control not approved by stockholders, such as: (i) acquisition of over 50% of the combined voting power of the Company, and (ii) change in composition of the Board over a period of 24 consecutive months or less such that a majority of the Board members ceases as a result of one or more contested elections. In the event of an acquisition such as: (i) a merger or consolidation, (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company in liquidation or dissolution of the Company, or (iii) any reverse merger in which the Company is the surviving entity but in which securities possessing more than 50% of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such merger, then the unvested options of the optionees are accelerated unless the options are assumed