BIOCRYST PHARMACEUTICALS INC
Form DEF 14A
May 10, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

BIOCRYST PHARMACEUTICALS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

Date Filed:
(4)

BIOCRYST PHARMACEUTICALS, INC.

4505 Emperor Blvd., Suite 200

Durham, North Carolina 27703

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 20, 2018

To the Stockholders of BioCryst Pharmaceuticals, Inc.:

Notice is hereby given that the Annual Meeting of Stockholders of BioCryst Pharmaceuticals, Inc., a Delaware corporation (the "Company"), will be held at our corporate offices at 4505 Emperor Blvd., Suite 200, Durham, NC 27703 on Wednesday, June 20, 2018 at 10:00 a.m., Eastern Daylight Time (the "Meeting"), for the following purposes:

1. To elect the two directors nominated in this Proxy Statement to serve for a term of three years and until a successor is duly elected and qualified;
2. To ratify the selection of Ernst & Young LLP as our independent registered public accountants for 2018;
3. To hold an advisory vote approving the Company's executive compensation;
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF PROPOSALS 1, 2 AND 3. The proposals are further described in the Proxy Statement.

The Board of Directors has fixed the close of business on May 2, 2018 as the record date for the determination of stockholders entitled to receive notice of and to vote at the Meeting or any adjournment thereof. The Meeting may be adjourned from time to time without notice other than announcement at the Meeting, and any business for which notice of the Meeting is hereby given may be transacted at any such adjournment. A list of the stockholders entitled to vote at the Meeting will be open to examination by any stockholder, for any purpose germane to the Meeting, during ordinary business hours, for a period of at least ten days prior to the Meeting at the principal executive offices of the Company in Durham, North Carolina.

Please review carefully the Proxy and Proxy Statement.

BY ORDER OF THE BOARD OF DIRECTORS

Alane P. Barnes, Corporate Secretary

Durham, North Carolina

May 10, 2018

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE PROMPTLY. A PERSON GIVING A PROXY HAS THE POWER TO REVOKE IT. IF YOU ATTEND THE MEETING, YOUR PROXY WILL NOT BE COUNTED WITH RESPECT TO ANY MATTER UPON WHICH YOU VOTE IN PERSON.

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BIOCRYST PHARMACEUTICALS, INC.

4505 Emperor Blvd., Suite 200

Durham, North Carolina 27703

PROXY STATEMENT

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of BioCryst Pharmaceuticals, Inc. ("BioCryst" or the "Company") for the Annual Meeting of Stockholders of the Company to be held at our corporate offices at 4505 Emperor Blvd., Suite 200, Durham, NC 27703 on Wednesday, June 20, 2018 at 10:00 a.m., Eastern Daylight Time, and any adjournment thereof (the "Meeting") and for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

In this document, the words "BioCryst," "the Company," "we," "our," "ours," and "us" refer only to BioCryst Pharmaceuticals Inc. and not any other person or entity.

We are taking advantage of Securities and Exchange Commission ("SEC") rules that allow us to deliver proxy materials to our stockholders on the Internet. Under these rules, we are sending our stockholders a one-page notice regarding the Internet availability of proxy materials instead of a full printed set of proxy materials. Our stockholders will not receive printed copies of the proxy materials unless specifically requested. Instead, the one-page notice that our stockholders receive will tell them how to access and review on the Internet all of the important information contained in the proxy materials. This notice also tells our stockholders how to submit their proxy card on the Internet and how to request to receive a printed copy of our proxy materials. We expect to provide notice and electronic delivery of this Proxy Statement to such stockholders on or about May 10, 2018.

Purpose of the Meeting

The matters to be considered at the Meeting are:

1. To elect the two directors nominated in this Proxy Statement to serve for a term of three years and until a successor is duly elected and qualified;

2. To ratify the selection of Ernst & Young LLP as our independent registered public accountants for 2018;

3. To hold an advisory vote regarding executive compensation;

4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Revocation and Voting of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time prior to the voting thereof, by giving written notice to our Corporate Secretary at our principal executive offices, 4505 Emperor Blvd., Suite 200 Durham, NC 27703 or by voting in person at the Meeting. Attendance at the Meeting will not, by itself, revoke a proxy. All valid, unrevoked proxies will be voted as directed. In the absence of any contrary directions, proxies received by the Board will be voted as follows:

FOR the election of each of the nominees named in this Proxy Statement for director of the Company;

FOR ratification of the selection of Ernst & Young LLP as the Company’s independent registered public accountants for 2018; and

FOR approval of the advisory resolution regarding executive compensation.

With respect to such other matters as may properly come before the Meeting, votes will be cast in the discretion of the appointed proxies.

Voting and Quorum

Only holders of record (the "Stockholders") of our common stock (the "Common Stock") as of the close of business on May 2, 2018 (the "Record Date") will be entitled to notice of and to vote at the Meeting. At May 2, 2018 there were 98,716,856 shares of Common Stock outstanding. Stockholders are entitled to vote in any one of the following ways:

1. In Person. Stockholders who choose to attend the Meeting can vote in person at the Meeting by presenting a form of photo identification acceptable to the Company.

2. By Internet. Stockholders can vote on the Internet by following the instructions provided in the one-page notice regarding the Internet availability of proxy materials.

3. By Mail. Stockholders can vote by mail after requesting a paper copy of the proxy materials, including a proxy card, by following the instructions provided in the one-page notice regarding the Internet availability of proxy materials.

4. By Telephone: Stockholders can vote over the telephone using the toll-free telephone number obtained by accessing the website set forth in the instructions provided in the one-page notice regarding the Internet availability of proxy materials.

Each share of Common Stock is entitled to one vote on all matters on which Stockholders may vote. There is no cumulative voting in the election of directors. The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the Meeting. Shares of Common Stock represented by a properly executed and returned proxy will be treated as present at the Meeting for purposes of determining the presence of a quorum without regard to whether the proxy is marked as casting a vote for or against, or withholding authority or abstaining with respect to a particular matter. In addition, shares of Common Stock represented by "broker non-votes" generally will be treated as present for purposes of determining the presence of a quorum. Broker non-votes are shares of Common Stock held in record name by brokers, banks or other nominees as to which a proxy is received and (i) instructions have not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary power and (iii) the record holder had indicated that it does not have authority to vote such shares on that matter. Under current stock exchange rules, brokers who do not have instructions from their customers may not use their discretion in voting their customers' shares on certain specific matters that are not considered to be "routine" matters. The proposals in this Proxy Statement regarding the election of directors, and the advisory vote concerning executive compensation are not considered to be routine matters.

Attending the Meeting

Stockholders as of the Record Date are invited to attend the Meeting. Stockholders must present a form of photo identification acceptable to the Company, such as a valid driver's license or passport. Registered holders may vote upon presentation of identification. Beneficial owners must obtain a proxy from their broker, bank or other holder of record and present it to the inspector of election with their ballot. Each stockholder may appoint only one proxy holder or representative to attend the Meeting on his or her behalf. The Meeting will begin promptly at 10:00 a.m., Eastern Daylight Time. Please allow ample time for the check-in procedures. Media may attend the Meeting by invitation only.

Required Votes, Abstentions, and Broker Non-Votes

Directors will be elected by a plurality of the votes cast. This means that the nominees with the most votes will be elected. Votes may be cast for or withheld from the nominee, but a withheld vote or a broker non-vote will not affect the outcome of the election of directors at the Meeting.

The affirmative vote of the holders of a majority of the shares of Common Stock represented in person or by proxy at the Annual Meeting and entitled to vote on this proposal is required for approval of (i) the ratification of our selection of Ernst & Young LLP as our independent registered public accountants, and (ii) approval of the advisory resolution regarding the Company's executive compensation. Abstentions with respect to these proposals will have the same effect as a vote against these proposals, and broker non-votes will have no effect upon these proposals.

Proxy Solicitation

We are making this proxy solicitation both through the mail and Internet, although proxies may be solicited by personal interview, telephone, facsimile, letter, e-mail or otherwise. Certain of our directors, officers and other employees, without additional compensation, may participate in the solicitation of proxies. We will pay the cost of this solicitation, including the reasonable charges and expenses of brokerage firms and others who forward solicitation materials to beneficial owners of the Common Stock. We have retained Innisfree M&A Incorporated to act as proxy solicitor in conjunction with the Meeting. We have agreed to pay that firm approximately $10,000 plus reasonable out of pocket expenses for their services.

ITEMS TO BE VOTED UPON

1. ELECTION OF DIRECTORS

It is proposed to elect the two directors nominated in this Proxy Statement to serve until the annual meeting of stockholders in 2021, and until their successors shall have been duly elected and qualified. Proxies cannot be voted for more than two persons. Unless otherwise specified in the accompanying proxy, the shares voted by proxy will be voted FOR the election of the two persons listed for terms expiring in 2021. The Board expects that all the nominees will be available for election but, if any of the nominees is not available, proxies received will be voted for substitute nominees to be designated by the Board or, if no such designation is made, proxies will be voted for a lesser number of nominees.

NOMINEES FOR DIRECTOR WITH TERMS EXPIRING AT THE ANNUAL MEETING OF STOCKHOLDERS IN 2021

Name	**Age(1)**	**Position(s) with the Company**	**Served as Director Since**
Nancy J. Hutson, Ph.D.	68	Director	2012
Robert A. Ingram	75	Director, Chairman of the Board	2015

The following persons shall continue to serve as directors for the terms indicated:

DIRECTORS WITH TERMS EXPIRING AT THE ANNUAL MEETING OF STOCKHOLDERS IN 2019

Name	**Age(1)**	**Position(s) with the Company**	**Served as Director Since**
Fred E. Cohen, M.D., D.Phil.	61	Director	2013
Kenneth B. Lee, Jr.	70	Director	2011

DIRECTORS WITH TERMS EXPIRING AT THE ANNUAL MEETING OF STOCKHOLDERS IN 2020

Name	Age(1)	Position(s) with the Company	Served as Director Since
George B. Abercrombie	63	Director	2011
Stanley C. Erck	69	Director	2008
Jon P. Stonehouse	57	Director, President, Chief Executive Officer	2007

(1) Age as of March 28, 2018.

Sanj K. Patel will continue to serve as a director until his current term expires at the Meeting. The Board has determined to reduce the size of the Board to seven following the expiration of Mr. Patel's term as a director.

Below you can find information, including biographical information, about our current directors, nominees for director and directors whose terms continue after the Meeting, 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.

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.

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.

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.

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.

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.

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.

If any nominee is unable or unwilling to accept election, it is expected that the proxies will vote for the election of such other person for the office of director as the Board may then recommend. The Board has no reason to believe that the persons named will be unable to serve or will decline to serve if elected.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE <u>FOR</u> EACH OF THE NOMINEES FOR DIRECTOR NAMED ABOVE.

2. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of the Board has appointed Ernst & Young LLP as our independent registered public accountants for the fiscal year ending December 31, 2018. Services provided to the Company by Ernst & Young LLP in fiscal 2017 and 2016 are described below.

The Company is asking its stockholders to ratify the selection of Ernst & Young LLP as its independent registered public accountants. Although ratification is not required by the Company's bylaws or otherwise, the Board is submitting the selection of Ernst & Young LLP to its stockholders for ratification as a matter of good corporate practice.

A representative of Ernst & Young LLP will be present at the Meeting and will have an opportunity to make a statement and/or to respond to appropriate questions from our stockholders.

Audit Fees

In connection with the audit of the 2017 consolidated financial statements, the Company entered into an engagement agreement with Ernst & Young LLP which set forth the terms by which Ernst & Young LLP agreed to perform audit services for the Company.

Set forth below is information relating to the aggregate fees paid to Ernst & Young LLP for professional services rendered for the fiscal years ended December 31, 2017 and 2016, respectively.

	2017	**2016**
(1) Audit Fees	$395,000	$427,500
(2) Audit-related fees	277,685	6,000
(3) Tax fees	—	—
(4) All other fees	142,705	—

Audit Fees

Audit fees represent the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements and internal controls over financial reporting, review of financial statements included in our quarterly reports on Form 10-Q and services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-related Fees

Audit-related fees represent the aggregate fees billed for assurance and related professional services rendered by our independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and that are not reported under “Audit Fees” including consultations regarding internal controls, financial accounting and reporting standards; the issuance of consents in connection with registration statement filings with the SEC and comfort letters in connection with securities offerings.

All Other Fees

All other fees represent the aggregate fees billed for all other products and services rendered by our independent registered public accounting firm other than the services reported in the other categories. All other fees for 2017 represent due diligence services related to the proposed merger with Idera Pharmaceuticals, Inc.

Audit Committee Pre-Approval

It is the policy of the Audit Committee, as set forth in the Audit Committee Charter, to pre-approve, consistent with the requirements of the federal securities laws, all auditing services and non-audit services provided to the Company by its independent registered public accounting firm, other than such non-audit services as are prohibited by law to be performed by the independent registered public accounting firm and other than as provided in the de minimis exception set forth in applicable provisions of the federal securities laws. The Audit Committee may delegate to one or more of its designated members the authority to grant the required pre-approvals, provided that the decisions of any member(s) to whom such authority is delegated to pre-approve an activity shall be presented to the full Audit Committee at each of its scheduled meetings.

Recommendation of the Board of Directors

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR FISCAL 2018.

In the event that the Company's stockholders do not ratify the appointment, the appointment will be reconsidered by the Audit Committee and the Board. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

3. ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") enables our stockholders to vote to approve, on an advisory or non-binding basis, an advisory resolution on the compensation of our Named Executive Officers, as defined herein, as disclosed in this Proxy Statement in accordance with rules promulgated by the SEC.

The Company asks that you indicate your support for our executive compensation policies and practices as described in "Compensation Discussion and Analysis," and the accompanying tables and related disclosures in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers, and the policies and practices described in this Proxy Statement. Your vote is advisory and so will not be binding on the Compensation Committee or the Board of Directors. However, the Board of Directors will review the voting results and take them into consideration when structuring future executive compensation arrangements. The affirmative vote of the holders of a majority of the shares of Common Stock represented in person or by proxy at the Meeting and entitled to vote on the proposal will be required for approval.

We believe that the experience, abilities and commitment of our Named Executive Officers are unique in the biotechnology industry, and recognize the need to fairly compensate and retain a senior management team that has produced excellent operating results over the past several years. Accordingly, the Compensation Committee makes compensation decisions for our executive officers after consideration of the following primary objectives:

- 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.

Further, we do not believe that our executive compensation program encourages our management to take excessive risks.

The Board of Directors encourages you to carefully review the information regarding our executive compensation program contained in this Proxy Statement, including the Compensation Discussion and Analysis beginning on page 12, as well as the Summary Compensation Table and other related compensation tables and narrative discussion, appearing on pages 20 through 28, which provide detailed information on the compensation of our Named Executive Officers.

Board of Directors' Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE FOLLOWING RESOLUTION:

"RESOLVED, that the stockholders approve, on an advisory basis, the compensation of the Company's Named Executive Officers, as disclosed in this Proxy Statement, including the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative discussion."

CORPORATE GOVERNANCE

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.

Board of Directors

The Company is governed by a Board of Directors, which currently consists of eight directors as determined by resolution of the Board in accordance with the Company's Certificate of Incorporation. The Board has determined that seven of the eight current members of the Board (Abercrombie, Cohen, Erck, Hutson, Lee, Ingram and Patel), are independent as defined by the Nasdaq Global Select Market, or Nasdaq. There are no family relationships among any of our directors or executive officers.

The Board has established the Audit, Compensation, and Corporate Governance and Nominating committees to assist in the oversight of the Company. The Board has adopted charters for each of these committees, which are posted on the Company’s website at www.biocryst.com. The Company also makes available at its website its code of business conduct. Printed copies of these charters or the code of business conduct may be obtained, without charge, by contacting the Corporate Secretary, BioCryst Pharmaceuticals, Inc., 4505 Emperor Blvd., Suite 200, Durham, North Carolina 27703.

Board Leadership Structure

Mr. Ingram currently serves as the Chairman of the Board. The Chairman of the Board presides over the Board meetings and any executive session of the non-management directors. An executive session is held at every regularly scheduled Board meeting.

The Company’s CEO is responsible for setting the Company's strategic direction and for the day-to-day leadership performance of the Company. The Company’s independent Chairman provides input to the CEO and is responsible for presiding over the meetings of the Board and executive sessions of non-management directors. The Company believes that separating the roles of Chairman and CEO is the most appropriate leadership structure for the Company at this time, based on the current circumstances and direction of the Company and the membership of the Board, including the vast experience of our current Chairman of the Board in the pharmaceutical industry. This leadership structure permits the CEO to focus his attention on managing our business and allows the Chairman to function as an important liaison between management and the Board, enhancing the ability of the Board to provide oversight of the Company's management and affairs.

Risk Oversight

The Company does not view risk in isolation, but considers risk as part of its regular consideration of business strategy and business decisions. The Board oversees the Company’s risk management function, directly and through its committees. BioCryst approaches risk management by integrating its strategic planning, operational decision making and risk oversight and communicating risks and opportunities to the Board. The Board commits substantial time and effort every year to discussing and agreeing upon the Company’s strategic plan, and it reconsiders key elements of the strategic plan as significant events and opportunities arise during the year. As part of the review of the strategic plan, as well as in evaluating events and opportunities that occur during the year, the Board and management also consider the risks relating to the strategic plan.

While the Board has primary responsibility for oversight of the Company’s risk management, the Board’s standing committees support the Board by regularly addressing various risks in their respective areas of oversight. Specifically, the Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with public reporting requirements. The Compensation Committee assists the Board in fulfilling its risk management oversight responsibilities with respect to risks arising from compensation policies and programs. The Governance Committee assists the Board in fulfilling its risk management oversight responsibilities with respect to risks related to corporate governance matters. The Audit Committee is also responsible for reviewing, discussing and advising the Board with respect to our corporate compliance program and code of business conduct. For additional information related to the Compensation Committee's role in evaluating risks related to our executive compensation program, see "Compensation Discussion and Analysis" below.

Committees of the Board

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 four times during 2017.

Compensation Committee

The Company has a Compensation Committee, currently consisting of Dr. Cohen, as its Chairman, Mr. Erck, Dr. Hutson and Mr. Ingram. The Compensation Committee is responsible for the annual review of officer compensation and other incentive programs. The Board has adopted a Compensation Committee Charter, available on the Company's website, that meets all applicable rules of Nasdaq and the SEC. The Compensation Committee members are "independent" directors as defined by Nasdaq and meet the heightened independence standards applicable to Compensation Committee members under Nasdaq rules. The Compensation Committee held four meetings during 2017. More information describing the Compensation Committee's processes and procedures for considering and determining executive compensation, including the role of consultants in determining or recommending the amount or form of director and executive compensation, is included in under the heading "Compensation Discussion and Analysis" below.

Corporate Governance and Nominating Committee

The Company has a Corporate Governance and Nominating Committee consisting of Dr. Hutson, as its Chairwoman, Mr. Abercrombie, and Mr. Ingram. The Corporate Governance and Nominating Committee selects persons for election or re-election as directors and provides oversight of the corporate governance affairs and policies of the Board of Directors and the Company. The Board has adopted a Corporate Governance and Nominating Committee Charter, available on the Company's website, that meets all applicable rules of Nasdaq and the SEC. The Corporate Governance and Nominating Committee members are "independent" directors as defined by Nasdaq. The Corporate Governance and Nominating Committee met four times during 2017.

Other Committees

The Company also has a Science Committee and a Finance Committee, each of which convenes from time to time, as needed, to assist the Company and the Board on significant scientific and financial matters.

Selection of Board Nominees

The Corporate Governance and Nominating Committee will consider candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. The Committee has established a procedure for submission of suggestions by stockholders and will consider candidates recommended in writing, including biographical information and personal references. All submissions by stockholders should be sent directly to the Chairman of the Board, Robert A. Ingram, at 4505 Emperor Blvd., Suite 200, Durham, North Carolina 27703. The

Chairman will provide copies of all submissions to the Committee for their consideration.

The Committee reviews all submissions and evaluates them based on predetermined selection criteria to identify prospective nominees. In reviewing candidates to become prospective nominees, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate based on whatever information is provided to the Committee with the recommendation of the candidate, as well as the Committee's own knowledge of the candidate, which may be supplemented by inquiries to the person making the recommendation or to others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the candidate can satisfy the evaluation factors described below. If the Committee determines, in consultation with the Chairman of the Board and other Board members as appropriate, that additional consideration is warranted, it may request additional information about the candidate's background and experience. The Committee then evaluates the candidate as a prospective nominee considering our director selection criteria, including:

- the ability of the prospective nominee to represent the interests of the stockholders of the Company;
- the prospective nominee's standards of integrity, commitment and independence of thought and judgment;
- the prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties, including the prospective nominee's service on other public company boards; and
- the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board.

In evaluating prospective nominees for Board membership, consideration is given to obtaining a diversity of experience and perspective within the Board. In considering diversity, we look at the entirety of the Board. Although we do not seek constituent or representational directors, the Committee considers the diversity of the Board whenever we are looking for a new director. The Committee and the Board evaluate the Board's diversity on a periodic basis as part of their review of the Board as a whole. For example, our Board conducts annual self-evaluations, which the Committee oversees, designed to solicit directors' views on a variety of topics, including whether directors as a whole have the appropriate mix of characteristics, business experience, background and tenure.

The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. In connection with this evaluation, the Committee determines whether to interview the prospective nominee, and if warranted, one or more members of the Committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation and interview, the Committee selects the director nominees for the next annual meeting of shareholders. The Committee recommended the nomination of the incumbent directors whose terms are expiring at the Annual Meeting for re-election to the Board of Directors.

Annual Performance Evaluations

The Board has a policy requiring an annual evaluation of the performance of the Board and the committees thereof, including individual assessments of each director's performance and qualifications. The Board engages third-party evaluators to oversee the individual director assessments from time to time at the discretion of the Corporate Governances and Nominating Committee.

Stockholder or Other Interested Party Communications

Stockholders or other parties interested in communicating directly with the Board, or specified individual directors, may do so by writing the Corporate Secretary, 4505 Emperor Blvd., Suite 200, Durham, North Carolina 27703. The Secretary will review all such correspondence and will regularly forward to the Board copies of all such correspondence that, in the opinion of the Secretary, relates to the functions of the Board or its committees or that the Secretary otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of such correspondence. Concerns relating to accounting, internal controls or auditing matters will immediately be brought to the attention of the Chairman of the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters.

Stock Ownership Guidelines

We have adopted stock ownership guidelines for our directors to help ensure that they each maintain an equity stake in the Company and, by doing so, appropriately link their interests with those of stockholders. The guideline for non-employee directors is for each director to hold 10,000 shares of BioCryst stock. Non-employee directors are expected to achieve this ownership level within the later of three years of joining the Board.

Director Attendance

During 2017, the Board held eleven meetings. Each member of the Board attended at least 75% of the meetings of the Board and committees of the Board of which he or she is a member. We encourage all members of the Board to attend the Annual Meeting of Stockholders. Our President and Chief Executive Officer, Jon P. Stonehouse, Mr. Ingram and Mr. Abercrombie were each in attendance at the 2017 Annual Meeting of Stockholders.

Certain Relationships and Related Transactions

Since January 1, 2017, there were no relationships or related transactions requiring disclosure between the Company and any of its directors, executive officers or five percent stockholders. The Audit Committee Charter requires all related party transactions to be pre-approved by the Audit Committee.

EXECUTIVE OFFICERS

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

Name	Age(1)	Position(s) with the Company
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, MBBS	63	Senior Vice President and Chief Medical Officer
Thomas R. Staab, II	50	Senior Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer

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(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 Ph.D. from the Indian Institute of Science, Bangalore and spent three years in the Laboratory of Molecular Biophysics at the University of Oxford, U.K. 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, MBBS, 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.

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:

- 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:

Acceleron 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 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 Federal Drug Administration and European Medicines Agency, and the initiation of registration batches of Active Product Ingredient, fully met with respect to advancing early stage programs as a result of approving the progression of two compounds into Investigational New Drug-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 50^{th} 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 50^{th} 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 Merger with Idera Pharmaceuticals, Inc., 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 by the acquiring company. These provisions are superseded by the provisions of the employment agreements of the Named Executive Officers, if applicable, as described under the heading “Potential Payments Upon Termination or Change in Control.”

Policy Regarding Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits our ability to deduct compensation paid to certain of our Named Executive Officers (the covered employees) for tax purposes to $1 million annually. Covered employees include our CEO and our next three highest paid executive officers, other than our principal financial officer. This limitation does not apply to performance-based compensation, provided certain conditions are satisfied. As part of its role, the Committee reviews and considers the deductibility of compensation with respect to Section 162(m) of the Internal Revenue Code. Options granted under the Stock Incentive Plan are expected to be fully deductible for federal income tax purposes. Compensation attributable to stock issuances or restricted stock units under the Stock Incentive Plan may or may not qualify for the performance-based compensation exception, depending upon the specific terms of each grant. The application of Section 162(m) is complex and may change with time (with potentially retroactive effect). For 2017, the compensation paid in cash to the Company’s executive officers did not exceed the $1 million limit per officer. While the Committee considers the deductibility of awards as one factor in determining executive compensation, the Committee also looks at many other factors in making its decisions, and retains the flexibility to grant awards it determines to be consistent with the Company’s overall compensation philosophy even if the award is not deductible by the Company for tax purposes.

Policy with Respect to Equity Compensation Awards

The Company grants all equity incentive awards based on the fair market value as of the date of grant. The exercise price for stock option grants and similar awards is determined by reference to the last quoted price per share on the Nasdaq Global Select Market at the close of business on the date of grant.

Risk Assessment of Compensation Programs

Management of the Company, together with the Company’s compensation consultant and outside counsel and Compensation Committee, has examined the Company’s compensation program and discussed whether any elements of the program created risks that were reasonably likely to have a material adverse effect on the Company. Following this analysis, management concluded that the elements of the Company’s compensation program did not create risks that are reasonably likely to have a material adverse effect on the Company. In its analysis, management considered a number of factors, including primarily: (1) the total value of the payments made under the Company’s compensation program for the prior year and (2) that any corporate actions that would potentially lead to achievement of corporate performance objectives would require approval by the Company’s Board of Directors, which provides a check on the ability of any individual to take risks that could have a material adverse effect on the Company in an effort to achieve a certain performance objective.

SUMMARY COMPENSATION TABLE

The following table sets forth the total compensation awarded, paid to or earned by the individuals who served as our CEO and CFO during 2017, along with the next three most highly compensated executive officers during 2017.

Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)(1)**	**Stock Awards ($)(2)**	**Option Awards ($)(2)**	**Non-Equity Incentive Plan Compensation ($)(3)**	**All Other Compensation ($)(4)**		**Total ($)**
Jon P. Stonehouse	2017	532,823	243,019	-	2,910,080	220,862	14,405	(5)	3,921,189
President, Chief Executive	2016	519,828	-	-	736,454	-	14,155	(5)	1,270,437
Officer and Director	2015	504,687	-	345,344	2,284,992	-	14,155	(5)	3,149,178
Thomas R. Staab II	2017	434,002	143,962	-	1,001,288	130,836	13,500		1,723,588
Senior Vice President and	2016	423,417	-	-	282,798	-	13,250		719,465
Chief Financial Officer	2015	411,084	-	108,224	796,417	-	13,250		1,328,975
Yarlagadda S. Babu, Ph.D.	2017	382,480	126,872	-	1,001,288	115,304	13,500		1,639,444
Senior Vice President of	2016	373,152	-	-	282,798	-	13,250		669,200
Drug Discovery	2015	362,283	-	108,224	796,417	-	13,250		1,280,174
William P. Sheridan	2017	469,143	155,618	-	1,001,288	141,429	41,072	(6)	1,808,550
Senior Vice President and	2016	457,700	-	-	324,040	-	36,409	(6)	818,149
Chief Medical Officer	2015	444,369	-	132,554	941,072	-	50,585	(6)	1,568,570
Lynne M. Powell (7)	2017	369,513	122,570	-	838,543	111,395	45,066	(8)	1,487,087
Senior Vice President and	2016	360,500	-	-	282,798	-	29,641	(8)	672,939
Chief Commercial Officer	2015	327,564	-	113,300	2,690,143	-	61,923	(8)	3,192,930

(1) Represents incentive cash awards paid in March 2017 as described above under the caption “Elements of Executive Compensation.”

(2) These amounts reflect the aggregate grant date fair value for the fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015 computed in accordance with FASB ASC Topic 718 of awards pursuant to the Stock Incentive Plan. Assumptions used in the calculation of these amounts are included in Note 7 to the Company’s audited financial statements for the year ended December 31, 2017 and December 31, 2016, and Note 6 to the Company’s audited financial statements for the year ended December 31, 2015, which are included in the Company’s Annual Reports on Form 10-K filed with the SEC on March 12, 2018, February 27, 2017 and February 26, 2016, respectively.

(3) Represents payments earned under the AIP for 2017 performance as described above under the caption “Elements of Executive Compensation.” Values shown reflect the full calculated payout of the incentive awards under the AIP.

(4) Except as otherwise noted, the amounts shown reflect the Company contribution for the executive to the 401(k) plan.

(5) Consists of Company contributions to the 401(k) plan and life insurance premiums described above under the caption “Other Elements of Compensation-Life and Disability Insurance.” For 2017, such amounts were $13,500 and $905, respectively.

(6) Consists of Company contributions to the 401(k) plan, commuting expense reimbursements and tax “gross up” payments related to such commuting expenses, each as described above under the caption “Other Elements of Compensation-Other.” For 2017, such amounts were $13,500, $17,210 and $10,362, respectively.

(7) Ms. Powell was hired as our Senior Vice President and Chief Commercial Officer effective January 26, 2015.

(8) Consists of Company contributions to the 401(k) plan, commuting expense reimbursements and tax “gross-up” payments related to such commuting expenses, each as described above under the caption “Other Elements of Compensation - Other.” For 2017, such amounts were $13,500, $21,166 and $10,400, respectively.

GRANTS OF PLAN-BASED AWARDS IN 2017

The following table provides information about plan-based awards granted during 2017 to our Named Executive Officers.

			Estimated Future Payments Under Non-Equity Incentive Plan Awards			Estimated Future Payments Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exer or Ba Price Optio Awar
Name	**Grant Date**	**Compensation Committee Action**	**Threshold ($)(1)**	**Target ($)(1)**	**Maximum ($)(1)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)(2)**	**(#)(3)**	**($/Sh**
Jon P. Stonehouse	2/27/17	2/26/17	-	-	-	-	-	-	-	500,000	5.51
	12/20/17	12/19/17	-	-	-	-	-	-	-	300,000	5.04
	-		-	294,482	441,723	-	-	-	-		
Thomas R. Staab II	2/27/17	2/26/17	-	-	-	-	-	-	-	175,000	5.51
	12/20/17	12/19/17	-	-	-	-	-	-	-	100,000	5.04
	-		-	174,448	209,337	-	-	-	-		
Yarlagadda S. Babu, Ph.D.	2/27/17	2/26/17	-	-	-	-	-	-	-	175,000	5.51
	12/20/17	12/19/17	-	-	-	-	-	-	-	100,000	5.04
	-		-	153,738	184,486	-	-	-	-		
William P. Sheridan	2/27/17	2/26/17	-	-	-	-	-	-	-	175,000	5.51
	12/20/17	12/19/17	-	-	-	-	-	-	-	100,000	5.04
	-		-	188,572	226,287	-	-	-	-		
Lynne M. Powell	2/27/17	2/26/17	-	-	-	-	-	-	-	150,000	5.51

12/20/17	12/19/17	-	-	-	-	-	-	-	80,000	5.04
-		-	148,526	178,231	-	-	-	-		

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(1) Represents possible payouts under our 2017 AIP. The amount shown in the "target" column represents the incentive payment that will be earned if performance is assessed at target. The amount shown in the "maximum" column represents the maximum amount payable under the AIP. There is no specific "threshold" amount payable for minimal performance under the AIP. Payout could be zero if corporate objectives are not met.

(2) Unless otherwise indicated, restricted stock units vest 25% each year until fully vested after four years.

(3) Options vest 25% each year until fully vested after four years and have a term of ten years.

(4) The exercise price is the closing market price of our common stock on the grant date.

(5) See the Summary Compensation Table above for more information about the assumptions used to determine these amounts.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2017

The following table summarizes the equity awards we have made to our Named Executive Officers which are outstanding as of December 31, 2017.

		Option Awards					**Stock Awards**
Name	**Number of Securities underlying Unexercised Options (#) Exercisable**	**Number of Securities underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) Exercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Exercise Date**	