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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2006

Commission File Number 000-23186

BIOCRYST PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

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

2190 Parkway Lake Drive; Birmingham, Alabama 35244
(Address of principal executive offices)

(205) 444-4600
(Registrant's telephone number, including area code)

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check One):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by a check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes o No x

The number of shares of Common Stock, par value $.01, of the Registrant outstanding as of April 30, 2006 was 29,148,089.

BIOCRYST PHARMACEUTICALS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BIOCRYST PHARMACEUTICALS, INC.
BALANCE SHEETS
March 31, 2006 and December 31, 2005
(In thousands, except per share data)

	2006	2005
	(Unaudited)	(Note 1)
Assets		
Cash and cash equivalents	$ 43,015	$ 29,157
Securities held-to-maturity	25,422	21,103
Receivable from collaboration	630	30,000
Prepaid expenses and other current assets	2,727	840
Total current assets	71,794	81,100
Securities held-to-maturity	19,548	9,728
Furniture and equipment, net	2,760	2,408
Patents and licenses, net	222	187
Deferred collaboration expense	7,900	5,825
Total assets	$ 102,224	$ 99,248
Liabilities and Stockholders' Equity		
Accounts payable	$ 6,867	$ 8,813
Accrued expenses	1,482	1,252
Accrued vacation	496	443
Deferred revenue	2,162	874
Total current liabilities	11,007	11,382
Deferred revenue	37,997	29,426
Stockholders' equity:		
Preferred stock: shares authorized – 5,000		
Series A Convertible Preferred stock, $.01 par value; shares authorized – 1,800; shares issued and outstanding – none		
Series B Junior Participating Preferred Stock, $.001 par value; shares authorized – 21.5; shares issued and outstanding – none		
Common stock, $.01 par value; shares authorized – 45,000; shares issued and outstanding – 29,137 in 2006 and 28,814 in 2005	291	288
Additional paid-in capital	212,674	210,015
Accumulated deficit	(159,745)	(151,863)
Total stockholders' equity	53,220	58,440
Total liabilities and stockholders' equity	$ 102,224	$ 99,248

See accompanying notes to financial statements.

BIOCRYST PHARMACEUTICALS, INC.
STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2006 and 2005
(In thousands, except per share)
(Unaudited)

	2006	2005
Revenues:		
Collaborative and other research and development	$ 771	$ 41
Expenses:		
Research and development	8,043	5,175
General and administrative	1,495	696
Total expenses	9,538	5,871
Loss from operations	(8,767)	(5,830)
Interest and other income	885	185
Net loss	$ (7,882)	$ (5,645)
Basic and diluted net loss per common share	$ (.27)	$ (.24)
Weighted average shares outstanding	28,938	23,620

See accompanying notes to financial statements.

BIOCRYST PHARMACEUTICALS, INC.
STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2006 and 2005
(In thousands)
(Unaudited)

	2006	2005
Operating activities:		
Net loss	$ (7,882)	$ (5,645)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	205	224
Stock-based compensation expense	420	7
Changes in operating assets and liabilities:		
Receivable from collaboration	29,370	—
Prepaid expenses and other current assets	(1,887)	28
Deferred collaboration expense	(2,075)	—
Accounts payable and accrued expenses	(1,663)	(151)
Deferred revenue	9,859	—
Net cash provided by (used in) operating activities	**26,347**	**(5,537)**
Investing activities:		
Acquisitions of furniture and equipment	(556)	(41)
Purchases of patents and licenses	(36)	(9)
Purchases of marketable securities	(17,639)	(5,812)
Maturities of marketable securities	3,500	1,800
Net cash used in investing activities	**(14,731)**	**(4,062)**
Financing activities:		
Employee stock purchase plan sales	100	65
Exercise of stock options	2,142	41
Sale of common stock, net of issuance costs	—	22,704
Net cash provided by financing activities	**2,242**	**22,810**
Increase in cash and cash equivalents	13,858	13,211
Cash and cash equivalents at beginning of period	29,157	8,838
Cash and cash equivalents at end of period	**$ 43,015**	**$ 22,049**

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

The balance sheet as of March 31, 2006, the statements of operations for the three months ended March 31, 2006 and 2005, and the statements of cash flows for the three months ended March 31, 2006 and 2005 have been prepared by the Company in accordance with accounting principles generally accepted in the United States and have not been audited. Such financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, the financial position at March 31, 2006, the results of operations for the three months ended March 31, 2006 and 2005, and cash flows for the three months ended March 31, 2006 and 2005. There were no adjustments other than normal recurring adjustments. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Examples include accrued clinical and preclinical expenses. Actual results could differ from those estimates.

These financial statements should be read in conjunction with the financial statements for the year ended December 31, 2005 and the notes thereto included in the Company's 2005 Annual Report on Form 10-K. Interim operating results are not necessarily indicative of operating results for the full year. The balance sheet as of December 31, 2005 has been derived from the audited financial statements included in the previously mentioned Annual Report.

Certain amounts in the Statement of Cash Flows for the three months ended March 31, 2005 have been reclassified to conform to the Statement of Cash Flows for the three months ended March 31, 2006. The changes had no effect on the results of operations previously reported.

Revenue Recognition

The Company's revenues have generally been limited to license fees, milestone payments, research and development fees, and interest income. Revenue is recognized in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition* ("SAB No. 104") and Emerging Issues Task Force Issue 00-21, *Revenue Arrangements with Multiple Deliverables* ("EITF Issue 00-21"). License fees, future event payments, and research and development fees are recognized as revenue when the earnings process is complete and the Company has no further continuing performance obligations or the Company has completed the performance obligations under the terms of the agreement. Fees received under licensing agreements that are related to future performance are deferred and recognized as earned over an estimated period determined by management. In the event a license agreement contains multiple deliverables, the Company evaluates whether the deliverables are separate or combined units of accounting in accordance with EITF Issue 00-21. Revisions to revenue or profit estimates as a result of changes in the estimated revenue period are recognized prospectively.

Future event payments are recognized as revenue upon the achievement of specified events if (1) the event is substantive in nature and the achievement of the event was not reasonably assured at the inception of the agreement and (2) the fees are non-refundable and non-creditable. Any event payments received prior to satisfying these criteria are recorded as deferred revenue.

Significant direct costs incurred upon entering into a licensing arrangement are deferred and charged to expense in proportion to the revenue recognized. Under the guidance of Emerging Issues Task Force Issue 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent* ("EITF Issue 99-19"), and Emerging Issues Task Force Issue 01-14, *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses* ("EITF Issue 01-14"), reimbursements received for direct out-of-pocket expenses related to research and development costs are recorded as revenue in the income statement rather than as a reduction in expenses.

Royalty revenue is recognized based on estimates of royalties earned during the applicable period and adjusted for differences between the estimated and actual royalties in the following period. If royalties can not be reasonably estimated, revenue is recognized upon receipt of royalty statements from the licensee. The Company has not received any royalties from the sale of licensed pharmaceutical products.

Net Loss Per Share

The Company computes net loss per share in accordance with Statement of Financial Accounting Standards No. 128, *Earnings Per Share*. Net loss per share is based upon the weighted average number of common shares outstanding during the period. Diluted loss per share is equivalent to basic net loss per share for all periods presented herein because common equivalent shares from unexercised stock options and common shares expected to be issued under the Company's employee stock purchase plan were anti-dilutive.

Securities Held-to-Maturity

The Company is required to classify securities as held-to-maturity, available-for-sale or trading. The appropriateness of each classification is reassessed at each reporting date. The Company currently classifies all securities as held-to-maturity. At March 31, 2006 securities held-to-maturity totaled approximately $45.0 million consisted of U.S. Treasury and Agency securities and commercial paper carried at amortized cost. The estimated fair value of these securities was approximately $44.9 million based on independent quoted market prices. While this represents an unrealized loss position, management does not believe the loss represents an other-than-temporary impairment as the Company has the ability and intent to hold the securities until maturity, at which time the cost of the investments will be recovered.

Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ("Statement No. 123R"), which revises Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("Statement No. 123"), supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), and amends Statement of Financial Accounting Standard No. 95, *Statement of Cash Flows*. Generally, the approach in Statement No. 123R is similar to the approach described in Statement No. 123. However, Statement No. 123R requires all share-based payments to employees, including grants of stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure, allowed by Statement No. 123, is no longer an alternative.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107, *Share-Based Payment*, which provided further clarification on the implementation of Statement No. 123R. Statement No. 123R originally required adoption no later than July 1, 2005. In April 2005, the Securities and Exchange Commission issued a release that delayed the effective date for Statement No. 123R until January 1, 2006.

Statement No. 123R permits companies to adopt its requirements using one of two methods, a "modified prospective" transition method or a "modified retrospective" transition method. Both methods are similar, except that the modified retrospective transition method permits entities to restate, based on the amounts previously recognized under Statement No. 123 for purposes of pro forma disclosures, either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

At March 31, 2006, the Company had two stock-based employee compensation plans, the 1991 Stock Option Plan (the "Plan") and the Employee Stock Purchase Plan (the "ESPP"), which are described in more detail below. Prior to January 1, 2006, the Company accounted for those plans under the recognition and measurement provisions of APB No. 25 and other related Interpretations, as permitted by Statement No. 123. No stock-based compensation cost related to the Company's employees was recognized in the Statements of Operations for any period ending prior to January 1, 2006, as all options granted by the Company had exercise prices equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement No. 123R, using the modified prospective transition method. Under that transition method, total compensation cost of $419,809 ($412,473 of expense related to the Plan and $7,336 of expense related to the ESPP) was recognized during the first quarter of 2006 and includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement No. 123R. Results for prior periods have not been restated.

The following table illustrates the pro forma effect on net loss and net loss per share had the Company applied the fair value recognition provisions of Statement No. 123R for the three month period ended March 31, 2005. For purposes of the pro forma disclosure, the value of the options was estimated using a Black-Scholes option pricing model and amortized to expense over the vesting periods of the options using a straight-line expense attribution method. Note that amounts are in thousands, except per share data.

	Three Months Ended March 31, 2005
Net loss as reported	$ (5,645)
Add stock-based compensation expense for consultants included in reported net loss	7
Deduct total stock-based compensation expense for employees and consultants as determined under Statement No. 123	(426)
Pro forma net loss	$ (6,064)
Amounts per common share:	
Net loss per share, as reported	$ (.24)
Pro forma net loss per share	$ (.26)

For each option award granted under the Plan during the first quarter of 2005, the Black-Scholes option pricing model used the assumptions noted in the table below.

Assumptions for Options Granted January 1, 2005 – March 31, 2005	
Expected Life	5.00
Expected Volatility	98.19%
Expected Dividend Yield	0.00%
Weighted Average Risk-Free Interest Rate	3.65%

The weighted average grant date fair value of the options granted under the Plan during the first quarter of 2005 was $4.50.

Statement 123R also requires that the benefits from tax deductions in excess of recognized compensation cost should be reported as a financing cash flow rather than as an operating cash flow. The Company has never recognized any benefits from such tax deductions, as the Company has always maintained a loss position.

1991 Stock Option Plan

The Company grants stock option incentive awards to employees, directors, and consultants of the Company under the Plan. The Plan, which was most recently amended on March 8, 2004 and subsequently approved by the Company's stockholders on May 12, 2004, permits the Company to issue stock options to its employees, directors, and consultants for up to 5.6 million shares of common stock. Under the Plan, option incentive awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Options granted to employees and consultants generally vest 25% after one year and monthly thereafter on a pro rata basis over the next three years until fully vested after four years. Options granted to non-employee directors of the Company generally vest over one year. All options have contractual terms of 10 years. The vesting exercise provisions of options granted under the Plan are subject to acceleration in the event of certain stockholder-approved transactions, or upon the occurrence of a change in control as defined in the Plan.

For each option award granted under the Plan during the first quarter of 2006, the fair value was estimated on the date of grant using a Black-Scholes option pricing model using the assumptions noted in the table below. The fair value expense of those options will be amortized to expense over the vesting periods of the options using a straight-line expense attribution method. The expected life is based on the average of the assumption that all outstanding options will be exercised at full vesting and the assumption that all outstanding options will be exercised at the midpoint of the valuation date and the full contractual term. The expected volatility represents an average of the implied volatility on the Company's publicly traded options, the volatility over the most recent period corresponding with the expected life, and the Company's long-term reversion volatility. The Company has assumed no expected dividend yield, as dividends have never been paid to stock or option holders and will not be for the foreseeable future. The weighted average risk-free interest rate is the implied yield currently available on zero-coupon government issues with a remaining term equal to the expected term.

Assumptions for Options Granted
January 1, 2006 – March 31, 2006

Expected Life	5.92
Expected Volatility	85.67%
Expected Dividend Yield	0.00%
Weighted Average Risk-Free Interest Rate	4.36%

Related stock option activity under the Plan is as follows:

	Options Available	Options Outstanding	Weighted Average Exercise Price
Balance December 31, 2005	443,047	3,241,351	$ 7.60
Options granted	(6,200)	6,200	19.34
Options exercised	—	(309,069)	7.04
Options canceled	1,800	(1,800)	22.81
Balance March 31, 2006	438,647	2,936,682	7.67

The total intrinsic value of options exercised under the Plan during the first quarter of 2006 was $3,893,672. The intrinsic value represents the total proceeds (fair market value at the date of exercise, less the exercise price, times the number of options exercised) received by all individuals who exercised options during the period.

The following table summarizes, at March 31, 2006, by price range: (1) for options outstanding under the Plan, the number of options outstanding, their weighted-average remaining life and their weighted-average exercise price; and (2) for options exercisable under the Plan, the number of options exercisable and their weighted-average exercise price:

				Exercisable	
Range	Number	Outstanding Life	Price	Number	Price
$0 to 3	489,286	6.7	$ 1.14	354,494	$ 1.22
3 to 6	801,326	8.4	4.37	238,290	3.98
6 to 9	1,115,053	5.2	7.86	890,961	7.62
9 to 12	9,953	7.5	9.88	8,287	9.89
12 to 15	204,613	1.1	14.12	204,613	14.12
15 to 18	86,511	1.2	16.33	84,844	16.35
18 to 21	6,200	9.9	19.34	—	—
21 to 24	204,120	3.7	22.84	204,120	22.84
24 to 30	19,620	4.1	26.83	19,620	26.83
$0 to 30	2,936,682	5.8	7.67	2,005,229	8.83

The weighted average remaining contractual life of options exercisable under the Plan at March 31, 2006 is 4.6 years.

The aggregate intrinsic value of options outstanding under the Plan at March 31, 2006 is $31,659,840. The aggregate intrinsic value of options currently exercisable under the Plan at March 31, 2006 is $19,645,561. The aggregate intrinsic value represents the value (the period's closing market price, less the exercise price, times the number of in-the-money options) that would have been received by all option holders under the Plan had they exercised their options at the end of the period.

The following table summarizes, at March 31, 2006 the number of non-vested options under the Plan and their weighted average grant date fair value:

	Number	Weighted Average Grant Date Fair Value
Balance December 31, 2005	1,042,222	$ 3.82
Options granted	6,200	13.75
Options vested	(116,969)	3.56
Options canceled	—	—
Balance March 31, 2006	931,453	3.92

The total fair value of the options vested under the Plan during the first quarter of 2006 was $416,407.

The number of options vested and expected to vest as of March 31, 2006 is 2,801,614. The weighted average exercise price of those options is $7.80 and their weighted average remaining contractual life is 5.7 years.

Employee Stock Purchase Plan

The ESPP was originally approved by the Company's stockholders on May 29, 1995 and most recently amended on May 12, 2002. The Company has reserved a total of 400,000 shares of common stock to be purchased under the ESPP, of which 109,050 shares remain available for purchase at March 31, 2006. Eligible employees may authorize up to 15% of their salary to purchase common stock at the lower of 85% of the beginning or 85% of the ending price during six-month purchase intervals. No more than 3,000 shares may be purchased by any one employee at the six-month purchase dates and no employee may purchase stock having a fair market value at the commencement date of $25,000 or more in any one calendar year. The Company issued 16,551 shares during the three months ended March 31, 2006 under the ESPP. Expense of $7,336 related to the ESPP was recognized during the first quarter of 2006, while expense of $15,261 related to the ESPP would have been recognized during the first quarter of 2005 had the Company not followed the guidance of APB No. 25. For both periods, expense was determined using a Black-Scholes option pricing model.

As of March 31, 2006, there was approximately $2,899,570 of total unrecognized compensation cost related to non-vested employee stock option awards granted under the Plan and the ESPP. That cost is expected to be recognized as follows: $972,828 in the remainder of 2006, $1,110,196 in 2007, $667,996 in 2008, $146,411 in 2009, and $2,139 in 2010.

2. Collaborative Agreements

In November 2005 and February 2006, the Company announced collaborative relationships with F.Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. ("Roche") and Mundipharma International Holdings Limited ("Mundipharma"), respectively. For these license agreements, the Company has determined to defer the upfront payments over the remaining life of the patents which is through August 2023 for the Roche agreement and through October 2017 for the Mundipharma agreement. These amounts have been classified as deferred revenue on the balance sheet and the significant direct costs incurred upon entering into these licensing agreements related to sublicense fees to Albert Einstein College of Medicine ("AECOM") and Industrial Research, Ltd. ("IRL") have been recorded as deferred assets on the balance sheet. As revenue is recognized related to these agreements, which began in February 2006 for the Mundipharma agreement and expected to begin in the second half of 2006 for the Roche agreement, the proportionate amount of expense related to the deferred assets will be recognized also.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company. Such statements are only predictions and the actual events or results may differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below as well as those discussed in other filings made by the Company with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K.

Overview

Since our inception in 1986, we have been engaged in research and development activities and organizational efforts, including:

- identifying and licensing enzyme targets;
- drug discovery;
- structure-based design of drug candidates;
- small-scale synthesis of compounds;
- conducting preclinical studies and clinical trials;

- establishing collaborative relationships with third parties for contract research related to the development of our drug candidates to support manufacturing, clinical development and regulatory compliance;
- establishing collaborative relationships with biotechnology or pharmaceutical companies and governmental agencies or other third parties for the further development and potential commercialization of our compounds;
- recruiting our scientific and management personnel;
- establishing laboratory facilities; and
- raising capital.

Our revenues have generally been limited to license fees, milestone payments, research and development fees, and interest income. Revenue is recognized in accordance with SAB No. 104 and EITF Issue 00-21. License fees, future event payments, and research and development fees are recognized as revenue when the earnings process is complete and we have no further continuing performance obligations or we have completed the performance obligations under the terms of the agreement. Fees received under licensing agreements that are related to future performance are deferred and recognized as earned over an estimated period determined by management based on the terms of the agreement and the products licensed. For example, in the Roche and Mundipharma license agreements announced in November 2005 and February 2006, respectively, we have determined to defer the upfront payments over the remaining life of the patents which are 17 years (through August 2023) and 12 years (through October 2017), respectively. In the event a license agreement contains multiple deliverables, we evaluate whether the deliverables are separate or combined units of accounting in accordance with EITF Issue 00-21. Revisions to revenue or profit estimates as a result of changes in the estimated revenue period are recognized prospectively.

Future event payments are recognized as revenue upon the achievement of specified events if (1) the event is substantive in nature and the achievement of the event was not reasonably assured at the inception of the agreement and (2) the fees are non-refundable and non-creditable. Any event payments received prior to satisfying these criteria are recorded as deferred revenue.

Significant direct costs incurred upon entering into a licensing arrangement, such as our sublicense fees to AECOM and IRL, are deferred and charged to expense in proportion to the revenue recognized. Under the guidance of EITF Issue 99-19, and EITF Issue 01-14, reimbursements received for direct out-of-pocket expenses related to research and development costs are recorded as revenue in the income statement rather than as a reduction in expenses.

Royalty revenue is recognized based on estimates of royalties earned during the applicable period and adjusted for differences between the estimated and actual royalties in the following period. If royalties can not be reasonably estimated, revenue is recognized upon receipt of royalty statements from the licensee. We have not received any royalties from the sale of licensed pharmaceutical products.

It could be several years, if ever, before we will recognize significant revenue from royalties received pursuant to our license agreements or revenue directly from product sales. Future revenues, if any, are likely to fluctuate substantially from quarter to quarter.

We have incurred operating losses since our inception. Our accumulated deficit at March 31, 2006 was $159.7 million. We expect to incur substantial expenditures relating to the development of our current and future drug candidates. During the three years ended December 31, 2005, we spent 54.6% of our research and development expenses on contract research and development, including:

- payments to consultants;
- funding of research at academic institutions;
- toxicology studies on existing and potential drugs;

- manufacturing of our raw materials, drug substance and drug products;
- large scale synthesis and formulation of compounds;
- preclinical studies;
- engaging investigators to conduct clinical trials;
- hiring contract research organizations for regulatory and clinical functions; and
- using statisticians to evaluate the results of clinical trials.

The above expenditures for contract research and development for our current and future drug candidates will vary from quarter-to-quarter depending on the status of our research and development projects. For example, during the third quarter of 2005, we initiated a Phase I trial in healthy volunteers for our lead drug candidate, forodesine hydrochloride ("Fodosine™"), an inhibitor of purine nucleoside phosphorylase ("PNP"). Results from this trial will be used to assist in facilitating the design of a proposed Phase IIb pivotal clinical program in patients with T-cell leukemia, using a combination of intravenous and oral formulations of Fodosine™. In addition, during the third quarter of 2005, we initiated a Phase II clinical trial of Fodosine™ in patients with advanced, fludarabine-refractory chronic lymphocytic leukemia ("CLL") and in the fourth quarter of 2005 we announced the initiation of a Phase I/II clinical trial of Fodosine™ in patients with B-cell acute lymphoblastic leukemia. We began clinical development of our neuraminidase inhibitor, peramivir, by starting the first clinical trial with an intravenous formulation during the first quarter of 2006. As these trials progress and additional trials are started in other indications, our costs for clinical studies will increase significantly. In addition, the costs associated with the manufacturing of Fodosine™, peramivir and BCX-4678, our hepatitis C ("HCV") drug candidate, will increase as we scale up to the larger production runs required for both clinical development and additional toxicology studies required for each of these programs.

Changes in our existing and future research and development and collaborative relationships also will impact the status of our research and development projects. For example, in November 2005 we entered into a license agreement with Roche for the worldwide development and commercialization for our second PNP inhibitor, BCX-4208. In addition to an upfront payment plus an advance payment for some manufacturing we will perform, Roche will take over the development and pay all costs associated with this program. In February 2006, we licensed Fodosine™ to Mundipharma for the development and commercialization of this drug in Europe, Asia and Australasia. In addition to the upfront payment of $10 million, Mundipharma will pay 50% of the clinical development costs we will incur for Fodosine™ on existing and planned clinical trials, but their portion shall not exceed $10 million.

Although we may, in some cases, be able to control the timing of development expenses, in part by accelerating or decelerating certain of these costs, many of these costs will be incurred irrespective of whether we are able to discover drug candidates or obtain collaborative partners for commercialization. As a result, we believe that quarter-to-quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. If we fail to meet the research, clinical and financial expectations of securities analysts and investors, it could have a material adverse effect on the price of our common stock.

Results of Operations (three months ended March 31, 2006 compared to the three months ended March 31, 2005)

Collaborative and other research and development revenues increased to $771,000 in the three months ended March 31, 2006 compared to $41,000 in the three months ended March 31, 2005, due to the recognition of revenue related to our recently announced collaboration with Mundipharma for the development and commercialization of forodesine hydrochloride (Fodosine™) in Europe and Asia. For this collaboration, we began recognizing the $10 million up front payment in February 2006, which will continue until it is fully recognized in October 2017. During the first quarter of 2006, we also began recognizing revenue on clinical expenses that will be reimbursed by Mundipharma according to the terms of the collaboration.

Research and development ("R&D") expenses increased 55.4% to $8,043,000 in the three months ended March 31, 2006 from $5,175,000 in the three months ended March 31, 2005. The increase is primarily attributable to expenses for contract research and synthesis of compound related to the clinical development and manufacturing of our drug candidates, Fodosine™ and peramivir.

We are currently in several additional clinical trials with Fodosine™ as compared to the same period in 2005 and we have also started the process of manufacturing validation for both Fodosine™ and peramivir. There was also an increase in compensation cost for the first quarter of 2006 compared to the first quarter of 2005, primarily related to the Company's adoption of Statement No. 123R, which resulted in $179,000 of share-based compensation expense.

General and administrative expenses for the three months ended March 31, 2006 increased 114.8% to $1,495,000 as compared to $696,000 for the same period in 2005, primarily due to $241,000 of share-based compensation related to the adoption of Statement No. 123R, additional compensation expense related to an increase in personnel and an increase in professional fees primarily related to our Mundipharma collaboration.

Interest income for the three months ended March 31, 2006 was $885,000, a 378.4% increase as compared to the same period in 2005. This increase was due to a higher average cash balance during the first quarter of 2006 resulting from the upfront payments from the Roche and Mundipharma collaborations.

Liquidity and Capital Resources

Cash expenditures have exceeded revenues since our inception. Our operations have principally been funded through public offerings and private placements of equity and debt securities. For example, during December 2005, we raised $30.0 million (approximately $29.9 million net of expenses) through a sale of 2,228,829 shares of our common stock. Other sources of funding have included the following:

- equipment lease financing;
- facility leases;
- collaborative and other research and development agreements (such as the Roche and Mundipharma licenses);
- research grants; and
- interest income.

In addition, we have attempted to contain costs and reduce cash flow requirements by renting scientific equipment and facilities, contracting with other parties to conduct certain research and development and using consultants. We expect to incur additional expenses, potentially resulting in significant losses, as we continue to pursue our research and development activities, undertake additional preclinical studies and clinical trials of compounds which have been or may be discovered and as we increase the manufacturing of our compounds for clinical trials and toxicology studies. We also expect to incur substantial expenses related to the filing, prosecution, maintenance, defense and enforcement of patent and other intellectual property claims and additional regulatory costs as our clinical products advance through later stages of development.

We invest our excess cash principally in U.S. marketable securities from a diversified portfolio of institutions with strong credit ratings and in U.S. government and agency bills and notes, and by policy, limit the amount of credit exposure at any one institution. These investments are generally not collateralized and mature within three years. We have not realized any losses from such investments. In addition, at March 31, 2006, approximately $34.2 million was invested in the Merrill Lynch Premier Institutional Fund, a money market mutual fund that invests in near cash securities with weighted average maturities of less than 90 days. The Merrill Lynch Premier Institutional Fund is not insured.

We have financed some of our equipment purchases with lease lines of credit. In July 2000, we renegotiated our lease for our current facilities, which will expire on June 30, 2010. We have an option to renew the lease for an additional five years at the current market rate in effect on June 30, 2010 and a one-time option to terminate the lease on June 30, 2008 for a termination fee of approximately $124,000. The lease, as amended effective December 1, 2005 for a reduction of 7,200 square feet, requires us to pay monthly rent starting at $36,855 per month in December 2005 and escalating annually to a minimum of $41,481 per month in the final year, plus our pro rata share of operating expenses and real estate taxes in excess of base year amounts. As part of the lease, we have deposited a U.S. Treasury security in escrow for the payment of rent and performance of other obligations specified in the lease. This pledged amount is currently $196,000, which can be decreased by $65,000 annually throughout the term of the lease. Currently, we have approximately 3,600 square feet being subleased, which can be terminated with 30 days written notice.

We have not incurred any significant charges related to new equipment or building renovations since 2001 and currently have no plans for any significant renovations, but our purchases of additional equipment during 2006 could exceed $1 million.

At December 31, 2005, we had long-term operating lease obligations, which provide for aggregate minimum payments of $533,904 in 2006, $486,119 in 2007 and $496,834 in 2008. These obligations include the future rental of our operating facility.

We plan to finance our needs principally from the following:

- our existing capital resources and interest earned on that capital;
- payments under collaborative and licensing agreements with corporate partners; and
- lease or loan financing and future public or private financing.

As of March 31, 2006, we had $88.0 million in cash, cash equivalents and securities. We believe that our currently available funds will be sufficient to fund our operations at least through mid-2008. However, this is a forward looking statement, and there may be changes that would consume available resources significantly before such time. Our long-term capital requirements and the adequacy of our available funds will depend upon many factors, including:

- the progress and magnitude of our research, drug discovery and development programs;
- changes in existing collaborative relationships;
- our ability to establish additional collaborative relationships with academic institutions, biotechnology or pharmaceutical companies and governmental agencies or other third parties;
- the extent to which our collaborators, including governmental agencies will share in the costs associated with the development of our programs or run the development programs themselves;
- our ability to negotiate favorable development and marketing strategic alliances for our drug candidates;
- the scope and results of preclinical studies and clinical trials to identify drug candidates;
- the scope of manufacturing of our drug candidates to support our preclinical research and clinical trials;
- the scope of validation for the manufacturing of our drug substance and drug products required for future NDA filings;
- competitive and technological advances;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- our dependence on others for development and commercialization of our product candidates; and
- successful commercialization of our products consistent with our licensing strategy.

To date, we have financed our operations primarily from sale of our equity securities and, to a lesser extent, revenues from collaborations and interest. In 2005, our operations consumed approximately $2.0 million per month. Our current projection for 2006 is that our average net burn rate for 2006 will be approximately $3.0 million per month. We expect that our monthly cash used by operations will continue to increase for the next couple of years as our clinical programs are expanded. We are planning to be in a Phase IIb pivotal trial with Fodosine™ in 2006 in T-cell leukemia and are in the early stages of clinical trials in several other indications with Fodosine™. In addition, we began clinical development of our neuraminidase inhibitor, peramivir, by starting the first clinical trial with an intravenous formulation during the first quarter of 2006.

As these trials increase in size and patient enrollment increases, our costs will increase. We also expect our HCV drug candidate, BCX-4678 to be in clinical trials later in 2006. Our current and planned clinical trials plus the related manufacturing, personnel resources and testing required to support these trials will consume significant capital resources and will increase our expenses and our net loss.

This monthly burn rate could vary significantly depending on many factors, including our ability to raise additional capital, the development progress of our existing partnerships for our drug candidates, the amount of funding or assistance we receive from governmental agencies or other new partnerships with third parties for the development of our drug candidates in general and for peramivir specifically, the progress and results of our current and proposed clinical trials for Fodosine™, peramivir and BCX-4678, the progress made in the manufacturing of our products and the progression of our other programs.

The collaboration with Roche for the worldwide development and commercialization of BCX-4208 provided an upfront payment plus an advance payment for specific manufacturing we will perform. This initial $30 million was recorded as a receivable on our balance sheet at December 31, 2005 and was received in January 2006. Roche will take over the development and pay all costs associated with this program. The agreement also provides for future event payments and royalties to be made by Roche upon the achievement of certain clinical, regulatory and sales events.

In February 2006, we licensed Fodosine™ to Mundipharma for the development and commercialization of this drug in Europe, Asia and Australasia. In addition to the upfront payment of $10 million which was received in February 2006, Mundipharma will pay 50% of the clinical development costs we will incur for Fodosine™ on existing and planned clinical trials, but their portion shall not exceed $10 million. In addition, Mundipharma will conduct additional clinical trials at their own cost up to a maximum of $15 million. The agreement also provides for future event payments and royalties to be made by Mundipharma upon the achievement of certain clinical, regulatory and sales events.

Due to the nature of the potential milestones in our collaborations, it is difficult to predict if and when particular milestones will be achieved by us or our collaborators. However, we hope to reach at least one milestone in each of the collaborations during 2006, which would provide additional cash upon the achievement of the specific milestone reached. All future event payments are non-refundable under our current collaborations, net of sublicense payments, and have been taken into consideration in the projection of our burn rate.

We will be required to raise additional capital to complete the development and commercialization of our current product candidates. Additional funding, whether through additional sales of securities or collaborative or other arrangements with corporate partners or from other sources, may not be available when needed or on terms acceptable to us. The issuance of preferred or common stock or convertible securities, with terms and prices significantly more favorable than those of the currently outstanding common stock, could have the effect of diluting or adversely affecting the holdings or rights of our existing stockholders. In addition, collaborative arrangements may require us to transfer certain material rights to such corporate partners. Insufficient funds may require us to delay, scale-back or eliminate certain of our research and development programs.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (“SPEs”), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of March 31, 2006, we are not involved in any material unconsolidated SPE or off-balance sheet arrangements.

Contractual Obligations

A summary of our obligations to make future payments under contracts existing as of December 31, 2005 is included in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2005. For the three months ended March 31, 2006, the Company has entered into various contracts in the ordinary course of business for several R&D related items, including manufacturing of various compounds, additional toxicology studies and clinical trials and has already paid for some of the obligations disclosed at December 31, 2005. The net effect of these changes was to increase the purchase obligations disclosed at December 31, 2005 by a total of approximately $8.0 million. These obligations could change during the course of the year depending on the status of each of our development programs.

For purposes of our disclosure of contractual obligations, purchase obligations include commitments related to clinical development, manufacturing and research operations and other significant purchase commitments.

In addition to the contractual obligations disclosed, we have committed to make potential future "sublicense" payments to third-parties related to the in-licensing for some of our development programs. Payments under these agreements generally become due and payable only upon achievement of certain developmental, regulatory and/or commercial milestones. Because the achievement of these milestones is neither probable nor reasonably estimable, such contingencies have not been recorded on our balance sheet.

Critical Accounting Policies

We have established various accounting policies that govern the application of accounting principles generally accepted in the United States, which were utilized in the preparation of our financial statements. Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of operations.

While our significant accounting policies are more fully described in Note 1 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we use in the preparation of our financial statements.

Revenue Recognition

Our revenues have generally been limited to license fees, milestone payments, research and development fees, and interest income. Revenue is recognized in accordance with SAB No. 104 and EITF Issue 00-21. License fees, event payments, and research and development fees are recognized as revenue when the earnings process is complete and we have no further continuing performance obligations or we have completed the performance obligations under the terms of the agreement. Fees received under licensing agreements that are related to future performance are deferred and recognized as earned over an estimated period determined by management based on the terms of the agreement and the products licensed. For example, in the Roche and Mundipharma licenses agreements, we have determined to defer the upfront payments over the remaining life of the patents which are 17 years (through August 2023) and 12 years (through October 2017), respectively. In the event a license agreement contains multiple deliverables, we evaluate whether the deliverables are separate or combined units of accounting in accordance with EITF Issue 00-21. Revisions to revenue or profit estimates as a result of changes in the estimated revenue period are recognized prospectively.

Future event payments are recognized as revenue upon the achievement of specified events if (1) the event is substantive in nature and the achievement of the event was not reasonably assured at the inception of the agreement and (2) the fees are non-refundable and non-creditable. Any event payments received prior to satisfying these criteria are recorded as deferred revenue.

Significant direct costs incurred upon entering into a licensing arrangement, such as our sublicense fees to AECOM and IRL, are deferred and charged to expense in proportion to the revenue recognized. Under the guidance of EITF Issue 99-19, and EITF Issue 01-14, reimbursements received for direct out-of-pocket expenses related to research and development costs are recorded as revenue in the income statement rather than as a reduction in expenses.

Royalty revenue is recognized based on estimates of royalties earned during the applicable period and adjusted for differences between the estimated and actual royalties in the following period. If royalties can not be reasonably estimated, revenue is recognized upon receipt of royalty statements from the licensee. We have not received any royalties from the sale of licensed pharmaceutical products.

Research and Development Expenses

Major components of R&D expenses consist of personnel costs, including salaries and benefits, manufacturing costs, clinical, regulatory, and toxicology services performed by contract research organizations (CRO's), materials and supplies, and overhead allocations consisting of various administrative and facilities related costs. We charge these costs to expense when incurred, consistent with Statement of Financial Accounting Standards No. 2, *Accounting for Research and Development Costs*. These costs are a significant component of R&D expenses. Most of our manufacturing and our clinical and preclinical studies are performed by third-party CRO's. We accrue costs for studies performed by CRO's over the service periods specified in the contracts and adjust our estimates, if required, based upon our on-going review of the level of services actually performed by the CRO. We expense both our internal and external research and development costs as incurred. We expect our research and development expense to increase as we continue to develop our drug candidates.

Additionally, we have license agreements with third parties, such as AECOM and IRL that require maintenance fees or fees related to sublicense agreements. These fees are generally expensed as incurred unless they are related to revenues that have been deferred in which case the expenses will be deferred and recognized over the related revenue recognition period.

Accrued Expenses

As part of the process of preparing financial statements, we are required to estimate accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost. The majority of our service providers invoice us monthly in arrears for services performed. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. To date, we have not adjusted our estimate at any particular balance sheet date in any material amount. Examples of estimated accrued expenses include:

- fees paid to contract research organizations in connection with preclinical and toxicology studies and clinical trials;
- fees paid to investigative sites in connection with clinical trials;
- fees paid to contract manufacturers in connection with the production of our raw materials, drug substance and drug products; and
- professional service fees.

We base our expenses related to clinical trials on our estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and clinical research organizations that conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we will adjust the accrual accordingly. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates.

Stock-Based Compensation

At March 31, 2006, we have two stock-based employee compensation plans, the 1991 Stock Option Plan (the "Plan") and the Employee Stock Purchase Plan (the "ESPP"). Prior to January 1, 2006, we accounted for those plans under the recognition and measurement provisions of APB No. 25 and other related Interpretations, as permitted by Statement No. 123. No stock-based compensation cost related to the our employees was recognized in the Statements of Operations for any period ending prior to January 1, 2006, as all options granted had exercise prices equal to the

market value of the underlying common stock on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of Statement No. 123R, using the modified prospective transition method. Under that transition method, total compensation cost of $419,809 ($412,473 of expense related to the Plan and $7,336 of expense related to the ESPP) was recognized during the first quarter of 2006 and includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement No. 123R. Results for prior periods have not been restated.

As of March 31, 2006, there was approximately $2,899,570 of total unrecognized compensation cost related to non-vested employee stock option awards granted under the Plan and the ESPP. That cost is expected to be recognized as follows: $972,828 in the remainder of 2006, $1,110,196 in 2007, $667,996 in 2008, $146,411 in 2009, and $2,139 in 2010.

Under the fair value recognition provisions of Statement No. 123R, stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. Consistent with the valuation method we used for disclosure-only purposes under the provisions of Statement No. 123, we use the Black-Scholes option pricing model to estimate fair value under Statement No. 123R. Determining the appropriate fair value model and the related assumptions for the model requires judgment, including estimating the life of an award, the stock price volatility, and the expected term. Compensation cost is recognized on a straight-line basis over the requisite service period.

Information Regarding Forward-Looking Statements

This discussion contains forward-looking statements, which are subject to risks and uncertainties. These forward-looking statements can generally be identified by the use of words such as “may,” “will,” “intends,” “plans,” “believes,” “anticipates,” “expects,” “estimates,” “predicts,” “potential,” the negative of these words or similar expressions. Statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. Discussions containing these forward-looking statements are principally contained in “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as well as any amendments we make to those sections in filings with the SEC. These forward-looking statements include, but are not limited to, statements about:

- the initiation, timing, progress and results of our preclinical and clinical trials, research and development programs;
- the further preclinical or clinical development and commercialization of our product candidates;
- the implementation of our business model, strategic plans for our business, product candidates and technology;
- our ability to establish and maintain collaborations with biotechnology or pharmaceutical companies and governmental agencies or other third parties;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- our ability to operate our business without infringing the intellectual property rights of others;
- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- the timing or likelihood of regulatory filings and approvals;
- our negotiations with the FDA for a special protocol assessment;
- our financial performance; and
- competitive companies, technologies and our industry.

These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail in “Risk Factors.” Also, these forward-looking statements represent our estimates and assumptions only as of the date of this document.

You should read this discussion completely and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The primary objective of our investment activities is to preserve principal while maximizing the income we receive from our investments without significantly increasing our risk. We invest excess cash principally in U.S. marketable securities from a diversified portfolio of institutions with strong credit ratings and in U.S. government and agency bills and notes, and by policy, limit the amount of credit exposure at any one institution. Some of the securities we invest in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we schedule our investments to have maturities that coincide with our expected cash flow needs, thus avoiding the need to redeem an investment prior to its maturity date. Accordingly, we believe we have no material exposure to interest rate risk arising from our investments. Therefore, no quantitative tabular disclosure is provided.

Item 4. Controls and Procedures

We maintain a set of disclosure controls and procedures that are designed to ensure that information relating to BioCryst Pharmaceuticals, Inc. required to be disclosed in our periodic filings under the Securities Exchange Act is recorded, processed, summarized and reported in a timely manner under the Securities Exchange Act of 1934. We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2006, the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by BioCryst in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by BioCryst in such reports is accumulated and communicated to the Company’s management, including the Chairman and Chief Executive Officer and Chief Financial Officer of BioCryst, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2006 that have materially affected, or are reasonably likely to materially affect, BioCryst’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 1A. Risk Factors:

Our 2005 Annual Report on Form 10-K includes a detailed discussion of our risk factors. The risk factor below was disclosed on the Form 10-K and updates information as of March 31, 2006. It should be read in conjunction with all the risk factors and information disclosed in that Form 10-K.

If we fail to obtain additional financing, we may be unable to complete the development and commercialization of our product candidates or continue our research and development programs.

To date, we have financed our operations primarily from sale of our equity securities and, to a lesser extent, revenues from collaborations and interest. In 2005, our operations consumed approximately $2.0 million per month. Our current projection for 2006 is that our average burn rate for 2006 will be approximately $3.0 million per month. We expect that our monthly cash used by operations will continue to increase for the next couple of years as our clinical programs are expanded. We are planning to be in a Phase IIb pivotal trial with Fodosine™ in 2006 in T-cell leukemia and are in the early stages of clinical trials in several other indications with Fodosine™. As these trials increase in size and patient enrollment increases, our costs will increase. In addition, we began clinical development of our neuraminidase inhibitor, peramivir, by starting the first clinical trial with an intravenous formulation during the first quarter of 2006 and we expect our hepatitis C drug candidate, BCX-4678 to be in clinical trials later in 2006. These additional trials and the related manufacturing, personnel resources and testing required to support these studies will consume significant capital resources and will increase our expenses and our net loss.

This monthly burn rate could vary significantly depending on many factors, including our ability to raise additional capital, the development progress of our existing partnerships for our drug candidates, the amount of funding or assistance we receive from governmental agencies or other new partnerships with third parties for the development of our drug candidates in general and for peramivir specifically, the progress and results of our current and proposed clinical trials for Fodosine™, peramivir and BCX-4678, the progress made in the manufacturing of our products and the progression of our other programs. Our long-term capital requirements and the adequacy of our available funds will depend upon many factors, including:

- the progress of our research, drug discovery and development programs;
- changes in existing collaborative relationships;
- our ability to establish additional collaborative relationships with academic institutions, biotechnology or pharmaceutical companies, governmental agencies or other third parties;
- the extent to which our collaborators, including governmental agencies will share in the costs associated with the development of our programs or run the development programs themselves;
- our ability to negotiate favorable development and marketing alliances for our drug product candidates;
- the magnitude of our research and development programs;
- the scope and results of preclinical studies and clinical trials to identify drug product candidates and the costs of manufacturing drug product to support these studies and trials;
- competitive and technological advances;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- our dependence on others for development and commercialization of our product candidates; and
- successful commercialization of our products consistent with our licensing strategy.

We will be required to raise additional capital to complete the development and commercialization of our current product candidates. Additional funding, whether through additional sales of securities or collaborative or other arrangements with corporate partners, governmental agencies or from other sources, may not be available when needed or on terms acceptable to us. The issuance of preferred or common stock or convertible securities, with terms and prices significantly more favorable than those of the currently outstanding common stock, could have the effect of diluting or adversely affecting the holdings or rights of our existing stockholders. In addition, collaborative arrangements may require us to transfer certain material rights to such corporate partners as described in the following risk factor related to collaborative relationships. Insufficient funds may require us to delay, scale-back or eliminate certain of our research and development programs.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:

None

Item 3. Defaults Upon Senior Securities:

None

Item 4. Submission of Matters to a Vote of Security Holders:

None

Item 5. Other Information:

None

Item 6. Exhibits:

a. Exhibits:

Number	Description
3.1	Composite Certificate of Incorporation of Registrant. Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the second quarter ending June 30, 1995 dated August 11, 1995.
3.2	Bylaws of Registrant as amended December 15, 2005. Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed December 16, 2005.
4.1	Rights Agreement, dated as of June 17, 2002, by and between the Company and American Stock Transfer & Trust Company, as Rights Agent, which includes the Certificate of Designation for the Series B Junior Participating Preferred Stock as Exhibit A and the form of Rights Certificate as Exhibit B. Incorporated by reference to Exhibit 4.1 to the Company's Form 8-A dated June 17, 2002.
10.1*	Development and License Agreement dated as of February 1, 2006, by and between BioCryst Pharmaceuticals, Inc. and Mundipharma International Holdings Limited (Portions omitted pursuant to request for confidential treatment.) Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K/A dated February 2, 2006.
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Confidential treatment granted.
& Management contracts.
* Confidential treatment requested.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 8th day of May, 2006.

BIOCRYST PHARMACEUTICALS, INC.

/s/ Charles E. Bugg

Charles E. Bugg, Ph.D.
Chairman and Chief Executive Officer

/s/ Michael A. Darwin

Michael A. Darwin
Chief Financial Officer (Principal Financial and Accounting Officer), Secretary and Treasurer

Exhibit 31.1

CERTIFICATIONS

I, Charles E. Bugg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BioCryst Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 8, 2006

/s/ CHARLES E. BUGG

Charles E. Bugg
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Michael A. Darwin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BioCryst Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 8, 2006

/s/ MICHAEL A. DARWIN

Michael A. Darwin
Chief Financial Officer and
Chief Accounting Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BioCryst Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Bugg, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Charles E. Bugg

Charles E. Bugg
Chief Executive Officer
May 8, 2006

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BioCryst Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael A. Darwin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael A. Darwin

Michael A. Darwin
Chief Financial Officer
May 8, 2006