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

FORM 10-Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 0R 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number 000-23186

BIOCRYST PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

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

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

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

NONE
(Former name, former address and former fiscal year, if changed since last report)

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

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 14,875,579 shares of the Company's Common Stock, $.01 par value, were outstanding as of November 10, 1998.

BIOCRYST PHARMACEUTICALS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIOCRYST PHARMACEUTICALS, INC.
CONDENSED BALANCE SHEETS
SEPTEMBER 30, 1998 AND DECEMBER 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE)

ASSETS	1998 (UNAUDITED)	1997 (NOTE 1)
Cash and cash equivalents	$ 4,865	$ 3,757
Accounts receivable	6,000	
Securities held-to-maturity	11,676	15,724
Prepaid expenses and other current assets	373	215
Total current assets	22,914	19,696
Securities held-to-maturity		5,163
Furniture and equipment, net	1,514	1,557
Patents	100	69
Total assets	$ 24,528	$ 26,485
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 484	$ 245
Accrued expenses	679	307
Accrued taxes, other than income	159	166
Accrued vacation	126	90
Current maturities of capital lease obligations	18	58
Total current liabilities	1,466	866
Capital lease obligations	25	34
Deferred license fee	300	300
Total liabilities	1,791	1,200
Stockholders' equity:		
Convertible preferred stock, $.01 par value, shares authorized - 5,000; shares issued and outstanding - none		
Common stock, $.01 par value, shares authorized - 45,000; shares issued and outstanding - 13,957 in 1998 and 13,818 in 1997	140	138
Additional paid-in capital	74,301	73,531
Accumulated deficit	(51,704)	(48,384)
Total stockholders' equity	22,737	25,285
Total liabilities and stockholders' equity	$ 24,528	$ 26,485

See accompanying notes to condensed financial statements.

BIOCRYST PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF OPERATIONS
PERIODS ENDED SEPTEMBER 30, 1998 AND 1997
(IN THOUSANDS, EXCEPT PER SHARE)

	THREE MONTHS		NINE MONTHS	
	1998	1997	1998	1997
Collaborative and other research and development	$ 6,000	$	$ 6,000	$ 1,000
Interest and other	249	387	920	1,266
Revenues	6,249	387	6,920	2,266
Research and development	2,353	2,399	7,706	7,830
General and administrative	1,226	491	2,521	2,138
Interest	3	10	13	40
Expenses	3,582	2,900	10,240	10,008
Income (loss) before taxes	2,667	(2,513)	(3,320)	(7,742)
Income taxes				
Net income (loss)	$ 2,667	$(2,513)	$(3,320)	$(7,742)
Net income (loss) per share (Note 2):				
Basic	$ .19	$ (.18)	$ (.24)	$ (.56)
Diluted	$ .19	$ (.18)	$ (.24)	$(.56)
Weighted average shares outstanding (Note 2):				
Basic	13,952	13,805	13,932	13,770
Diluted	14,303	13,805	13,932	13,770

See accompanying notes to condensed financial statements.

BIOCRYST PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997
(IN THOUSANDS)

	1998	1997
OPERATING ACTIVITIES		
Net loss	$(3,320)	$(7,742)
Depreciation and amortization	401	483
Non-monetary compensation	167	50
Changes in operating assets and liabilities, net	(5,549)	(125)
Net cash used by operating activities	(8,301)	(7,334)
INVESTING ACTIVITIES		
Purchases of furniture and equipment	(358)	(1,010)
Purchase of marketable securities	(2,840)	(5,346)
Maturities of marketable securities	12,051	15,423
Net cash provided by investing activities	8,853	9,067
FINANCING ACTIVITIES		
Principal payments on debt and capital lease obligations	(49)	(218)
Proceeds from sale/leaseback		40
Proceeds from sale of common stock, net of issuance cost	605	391
Net cash provided by financing activities	556	213
Increase in cash and cash equivalents	1,108	1,946
Cash and cash equivalents at beginning of period	3,757	3,636
Cash and cash equivalents at end of period	$ 4,865	$ 5,582

See accompanying notes to condensed financial statements.

BIOCRYST PHARMACEUTICALS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1. Basis of Preparation

The condensed balance sheet as of September 30, 1998 and the condensed statements of operations and cash flows for the nine months ended September 30, 1998 and 1997 have been prepared in accordance with generally accepted accounting principles by the Company and have not been audited. Such financial statements reflect all adjustments which are, in management's opinion, necessary to present fairly, in all material respects, the financial position at September 30, 1998 and the results of operations and cash flows for the nine months ended September 30, 1998 and 1997. These condensed financial statements should be read in conjunction with the financial statements for the year ended December 31, 1997 and the notes thereto included in the Company's 1997 Annual Report. Interim operating results are not necessarily indicative of operating results for the full year. The balance sheet as of December 31, 1997 has been prepared from the audited financial statements included in the previously mentioned Annual Report.

Note 2. Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share. Basic net income (loss) per share is based upon the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is based upon the weighted average number of common shares outstanding and dilutive common stock equivalents during the period. Common stock equivalents are options under the Company's stock option plan, warrants and common shares expected to be issued under the Company's employee stock purchase plan and are calculated under the treasury stock method.

Common stock equivalents of approximately 1,447,000 shares were used to calculate diluted income per share for the three months ending September 30, 1998. For the three- and nine-month periods ended September 30, 1998, common stock equivalents of approximately 1,278,000 and 2,455,000 shares, respectively, were not used to calculate diluted income (loss) per share because of their anti-dilutive effect. For the three- and nine-month periods ended September 30, 1997, common stock equivalents of approximately 2,357,000 and 2,252,000 shares, respectively, were not used to calculate diluted income (loss) per share because of their anti-dilutive effect. There were no reconciling items in calculating the numerator for basic and diluted income (loss) per share for any of the periods presented.

Subsequent to the close of the third quarter of 1998, the Company completed a private placement of 918,836 shares of its common stock for $6.0 million.

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 its inception in 1986, the Company has been engaged in research and development activities (including drug discovery, manufacturing compounds, conducting preclinical studies and clinical trials) and organizational efforts (including recruiting its scientific and management personnel), establishing laboratory facilities, engaging its Scientific Advisory Board and raising capital. The Company has not received any revenue from the sale of pharmaceutical products and does not expect to receive such revenues to a significant extent for at least several years, if at all. The Company has incurred operating losses since its inception. The Company expects to incur significant additional operating losses over the next several years and expects such losses to increase as the Company's research and development and clinical trial efforts expand.

RESULTS OF OPERATIONS (THREE MONTHS ENDING SEPTEMBER 30, 1998 COMPARED TO THREE MONTHS ENDING SEPTEMBER 30, 1997)

Revenues increased to $6,289,000 in the three months ended September 30, 1998 from $387,000 in the three months ended September 30, 1997. The increase in 1998 was due to the $6.0 million up-front payment due from Ortho-McNeil Pharmaceutical, Inc. ("Ortho-McNeil") and the R.W. Johnson Pharmaceutical Research Institute ("PRI"), both Johnson & Johnson companies, in connection with the signing of a license agreement (the "License Agreement") on September 14, 1998, offset by less interest income due to declining cash available for investment from that available in 1997.

Research and development expenses decreased 1.9% to $2,353,000 in the three months ended September 30, 1998 from $2,399,000 in the three months ended September 30, 1997. Such expenses vary from period to period based on the status of the Company's projects. The Company completed two Phase III clinical trials in 1997. In 1998, the Company commenced two Phase I clinical trials for its serine protease inhibitor, most of which was in the second quarter, continued its three Phase I/II clinical trials for an oral formulation of its PNP inhibitor and initiated preclinical studies for its influenza neuraminidase and serine protease inhibitors. As a result, there was a slight decrease in the outside research and development efforts associated with the Company's three research and development projects. The Company also made a concerted effort to reduce some of its other discretionary costs, which was offset by one-time costs associated with signing the License Agreement and certain related agreements in September 1998.

General and administrative expenses increased 249.7% to $1,226,000 in the three months ended September 30, 1998 from $491,000 in the three months ended September 30, 1997. The increase was primarily due to the fees and expenses incurred in connection with the License Agreement and certain related agreements signed in September 1998.

Interest expense decreased 70.0% to $3,000 in the three months ended September 30, 1998 from $10,000 in the three months ended September 30, 1997. The decrease in 1998 was due to a decline in capitalized lease obligations, along with a decline in long-term debt, resulting in lesser interest expense. The Company obtained most of its leases in connection with the move to its current facilities in April 1992.

The income tax provision for the three months ended September 30, 1998 was fully offset by the use of operating loss carryforwards.

RESULTS OF OPERATIONS (NINE MONTHS ENDING SEPTEMBER 30, 1998 COMPARED TO THE NINE MONTHS ENDING SEPTEMBER 30, 1997)

Revenues increased 305.4% to $6,920,000 in the first nine months of 1998 from $2,266,000 in the first nine months of 1997. The increase in 1998 was primarily due to the $6.0 million up-front payment due from Ortho-McNeil and PRI in connection with the signing of the License Agreement on September 14, 1998, offset by less interest income due to declining cash available for investment from that available in 1997, compared to the first milestone payment received in 1997 from Torii Pharmaceutical Co., Ltd. ("Torii").

Research and development expenses decreased 1.6% to $7,706,000 in the first nine months of 1998 from $7,830,000 in the first nine months of 1997. Such expenses vary from period to period based on the status of the Company's projects. The Company completed two Phase III clinical trials in 1997. In 1998, the Company commenced two Phase I clinical trials for its serine protease inhibitor, most of which was in the second quarter, continued its three Phase I/II clinical trials for an oral formulation of its PNP inhibitor and initiated preclinical studies for its influenza neuraminidase and serine protease inhibitors in the first half of 1998. Overall, the decline in costs associated with the Company's PNP inhibitor project were partially offset by the increases in the Company's serine protease and influenza neuraminidase projects. The Company also made a concerted effort to reduce some of its other discretionary costs, which was offset by one-time costs associated with signing the License Agreement and certain related agreements in September 1998. As a result, there was a slight decrease in 1998 in the outside research and development efforts associated with the Company's three research and development projects.

General and administrative expenses increased 17.9% to $2,521,000 in the first nine months of 1998 from

$2,138,000 in the first nine months of 1997. The increase in 1998 was primarily due to the fees and expenses incurred in connection with the License Agreement and certain related agreements signed in September 1998, offset by reductions in other accounts, primarily the expenses associated with the Torii milestone received in 1997.

Interest expense decreased 67.5% to $13,000 in the first nine months of 1998 from $40,000 in the first nine months of 1997. The decrease in 1998 was due to a decline in capitalized lease obligations, along with a decline in long-term debt, resulting in lesser interest expense. The Company obtained most of its leases in connection with the move to its current facilities in April 1992.

LIQUIDITY AND CAPITAL RESOURCES

Cash expenditures have exceeded revenues since the Company's inception. Operations have principally been funded through public offerings of common stock, private placements of equity and debt securities, equipment lease financing, facility leases, collaborative and other research and development agreements (including licenses and options for licenses), research grants and interest income. In addition, the Company has attempted to contain costs and reduce cash flow requirements by renting scientific equipment or facilities, contracting with third parties to conduct certain research and development and using consultants. The Company expects to incur additional expenses, resulting in significant losses, as it continues its research and development activities and undertakes additional preclinical studies and clinical trials of compounds which have been or may be discovered. The Company also expects to incur substantial administrative, manufacturing and commercialization expenditures in the future as it seeks Food and Drug Administration (the "FDA") approval for its compounds and establishes its manufacturing capability under good manufacturing practices ("GMP"), and substantial expenses related to the filing, prosecution, maintenance, defense and enforcement of patent and other intellectual property claims.

At September 30, 1998, the Company's cash, cash equivalents and securities held-to-maturity were $16.5 million, a decrease of $8.1 million from December 31, 1997 principally due to the net loss for the nine months ended September 30, 1998, the increase in accounts receivable representing the up-front payment due from Ortho-McNeil and PRI in connection with the signing of the License Agreement in September 1998 (payment was received in October 1998) and the purchase of furniture and equipment, offset by the sale of common stock under the Company's Stock Option and Employee Stock Purchase Plans. The Company also received $6.0 million from Johnson & Johnson Development Corporation ("JJDC"), a subsidiary of Johnson & Johnson, in the fourth quarter of 1998 pursuant to the terms of a stock purchase agreement (the "Stock Purchase Agreement") between the Company and JJDC.

The Company has financed its equipment purchases primarily with lease lines of credit. The Company currently has a $500,000 line of credit with its bank to finance capital equipment. In January 1992, the Company entered into an operating lease for its current facilities which, based on an extension signed in June 1998, expires on June 30, 2003, with an option to lease for an additional three years at current market rates. The June 1998 extension also added 3,210 square feet of finished office space. The operating lease requires the Company to pay monthly rent (ranging from $21,405 and escalating annually to a minimum of $24,814 per month in the final year), and a pro rata share of operating expenses and real estate taxes in excess of base year amounts.

At December 31, 1997, the Company had long-term capital lease and operating lease obligations which provide for aggregate minimum payments of $251,401 in 1998, $201,653 in 1999 and $127,610 in 2000.

Pursuant to the License Agreement, Ortho-McNeil and PRI paid the Company an initial $6.0 million for reimbursement of research and development expenses and in license fees (payment received in October 1998) and JJDC, pursuant to the Stock Purchase Agreement, made a $6.0 million equity investment in the Company (received in October 1998). While the License Agreement provides for potential milestone payments of up to an additional $43.0 million and royalties on future sales of licensed products, there can be no assurance that PRI will continue to develop the product or, that if it does so, that it will result in meeting the milestones or achieving future sales of licensed products. The Company also entered into an exclusive license agreement with Torii under which Torii paid the Company $1.5 million in initial license fees and made a $1.5 million equity investment in the Company in 1996. The first milestone payment of $1.0 million was received in 1997. While the Torii license agreement provides for potential milestone payments of up to an additional $18.0 million and royalties on future sales of licensed products in Japan, there can be no assurance that Torii will continue to develop the product in Japan or, that if it does so, that it will result in meeting the

milestones or achieving future sales of licensed products in Japan.

The Company plans to finance its needs principally from its existing capital resources and interest thereon, from payments under collaborative and licensing agreements with corporate partners, through research grants, and to the extent available, through lease or loan financing and future public or private financings. The Company believes that its available funds will be sufficient to fund the Company's operations for approximately the next 24 months at the current level of operations. However, this is a forward-looking statement, and no assurance can be given that there will be no change that would consume available resources significantly before such time. The Company's future capital requirements will depend on many factors, including continued scientific progress in its research, drug discovery and development programs, the magnitude of these programs, progress with preclinical studies and clinical trials, prosecuting and enforcing patent claims, competing technological and market developments, changes in existing collaborative, licensing, research or development relationships, the ability of the Company to establish additional collaborative relationships, and the cost of manufacturing scale-up and effective marketing activities and arrangements. The Company anticipates, based on its current business plan, that it will be necessary to raise additional funds in 2000 or earlier. Additional funds, if any, may possibly be raised through financing arrangements or collaborative relationships and/or the issuance of preferred or common stock or convertible securities, on terms and prices significantly more favorable than those of the currently outstanding Common Stock, which could have the effect of diluting or adversely affecting the holdings or rights of existing stockholders of the Company. In addition, collaborative arrangements may require the Company to transfer certain material rights to such corporate partners. If adequate funds are not available, the Company will be required to delay, scale back or eliminate one or more of its research, drug discovery or development programs or attempt to obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish some or all of its rights to certain of its intellectual property, product candidates or products.

Risks Associated with the Year 2000

The year 2000 issue ("Year 2000 Issue") is the result of computer programs being written using two digits rather than four digits to represent the year and affects both information technology (IT) and non-IT systems. Thus, computer software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruptions of operations, including among others, a temporary inability to process certain data or engage in similar normal business activities.

PLAN AND STATUS. The Company's plan to resolve the Year 2000 Issue involves four phases: assessment, remediation, testing and implementation. The Company has completed its assessment of its IT systems. In 1997, the Company installed a computer network, upgraded its MacIntosh computers to IBM compatible personal computers and upgraded its IT software to a common standard. As a consequence, most of its IT systems are identified by the manufacturer as year 2000 compliant. The Company is completing its assessment of non-IT systems, most of which is equipment used in the laboratories. Major vendors and suppliers are also being contacted with regard to their Year 2000 compliance and the Company will continue to monitor their compliance. The Company anticipates completing its assessment by the end of the fourth quarter of 1998. Systems identified as not being Year 2000 compliant will be brought into compliance by upgrading either the software or hardware. The Company expects to begin remediation and testing by the first quarter of 1999 and to be fully implemented by the end of the third quarter of 1999.

While the Company has queried its significant suppliers, vendors and other outside parties and will continue to monitor their Year 2000 compliance status, the Company has no means of ensuring that suppliers, vendors and other outside parties will be Year 2000 ready. The inability of suppliers, vendors and other outside parties (including the government) to complete their Year 2000 resolution process in a timely fashion could materially impact the Company. The effect of non-compliance by suppliers, vendors and outside parties is not determinable.

COSTS. The cost incurred to date for Year 2000 compliance have not been material (less than $50,000) and are not expected to be material when completed (less than $100,000). The Company anticipates that it will be able to fund its costs from current funds available for operations. If, however, the costs are higher than anticipated, this could have a material adverse effect on the Company's business, results of operations and financial condition.

RISKS. While management of the Company believes it has an effective program in place to resolve the Year 2000 Issue in a timely manner, as noted above, however, the Company has not completed all necessary phases of the Year 2000 program for compliance. In the event that the Company or third parties do not

complete any additional phases, the Company may not be able to complete the testing of its compounds and advancing its projects into human

clinical trials in support of an NDA filing. In addition, disruptions in the economy generally resulting from Year 2000 Issues could also materially adversely effect the Company. The Company is unable to estimate if it has any potential liability or potential lost revenue at this time. There can be no assurance that the Company will not discover Year 2000 compliance issues that will have a material adverse effect on the Company's business, results of operations and financial condition.

CONTINGENCY. The Company has contingency plans for certain critical applications and is working on such plans for others. These contingency plans involve, among other actions, manual workarounds, increasing inventories and adjusting staffing strategies. There can be no assurance that these contingency plans will be adequate.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS, FINANCIAL CONDITION AND THE MARKET PRICE OF SECURITIES

EARLY STAGE OF DEVELOPMENT; UNCERTAINTY OF PRODUCT DEVELOPMENT; TECHNOLOGICAL UNCERTAINTY

BioCryst is at an early stage of development. All of the Company's compounds are in research and development, and no revenues have been generated from sales of its compounds. It will be a number of years, if ever, before the Company will recognize significant revenues from product sales or royalties. To date, most of the Company's resources have been dedicated to the research and development of pharmaceutical compounds based upon its purine nucleoside phosphorylase ("PNP") program for the treatment of T-cell proliferative diseases and disorders and for the development of inhibitors of influenza neuraminidase and enzymes and proteins involved in the complement cascade. The Company and PRI are conducting preclinical studies with its influenza neuraminidase inhibitor and the Company is conducting clinical studies with its lead drugs, BCX-34 and BCX-1470, and results from these studies may not support future human clinical testing or further development of the compounds. Phase III trials completed in 1997 with a cream formulation of BCX-34 for treatment of cutaneous T-cell lymphoma ("CTCL") and psoriasis and a Phase I/II trial completed in 1998 for a topical ointment treatment for psoriasis did not show statistical efficacy. Accordingly, the Company has discontinued further development of these topical formulations of BCX-34, but is continuing its oral trials for BCX-34. T-cell proliferative diseases, as well as the other disease indications the Company is studying, are highly complex and their causes are not fully known. The Company's compounds under development will require significant additional, time-consuming and costly research and development, preclinical testing and extensive clinical testing prior to submission of any regulatory application for commercial use. Product development of new pharmaceuticals is highly uncertain, and unanticipated developments, clinical or regulatory delays, unexpected adverse side effects or inadequate therapeutic efficacy could slow or prevent product development efforts and have a material adverse effect on the Company. One of BioCryst's lead drugs, BCX-34, reversibly inhibits T-cell activity, an essential component of the human immune system. In addition to any direct toxicities or side effects the drug may cause, BCX-34, while inhibiting T-cells, may compromise the immune system's ability to fight infection. Although the Company will monitor immunosuppression during drug dosing, there can be no assurance that the drug will not cause irreversible immunosuppression. There can be no assurance that the Company's research or product development efforts as to any particular compound will be successfully completed, that the compounds currently under development will be safe or efficacious, that required regulatory approvals can be obtained, that products can be manufactured at acceptable cost and with appropriate quality or that any approved products can be successfully marketed or will be accepted by patients, health care providers and third-party payors. Few drugs discovered by use of structure-based drug design have been successfully developed, approved by the FDA or marketed. Within the pharmaceutical industry, treatment of the disease indications being pursued by the Company, especially T-cell proliferative diseases such as CTCL and psoriasis, have proven difficult. There can be no assurance that drugs resulting from the approach of structure-based drug design employed by the Company will overcome the difficulties of drug discovery and development or result in commercially successful products.

UNCERTAINTY ASSOCIATED WITH PRECLINICAL AND CLINICAL TESTING

Before obtaining regulatory approvals for the commercial sale of any of its products, BioCryst must undertake extensive preclinical and clinical testing to demonstrate their safety and efficacy in humans. The Company has limited experience in conducting clinical trials. To date, the Company has conducted initial preclinical testing of certain of its compounds and is testing an oral formulation of BCX-34 and an intravenous formulation of BCX-1470 in various clinical trials. The results of initial preclinical and clinical testing of compounds under development by the Company are neither necessarily predictive of

results that will be obtained from subsequent or more extensive preclinical and clinical testing nor necessarily acceptable to the FDA to support applications for marketing permits.

However, the Company completed in 1997 two Phase III trials of a topical cream formulation and in 1998 a Phase I/II trial of a topical ointment formulation of BCX-34 which did not show statistical efficacy. Even if the results of subsequent clinical tests are positive, products, if any, resulting from the Company's research and development programs are not likely to be commercially available for several years. Additionally, the Company has made and may in the future make changes to the formulation of its drugs and/or to the processes for manufacturing its drugs. Any such future changes in formulation or manufacturing processes could result in delays in conducting further preclinical and clinical testing, in unexpected adverse events in further preclinical and clinical testing, and/or in additional development expenses. Furthermore, there can be no assurance that clinical studies of products under development will be acceptable to the FDA or demonstrate the safety and efficacy of such products at all or to the extent necessary to obtain regulatory approvals of such products. Companies in the industry have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. The failure to comply with good clinical practices requirements for data integrity or to adequately demonstrate the safety and efficacy of a therapeutic product under development could delay or prevent regulatory approval of the product, and would have a material adverse effect on the Company.

The rate of completion of clinical trials is dependent upon, among other factors, the rate of enrollment of patients. Patient accrual is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the study and the existence of competitive clinical trials. Delays in planned patient enrollment in the Company's current trials or future clinical trials may result in increased costs and/or program delays which could have a material adverse effect on the Company.

DEPENDENCE ON COLLABORATIVE PARTNERS; RELATIONSHIP WITH THE UNIVERSITY OF ALABAMA AT BIRMINGHAM ("UAB")

The Company's strategy for research, development and commercialization of certain of its products is to rely in part upon various arrangements with corporate partners, licensees and others. As a result, the Company's products are dependent in large part upon the subsequent success of such third parties in performing preclinical studies and clinical trials, obtaining regulatory approvals, manufacturing and marketing. The Company entered into an exclusive license agreement with Ortho-McNeil and PRI in September 1998 to develop, manufacture and commercialize its influenza neuraminidase inhibitor compounds for the flu. The Company also entered into an exclusive license agreement with Torii in May 1996 to develop, manufacture and commercialize in Japan BCX-34 and certain other PNP inhibitor compounds for three indications. The Company has also entered into collaborative arrangements with 3-Dimensional Pharmaceuticals, Inc. to share resources and technology to expedite the identification of inhibitors of key serine protease enzymes and with Novartis to pursue development of certain types of PNP inhibitors. The Company intends to pursue additional collaborations in the future. There can be no assurance that the Company will be able to negotiate additional acceptable collaborative arrangements or that such arrangements will be successful. No assurance can be given that the Company's collaborative partners, particularly Ortho-McNeil and PRI, will be able to obtain FDA approval for any licensed compounds, that any such licensed compounds, if so approved, will be able to be commercialized successfully, or that the Company will realize any revenues pursuant to such arrangements, including any milestone or royalty payments under the License Agreement. Although the Company believes that parties to collaborative arrangements generally have an economic motivation to succeed in performing their contractual responsibilities, the amount and timing of resources which they devote to these activities are not within the control of the Company. There can be no assurance that such parties will perform their obligations as expected or that current or potential collaborators will not pursue treatments for other diseases or seek alternative means of developing treatments for the diseases targeted by collaborative programs with the Company or that any additional revenues will be derived from such arrangements. If any of the Company's collaborators breaches or terminates its agreement with the Company or otherwise fails to conduct its collaborative activities in a timely manner, the development or commercialization of the product candidate or research program under such collaboration agreement may be delayed, the Company may be required to undertake unforeseen additional responsibilities or to devote unforeseen additional resources to such development or commercialization, or such development or commercialization could be terminated. The termination or cancellation of collaborative arrangements, particularly by Ortho-McNeil and PRI, could also adversely affect the Company's financial condition, intellectual property position and operations. In addition, disagreements between collaborators and the Company have in the past and could in the future lead to delays in the collaborative research, development or commercialization of certain product candidates, or could require or result in legal process or

arbitration for resolution. These consequences could be time-consuming, expensive and could have material adverse effects on the Company.

The successful commercialization of the Company's compounds and product candidates is also dependent upon the Company's ability to develop collaborative arrangements with academic institutions and consultants to support research and development efforts and to conduct clinical trials. The Company's primary academic collaboration is with UAB to support its ongoing research and development programs and the termination or cessation of such relationship could have a material adverse effect upon the Company. There can be no assurance that the Company's current arrangements with UAB will continue or that the Company will be able to develop successful collaborative arrangements with academic institutions and consultants in the future.

GOVERNMENT REGULATION; NO ASSURANCE OF PRODUCT APPROVAL

The research, testing, manufacture, labeling, distribution, advertising, marketing and sale of drug products are subject to extensive regulation by governmental authorities in the United States and other countries. Prior to marketing, compounds developed by the Company must undergo an extensive regulatory approval process required by the FDA and by comparable agencies in other countries. This process, which includes preclinical studies and clinical trials of each compound to establish its safety and effectiveness and confirmation by the FDA that good laboratory, clinical and manufacturing practices were maintained during testing and manufacturing, can take many years, requires the expenditure of substantial resources and gives larger companies with greater financial resources a competitive advantage over the Company. To date, no compound or drug candidate being evaluated by the Company has been submitted for approval to the FDA or any other regulatory authority for marketing, and there can be no assurance that any such compound or drug candidate will ever be approved for marketing or that the Company will be able to obtain the labeling claims desired for its compounds or drug candidates. The Company is and will continue to be dependent upon the laboratories and medical institutions conducting its preclinical studies and clinical trials to maintain both good laboratory and good clinical practices and, except for the formulating and packaging of small quantities of its drug formulations which the Company is currently undertaking, upon the manufacturers of its compounds to maintain compliance with current GMP requirements. Data obtained from preclinical studies and clinical trials are subject to varying interpretations which could delay, limit or prevent FDA regulatory approval. Delays or rejections may be encountered based upon changes in FDA policy for drug approval during the period of development and FDA regulatory review. Similar delays also may be encountered in foreign countries. Moreover, even if approval is granted, such approval may entail commercially unacceptable limitations on the labeling claims for which a compound may be marketed. Even if such regulatory approval is obtained, a marketed drug or compound and its manufacturer are subject to continual review and inspection, and later discovery of previously unknown problems with the product or manufacturer may result in restrictions or sanctions on such product or manufacturer, including withdrawal of the product from the market, and other enforcement actions.

In June 1995 the Company notified the FDA that it had submitted incorrect efficacy data to the FDA pertaining to its Phase II dose-ranging studies of BCX-34 for CTCL and psoriasis. The FDA inspected the Company in November 1995 in relation to a study involving the topical application of BCX-34 concluded in early 1995, and in June 1996 the FDA inspected the Company and one of its clinical sites in relation to a Phase II dose-ranging study of BCX-34 for CTCL and a Phase II dose ranging study for psoriasis, both of which were concluded in early 1995. After each inspection, the FDA issued to the Company a List of Inspectional Observations ("Form FDA 483") setting forth certain deficient Good Clinical Practices procedures followed by the Company, some of which resulted in submission to the FDA of efficacy data which reported false statistical significance. The FDA also issued a Form FDA 483 to the principal investigator at one of the Company's clinical sites citing numerous significant deficiencies in the conduct of the Phase II dose-ranging studies of BCX-34 for CTCL and psoriasis. These deficiencies included improper delegations of authority by the principal investigator, failures to follow the protocols, institutional review board deviations, and discrepancies or deficiencies in documentation and reporting. As a consequence of the FDA inspections and such resulting Form FDA 483s, the Company's ongoing clinical studies are likely to receive increased scrutiny since the same clinical site which received the Form FDA 483 is involved in the Company's oral trials for BCX-34; this may delay the regulatory review process or require the Company to increase the number of patients at other sites to obtain approval (which can not be assured on a timely basis or at all). The Company has adjusted certain of its procedures, but there can be no assurance that the FDA will find such adjustments to be in compliance with FDA requirements or that, even if it does find such adjustments to be in compliance, it will not seek to impose administrative, civil or other sanctions in connection with the earlier studies. Administrative sanctions could include refusing to accept earlier studies and requiring the Company to repeat one or more clinical studies, which would be the only studies the FDA would accept for

purposes of substantive scientific review of any New Drug Application by the agency.

Such sanctions or other government regulation may delay or prevent the marketing of products being developed by the Company, impose costly procedures upon the Company's activities and confer a competitive advantage to larger companies or companies that are more experienced in regulatory affairs and that compete with the Company. There can be no assurance that FDA or other regulatory approval for any products developed by the Company will be granted on a timely basis, or at all. Delay in obtaining or failure to obtain such regulatory approvals will materially adversely affect the marketing of any products which may be developed by the Company, as well as the Company's results of operations.

HISTORY OF OPERATING LOSSES; ACCUMULATED DEFICIT; UNCERTAINTY OF FUTURE PROFITABILITY

BioCryst, to date, has generated no revenue from product sales and has incurred losses since its inception. As of September 30, 1998, the Company's accumulated deficit was approximately $51.7 million. Losses have resulted principally from costs incurred in research activities aimed at discovering, designing and developing the Company's pharmaceutical product candidates and from general and administrative costs. These costs have exceeded the Company's revenues, which to date have been generated primarily from collaborative arrangements, licenses, research grants and from interest income. The Company expects to incur significant additional operating losses over the next several years and expects such losses to increase as the Company's research and development and clinical trial efforts continue. The Company's ability to achieve profitability depends in part upon its ability to develop drugs and to obtain regulatory approval for its products that may be developed, to enter into agreements with collaborative partners for product development, manufacturing and commercialization, and to develop the capacity to manufacture, market and sell its products. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

ADDITIONAL FINANCING REQUIREMENTS; UNCERTAINTY OF ADDITIONAL FUNDING

The Company has incurred negative cash flows from operations in each year since its inception. The Company expects that the funding requirements for its operating activities will increase substantially in the future due to continued research and development activities (including preclinical studies and clinical trials), the development of manufacturing capabilities and the development of marketing and distribution capabilities. The Company anticipates that its capital resources are adequate to satisfy its capital requirements for approximately the next 24 months at the current level of operations. However, this is a forward-looking statement, and no assurance can be given that there will be no change that would consume available resources significantly before such time. The Company's future capital requirements will depend on many factors, including continued scientific progress in its research, drug discovery and development programs, the magnitude of these programs, progress with preclinical studies and clinical trials, prosecuting and enforcing patent claims, competing technological and market developments, changes in existing collaborative research or development relationships, the ability of the Company to establish additional collaborative relationships, and the cost of manufacturing scale-up and effective marketing activities and arrangements. The Company anticipates, based on its current business plan, that it will be necessary to raise additional funds in 2000 or earlier. Additional funds, if any, may possibly be raised through financing arrangements or collaborative relationships and/or the issuance of preferred or common stock or convertible securities, on terms and prices significantly more favorable than those of the currently outstanding Common Stock, which could have the effect of diluting or adversely affecting the holdings or rights of existing stockholders of the Company. In addition, collaborative arrangements may require the Company to transfer certain material rights to such corporate partners. If adequate funds are not available, the Company will be required to delay, scale back or eliminate one or more of its research, drug discovery or development programs or attempt to obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish some or all of its rights to certain of its intellectual property, product candidates or products. No assurance can be given that additional financing will be available to the Company on acceptable terms, if at all.

COMPETITION

The Company is engaged in the pharmaceutical industry, which is characterized by extensive research efforts, rapid technological progress and intense competition. There are many public and private companies, including well-known pharmaceutical companies, chemical companies, specialized biotechnology companies and academic institutions, engaged in developing synthetic pharmaceuticals and biotechnological products for human therapeutic applications that represent significant competition to the Company. Existing products and therapies and improvements thereto will compete directly with products the

Company is seeking to develop and market, and the

Company is aware that other companies or institutions are pursuing development of new drugs and technologies directly targeted at applications for which the Company is developing its drug compounds. Many of the Company's competitors have substantially greater financial and technical resources and production and marketing capabilities and experience than does the Company. The Company has granted Novartis Pharmaceuticals Corporation, formerly Ciba-Geigy Corporation, ("Novartis"), a worldwide exclusive license to several compounds in the Company's sixth group of PNP inhibitors. Such arrangement with Novartis does not include BCX-34 or most of the Company's other compounds. No assurance can be given that Novartis will or will not develop compounds under such arrangements, will be able to obtain FDA approval for any licensed compounds, that any such licensed compounds if so approved will be able to be commercialized successfully, or that the Company will realize any revenues pursuant to such arrangements. If commercialized, these compounds could compete directly against other compounds, including BCX-34, being developed by the Company.

Many of the Company's competitors have significantly greater experience in conducting preclinical studies and clinical trials of new pharmaceutical compounds and in obtaining FDA and other regulatory approvals for health care products. Accordingly, BioCryst's competitors may succeed in obtaining approvals for their drug candidates more rapidly than the Company and in developing products that are safer or more effective or less costly than any that may be developed by the Company and may also be more successful than the Company in the production and marketing of such products. Many of the Company's competitors also have current GMP facilities and significantly greater experience in implementing GMP or in obtaining and maintaining the requisite regulatory standards for manufacturing. Moreover, other technologies are, or may in the future become, the basis for competitive products. Competition may increase further as a result of the potential advances from structure-based drug design and greater availability of capital for investment in this field. There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any being developed by the Company or that would render the Company's technology and product candidates obsolete or noncompetitive.

UNCERTAINTY OF PROTECTION OF PATENTS AND PROPRIETARY RIGHTS

The Company's success will depend in part on its ability to obtain and enforce patent protection for its products, preserve its trade secrets, and operate without infringing on the proprietary rights of third parties, both in the United States and in other countries. In the absence of patent protection, the Company's business may be adversely affected by competitors who develop substantially equivalent technology. Because of the substantial length of time and expense associated with bringing new products through development and regulatory approval to the marketplace, the pharmaceutical and biotechnology industries place considerable importance on obtaining and maintaining patent and trade secret protection for new technologies, products and processes. To date, the Company has been issued seven United States patents related to its PNP inhibitor compounds. One of these compounds is under a patent issued to Warner-Lambert and the Company may require a license from Warner-Lambert to market a product containing this compound. The Company has the right of first refusal to negotiate a license from Warner-Lambert for that compound, however, there can be no assurance that such a license would be available or obtainable on terms acceptable to the Company. A patent has also been issued to BioCryst by the U.S. Patent and Trademark Office ("PTO") on a new process to prepare BCX-34 and other PNP inhibitors and an additional patent application has been filed for another new process to prepare BCX-34 and other PNP inhibitors. In addition, two patent applications and two provisional patents have been filed with the PTO relating to inhibitors of influenza neuraminidase. Also, two provisional United States patent applications have been filed with the PTO on complement inhibitors. The Company has filed certain corresponding foreign patent applications and intends to file additional foreign patent applications and additional United States patent applications, as appropriate. There can be no assurance that patents will be issued from such applications, that the Company will develop additional products that are patentable or that present or future patents will provide sufficient protection to the Company's present or future technologies, products and processes. In addition, there can be no assurance that others will not independently develop substantially equivalent proprietary information, design around the Company's patents or obtain access to the Company's know-how or that others will not successfully challenge the validity of the Company's patents or be issued patents which may prevent the sale of one or more of the Company's product candidates, or require licensing and the payment of significant fees or royalties by the Company to third parties in order to enable the Company to conduct its business. Legal standards relating to the scope of claims and the validity of patents in the fields in which the Company is pursuing research and development are still evolving, are highly uncertain and involve complex legal and factual issues. No assurance can be given as to the degree of protection or competitive advantage any patents issued

to the Company will afford, the validity of any such patents or the Company's ability to avoid infringing any patents issued to others. Further, there can be no guarantee that any patents issued to or licensed by the Company will not

be infringed by the products of others. Litigation and other proceedings involving the defense and prosecution of patent claims can be expensive and time consuming, even in those instances in which the outcome is favorable to the Company, and can result in the diversion of resources from the Company's other activities. An adverse outcome could subject the Company to significant liabilities to third parties, require the Company to obtain licenses from third parties or require the Company to cease any related research and development activities or sales.

The Company's success is also dependent upon the skills, knowledge and experience (none of which is patentable) of its scientific and technical personnel. To help protect its rights, the Company requires all employees, consultants, advisors and collaborators to enter into confidentiality agreements which prohibit the disclosure of confidential information to anyone outside the Company and requires disclosure and assignment to the Company of their ideas, developments, discoveries and inventions. There can be no assurance, however, that these agreements will provide adequate protection for the Company's trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information.

The Company's management and scientific personnel have been recruited primarily from other pharmaceutical companies and academic institutions. In many cases, these individuals are continuing research in the same areas with which they were involved prior to joining BioCryst and may be restricted by agreement from disclosing to the Company trade secrets they learned elsewhere. As a result, the Company could be subject to allegations of violation of such agreements and similar claims and litigation regarding such claims could ensue.

DEPENDENCE ON KEY MANAGEMENT AND QUALIFIED PERSONNEL

The Company is highly dependent upon the efforts of its senior management and scientific team. The loss of the services of one or more members of the senior management and scientific team could significantly impede the achievement of development objectives. Although the Company maintains, and is the beneficiary of, a $2 million key-man insurance policy on the life of Charles E. Bugg, Ph.D., Chairman of the Board of Directors and Chief Executive Officer, the Company does not believe the proceeds would be adequate to compensate for his loss. Due to the specialized scientific nature of the Company's business, the Company is also highly dependent upon its ability to attract and retain qualified scientific, technical and key management personnel. There is intense competition for qualified personnel in the areas of the Company's activities, and there can be no assurance that the Company will be able to continue to attract and retain qualified personnel necessary for the development of its existing business and its expansion into areas and activities requiring additional expertise, such as production and marketing. The loss of, or failure to recruit, scientific, technical and managerial personnel could have a material adverse effect on the Company. In addition, the Company relies on members of its Scientific Advisory Board and consultants to assist the Company in formulating its research and development strategy. All of the members of the Scientific Advisory Board and all of the Company's consultants are employed by other employers, and each such member or consultant may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to the Company.

LACK OF MANUFACTURING, MARKETING OR SALES CAPABILITY

The Company has not yet manufactured or marketed any products and currently does not have the facilities to manufacture its product candidates in commercial quantities under GMP as prescribed and required by the FDA. To be successful, the Company's products must be manufactured in commercial quantities under GMP and at acceptable costs. Although the Company is formulating and packaging under GMP conditions small amounts of certain drug formulations which are the subject of preclinical studies and clinical trials, the current facilities of the Company are not adequate for commercial scale production. Therefore, the Company will need to develop its own GMP manufacturing facility and/or depend on its collaborators, licensees or contract manufacturers for the commercial manufacture of its products. The Company has no experience in such commercial manufacturing and no assurance can be given that the Company will be able to make the transition to commercial production successfully or at an acceptable cost. In addition, no assurance can be given that the Company will be able to make arrangements with third parties to manufacture its products on acceptable terms, if at all. The inability of the Company to manufacture or provide for the manufacture of any products it may develop on a cost-effective basis would have a material adverse effect on the Company.

The Company has no experience in marketing, distributing or selling pharmaceutical products and will have to develop a pharmaceutical sales force and/or rely on its collaborators, licensees or arrangements with others to

provide for the marketing, distribution and sales of any products it may develop. There can be no assurance that the

Company will be able to establish marketing, distribution and sales capabilities or make arrangements with collaborators, licensees or others to perform such activities.

UNCERTAINTY OF THIRD-PARTY REIMBURSEMENT AND PRODUCT PRICING

Successful commercialization of any pharmaceutical products the Company may develop will depend in part upon the availability of reimbursement or funding from third-party health care payors such as government and private insurance plans. There can be no assurance that third-party reimbursement or funding will be available for newly approved pharmaceutical products or will permit price levels sufficient to realize an appropriate return on the Company's investment in its pharmaceutical product development. The U.S. Congress is considering a number of legislative and regulatory reforms that may affect companies engaged in the health care industry in the United States. Although the Company cannot predict whether these proposals will be adopted or the effects such proposals may have on its business, the existence and pendency of such proposals could have a material adverse effect on the Company in general. In addition, the Company's ability to commercialize potential pharmaceutical products may be adversely affected to the extent that such proposals have a material adverse effect on other companies that are prospective collaborators with respect to any of the Company's pharmaceutical product candidates.

Third-party payors are continuing their efforts to contain or reduce the cost of health care through various means. For example, third-party payors are increasingly challenging the prices charged for medical products and services. Also, the trend toward managed health care in the United States and the concurrent growth of organizations, such as health maintenance organizations, which can control or significantly influence the purchase of health care services and products, as well as legislative proposals to reform health care or reduce government insurance programs, may result in lower prices for pharmaceutical products. The cost containment measures that health care providers are instituting and the effect of any health care reform could materially adversely affect the Company's ability to sell its products if successfully developed and approved.

RISK OF PRODUCT LIABILITY; AVAILABILITY OF INSURANCE

The Company's business may be affected by potential product liability risks which are inherent in the testing, manufacturing and marketing of pharmaceutical and other products under development by the Company. There can be no assurance that product liability claims will not be asserted against the Company, its collaborators or licensees. The use of compounds or drug candidates developed by the Company in clinical trials and the subsequent sale of such products is likely to cause BioCryst to bear all or a portion of those risks. The Company does not have product liability insurance but does maintain coverage for clinical trials in the amount of $6 million per occurrence and in the aggregate. No assurance can be given that such insurance will be adequate to cover claims made with respect to the clinical trials. There can be no assurance that the Company will be able to obtain or maintain adequate product liability insurance on acceptable terms or that such insurance will provide adequate coverage against potential liabilities. Furthermore, there can be no assurance that any collaborators or licensees of BioCryst will agree to indemnify the Company, be sufficiently insured or have a net worth sufficient to satisfy any such product liability claims.

HAZARDOUS MATERIALS; COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

The Company's research and development involves the controlled use of hazardous materials, chemicals and various radioactive compounds. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could exceed the resources of the Company. The Company may incur substantial costs to comply with environmental regulations if the Company develops manufacturing capacity.

CONTROL BY EXISTING MANAGEMENT AND STOCKHOLDERS; EFFECT OF CERTAIN ANTI-TAKEOVER CONSIDERATIONS

The Company's directors, executive officers and certain principal stockholders and their affiliates own beneficially approximately 37.1% of the Common Stock. Accordingly, such holders, if acting together, may have the ability to exert significant influence over the election of the Company's Board of Directors and other matters submitted to the Company's stockholders for approval. The voting power of these holders may discourage or prevent any proposed

takeover of the Company unless the terms thereof are approved by such holders. Pursuant to the Company's Composite Certificate of Incorporation (the "Certificate of Incorporation"), shares of Preferred Stock may be issued by the Company in the future without stockholder approval and upon such terms as the Board of Directors may determine. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock could have the effect of discouraging a third party from acquiring a majority of the outstanding Common Stock of the Company and preventing stockholders from realizing a premium on their shares. The Company's Certificate of Incorporation also provides for staggered terms for the members of the Board of Directors. A staggered Board of Directors and certain provisions of the Company's by-laws and of Delaware law applicable to the Company could delay or make more difficult a merger, tender offer or proxy contest involving the Company.

PRICE VOLATILITY

The securities markets have from time to time experienced significant price and volume fluctuations that have often been unrelated to the operating performance of particular companies. In addition, the market prices of the common stock of many publicly traded emerging pharmaceutical and biopharmaceutical companies have in the past been, and can in the future be expected to be, especially volatile. Announcements of technological innovations or new products by the Company or its competitors, developments or disputes concerning patents or proprietary rights or collaboration partners, achieving or failing to achieve development milestones, publicity regarding actual or potential medical results relating to products under development by the Company or its competitors, regulatory developments in both U.S. and foreign countries, public concern as to the safety of pharmaceutical products and economic and other external factors, as well as period-to-period fluctuations in the Company's financial results, may have a significant impact on the market price of the Common Stock.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS:

None.

ITEM 2. CHANGES IN SECURITIES:

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES:

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

None

ITEM 5. OTHER INFORMATION:

On September 14, 1998, the Company entered into a license agreement (the "License Agreement") with the R.W. Johnson Pharmaceutical Research Institute ("PRI") and Ortho-McNeil Pharmaceutical, Inc. ("Ortho-McNeil"), both Johnson & Johnson companies, to develop and market products to treat and prevent viral influenza. Pursuant to the License Agreement, PRI and Ortho-McNeil received exclusive worldwide rights to the Company's proprietary influenza neuraminidase inhibitors, which have demonstrated potent activity in preclinical models against a broad spectrum of influenza A and B viruses. In connection with the signing of the License Agreement, the Company received $6.0 million in license fees and as reimbursement for research and preclinical development expenses. In addition, the License Agreement provides for potential milestone payments of up to an additional $43.0 million and for royalties on future sales of licensed products.

On September 14, 1998, in conjunction with the execution of the License Agreement, the Company entered into a stock purchase agreement (the "Stock Purchase Agreement") with Johnson & Johnson Development Corporation ("JJDC"), a subsidiary of Johnson & Johnson, pursuant to which JJDC purchased 918,836 shares of the Company's common stock for a total purchase price of $6.0 million. The sale of the Company's common stock to JJDC closed following the close of the third quarter of 1998.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K:

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. 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.
4.1	See Exhibits 3.1 and 3.2 for provisions of the Composite Certificate of Incorporation and Bylaws of the Registrant defining rights of holders of Common Stock of the Registrant.
10.1	1991 Stock Option Plan, as amended and restated. Incorporated by reference to Exhibit 99.1 to the Company's Form S-8 Registration Statement (Registration No. 333-30751).
10.2	Form of Notice of Stock Option Grant and Stock Option Agreement. Incorporated by reference to Exhibit 99.2 and 99.3 to the Company's Form S-8 Registration Statement (Registration No. 33-95062).
10.3	Warehouse Lease dated January 17, 1992 between Principal Mutual Life Insurance Company and the Registrant. Incorporated by reference to Exhibit 10.21 to the Company's Form S-1 Registration Statement (Registration No. 33-73868).

10.4 Equipment Leases dated February 25, 1993, August 25, 1993, and November 25, 1993 between Ventana Leasing, Inc. and the Registrant. Incorporated by reference to Exhibit 10.23 to the Company's Form S-1 Registration Statement (Registration No. 33-73868).

10.5 Common Stock Purchase Warrants issued in connection with the issuance of Series A Convertible Preferred Stock. Incorporated by reference to Exhibit 10.32 to the Company's Form S-1 Registration Statement (Registration No. 33-73868).

10.6 Fourth Amended and Restated Registration Rights Agreement among the Registrant and certain securityholders. Incorporated by reference to Exhibit 10.35 to the Company's Form S-1 Registration Statement (Registration No. 33-73868).

10.7 Common Stock Purchase Warrants issued in connection with the issuance of Series B Convertible Preferred Stock. Incorporated by reference to Exhibit 10.36 to the Company's Form S-1 Registration Statement (Registration No. 33-73868).

10.8 Common Stock Purchase Warrants dated December 7, 1993 to purchase 49,400 shares of Common Stock issued to each of John Pappajohn, Lindsay A. Rosenwald and William M. Spencer. Incorporated by reference to Exhibit 10.37 to the Company's Form S-1 Registration Statement (Registration No. 33-73868).

10.9 Employment Agreement dated December 17, 1996 between the Registrant and Charles E. Bugg, Ph.D. Incorporated by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 1996 dated March 28, 1997.

10.10 Employment Agreement dated December 18, 1996 between the Registrant and J. Claude Bennett. Incorporated by reference to Exhibit 10.12 to the Company's Form 10-K for the year ended December 31, 1996 dated March 28, 1997.

10.11# License Agreement dated April 15, 1993 between Ciba-Geigy Corporation (now merged into Novartis) and the Registrant. Incorporated by reference to Exhibit 10.40 to the Company's Form S-1 Registration Statement (Registration No. 33-73868).

10.12 Employee Stock Purchase Plan. Incorporated by reference to Exhibit 99.4 to the Company's Form S-8 Registration Statement (Registration No. 33-95062).

10.13 First Amendment to Lease Agreement between Registrant and Principal Mutual Life Insurance Company, Inc. for office/warehouse space. Incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ending December 31, 1994 dated March 28, 1995.

10.14 Form of Stock Purchase Agreement dated May 1995 between Registrant and various parties to purchase 1,570,000 shares of common stock. Incorporated by reference to Exhibit 10.22 to the Company's Form 10-Q for the second quarter ending June 30, 1995 dated August 11, 1995.

10.15 Form of Registration Rights Agreement dated May 1995 between Registrant and various parties. Incorporated by reference to Exhibit 10.23 to the Company's Form 10-Q for the second quarter ending June 30, 1995 dated August 11, 1995.

10.16 Form of Stock Purchase Agreement dated March 22, 1996 among Registrant and certain investors to purchase 1,000,000 shares of common stock. Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated March 22, 1996.

10.17 Form of Registration Rights Agreement dated March 22, 1996 among Registrant and certain investors. Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated March 22, 1996.

10.18# License Agreement, dated May 31, 1996, between Registrant and Torii Pharmaceutical Co., Ltd. ("Torii"). Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K/A dated May 3, 1996 and filed August 2, 1996.

10.19# Stock Purchase Agreement, dated May 31, 1996, between Registrant and Torii. Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K/A dated May 3, 1996 and filed August 2, 1996.

10.20 Second Amendment to Lease Agreement between Registrant and Principal Mutual Life Insurance Company, Inc. for office/warehouse space. Incorporated by reference to Exhibit 10.24 to the Company's Form 10-Q for the first quarter ending March 31, 1997 dated May 12, 1997.

10.21 Third Amendment to Lease Agreement between Registrant and Principal Mutual Life Insurance Company, Inc. for office/warehouse space. Incorporated by reference to Exhibit 10.24 to the Company's Form 10-Q for the first quarter ending March 31, 1998 dated April 29, 1998.

10.22 Fourth Amendment to Lease Agreement between Registrant and Principal Mutual Life Insurance Company, Inc. for office/warehouse space. Incorporated by reference to Exhibit 10.22 to the Company's Form 10-Q for the second quarter ending June 30, 1998 dated April 29, 1998.

10.23* License Agreement dated as of September 14, 1998 between Registrant and the R.W. Johnson Pharmaceutical Research Institute and Ortho-McNeil Pharmaceutical, Inc.

10.24 Stock Purchase Agreement dated as of September 14, 1998 between Registrant and Johnson & Johnson Development Corporation.

10.25 Stockholder's Agreement dated as of September 14, 1998 between Registrant and Johnson & Johnson Development Corporation.

27.1 Financial Data Schedule.

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Confidential treatment granted.

* Confidential treatment requested.

b. Reports on Form 8-K:

None.

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.

BIOCRYST PHARMACEUTICALS, INC.

Date: November 10, 1998

/s/ Charles E. Bugg

Charles E. Bugg
Chairman and Chief Executive Officer

Date: November 10, 1998

/s/ Ronald E. Gray

Ronald E. Gray
Chief Financial Officer and Chief Accounting Officer

EXHIBIT 10.23

CONFIDENTIAL TREATMENT HAS BEEN SOUGHT FOR
PORTIONS OF THIS EXHIBIT PURSUANT TO RULE 24b-2
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

LICENSE AGREEMENT

LICENSE AGREEMENT dated as of September 14, 1998 (the "Effective Date"), by and between BIOCRYST PHARMACEUTICALS, INC., a Delaware corporation having its principal place of business at 2190 Parkway Lake Drive, Birmingham, Alabama 35244 (hereinafter referred to as "BIOCRYST") and ORTHO-McNEIL PHARMACEUTICAL, INC., a Delaware corporation having its principal office at U.S. Route 202, Raritan, NJ 08869 and THE R. W. JOHNSON PHARMACEUTICAL RESEARCH INSTITUTE, a division of ORTHO-McNEIL PHARMACEUTICAL, INC., having its principal place of business at U.S. Route 202, Raritan, NJ 08869 (hereinafter collectively referred to as "ORTHO"). BIOCRYST and ORTHO are sometimes referred to herein individually or as a "Party" and collectively as the "Parties" and all references to BIOCRYST and ORTHO shall include their respective Affiliates (hereinafter defined), where appropriate under the terms of this Agreement.

W I T N E S S E T H

WHEREAS, ORTHO is a part of the multinational health care company Johnson & Johnson, with research, development and marketing activities worldwide, and ORTHO desires to obtain for itself and its Affiliates rights to additional products for sale;

WHEREAS, BIOCRYST is developing through its research activities certain neuraminidase inhibitors and has the right to grant rights and licenses under certain Licensed Patents (hereinafter defined) and Existing Know-How (hereinafter defined);

WHEREAS, ORTHO has expressed to BIOCRYST its interest in obtaining from BIOCRYST certain rights and licenses to develop, use, manufacture, formulate, market, sell and distribute Licensed Products (hereinafter defined) in the Territory (hereinafter defined);

WHEREAS, Johnson and Johnson Development Corporation, in connection therewith, is interested in making a $6,000,000 equity investment in BIOCRYST upon terms and conditions set forth in a certain Stock Purchase Agreement (the "Stock Purchase Agreement") of even date herewith attached as an exhibit to a certain Master Agreement between BIOCRYST and Johnson and Johnson Development Corporation; and

WHEREAS, BIOCRYST is willing to (i) grant such rights and licenses to ORTHO under the terms and conditions hereinafter set forth and (ii) issue to Johnson and Johnson Development Corporation shares of stock in BIOCRYST upon the terms and conditions set forth in the Stock Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, mutual promises, covenants and agreement hereinafter set forth, both Parties to this Agreement mutually agree as follows:

ARTICLE 1 - DEFINITIONS

The following terms as used in this Agreement shall, unless the context clearly indicates to the contrary, have the meanings set forth in this Article:

1.1 "AFFILIATE" shall mean any entity which directly or indirectly controls, or is controlled by, or is under common control with another entity. For purposes of this Agreement, an entity is deemed to be in control of another entity if the former owns directly or indirectly more than fifty percent (50%) of the outstanding voting equity or owns more than fifty percent (50%) of the assets of the latter, but in each case only for so long as such control exists. ORTHO is currently an Affiliate of Johnson & Johnson, a New Jersey corporation.

1.2 "AGREEMENT" shall mean this License Agreement.

1.3 "APPROVAL LETTER" shall mean written notice by the FDA, including labeling approval, which signifies all necessary approvals by the FDA on an NDA required to market the Licensed Product.

1.4 "DEVELOPMENT" shall mean those activities related to formulating a product containing a neuraminidase inhibitor, characterizing the properties of such a product and/or identifying a particular method to manufacture such a product and shall include but not be limited to synthesis of product for development purposes, preclinical testing, toxicology, formulation, bulk production, manufacturing process development, quality assurance and quality control, technical support, pharmacokinetics, clinical studies and regulatory affairs.

1.5 "EXISTING COMPOUNDS" shall mean any and all of the chemical compounds claimed in the Existing Patents, and shall also include all salts, esters, isomers, metabolites and pro-drug forms thereof.

1.6 "EXISTING KNOW-HOW" shall mean any and all Know-How (as hereinafter defined) relating to the Existing Compounds, neuraminidase receptor sites, neuraminidase inhibitors and the formulation, manufacture and use thereof held by BIOCRYST as of the Effective Date.

1.7 "EXISTING PATENTS" shall mean any and all of the following: (a) the United States patents listed in Schedule 1A; (b) the United States patent applications listed in Schedule 1B and any division, continuation, or continuation-in-part of any such application and any patent which shall issue based on such application, division, continuation or continuation-in-part; (c) any patent which is a reissue or extension of or a patent of addition to, any patent defined in (a) or (b) above; and (d) any patent application or patent

corresponding to any patent application or patent identified in (a), (b), or (c), above which is filed or issued in any country in the Territory. The term "Existing Patents" shall also include any Supplementary Certificate of Protection of a Member State of the European Community and other similar protective rights in any other country of the Territory to the extent that they protect any invention or discovery that is also claimed in any of the patents or patent applications defined in (a), (b), (c) or (d) above.

1.8 "FDA" shall mean the United States Food & Drug Administration and when appropriate hereinafter shall also mean any corresponding regulatory agency in any country in the Territory.

1.9 "FIELDS" shall mean the Influenza Field and the Non-Influenza Field, collectively.

1.10 "IMPROVEMENTS" shall mean any and all of the following to the extent made, licensed or acquired by BIOCRYST during the term of this Agreement: (i) an improvement upon or modification to the inventions and discoveries disclosed or claimed in any of the Existing Patents; (ii) an improvement upon or modification to any of the Existing Know-How; and (iii) any chemical compound which is a neuraminidase inhibitor and which is useful in the Influenza Field.

1.11 "IMPROVEMENT PATENT" shall mean any and all of the following: (a) any patent that claims an Improvement; (b) any patent application that claims an Improvement and any division, continuation, or continuation-in-part of any such application and any patent which shall issue based on such application, division, continuation or continuation-in-part; (c) any patent which is a reissue or extension of or a patent of addition to, any patent or patent application defined in (a) or (b) above; and (d) any patent application or patent corresponding to any patent application or patent identified in (a), (b), or (c), above which is filed or issued in any country in the Territory. The term "Improvement Patent" shall also include any Supplementary Certificate of Protection of a Member State of the European Community and other similar protective rights in any other country of the Territory to the extent that that they protect any invention or discovery that is or was also claimed in any of the patents or patent applications defined in (a), (b), (c) or (d) above.

1.12 "IND" shall mean an Investigational New Drug Application filed pursuant to the requirements of the FDA as more fully defined in 21 C.F.R. Section 312.3 as well as equivalent submissions to the appropriate health authorities in other countries in the Territory.

1.13 "INFLUENZA FIELD" shall mean the use of neuraminidase inhibitors for the diagnosis, prevention, treatment or amelioration of influenza.

1.14 "JOINT INVENTIONS" shall mean any and all inventions and discoveries either (a) made jointly by personnel of ORTHO and BIOCRYST or (b) deemed to be Joint Inventions pursuant to Section 3.2 herein.

1.15 "JOINT PATENTS" shall mean any and all of the following: (a) any patent that claims a Joint Invention; (b) any patent application that claims a Joint Invention and any division, continuation, or continuation-in-part of any such application and any patent which shall issue based on such application, division, continuation or continuation-in-part; (c) any patent which is a reissue or extension of or a patent of addition to, any patent or patent application defined in (a) or (b) above; and (d) any patent application or patent corresponding to any patent application or patent identified in (a), (b), or (c), above which is filed or issued in any country in the Territory. The term "Joint Patent" shall also include any Supplementary Certificate of Protection of a Member State of the European Community and other similar protective rights in any other country of the Territory to the extent that that they protect any invention or discovery that is or was also claimed in any of the patents or patent applications defined in (a), (b), (c) or (d) above.

1.16 KNOW-HOW" shall mean any and all information, processes, techniques, data, methods, materials, compositions, and trade secrets, including but not limited to the toxicological, pharmacological, clinical and chemical data, specifications, medical uses, adverse reactions, formulations and quality control.

1.17 "LEAD COMPOUNDS" shall mean those certain compounds identified as BCX 1812, 1827, 1898 and 1923.

1.18 "LICENSED PATENTS" shall mean collectively, the Existing Patents, any Improvement Patents and any Joint Patents.

1.19 "LICENSED PRODUCT(s)" shall mean any and all Neuraminidase Inhibitor Products that are either (i)Existing Compounds or are otherwise claimed in a Licensed Patent or (ii) were developed using, or embody or utilize, Existing Know-How, an Improvement or a Joint Invention. For the purposes of this Agreement, Licensed Product shall include OTC Licensed Products and Rx Licensed Products.

1.20 "MAJOR COUNTRY" shall mean [***]

1.21 "NDA" shall mean a New Drug Application and all supplements filed pursuant to the requirements of the FDA, including all documents, data and other information concerning Licensed Product which are necessary for or included in, FDA approval to market Licensed Product as more fully defined in 21 C.F.R. Sections 314.50 et seq. as well as equivalent submissions to the appropriate health authorities in other countries in the Territory.

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*** Information ommitted and filed separately with the Comission under Rule 24b-2.

1.22 "NET SALES" shall mean the gross amount invoiced by ORTHO, its Affiliates and its sublicensees and distributors for sales of Licensed Product to a Third Party less estimates which will be adjusted to actual on a quarterly basis of: (i) discounts, including cash discounts, discounts to managed care or similar organizations, rebates paid, credited, accrued or actually taken, including government rebates such as Medicaid chargebacks, and retroactive price reductions or allowances actually allowed or granted from the billed amount, and commercially reasonable and customary fees paid to distributors (excluding any payments in respect of marketing and other expenses of the distributor) but all solely to the extent attributable to the sale of Licensed Product, (ii) credits or allowances actually granted upon claims, rejections or returns of such sales of Licensed Product, including recalls, (iii) taxes (other than taxes on income), duties or other governmental charges levied on or measured by the billing amount when included in billing for Licensed Product, as adjusted for rebates, chargebacks, and refunds, (iv) all shipping and insurance charges paid for delivery of such Licensed Product, to the extent billed, and provisions for uncollectable accounts for Licensed Product determined in accordance with ORTHO's normal accounting procedures consistently applied within and across its pharmaceutical operating units.

In the event that Licensed Products are sold in the form of combination products containing one or more therapeutically active ingredients other than the Licensed Product or any other neuraminidase inhibitor of influenza, Net Sales for the Licensed Product forming part of such combination products will be calculated on a country-by-country basis by multiplying actual Net Sales of such combination products by the fraction A/(A+B) where A is the gross amount invoiced for the amount of Licensed Product used in the combination if sold separately, and B is the gross amount invoiced for all other active components used in the combination, if sold separately by ORTHO or an Affiliate.

If on a country-by-country basis the other active component or components in the combination are not sold separately in a country by ORTHO or an Affiliate, Net Sales of the Licensed Product forming part of the combination products shall be calculated by multiplying actual Net Sales of such combination products by the fraction A/C where A is the gross amount invoiced for the Licensed Product used in the combination if sold separately and C is the gross amount invoiced for the combination product.

If on a country-by-country basis neither the Licensed Product nor the combination product is sold separately in said country by ORTHO or an Affiliate, Net Sales of the Licensed Product forming part of the combination products shall be reasonably determined by allocating value between the Licensed Product and the other active components based on their relative value as determined by the Parties in good faith.

The Net Sales of Licensed Product within combination products calculated using the foregoing formula shall be included in the Net Sales of Licensed Product for purposes of Section 4.4 hereof.

1.23 "NON-INFLUENZA FIELD" shall mean the use of neuraminidase inhibitors for the diagnosis, prevention, treatment or amelioration of any indication other than influenza.

1.24 "NEURAMINIDASE INHIBITOR PRODUCT" shall mean any and all products containing neuraminidase inhibitors as well as neuraminidase inhibitors per se.

1.25 "OTC LICENSED PRODUCT" shall mean a Licensed Product that is a non-prescription medicine in the country of sale.

1.26 "PHASE I" shall mean that portion of the FDA submission on which approval will be based which provides for the initial trials assessing the first introduction into humans of Licensed Product with the purpose of determining human toxicity, metabolism, absorption, elimination and other pharmacological action as more fully defined in 21 C.F.R. Section 312.21(a) regardless whether these trials were conducted in or outside the United States.

1.27 "PHASE II" shall mean that portion of the FDA submission on which approval of an NDA will be based which provide for the adequate initial trials of Licensed Product on a limited number of patients and/or healthy volunteers for the purposes of determining dose and evaluating safety and efficacy in the proposed therapeutic indication as more fully defined in 21 C.F.R. Section 312.21(b).

1.28 "PHASE III" shall mean that portion of the FDA submission on which approval of an NDA will be based which provides for the well-controlled clinical trials of Licensed Product on sufficient numbers of patients and/or healthy volunteers to generate safety, efficacy and pharmacoeconomic data to support regulatory approval in the proposed therapeutic indication as more fully defined as 21 C.F.R. Section 312.21(c) including any study referred to or denominated as a Phase II/III study in the United States or the equivalent elsewhere.

1.29 "REGULATORY APPROVAL" shall mean any and all approvals (including but not limited to appropriate pricing and reimbursement approvals), product and/or establishment licenses, registrations or authorizations of any appropriate regulatory agency, department, bureau or other governmental entity, necessary for marketing a Licensed Product in a Major Country or Japan, as applicable.

1.30 "REGULATORY EXCLUSIVITY" shall mean the time period during which any other drug manufacturer is statutorily and/or regulatorily prohibited from obtaining approval of a generic drug based upon the

approval of a Licensed Product. In the United States, Regulatory Exclusivity shall mean exclusivity under the Waxman-Hatch Act, 21 USC 355(j)(5)(D) et seq., as may be amended, or any successor legislation.

1.31 RX LICENSED PRODUCT" shall mean a Licensed Product that is a prescription medicine in the country of sale.

1.32 "TERRITORY" shall mean all countries of the world.

1.33 "THIRD PARTY" shall mean any person, corporation or unincorporated body other than ORTHO and BIOCRYST and their Affiliates.

1.34 "VALID CLAIM" shall mean a claim in a Licensed Patent which has not lapsed or become abandoned and which claim has not been declared invalid by an unreversed or unappealable decision or judgment of a court of competent jurisdiction or of an arbitration panel conducted in accordance with Article 19 of this License Agreement.

ARTICLE 2 - LICENSE GRANT

2.1 Subject to the terms and conditions of this Agreement, BIOCRYST hereby grants to ORTHO on a worldwide exclusive basis the rights and licenses under the Existing Patents and Existing Know-How to make, have made, use, market, sell, have sold and distribute Licensed Products for all Fields in the Territory.

2.2 Subject to the terms and conditions of this Agreement, BIOCRYST hereby grants to ORTHO on a worldwide exclusive basis the rights and licenses under any Improvements, Improvement Patents and Joint Patents to make, have made, use, market, sell, have sold and distribute Licensed Product for the Influenza Field in the Territory.

2.3 The rights and licenses granted hereunder shall be sublicensable by ORTHO to a Third Party in any country in the Territory, provided that, BIOCRYST's prior written consent shall be required, which shall not be unreasonably withheld for a sublicense by ORTHO to a Third Party of this Agreement in its entirety or for (a)the United States or (b) any [***] of the Major Countries. Notwithstanding the foregoing, nothing herein shall prevent ORTHO from entering into co-marketing arrangements with any Third Party in any country of the Territory without BIOCRYST's written consent. ORTHO may sell Licensed Product through its Affiliates in any country in the Territory or grant sublicenses to its Affiliates in any country of the Territory. All sublicenses and co-marketing arrangements shall include terms and conditions consistent

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*** Information omitted and files separately with the Commission under Rule 24b-2.

with the terms of this Agreement, and ORTHO shall use diligent efforts to ensure that each such agreement shall be assignable to comply with the provisions of Article 14. If ORTHO grants a sublicense, ORTHO shall promptly provide to BIOCRYST documentation evidencing such sublicense relationship with Third Parties other than Affiliates.

2.4 At the request of ORTHO, BIOCRYST will extend the rights and licenses granted herein to an Affiliate of ORTHO on a direct basis in any country of the Territory and any such Affiliate may make the pertinent reports and royalty payments specified in Article 4 directly to BIOCRYST on behalf of ORTHO; otherwise, such reports and payments on account of sales by Affiliates and Sublicensees shall be made by ORTHO, provided however, that in the event such direct license to an Affiliate would subject BIOCRYST to withholding tax it would not otherwise be liable for, ORTHO shall be responsible for such additional withholding tax.

2.5 Notwithstanding the granting of a sublicense to a Third Party or an Affiliate or a direct license to an Affiliate, ORTHO assumes full responsibility to BIOCRYST for the performance of all obligations of ORTHO, its Affiliates and any sublicensee Third Party.

2.6 Nothing herein shall preclude ORTHO and/or its Affiliates from utilizing a distributor to promote and distribute the Licensed Product in any country of the Territory.

2.7 Notwithstanding the foregoing license, BIOCRYST retains (i) all rights to the Licensed Patents, Existing Know-How and Improvements not granted herein, (ii) rights to use, license and sublicense the Existing Know-How and Improvements to make, have made, use, market, sell, have sold and distribute products for the Non-Influenza Field in the Territory; and (iii) rights to use the Licensed Patents, Existing Know-How and Improvements for research purposes (including for example, chemical compound design and synthesis work) only. The Parties acknowledge and agree that BIOCRYST's retained rights are subject to the restrictions set forth in Section 2.8, 2.9 and 2.10, below.

2.8 During the Term of this Agreement, BIOCRYST shall not (i) make, have made, use, market, sell, have sold, and distribute Neuraminidase Inhibitor Products for use in the Influenza Field, (ii) grant a Third Party rights to do any of the activities defined in (i), or (iii) conduct any clinical development of any Neuraminidase Inhibitor Product until the chemical compound that is the active compound of such Neuraminidase Inhibitor Product has been shown by BIOCRYST to be Inactive (as defined in Schedule 2)

against the influenza virus at a level less than or equal to [***] using the assays identified in Schedule 2 or using such other assay or method that the Parties may agree upon from time to time.

2.9 Further, during the Term of this Agreement, BIOCRYST shall not (i) develop, make, have made, use, market, sell, have sold, or distribute for use in any Field, or (ii) grant a Third Party rights to do any of the activities defined in (i), as to any Neuraminidase Inhibitor Product shown to be Active (as defined in Schedule 2) against the influenza virus at a level of [***] or less using the assays identified in Schedule 2 or using such other assay or method that the Parties may agree upon from time to time.

2.10 To the extent that (i) a neuramidase inhibitor compound is not covered by either Sections 2.8 or 2.9, (ii) ORTHO or its Affiliates or Sublicensees has the compound in Development or commercialization for the Influenza Field, (iii) such compound has been identified to BIOCRYST pursuant to Section 3.4 hereof or a separate written notice, and (iv) such compound would constitute a Licensed Product (an "Active Development Compound"), ORTHO shall have exclusive rights in all Fields to such Active Development Compound and BIOCRYST shall not make, have made, use, market, sell, have sold, and distribute any such Neuraminidase Inhibitor Products for use in any Field, or grant a Third Party rights to do any such activities in any Field, provided, however, that if BIOCRYST can document that prior to ORTHO's notice to BIOCRYST identifying an Active Development Compound, one of BIOCRYST's licensees or sublicensees for the Non-Influenza Field was already developing, making, having made, using, marketing, selling, having sold, or distributing for use in the Non-Influenza Field the same Active Development Compound, or a salt, ester, isomer, metabolite, or pro-drug form thereof, then the foregoing restrictions in this Section 2.10 shall not apply to the Active Development Compound that is the subject of such notice. If at any time after a notice is received ORTHO ceases active Development or commercialization of the Active Development Compound that is the subject of such notice, ORTHO shall so notify BIOCRYST and the restrictions set forth in this Section 2.10 shall no longer apply to such Active Development Compound.

2.11 In the event BIOCRYST intends to exercise its rights pursuant to Sections 2.8 or 2.9 with respect to any chemical compound, BIOCRYST shall perform the Schedule 2 assay on each such chemical compound, and shall provide the written results of each Schedule 2 assay to ORTHO.

ARTICLE 3 - DEVELOPMENT

3.1 ORTHO shall, within fifteen (15) days after the Effective Date, pay to BIOCRYST the amount of [***] as reimbursement for research and pre-clinical development expenses incurred by BIOCRYST with respect to Licensed Product prior to the Effective Date. Such payment shall be non-refundable and non-creditable.

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*** Information omitted and filed separately with the Commission under Rule 24b-2.

3.2 ORTHO shall be solely responsible for (i) all research, Development, and all other pre-market activities to be performed in relation to the Licensed Products; and (ii) for making or having made, and marketing the Licensed Product. However, it is understood that any research or Development work that involves use of the Existing Know-How or Improvements by ORTHO or any of its Affiliates or sublicensees shall be conducted solely pursuant to the terms of this Agreement and all inventions, discoveries or other results ("ORTHO Results") from such research or Development work that involves use of the Existing Know-How or Improvements shall be deemed Joint Inventions. ORTHO hereby makes, and shall ensure that all of its Affiliates and sublicensees shall make, all assignments to BIOCRYST that are necessary to give BIOCRYST joint ownership interests in any such ORTHO Results and any patent rights thereto.

3.3 In performing the activities set forth in Section 3.2, ORTHO shall bear all costs and expenses thereof and shall use reasonable efforts, commensurate with the efforts it would normally exercise for products derived from its internal research or development programs including programs for licensed products with similar potential sales volume consistent with its overall business strategy.

3.4 Within thirty (30) days of the Effective Date, ORTHO and BIOCRYST shall establish a Scientific Advisory Committee ("Committee"). The Committee shall be comprised of at least two representatives of each Party (with at least one ORTHO representative being a senior member from research and development). An ORTHO representative shall serve as chairperson. The Committee shall ensure a smooth transfer of the Development responsibilities to ORTHO and provide BIOCRYST periodic updates on the further Development of Licensed Product. It shall meet on at least a quarterly basis to review the status of all research, Development, preclinical, clinical, regulatory and all other pre-market activities for Licensed Products and ORTHO shall consider in good faith all comments and suggestions made by BIOCRYST regarding such activities but all final decisions on such activities shall rest with ORTHO. ORTHO shall prepare a plan for the Development of Licensed Products (the "Development Plan") and shall provide a copy of such Development Plan to BIOCRYST as soon as it is available. Updated plans will be provided by ORTHO to BIOCRYST at least annually. Thereafter until a Licensed Product is commercially launched, ORTHO shall provide BIOCRYST with quarterly (i) notice of each chemical compound in Development; and (ii) written confirmation that it is actively maintaining a program for the Development of a Licensed Product consistent with the provisions of Section 3.3 and the then current Development Plan.

3.5 Based on ORTHO's sole decision and BIOCRYST's approval, ORTHO may request BIOCRYST to conduct discovery research according to a mutually agreed upon Research Plan including a budget for same, including capital equipment. BIOCRYST shall be reimbursed for (i) all capital expenditures made, and costs incurred (including but not limited to the costs of goods consumed), by BIOCRYST in

connection with such discovery research as agreed to in the Research Plan and budget; and (ii) personnel devoted to the discovery research at the rate of [***] per year, per FTE. For the purposes of this Agreement, "FTE" means services equivalent to those of a full-time scientist based upon a total of fifty-two (52) weeks or 2,080 hours per year of scientific work. BIOCRYST shall have sole discretion over which of its employees are used to conduct discovery research pursuant to the BioCryst Research Plan. In the event capital equipment exceeding thirty thousand dollars ($30,000) is necessary to perform the research, such capital equipment shall be purchased by BIOCRYST upon ORTHO's approval with additional funds provided by ORTHO, and such capital equipment shall be owned by ORTHO and returned to ORTHO upon its request.

3.6 All marketing commercial decisions including pricing, discounting policy and other commercial decisions with respect to Licensed Products shall be made solely by ORTHO.

3.7 The Parties recognize that ORTHO, as the holder of all Regulatory Approval Applications, may be required to submit information and file reports to various governmental agencies on Licensed Product under clinical investigation, Licensed Product proposed for marketing, or marketed Licensed Product and, therefore, BIOCRYST agrees to provide requested information to, and when requested, assist, ORTHO in connection with the foregoing. In the event ORTHO requests the in-person participation of BIOCRYST employees in connection with such regulatory approval, ORTHO agrees to limit such requests to requiring BIOCRYST employees to participate on no more than five (5) days in the aggregate, in any twelve-month period.

ARTICLE 4 - PAYMENTS AND ROYALTIES

4.1 In consideration of the rights and licenses granted to ORTHO under Article 2 of this Agreement, ORTHO shall pay to BIOCRYST the following payments:

a) the sum of [***] payable within fifteen (15) days of the Effective Date.

b) the sum of [***];

c) the sum of [***];

d) the sum of [***];

e) the sum of [***];

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*** Information ommitted and filed separately with the Commission uinder Rule 24b-2.

f) the sum of [***];

g) the sum of [***];

h) the sum of [***];

i) the sum of [***]

j) the sum of [***];

k) the sum of [***]; and

l) the sum of [***]

4.2 The payments specified under Sections 4.1(a) through (e) and (j) shall not be creditable against royalties or refundable. In the event one or more of the aforesaid milestone payments have been paid in respect of a given Licensed Product for which Development or commercialization is subsequently discontinued, ORTHO shall receive a credit for such milestone payments against milestone payments due for the next Licensed Product to meet such milestone. It is understood that in no event shall ORTHO be obligated to make the payment due on any milestone event more than once, regardless of the number of Licensed Products to reach such milestone or the number of treatment or prophylaxis indications for which a Licensed Product is developed. If at the time a milestone is achieved by a Licensed Product any applicable prior milestones have not been achieved, the payments for such prior milestones shall then be due.

4.3 The payments specified under Sections 4.1(f) through (i), (k) and (l) shall not be refundable but a portion of same shall be creditable against royalties as follows: [***] of all such payments shall be creditable to royalties due and owing with the proviso that no more than [***] of the royalties due in any period may be so deducted as a credit based on said payments.

4.4 In further consideration of the rights and licenses granted to ORTHO under Article 2 of this Agreement, ORTHO shall pay to BIOCRYST on a country by country and compound-by-compound basis in the Territory the following royalties based on the cumulative annual Net Sales of all Licensed Products containing a given Active Compound, including sales of Rx Licensed Products, OTC Licensed Product and Licensed Product within combination products containing such Active Compound:

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*** Information ommitted and filed separately with the Commission under Rule 24b-2.

a) in countries where a Licensed Patent has issued or is pending and claims an Rx Licensed Product, then for all Net Sales of that Rx Licensed Product in such countries a royalty of: [***] of said Net Sales that fall within the first [***] of Net Sales worldwide of said Licensed Product; [***] of said Net Sales that fall within the range of [***] and [***] of Net Sales worldwide of said Licensed Product; [***] of said Net Sales that are in the range of [***] and [***] of Net Sales worldwide of said Licensed Product; and [***] of Net Sales that are greater than [***] of Net Sales worldwide of such Licensed Product; provided that the Licensed Product is claimed by a Valid Claim of a Licensed Patent in force or pending in that country and further provided that, for purposes of this sub-section, that Licensed Patent shall not include either (i) a patent application pending for more than five (5) years if in the country in which the patent application is pending there is no Regulatory Exclusivity for the Licensed Product, or (ii) a patent that only claims a process for the manufacture of the Licensed Product.

b) in countries where a Licensed Patent has issued or is pending and claims an OTC Licensed Product, then for all Net Sales of that OTC Licensed Product in such countries, a royalty of [***] of said Net Sales that fall within the first [***] of Net Sales worldwide of said Licensed Product; [***] of said Net Sales that fall within the range of [***] and [***] of Net Sales worldwide of said Licensed Product; [***] of said Net Sales that fall within the range of [***] and [***] of Net Sales worldwide of said Licensed Product; and [***] of said Net Sales that are greater than [***] of Net Sales worldwide of said Licensed Product provided that the Licensed Product is claimed by a Valid Claim of a Licensed Patent in force or pending in that country and further provided that, for purposes of this sub-section, that Licensed Patent shall not include either (i) a patent application pending for more than five (5) years if in the country in which the patent application is pending there is no Regulatory Exclusivity for the Licensed Product, or (ii) a patent that only claims a process for the manufacture of the Licensed Product;

c) in countries where a Licensed Product does not qualify for the royalties payable under Sections 4.4 (a) or (b) above, for all Net Sales of that Licensed Product in each country, a royalty of [***] of Net Sales in said country for a period of [***] from the date of first sale of that Licensed Product in said country. In the case of sales of any Existing Know-How Licensed Product (as defined below) in any country of the European Union, the date of first sale for purposes of determining the royalty term under this Paragraph, shall mean the date such Licensed Product was first put on the market within the common market of the European Union. "Existing Know-How Licensed Product" (a) shall mean a Licensed Product that only qualifies as a Licensed Product

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because it was developed using, or embodies, or utilizes, Existing Know-How and (b) excludes any Licensed Product that qualifies as such on any additional basis to (a), including, but not limited to, any Licensed Product that qualifies as such because it also uses or embodies an Improvement or a Joint Invention.

d) if, in any given calendar year, there are Net Sales of the same Licensed Product containing the same Active Compound both as an Rx Licensed Product and an OTC Licensed Product (including Licensed Products within combination products sold either as OTC or Rx Licensed Products), then in determining the appropriate royalty range, the cumulative worldwide Net Sales of the Rx Licensed Product and the OTC Licensed Product shall be utilized as follows: the royalty for a given Net Sales range shall be calculated by multiplying the fraction of Rx Licensed Product Net Sales as the numerator over the cumulative Licensed Product Net Sales times the applicable Rx Licensed Product royalty for said range plus the fraction of OTC Licensed Product Net Sales as the numerator over the cumulative Licensed Product Net Sales times the applicable OTC Licensed Product royalty for said range. For the purpose of clarification, a non-limiting example of the calculation of royalties under this paragraph 4.4(d) is attached hereto as Exhibit B.

e) In countries where a Licensed Patent has issued or is pending and claims a Licensed Product which is a diagnostic product or an animal health product, then for all Net Sales of such products a royalty of [***] and in countries where there is no Licensed Patent issued or pending or where a Patent Application is pending for more than five (5) years if in the country in which the patent application is pending there is no Regulatory Exclusivity for the Licensed Product, a royalty of [***] for a period of [***] from the date of first sale of such Licensed Product.

f) For purposes of determining the royalty rate under this Section 4.4, an "Active Compound" shall mean a chemical compound which is a neuramidase inhibitor and its salts, esters, isomers, metabolites and pro-drug forms. In determining the royalty rate ranges under Section 4.4 a) and b), the worldwide sales of all Licensed Products containing a given Active Compound shall be aggregated, regardless of differences in application, indication, dosage, formulation, form of delivery, pricing, branding, packaging, marketing approval, marketing strategy or techniques, additives, flavorings, inclusion in various combination drugs and the like, but sales of Licensed Products containing different Active Compounds shall not be aggregated.

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*** Information ommitted and filed separately with the Commission under Rule 24b-2.

ARTICLE 5 - REPORTS AND RECORDS

5.1 ORTHO shall keep and shall cause its Affiliates and sublicensees to keep true and accurate records of Net Sales of Licensed Product and the royalties payable to BIOCRYST under Article 4 hereof and shall deliver to BIOCRYST a written statement thereof on or before the sixtieth (60) day following the end of each ORTHO's and/or Affiliates' accounting quarter (or any part thereof in the first or last calendar quarter of this Agreement) for such accounting quarter. Said written statements shall set forth ORTHO's and its sublicensees Net Sales and the calculation thereof on a country by country basis for each Licensed Product and the royalties due thereon.

5.2 All royalty payments by ORTHO to BIOCRYST shall be converted into U.S. Dollars in accordance with ORTHO's current customary and usual procedures for calculating same which are the following: the rate of currency conversion shall be calculated using a simple average of monthly period end "spot rates" provided by Brown Brothers Harriman, 59 Wall Street, NY, NY 10005 for each quarter, or if such rate is not available, the spot rate as published by a leading United States commercial bank for such accounting period. ORTHO shall give BIOCRYST prompt written notice of any changes to ORTHO's customary and usual procedures for currency conversion, which shall only apply after such notice has been delivered and provided that such changes continue to maintain a set methodology for currency conversion. All royalty payments due hereunder shall be made by wire transfer to a designated BIOCRYST account set forth in Section 5.6, below within sixty (60) days following the end of each ORTHO accounting quarter. If the transfer or the conversion into U.S. Dollars in any such instance is not lawful or possible, the payment of each part of the royalties due as is necessary, shall be made by the deposit thereof, in whatever currency is allowable, to the credit and account of BIOCRYST in any commercial bank or trust company of BIOCRYST's choice located in that country. Prompt notice of said deposit shall be given by ORTHO to BIOCRYST and ORTHO shall use reasonable efforts to assist BIOCRYST in securing the payment of such funds to BIOCRYST's U.S. bank account.

5.3 Subject to Section 2.4 hereof, any income or other taxes which ORTHO is required to pay or withhold on behalf of BIOCRYST with respect to royalties and any other monies payable to BIOCRYST under this Agreement shall be deducted as required by law and treaty from the amount of such royalties and monies due. ORTHO shall furnish BIOCRYST with receipt of confirmation of payment from taxing authorities evidencing payment of amounts withheld, and shall cooperate and discuss with BIOCRYST the basis for such withholding. Any such tax required to be paid or withheld shall be an expense of, and borne solely by, BIOCRYST. ORTHO shall cooperate with BIOCRYST to claim exemption from such deductions or withholdings under any double taxation or similar agreement in force from time to time. If ORTHO makes any payment without reduction for withholding and it later transpires that an amount of tax should have

been withheld on such royalty payment ("underwithheld tax"), ORTHO shall be entitled to recover the underwithheld tax by an additional withholding from any later payment due to BIOCRYST under this Agreement. Similarly, if ORTHO withholds an amount of tax which is later determined to have not been due, ORTHO shall reimburse BIOCRYST for such overwithheld amounts. BIOCRYST shall have the right to audit correspondence and records relating to such tax issues on the same terms as described in Section 5.4 below.

5.4 BIOCRYST shall have the right to nominate an independent certified public accountant reasonably acceptable to and approved by ORTHO who shall have access to ORTHO and its Affiliates' records during reasonable business hours for the purpose of verifying the royalties payable as provided in this Agreement for the three (3) preceding years but this right may not be exercised more than twice in any calendar year, once for the United States and once for ex-US, and said accountant shall disclose to BIOCRYST only information relating solely to the accuracy of the royalty report and the royalty payments made according to this Agreement. BIOCRYST will bear the full cost of such audit unless such audit discloses an underpayment of five percent (5%) or more from the amount of royalties due for the audited period, in which event ORTHO shall promptly reimburse BIOCRYST for the expense of such audit. ORTHO shall promptly pay any underpayment found in any audit pursuant to this Section and pay any late payment fees due thereon pursuant to Section 5.5 below. The terms of this Section 5.4 shall survive for a period of three (3) years after termination or expiration of this Agreement.

5.5 Late payments shall bear interest at the rate of 1.5% per month to cover BIOCRYST's costs of collection as well as interest, or, if lower, the maximum rate allowed by law.

All payments due hereunder shall be made to the designated bank account of BIOCRYST as follows:

Wire transfer to: [***]

For further credit to: [***]

ARTICLE 6 - CONFIDENTIALITY

6.1 All information transmitted by either Party to the other in furtherance of either Party's obligations under this Agreement, including all confidential information developed pursuant to this Agreement, shall be confidential information. BIOCRYST's confidential information specifically includes, without limitation, the Existing Know-How and Improvements. Each receiving Party shall, while this Agreement is in effect and for five (5) years after termination hereof, make no use of confidential information of the disclosing

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*** Information ommitted and filed separately with the Commission under Rule 24b-2.

Party other than in furtherance of this Agreement and shall use the same efforts, but no less than reasonable efforts, to keep secret and prevent the disclosure of such information to Parties other than its agents, officers, employees and representatives authorized to receive such information, as it would its own confidential information except for such confidential information that:

a) was known to the receiving Party at the time of its disclosure and not previously subject to any obligation of confidentiality at the time of its disclosure;

b) was generally available to the public or was otherwise part of the public domain at the time of its disclosure;

c) became generally available to the public or became otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement; or

d) became known to the receiving Party after its disclosure (a) from a source other than the disclosing Party without reference to the disclosing Party (including from independent development by the receiving Party without reference to the confidential information of the disclosing Party), (b) other than from a Third Party who had an obligation to the disclosing Party not to disclose such information to others, and (c) other than under an obligation of confidentiality.

6.2 The receiving Party may disclose any of the confidential information of the disclosing Party to the extent such disclosure is necessary to comply with the November 23, 1994 Joint Research and License Agreement between BIOCRYST and the UAB Research Foundation, as amended, applicable laws or regulations, or to make and use Licensed Product in accordance with the terms of this Agreement.

6.3 The Parties recognize the importance of publishing the information developed in studies undertaken by ORTHO or on behalf of ORTHO and/or BIOCRYST under the provisions of this Agreement. Therefore, the non-publishing Party will endeavor to provide the publishing Party with its response to the publishing Party's request for consent to publish any paper, abstract or presentation within thirty (30) days of receipt of such request. The failure of the non-publishing Party to respond to such a request within such thirty (30) day period shall be deemed to be an approval of such request and the publishing Party shall then be free to disclose such information in a paper, abstract or presentation.

ARTICLE 7 - PATENTS

7.1 BIOCRYST agrees to faithfully continue the prosecution of all patent applications listed in Schedule 1B and, when necessary and appropriate, to file and prosecute additional patent applications claiming patentable inventions or discoveries that are (i) claimed in the Existing Patents, (ii) within the Existing Know-How, or (iii) constitute Improvements, in at least the countries set forth in Schedule 3, which may be updated from time to time with the mutual agreement of both Parties. The Parties shall equally share the reasonable costs incurred in connection with the prosecution and maintenance of all Licensed Patents during the term of this Agreement, and ORTHO agrees to promptly reimburse BIOCRYST for its share of such expenses after being presented with evidence of such expenses by BIOCRYST. If so requested by ORTHO, BIOCRYST shall provide ORTHO with copies of all patent applications listed in Schedule 1B, all future filed patent applications within the Licensed Patents and all correspondence with the patent offices in any countries of the Territory relating to Licensed Patents and ORTHO shall have the opportunity to comment on any aspect concerning prosecution of such Licensed patents, including the costs incurred and the selection of patent counsel, it being understood that all final decisions thereon shall be made by BIOCRYST.

7.2 If BIOCRYST chooses not to prosecute and maintain any Licensed Patents under this Agreement, BIOCRYST shall promptly and timely so notify ORTHO and ORTHO shall, in its sole discretion, decide whether to assume the responsibility and sole expenses therefor on a country by country basis for each such Licensed Patent. In that event, the Licensed Patents for which ORTHO shall assume responsibility on a country-by-country basis shall be assigned to ORTHO, and ORTHO's royalty obligations with respect to the said assigned Licensed Patents under this Agreement shall be in accordance with the provisions of Section 4.4(c) hereof.

7.3 The Parties agree to cooperate in order to avoid loss of any rights which may otherwise be available to the Parties under the U.S. Drug Price Competition and Patent Term Restoration Act of 1984, the Supplementary Certificate of Protection of the Member States of the European Community and other similar measures in any other country in the Territory. Without limiting the foregoing, ORTHO agrees to notify BIOCRYST promptly upon receipt of an Approval Letter for a Licensed Products in the U.S. and to timely supply BIOCRYST with all information necessary to file an application for patent term extension within the sixty (60) day period following NDA approval. The same shall apply with respect to the approval by the health authorities in a country of the European Community or approval by the appropriate authorities in any other country in the Territory.

7.4 Joint Inventions and Joint Patents shall be jointly owned by the Parties. BIOCRYST's interest in such Joint Inventions and Joint Patents shall be subject to the license to ORTHO granted in Section 2.2 above and each Party's interest in such Joint Inventions and Joint Patents shall be subject to its compliance with the terms of this Agreement including in the case of ORTHO, its payment of the sums due BIOCRYST hereunder. To the extent that this Agreement does not expressly address an issue in relation to Joint Inventions or Joint Products, the law of joint ownership of inventions of the U.S. shall apply to the joint ownership of Joint Inventions and Joint Patents outside the U.S. Neither Party may assign its rights under any Joint Invention or Joint Patent except with the prior written consent of the other Party; provided, however, that either Party may assign such rights to an Affiliate.

ARTICLE 8 - INFRINGEMENT

8.1 If, as a result of the manufacture, use or sale of a Licensed Product in any country of the Territory, ORTHO and/or its Affiliates is sued for patent infringement or threatened with such a lawsuit or other action by a Third Party, ORTHO and BIOCRYST shall meet to analyze the infringement claim and avoidance of same. If it is necessary to obtain a license from such Third Party, ORTHO and BIOCRYST in negotiating such a license shall make every effort to minimize any license fees and/or royalty payable to such Third Party. If the settlement of a lawsuit or threatened lawsuit or other action requires any payments, including but not limited to royalty payments, to a Third Party in respect of the manufacture, use or sale of a Licensed Product in that country, then ORTHO or its Affiliates shall make said payments and a cash amount equal to fifty percent (50%) of the portion of such payments payable to the Third Party because of the manufacture, use or sale of Licensed Product in such country shall be deducted from the amount of royalty due to BIOCRYST for such country, provided, however, that, in the aggregate, the royalty due to BIOCRYST for that Licensed Product for that country shall not drop below fifty percent (50%) of the amount of the royalty that would, absent such payment, be otherwise payable under Article 4.

8.2 In the event that there is infringement of a Licensed Patent on a commercial scale by a Third Party in any given country resulting in Substantial Unlicensed Sales by the Third Party of a product claimed in a Valid Claim of a Licensed Patent, ORTHO or its Affiliates shall notify BIOCRYST in writing to that effect, including with said written notice reasonable evidence, reviewed with local counsel in such country, establishing a prima facie case of infringement of a Licensed Patent by the Third Party. Upon request, BIOCRYST shall be given an opportunity to speak with such local counsel in such country concerning such evidence of infringement. For the purposes of this section, "Substantial Unlicensed Sales" shall mean a market share by such Third Party of at least [***] of the total market of the Licensed Product in said

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*** Information ommitted and filed separately with the Commission under Rule 24b-2.

country for a consecutive [***](on a unit basis as reported by IMS International or, if unavailable, from a recognized, mutually accepted database or market survey service).

a) Prior to the expiration of one hundred and twenty (120) days from the date of receipt of said notice, BIOCRYST may obtain a discontinuance of such infringement or bring suit against the Third Party infringer. In such event, the obligation of ORTHO to pay full royalties under such Licensed Patent shall continue unabated. BIOCRYST shall bear all the expenses of any suit brought by it and shall retain all damages or other monies awarded or received in settlement of such suit. ORTHO and/or its Affiliates will cooperate with BIOCRYST in any such suit and shall have the right to consult with BIOCRYST and be represented by its own counsel at its own expense.

b) If after the expiration of said one hundred and twenty (120) days from the date of receipt of said notice (or earlier upon notice by BIOCRYST that BIOCRYST does not intend to exercise its rights pursuant to 8.2(a)) BIOCRYST has not overcome the case of infringement, obtained a discontinuance of such infringement, or brought suit against the Third Party infringer, then ORTHO shall have the right but not the obligation, exercisable in its sole discretion, to bring such suit against the Third Party infringer previously identified in ORTHO's notice to BIOCRYST. If ORTHO brings any such actions, it shall be at ORTHO's own expense and in its own name, if possible. If necessary, BIOCRYST will permit the suit to be brought in its name. BIOCRYST will cooperate with ORTHO in any such suit and shall have the right to consult with ORTHO and be represented by its own counsel at its own expense. In the event ORTHO wishes to commence such suit prior to the expiration of such one hundred and twenty (120) day period, it may do so, subject to first notifying BIOCRYST of the actions it plans to take and affording BIOCRYST a reasonable opportunity to take such actions itself and the right of BIOCRYST to take over such suit prior to the expiration of such one hundred twenty (120) day period, provided BIOCRYST reimburses ORTHO for reasonable attorneys' fees and out of pocket expenses incurred in such suit prior to the time BIOCRYST regained control of such suit.

c) ORTHO shall bear all the expenses of any suit brought by it and shall be entitled to deduct its reasonable attorneys' fees and out of pocket expenses incurred in connection with the prosecution of such suit from the royalties otherwise due to BIOCRYST in respect of Net Sales of Licensed Product claimed in the Licensed Patent being infringed in the country where such suit is being brought by ORTHO, for the time period during which there is Substantial Unlicensed Sales in

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such country, subject to the maximum deduction of fifty percent (50%) of the Net Sales otherwise due for sales of Licensed Products by ORTHO (collectively, the "Holdback"). In the event a monetary award or settlement is made, ORTHO shall first recoup reasonable attorneys' fees and out of pocket expenses incurred in connection with such suit, and out of the balance of the settlement shall (a) pay to BIOCRYST the Holdback, and (b) retain all other damages or other monies awarded or received in settlement of such suit.

8.3 In no event shall the cumulative effect of the royalty adjustments specified in provisions of this Article 8 have the effect of reducing any royalty payable for any applicable accounting quarter pursuant to Article 5.1 of this Agreement by more than 50%, provided however that ORTHO shall receive a credit for any sums which would have resulted in royalty deductions exceeding said 50%, which credit ORTHO may apply against royalties due in future accounting quarters.

ARTICLE 9 - TRADEMARKS AND LABELING

9.1 All trademarks to be utilized by ORTHO and/or its Affiliates on Licensed Products (the "Marks") under this Agreement shall be chosen by ORTHO and/or its Affiliates and shall be owned by ORTHO and/or its Affiliates.

9.2 In the event this Agreement is terminated in its entirety before the end of the Term by ORTHO, ORTHO, at BIOCRYST'S request, shall assign the Marks to BIOCRYST at BIOCRYST's expense.

ARTICLE 10 - MANUFACTURE AND SUPPLY

10.1 ORTHO shall be solely responsible for making or having made Licensed Product for Development and commercialization. During Development of the Licensed Product, the Parties may agree that BIOCRYST shall manufacture and supply to ORTHO quantities of certain compounds. In such event, the Parties shall enter into a separate supply agreement on terms to be mutually agreed by the Parties.

ARTICLE 11 - DURATION

11.1 This Agreement shall become effective from the Effective Date and shall continue in full force and effect for as long as royalties are payable according to the provisions of Article 4 herein and for as long as any of the term of any of the Licensed Patents remains (the "Term"), unless sooner terminated pursuant to any other provision of this Agreement. In the event that this Agreement is in effect for the full Term and is not earlier terminated, ORTHO and/or its Affiliates shall have a fully paid-up, irrevocable, non-exclusive license to make and have made Licensed Product and to use, market, sell and distribute Licensed Product in the Territory.

ARTICLE 12 - TERMINATION BY ORTHO

12.1 Notwithstanding any other provision herein, ORTHO can terminate this Agreement for any reason in its entirety or on a country by country basis upon four (4) months prior written notice to BIOCRYST. During said four (4) month period, ORTHO shall (i) maintain any work then in progress in connection with the Licensed Product, and (ii) remain obligated to perform all of its obligations and pay any expenses previously committed to and/or contracted for under this Agreement or in connection with any Development work then in progress in connection with the Licensed Product (except that ORTHO shall not be liable for any milestone payments that become due to BIOCRYST during said four (4) month period); and (iii) otherwise comply with the provisions of Article 14.

12.2 OTHO shall have the right to terminate this Agreement upon ten (10) days written notice and without any further payment obligations to BIOCRYST, other than obligations incurred but not paid as of the date of notice of termination, in the event issues regarding the safety of a Licensed Product arise during Development or Commercialization that in ORTHO's good faith judgment (a) would prohibit obtaining Regulatory Approval or (b) could result in ORTHO incurring material product liability exposure or (c) would be materially adverse to the reputation of ORTHO and/or Johnson and Johnson. (The reference in this Section 12.2 to product liability exposure is for the sole purpose of determining ORTHO's termination rights and is not intended to minimize the Parties' responsibility to manage safety issues.) In the event of termination by ORTHO under this Section 12.2 ORTHO shall have the right to immediately discontinue all Development and commercialization activities, notwithstanding the invocation of arbitration by BIOCRYST under Section 19.2 and the provisions of Section 19.3(g) shall not apply.

ARTICLE 13 - TERMINATION FOR CAUSE

13.1 Failure by ORTHO or BIOCRYST to comply with any of their respective obligations and conditions contained in this Agreement shall entitle the other Party to give the Party in default notice requiring it to make good such default. If such default, other than a monetary payment default, is not cured within ninety (90) days after receipt of such notice, the notifying Party shall be entitled (without prejudice to any of its other rights conferred on it by this Agreement) to terminate this Agreement by giving a notice to take effect immediately. The time period for curing a monetary payment default shall be thirty (30) days. The right of either Party to terminate this Agreement as hereinabove provided shall not be affected in any way by its waiver of, or failure to take action with respect to any previous default.

13.2 In the event that one of the Parties hereto shall go into liquidation, a receiver or a trustee be appointed for the property or estate of that Party and said receiver or trustee is not removed within sixty (60) days, or the Party makes an assignment for the benefit of creditors, and whether any of the aforesaid events be the

outcome of the voluntary act of that Party, or otherwise, the other Party shall be entitled to terminate this Agreement forthwith by giving a written notice to the first Party.

13.3 ORTHO shall have the right, at its sole option, to terminate this Agreement in its entirety on thirty (30) days written notice, if there shall occur in any transaction or series of related transactions, a sale or other disposition of all or substantially all of the assets of BIOCRYST, whether by merger, consolidation, reorganization or other similar means. If ORTHO exercises this right and so terminates, ORTHO shall be obligated to comply with the provisions of Section 12.1 for the duration of the notice period and for such longer period up to four (4) months until the work in progress in connection with the Licensed Product has been transitioned to BIOCRYST.

13.4(a) For purposes of this Section 13.4, a Willful Material Breach by BIOCRYST shall mean a knowing and willful breach of the particular matters specified in this Section 13.4 by BIOCRYST which after notice and cure as provided in this Section 13.4, ORTHO demonstrates by clear and convincing evidence is material to this Agreement taken as a whole.

(b) For purposes of this Section 13.4, the particular breaches which are potential Willful Material Breaches shall be : (i) BIOCRYST granting a Third Party a license to the Licensed Patents in violation of the exclusivity provided for by Section 2 hereof, and such Third Party uses such license in accordance with the terms thereof to sell a product which is a significant competitor to a Licensed Product then being actively marketed by ORTHO, either in a particular country or countries (a "Country Breach") or worldwide (a "Territory Breach"); or (ii) BIOCRYST fraudulently providing to ORTHO material misleading information required under this Agreement.

(c) If ORTHO believes a potential Willful Material Breach has occurred it shall provide a written notice to BIOCRYST specifying in detail the particulars of the potential Willful Material Breach. BIOCRYST shall have ninety (90) days after receipt of such notice to cure the potential Willful Material Breach. Any disputes regarding this Section 13.4 shall be resolved in accordance with Article 19 of this Agreement.

(d) Upon the establishment of a Willful Material Breach by BIOCRYST, ORTHO may elect by written notice, within thirty (30) days after such establishment, to either (i) reduce the royalty payable by ORTHO to that specified under Section 4.4(c); provided that if the Willful Material Breach in question is only a Country Breach, the reduced royalty rate shall apply only in the country or countries affected; or (ii) elect to proceed with its other remedies in law or equity under this Agreement, including its right to terminate this Agreement in the manner specified in Section 13.1;

(e) Election by ORTHO to declare a Willful Material Breach and to proceed under Section 13.4(d)(i) shall be conclusively deemed to be an election of remedies and shall be in lieu of all other remedies of ORTHO for such Willful Material Breach, whether such remedies are provided for by law or equity or by this Agreement, provided, however, that if ORTHO does not elect to seek a remedy under Section 13.4(d)(i), it shall retain its rights to all other remedies under this Agreement or in law or equity with respect to such matter.

(f) Nothing herein shall be construed in any way to limit ORTHO's remedies provided for by law or equity or by this Agreement, in the case of any breach or default by BIOCRYST other than a Willful Material Breach covered by this Section 13.4.

ARTICLE 14 - RIGHTS AND OBLIGATIONS UPON TERMINATION

14.1 In the event that this Agreement is terminated by ORTHO in accordance with Article 12, ORTHO hereby assigns, and shall ensure that all of its Affiliates and sublicensees, shall assign to BIOCRYST all of its right, title and interest in and to all Joint Inventions and Joint Patents. ORTHO, its Affiliates and sublicensees shall execute and deliver any additional documents or instruments that BIOCRYST reasonably requests to give effect to the foregoing assignment.

14.2 In the event that this Agreement is terminated by either party in accordance with Article 13, the breaching party hereby assigns, and shall ensure that all of its Affiliates and sublicensees, shall assign to the non-breaching party all of its right, title and interest in and to all Joint Inventions and Joint Patents. The breaching party, its Affiliates and sublicensees shall execute and deliver any additional documents or instruments that the non-breaching party reasonably requests to give effect to the foregoing assignment.

14.3 In the event that this Agreement is terminated by ORTHO in accordance with either Article 12 or 13 or is terminated by BIOCRYST pursuant to Article 13, ORTHO agrees that all of its rights under this Agreement to the Existing Know-How, Improvements, Joint Inventions and Licensed Patents will be terminated in connection with the countries that are the subject of such termination or the whole of the Territory if the Agreement is terminated in its entirety (the "Terminated Countries"), and ORTHO further undertakes to promptly:

a) if the Agreement has been terminated in its entirety, deliver to BIOCRYST the Existing Know-How and Improvements and all tangible examples and copies thereof;

b) make all payments accrued under this Agreement up to the effective termination date in respect of Net Sales in the Terminated Countries;

c) transfer all regulatory filings and approvals for the Terminated Countries to BIOCRYST upon BIOCRYST's written request for same;

d) within 30 days of the notice of termination, provide BIOCRYST with copies of all sublicenses, agreements with clinical research organizations and other Third Party agreements relating to Licensed Products hereunder, and allow BIOCRYST 30 days from the date of such delivery to choose whether to assume any or all of such contracts;

e) subject to ORTHO's legal ability to do so, assign to BIOCRYST those Third Party agreements BIOCRYST chooses to assume responsibility for and control of;

f) ensure a swift and orderly transition to BIOCRYST of all work in progress in connection with the Licensed Product, with the continuing costs for such work assumed by BIOCRYST as of the effective date of termination; and

g) ORTHO shall be entitled to recover from BIOCRYST its reasonable out-of-pocket expenses incurred in connection with discharging its responsibilities under this Section 14.3. For the purposes of this Section 14.3, "reasonable out of pocket expenses" shall include, but not be limited to, costs for things such as shipping and photocopying, but shall not include costs such as attorney' fees, overhead, amortization, recovery of past expenditures, labor costs and salaries.

14.4 In the event this Agreement expires or is terminated for any reason, the provisions of this Article 14 and Articles 5, 6, 9.2, 19, 20 and 26 shall survive, as shall any right to payment for payments that fell due prior to expiration or termination and any other causes of action in connection with this Agreement.

14.5 In the event that ORTHO terminates this Agreement, in whole or in part, BIOCRYST may thereafter exercise all of its rights to the Licensed Patents, Existing Know-How, Improvements, and Joint Inventions in the Terminated Countries, and Sections 2.8, 2.9, 2.10 or any other provision hereunder shall not apply to or in any way restrict BIOCRYST in relation thereto.

ARTICLE 15 - RIGHTS UPON INSOLVENCY

15.1 All rights and licenses to Licensed Patents, Know-How, Improvements and Joint Inventions granted under or pursuant to this Agreement by BIOCRYST to ORTHO are, for all purposes of Section 365(n) of Title 11 of the U.S. Code ("Title 11"), licenses of rights to intellectual property as defined in Title 11. BIOCRYST agrees during the term of this Agreement to create and maintain current copies or, if not amenable to copying, detailed descriptions or other appropriate embodiments, of all Licensed Patents, Know-How, Improvements and Joint Inventions. If a case is commenced by or against BIOCRYST under Title 11,

then, unless and until this Agreement is rejected as provided in Title 11, BIOCRYST (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a Title 11 trustee) shall either perform all of the obligations provided in this Agreement to be performed by BIOCRYST or provide to ORTHO all such intellectual property (including all embodiments thereof) held by BIOCRYST and such successors and assigns, as ORTHO may elect in a written request, promptly upon such request. If a Title 11 case is commenced by or against BIOCRYST, this Agreement is rejected as provided in Title 11 and ORTHO elects to retain its rights hereunder as provided in Title 11, then BIOCRYST (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a Title 11 trustee) shall provide to ORTHO all such intellectual property (including all embodiments thereof) held by BIOCRYST and such successors and assigns promptly upon ORTHO's written request therefor. All rights, powers and remedies of ORTHO, as a licensee hereunder, provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, Title 11) in the event of the commencement of a Title 11 case by or against BIOCRYST. ORTHO, in addition to the rights, powers and remedies expressly provided herein, shall be entitled to exercise all other such rights and powers and resort to all other such remedies as may now or hereafter exist at law or in equity (including Title 11) in such event.

ARTICLE 16 - REPRESENTATIONS

16.1 BIOCRYST represents and warrants that it has produced or provided access to ORTHO to all data requested by ORTHO including, but not limited to all information concerning side effects, injury, toxicity or sensitivity reaction and incidents or severity thereof with respect to any tests conducted by BIOCRYST or its contractors in BIOCRYST's possession as of the Effective Date relating to Licensed Product. ORTHO acknowledges that such tests have been entirely preclinical and may not be indicative of results that may be obtained in humans.

16.2 BIOCRYST represents and warrants that, to the best of its knowledge, it has title to and ownership of, free and clear of all liens, claims and encumbrances of any nature, all Licensed Patents set forth on Schedule 1 attached hereto.

16.3 BIOCRYST represents and warrants that, to the best of its knowledge, it has title to and ownership of, or sufficient license rights, free and clear of all liens, claims and encumbrances of any nature, to all of the Existing Know-How licensed by BIOCRYST to ORTHO hereunder.

16.3 BIOCRYST has not, and during the term of the Agreement will not, grant any right to any Third Party in violation of the exclusive nature of the licenses granted to ORTHO under Section 2 above.

16.4 As of the Effective Date, BIOCRYST represents and warrants that it has no knowledge of the existence of any published patent application or patent issued prior to the Effective Date which is owned by a Third Party and would prevent ORTHO from making, using or selling any chemical compound claimed in the Existing Patents. BIOCRYST further declares that to its best knowledge during Development of the Lead Compounds BIOCRYST did not infringe any patent issued to a Third Party prior to the Effective Date. To the best of BIOCRYST's knowledge and belief, as of the Effective Date, the Licensed Patents listed in Schedule 1 are owned by BIOCRYST and BIOCRYST is not in possession of information that would, in its opinion, render invalid and/or unenforceable claims directed to any of the Lead Compounds. Notwithstanding the foregoing, if at any time prior to the expiration of twenty-four (24) months after the Effective Date hereof a patent or published patent application held by a Third Party is identified which claims any of the Lead Compounds, the Parties will meet and discuss possible resolutions of the patent situation. If the resolution involves a license from the Third Party to its patent rights and/or a license to the Third Party under BIOCRYST or ORTHO patent rights, the Parties acknowledge that the economic assumptions underlying this Agreement may no longer be valid, and in such case the Parties will renegotiate the terms of this Agreement in good faith in order to reflect such resolution.

16.5 NO OTHER REPRESENTATIONS OR WARRANTIES. THE EXPRESS REPRESENTATIONS AND WARRANTIES STATED IN THIS ARTICLE 16 ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. SPECIFICALLY, BIOCRYST MAKES NO OTHER REPRESENTATIONS OR WARRANTIES IN RELATION TO THE LICENSED PATENTS, THE EXISTING KNOW-HOW, IMPROVEMENTS OR JOINT INVENTIONS

ARTICLE 17 - INTERPRETATION

17.1 The construction, validity and performance of this Agreement shall be governed in all respects by the laws of the State of New York, without giving effect to principles of conflict of laws.

ARTICLE 18 - FORCE MAJEURE

18.1 No failure or omission by the Parties hereto in the performance of any obligation of this Agreement shall be deemed a breach of this Agreement nor create any liability if the same shall arise from any cause or causes beyond the control of the Parties, including but not limited to the following which, for the purposes of this Agreement, shall be regarded as beyond the control of the Party in question: act of God, acts or omissions of any government or any rules, regulations or orders of any governmental authority or any

officer, department, agency or instrument thereof; fire, storm, flood, earthquake, accident, acts of the public enemy, war, rebellion, insurrection, riot, invasion, strikes, or lockouts.

ARTICLE 19 - DISPUTE RESOLUTION

19.1 a) The Parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiations between the Chief Executive Officer of BIOCRYST and the Chairman of the R.W. Johnson Pharmaceutical Research Institute if relating to research or Development issues or the President of Ortho-McNeil Pharmaceutical, Inc. for all other issues, who each have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. Any Party may give the other Party written notice of any dispute not resolved in the normal course of business. Within five business days after receipt of the notice, the receiving Party shall submit to the other a written response. The notice and the response shall include a detailed statement of each Party's position and a summary of arguments supporting that position. Within five days after delivery of the response, the representatives of BIOCRYST and ORTHO mentioned above shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one Party to the other will be honored. All negotiations pursuant to this clause will be confidential and shall be treated as compromise and settlement negotiations for the purposes of the Federal Rules of Evidence and all other evidentiary purposes.

b) If the matter has not been resolved within twenty days of the disputing Party's notice, or if the representatives of BIOCRYST and ORTHO set forth in Section 19.1a fail to meet within the time frame set forth in 19.1 a), either Party may initiate mediation of the dispute as set forth in Section 19.2 of this Agreement.

19.2 a) Any dispute, controversy or claim arising out of or related to this agreement, or the interpretation, application, breach, termination or validity thereof, including any claim of inducement by fraud or otherwise, shall, before submission to arbitration, first be mediated through non-binding mediation in accordance with the Model Procedures for the Mediation of Business Disputes promulgated by the Center for Public Resources ("CPR") then in effect, except where those rules conflict with these provisions, in which case these provisions control. The mediation shall be conducted in New York, New York and shall be attended by a senior executive with authority to resolve the dispute from each of the operating companies that are Parties.

b) The mediator shall be an attorney specializing in business litigation who has at least 15 years of experience as a lawyer with a law firm of over 25 lawyers or was a judge of a court of general jurisdiction and who shall be appointed from the list of neutrals maintained by CPR.

c) The Parties shall promptly confer in an effort to select a mediator by mutual agreement. In the absence of such an agreement, the mediator shall be selected from a list generated by CPR with each Party having the right to exercise challenges for cause and two peremptory challenges within three business days of receiving the CPR list.

d) The mediator shall confer with the Parties to design procedures to conclude the mediation within no more than forty-five (45) days after initiation. Unless agreed upon by the Parties in writing, under no circumstances shall the commencement of arbitration under Section 19.3 be delayed more than forty-five (45) days by the mediation process specified herein.

e) Each Party agrees to toll all applicable statutes of limitation during the mediation process and not to use the period or pendancy of the mediation to disadvantage the other Party procedurally or otherwise. All negotiations pursuant to this clause will be confidential and shall be treated as compromise and settlement negotiations for the purposes of the Federal Rules of Evidence and all other evidentiary purposes.

f) Each Party has the right to pursue provisional relief from any court, such as attachment, preliminary injunction, replevin, etc., to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration, even though mediation has not been commenced or completed.

19.3 a) Following the mediation procedures set forth in Section 19.2, Any dispute, claim or controversy arising from or related in any way to this Agreement or the interpretation, application, breach, termination or validity thereof, including any claim of inducement of this Agreement by fraud or otherwise, will be submitted for resolution to arbitration pursuant to the commercial arbitration rules then pertaining of the Center for Public Resources ("CPR"), except where those rules conflict with these provisions, in which case these provisions control. The arbitration will be held in New York, New York.

b) The panel shall consist of three arbitrators chosen from the CPR Panels of Distinguished Neutrals each of whom is a lawyer specializing in business litigation with at least 15 years experience with a law firm of over 25 lawyers or was a judge of a court of general jurisdiction.

c) The Parties agree to cooperate (1) to obtain selection of the arbitrators within thirty (30) days of initiation of the arbitration, (2) to meet with the arbitrators within thirty (30) days of selection and (3) to agree at that meeting or before upon procedures for discovery and as to the conduct of the hearing which will result in

the hearing being concluded within no more than nine (9) months after selection of the arbitrators and in the award being rendered within sixty (60) days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both Parties with twenty (20) days after the conclusion of the hearings. In the event no such agreement is reached, the CPR will select arbitrators, allowing appropriate strikes for reasons of conflict or other cause and three peremptory challenges for each side. The arbitrators shall set a date for the hearing, commit to the rendering of the award within sixty (60) days of the conclusion of the evidence at the hearing, or of any post-hearing briefing (which briefing will be completed by both sides in no more than twenty (20) days after the conclusion of the hearings), and provide for discovery according to these time limits, giving recognition to the understanding of the Parties hereto that they contemplate reasonable discovery, including document demands and depositions, but that such discovery be limited so that the time limits specified herein may be met without undue difficulty. In no event will the arbitrators allow either side to obtain more than a total of forty (40) hours of deposition testimony from all witnesses, including both fact and expert witnesses. In the event multiple hearing days are required, they will be scheduled consecutively to the greatest extent possible.

d) The arbitrators shall render their award following the substantive law of New York. The arbitrators shall render an opinion setting forth findings of fact and conclusions of law with the reasons therefor stated. A transcript of the evidence adduced at the hearing shall be made and shall, upon request, be made available to either Party.

e) To the extent possible, the arbitration hearings and award will be maintained in confidence.

f) Any United States District Court having jurisdiction of the matter may enter judgment upon any award. In the event the panel's award exceeds Five Million Dollars (5,000,000) in monetary damages or includes or consists of equitable relief, then the court shall vacate, modify or correct any award where the arbitrators' findings of fact are clearly erroneous, and/or where the arbitrators' conclusions of law are erroneous; in other words, it will undertake the same review as if it were a federal appellate court reviewing a district court's findings of fact and conclusions of law rendered after a bench trial. An award for less than Five Million Dollars (5,000,000) in damages and not including equitable relief may be vacated, modified or corrected only upon the grounds specified in the Federal Arbitration Act. The Parties consent to the jurisdiction of the District Court for the enforcement of these provisions, the entry of judgment on any award, and the vacatur, modification and correction of any award as above specified.

g) Each Party has the right before or during the arbitration to seek and obtain from the appropriate court provisional remedies such as attachment, preliminary injunction, replevin, etc. to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration.

h) EACH PARTY HERETO WAIVES ITS RIGHT TO TRIAL OF ANY ISSUE BY JURY.

i) EACH PARTY HERETO WAIVES ANY CLAIM TO PUNITIVE, EXEMPLARY AND CONSEQUENTIAL DAMAGES FROM THE OTHER.

ARTICLE 20 - NOTICES

20.1 Any notice required or permitted to be given under this Agreement shall be mailed by registered or certified mail, postage prepaid, addressed to the Party to be notified at its address stated below, or at such other address as may hereafter be furnished in writing to the notifying Party or by telefax (with confirmation sent by mail) to the numbers set forth below or to such changed telefax numbers as may thereafter be furnished.

If to BIOCRYST:

BIOCRYST Pharmaceuticals, Inc.
2190 Parkway Lake Drive
Birmingham, Alabama 35244
Telefax No.: (205) 444-4640
Attention: Chief Executive Officer
with a copy to:

Brobeck, Phleger & Harrison LLP
1633 Broadway, 47th Floor
New York, New York 10019
Telefax No.: (212) 586-7878
Attention: Richard R. Plumridge, Esq.
Nigel L. Howard, Esq.

If to ORTHO:

President
ORTHO-McNeil Pharmaceutical, Inc.
U.S. Route 202 South
Raritan, NJ 08869-0602
Telefax No.: (908) 218-1416
with a copy to:

Office of General Counsel
Johnson & Johnson
One Johnson & Johnson Plaza
New Brunswick, NJ 08933
Telefax No.: (908) 524-2788

Any such notice shall be deemed to have been received when it has been delivered in the ordinary course of post or received by telefax.

ARTICLE 21 - WAIVER

21.1 The failure on the part of BIOCRYST or ORTHO to exercise or enforce any rights conferred upon it hereunder shall not be deemed to be a waiver of any such rights nor operate to bar the exercise or enforcement thereof at any time or times thereafter.

ARTICLE 22 - LEGALITY

22.1 In the event that any term of this Agreement shall contravene the laws and/or regulations in any country of the Territory, the Parties shall immediately meet in order to agree on any necessary amendments, provided that any clauses thereby rendered unenforceable shall in no way affect the validity of this Agreement.

ARTICLE 23 - ENTIRE AGREEMENT

23.1 This Agreement constitutes the entire agreement between the Parties hereto concerning the subject matter hereof and any representation, promise or condition in connection therewith, not incorporated herein, shall not be binding upon either Party. Before signing this Agreement the Parties have had numerous conversations, including preliminary discussions, formal negotiations and informal conversations at meals and social occasions, and have generated correspondence and other writings, in which the Parties discussed the transaction which is the subject of this Agreement and their aspirations for its success. In such conversations and writings, individuals representing the Parties may have expressed their judgements and beliefs concerning the intentions, capabilities, and practices of the Parties, and may have forecasted future events. The Parties recognize that such conversations and writings often involve an effort by both sides to be positive and optimistic about the prospects for the transaction. However, it is also recognized that all business transactions contain an element of risk, as does the transaction contemplated by this Agreement, and that it is normal business practice to limit the legal obligations of contracting Parties to only those promises and representations which are essential to their transaction so as to provide certainty as to their respective future rights and remedies. Accordingly, this Agreement including without limitation the exhibits, schedules and attachments thereto are intended to define the full extent of the legally enforceable undertakings of the Parties hereto, and no promise or representation, written or oral, which is not set forth explicitly is intended by either Party to be legally binding. Both Parties acknowledge that in deciding to enter into the Agreement and to consummate the transaction contemplated thereby neither has relied upon any statement or representations, written or oral, other than those explicitly set forth therein.

ARTICLE 24 - ASSIGNMENT

24.1 This Agreement, and all rights and obligations hereunder, are personal as between the Parties and shall not be assigned in whole or in part by any of the Parties to any other person or company without the prior written consent of the other Party. When assigned as permitted herein this Agreement shall be binding on each Party's successors and assigns.

ARTICLE 25 - TITLES

25.1 It is agreed that the marginal headings appearing at the beginning of the numbered Articles hereof have been inserted for convenience only and do not constitute any part of this Agreement.

ARTICLE 26 - PUBLICITY

26.1 Neither Party shall originate any publicity, news release or public announcements, written or oral, whether to the public or press, stockholders or otherwise, relating to this Agreement, including its existence, the subject matter to which it relates, performance under it or any of its terms, to any amendment hereto or performances hereunder without the prior written consent of the other Party, which shall not be unreasonably withheld applying a reasonableness standard applicable to a large pharmaceutical company, save only such announcements that are required by law to be made or that are otherwise agreed by the Parties. Such announcements shall be factual. If a Party decides to make an announcement required by law, it will give the other Party at least five (5) business days advance notice, where possible, of the text of the announcement so that the other Party will have an opportunity to comment upon the announcement. To the extent that the receiving Party reasonably requests that any information in the materials proposed to be disclosed be deleted, the disclosing Party shall request confidential treatment of such information pursuant to Rule 406 of the Securities Act of 1933 or Rule 24b-2 of the Securities Exchange Act of 1934 as amended, as applicable (or any other applicable regulation relating to the confidential treatment of information) so that there be omitted from the materials that are publicly filed any information that the receiving Party reasonably requests to be deleted, unless in the opinion of the disclosing Party's legal counsel such Confidential Information is legally required to be fully disclosed.

ARTICLE 27 - UNENFORCEABLE PROVISIONS

27.1 Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

ARTICLE 28 - OTHERS

28.1 As used in this Agreement, singular includes the plural and plural includes the singular, wherever so required by fact or context.

ARTICLE 29 - EXECUTION

29.1 This Agreement shall be executed in two (2) counterparts each of which shall for all purposes be deemed an original.

ARTICLE 30 - HSR CONDITION

30.1 The effectiveness of this Agreement and the Parties' rights and obligations under this Agreement are conditioned upon expiration or termination of the waiting period under the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976 (the "HSR Waiting Period"). The Parties agree to request early termination or waiver of the HSR Waiting Period. All payments that would otherwise have been payable during the period between the Effective Date and the termination of the HSR Waiting Period shall be paid within three (3) business days of termination of the HSR Waiting Period.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized officers or representatives as of the day and year first above written.

BIOCRYST PHARMACEUTICALS, INC.

Witness:

By: /s/ Charles E. Bugg

Name: Charles E. Bugg

Title: Chairman/CEO

Date: September 14, 1998

ORTHO-McNEIL PHARMACEUTICAL, INC.

Witness:

By: /s/ Robert G. Savage

Name: Robert G. Savage

Title: President

Date: September 14, 1998

R.W. JOHNSON PHARMACEUTICAL RESEARCH INSTITUTE, DIVISION OF ORTHO-McNEIL PHARMACEUTICAL, INC.

Witness:

By: /s/ William A.M. Duncan

Name: William A. M. Duncan

Title: Chairman

Date: September 14, 1998

SCHEDULE 1

EXISTING PATENTS

SCHEDULE 1A - U.S. PATENTS

Schedule 1A - U. S. Patents

Patent Number	Title	Inventors	Date of Issuance
5,602,277	Substituted Benzene Derivatives Useful as Neuraminidase Inhibitors	Babu et al.	Feb. 11, 1997

Schedule 1B - U. S. and International Patent Applications

[***]

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*** Information omitted and filed separately with the Commission under Rule 24b-2.

SCHEDULE 2

ASSAYS FOR DETERMINING WHETHER A COMPOUND IS ACTIVE AGAINST THE INFLUENZA VIRUS

[***]

- ----------
*** Information omitted and filed separately with the Commission under Rule 24b-2.

SCHEDULE 3

COUNTRIES WHERE PATENT APPLICATIONS WILL BE FILED AND PROSECUTED

US
[***]

- ------------------------
*** Information omitted and filed separately with the Commission under Rule 24b-2.

EXHIBIT A

THE PLAN

EXHIBIT B

ROYALTY CALCULATION EXAMPLE

[***]

- ----------
*** Information omitted and filed separately with the Commission under Rule 24b-2.

EXHIBIT 10.24

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (the "Agreement") is made as of September 14, 1998, by and between BioCryst Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Johnson & Johnson Development Corporation, a New Jersey corporation ("JJDC").

RECITAL:

WHEREAS, JJDC desires to purchase from the Company, and the Company desires to sell to JJDC, shares of the Company's common stock, upon the terms and subject to the conditions set forth herein and in connection with the execution of a separate License Agreement (the "License Agreement") of even date herewith between Ortho-McNeil Pharmaceutical Corporation and the Company.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

1. PURCHASE AND SALE OF SHARES. (a) Subject to the terms and conditions of this Agreement, at the Closing (as defined hereinafter), the Company agrees to sell to JJDC and JJDC agrees to purchase from the Company, that number of shares (the "Shares") of the Company's Common Stock, par value $.01 (the "Common Stock"), determined by dividing six million dollars ($6,000,000) by six dollars and fifty three cents ($6.53), the Agreed Price (as such term is defined in the Master Agreement of even date herewith (the "Master Agreement") by and between the Company and JJDC), for an aggregate purchase price (the "Purchase Price") of six million dollars ($6,000,000).

(b) The purchase and sale of the Shares shall take place at the offices of the Brobeck, Phleger & Harrison LLP, 1633 Broadway, New York, New York, at 11:00 a.m. Eastern time on such date (the "Closing Date") as the parties shall mutually agree (the "Closing"); PROVIDED that in no event shall the Closing Date be later than 53 days from the date hereof.

(c) At the Closing, the Company will deliver to JJDC a certificate or certificates, registered in JJDC's name, representing the Shares, and JJDC shall deliver an amount equal to the Purchase Price to the Company by certified check payable to the Company or wire transfer of immediately available funds to an account specified by the Company.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to JJDC that:

2.1 ORGANIZATION AND CORPORATE POWER. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is qualified to do business as a foreign corporation in each jurisdiction where failure to qualify would have a Material Adverse Effect on the Company. For purposes of this Agreement, a "Material Adverse Effect" or "Material Adverse Change" shall mean, with respect to the Company, any material adverse effect or change in the condition (financial or other), business, results of operations, prospects, assets, liabilities or operations of the Company taken as a whole or on the ability of the Company to consummate any of the transactions contemplated hereby, or any event or condition that would, with or without the passage of time, constitute a "Material Adverse Effect" or "Material Adverse Change." The Company has full power and authority to own its property, to carry on its business as presently conducted and to carry out the

transactions contemplated hereby. The copies of the Certificate of Incorporation and Bylaws of the Company, as amended to date, which have been furnished to JJDC by the Company, are correct and complete.

2.2 AUTHORIZATION. The Company has full power to execute, deliver and perform this Agreement, the License Agreement and each other agreement entered into by the Company in connection with this Agreement. Each such agreement has been duly executed and delivered by the Company and is the legal, valid and, assuming due execution by the other parties hereto and thereto, binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally, and to general equitable principles. The execution, delivery and performance of this Agreement, including the sale, issuance and delivery of the Shares, and the License Agreement, and each other agreement entered into by the Company in connection with this Agreement, has been duly authorized by all necessary corporate action of the Company.

2.3 CAPITALIZATION. When issued in accordance with the terms of this Agreement, the Shares will be duly authorized, validly issued and outstanding, fully paid and nonassessable, free of any liens, encumbrances, preemptive rights or rights of first refusal and will be issued in compliance with all applicable federal and state securities laws. The entire authorized capital stock of the Company consists of (i) 5,000,000 shares of Preferred Stock, par value $.01 (the "Preferred Stock"), and (ii) 45,000,000 shares of Common Stock authorized as of the most recent date practicable. There were no shares of Preferred Stock outstanding and 13,956,743 shares of Common Stock outstanding as of the most recent date practicable. The shares of Common Stock outstanding are duly authorized, validly issued and outstanding, fully paid and nonassessable, and were issued in compliance with all applicable federal and state securities laws. No shares of Common Stock or Preferred Stock are held in the Company's treasury. There are no outstanding securities, warrants, rights of first refusal, options or other rights to purchase or acquire, or exchangeable for or convertible into, any shares of Common Stock or Preferred Stock, except that the Company has (i) reserved 2,629,692 shares of Common Stock under its stock option plans and 129,038 shares of Common Stock under the Company's Employee Stock Purchase Plan, and (ii) outstanding warrants to purchase 248,239 shares of Common Stock. There are no preemptive rights with respect to the issuance or sale by the Company of any of its securities. Upon consummation of the transactions contemplated hereby, JJDC will acquire good and valid title to the Shares, free and clear of any encumbrances, liens, claims, charges or assessments of any nature whatever.

2.4 SUBSIDIARIES. The Company has no subsidiaries and no investments, directly or indirectly, in any other corporation or business organization. Except as set forth in the Public Reports, the Company is not a participant in any joint venture or partnership.

2.5 FINANCIAL STATEMENTS. The audited balance sheets and statements of operations and cash flow for the Company included in the Public Reports (as defined below)(collectively, the "Financial Statements") are complete and correct in all material respects, are in accordance with the books and records of the Company, have been prepared in accordance with generally accepted accounting principles, consistently applied, and fairly present the financial position of the Company as of each such date and the results of operations for each such period then ended.

2.6 ABSENCE OF UNDISCLOSED LIABILITIES. Except as and to the extent reflected or stated in the Financial Statements, the Company has no debts, liabilities or obligations of any nature, whether accrued or absolute, assigned or otherwise, or whether due or to become due, that would have been required to be reflected in, reserved against or otherwise described on the Financial Statements in accordance with GAAP which were not (a) fully reflected in, reserved against or otherwise described therein or (b) incurred in the ordinary course of business consistent with past practice since June 30, 1998.

2.7 ABSENCE OF CERTAIN DEVELOPMENTS. Since the date of the Company's Quarterly Report on Form 10-Q (the "10-Q") for the period ended June 30, 1998, (a) there has not been any Material Adverse Change with respect to the Company, and (b) the Company has not entered into any transaction except in the ordinary course of business and consistent with past practice, or entered into any agreement (contingent or otherwise) to do so.

2.8 TITLE TO PROPERTIES. Except as disclosed in the Financial Statements, the Company has good and marketable title to, or has a valid leasehold interest in, or a valid license for, all of the material properties and assets reflected in the Financial Statements, free and clear of all mortgages, security interests, liens, restrictions or encumbrances other than (i) the lien of current taxes not yet due and payable and (ii) possible minor liens and encumbrances which do not in any case, individually or in the aggregate, materially detract from the value of the property subject thereto or materially impair the operations of the Company, would not result in the occurrence of a Material Adverse Change, and which have not arisen otherwise than in the ordinary course of business.

2.9 TAX MATTERS. (a) All material taxes, including, without limitation, income, excise, property, sales, transfer, use, franchise, payroll, employees' income withholding and social security taxes imposed or assessed by the United States or by any foreign country or by any state, municipality, subdivision or instrumentality of the United States or of any foreign country, or by any other taxing authority, which are due or payable by the Company, and all interest, penalties and additions thereon, whether disputed or not, have been paid in full; all tax returns or other documents required to be filed in connection therewith have been accurately prepared and duly and timely filed; and the Company is not the beneficiary of any extension of time within which to file any such returns, except that the Company's 1997 tax returns are the subject of an extension. The Company has not been delinquent in the payment of any foreign or domestic tax, assessment or governmental charge or deposit and has no tax deficiency or claim outstanding, assessed or, to the best of its knowledge, proposed against it, and there is no basis for any such deficiency or claim. No issues have been raised (or are currently pending) by the Internal Revenue Service or any other taxing authority in connection with any of the returns and reports referred to above, and no waivers of statutes of limitations have been given or requested with respect to the Company in connection therewith. The provisions for taxes in the Financial Statements are sufficient for the payment of all accrued and unpaid federal, state, county and local taxes of the Company.

(b) The Company is not a party to or bound by any tax indemnity, tax sharing or tax allocation agreement.

(c) The Company is not presently a member nor have they ever been a member of an affiliated group of corporations within the meaning of Section 1504 of the Internal Revenue Code.

2.10 NO DEFAULTS. The Company is not in violation of any term or provision of (a) its Certificate of Incorporation or Bylaws, as amended to date, or in any material respect any note, indenture, mortgage, lease, agreement, contract, purchase order or other material instrument, document or agreement to which the Company is a party or by which it or any of its properties or assets is bound or affected or (b) any order, writ, injunction or decree of any court or any federal, state, municipal or other governmental department, authority, commission, board, bureau, agency or instrumentality, domestic or foreign. There exists no condition, event or act which constitutes, or which after notice, lapse of time or both, would constitute a Material Adverse Effect under any of the foregoing.

2.11 INTELLECTUAL PROPERTY. The Company has sufficient title and ownership of all material patents, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and processes, licenses and inventions necessary for the proper conduct of its business as now conducted, and as proposed to be conducted, to the best of the Company's knowledge without conflict with or infringement of the rights of others. There are no material outstanding options, licenses, or agreements of any kind relating to the foregoing except as set forth in the Public Reports, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other person or entity, which would be material to the Company's business as conducted or, to the best of the Company's knowledge, as proposed to be conducted. The Company has not received any communications alleging, nor is the Company aware, to the best of its knowledge, of any basis for such allegation, that the Company has violated, or by conducting its business as proposed, would violate any of the patents, trademarks, service marks, tradenames, copyrights or trade secrets or other proprietary rights of any other person or entity. No other firm, corporation, association or person (i) has notified the Company that it is claiming any ownership of or right to use any of the patents, trademarks, service marks, tradenames, copyrights or trade secrets or other proprietary rights, or (ii) to the best of the Company's

knowledge, is infringing upon any such patents, trademarks, service marks, tradenames, copyrights or trade secrets or other proprietary rights. The Company is not aware, to the best of its knowledge, that any of its employees is obligated under any contract (including, licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of such employee's best efforts to promote the interests of the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the best of the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such employees now obligated. Each employee of and consultant to the Company with access to confidential or proprietary information has executed a proprietary information agreement obligating such employee or consultant to hold all such information in confidence. The Company does not believe, to the best of its knowledge, that it is or will be necessary to utilize any inventions of any of its employees (or people it currently intends to hire) made prior to their employment by the Company for which licenses have not already been obtained.

2.12 EFFECT OF TRANSACTIONS. The execution, delivery and performance of this Agreement and the transactions contemplated hereby, and compliance with the provisions hereof by the Company, do not and will not, with or without the passage of time or the giving of notice or both, (a) violate any provision of law, statute, rule or regulation or any ruling, writ, injunction, order, judgment or decree of any court, administrative agency or other governmental body or (b) conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default (or give rise to any right of termination, cancellation or acceleration) under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company, under the Certificate of Incorporation or Bylaws, as amended to date, of the Company or any material note, indenture, mortgage, lease, agreement, contract, purchase order or other instrument, document or agreement to which the Company is a party or by which it or any of its properties or assets is bound or affected, except in any case where such occurrence would not have a Material Adverse Effect on the Company.

2.13 NO GOVERNMENTAL CONSENT OR APPROVAL REQUIRED. Based in part on the representations made by JJDC in Section 3 of this Agreement, no authorization, consent, approval or other order of, declaration to, or registration, qualification, designation or filing with, any federal, state or local governmental agency or body is required for or in connection with the valid and lawful authorization, execution and delivery by the Company of this Agreement, the License Agreement or any other agreement entered into by the Company in connection with this Agreement, and the consummation of the transactions contemplated hereby or thereby, or for or in connection with the valid and lawful authorization, issuance, sale and delivery of the Shares, other than (i) applicable obligations under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations thereunder (the "HSR Act"), and (ii) the qualification (or taking of such action as may be necessary to secure an exemption from qualification if available) of the offer and sale of the Shares under the applicable state securities laws, which filings and qualifications, if required, will be accomplished in a timely manner so as to comply with such qualification or exemption from qualification requirements.

2.14 LITIGATION. Except as disclosed in the 10-Q, there is no (a) claim, arbitration, action, suit, proceeding or investigation at law or in equity or by or before any governmental instrumentality or other agency pending, or to the best knowledge of the Company, threatened against the Company, or (b) judgment, decree, injunction or order of any court, governmental department, commission, agency, instrumentality or arbitrator against the Company, nor, to the best knowledge of the Company, does there exist any basis therefor.

2.15 SECURITIES LAWS. Assuming that JJDC's representations and warranties contained in Section 3 of this Agreement are true and correct, the offer, issuance and sale of the Shares are and will be exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the "1933 Act"), and have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws.

2.16 BUSINESS. The Company has complied in all material respects with all Federal, state, local or foreign laws, ordinances, regulations or orders applicable to the business of the Company as presently or previously

conducted, or as proposed to be conducted. The Company has all Federal, state, local and foreign governmental licenses and permits that are required for the conduct of its business presently or previously conducted by the Company, which licenses and permits are in full force and effect, and no violations are outstanding or uncured with respect to any such licenses or permits and no proceeding is pending or, to the best knowledge of the Company, threatened to revoke or limit any thereof.

2.17 BROKERAGE. Except as otherwise disclosed in the License Agreement, there are no claims for brokerage commissions or finder's fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement made by or on behalf of the Company and the Company agrees to indemnify and hold JJDC harmless against any damages incurred as a result of any such claim.

2.18 INSURANCE. The Company maintains in full force such types and amounts of insurance issued by issuers of recognized responsibility insuring the Company, with respect to its liability, workers' compensation, business and properties, in such amounts and against such losses and risks as are adequate against risks usually insured against by Persons (as hereinafter defined) operating similar businesses and properties.

2.19 PUBLIC REPORTS. The Company has provided to JJDC true and complete copies of all reports, schedules, forms, statements and other documents (the "Public Reports") filed by the Company with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since December 31, 1996. The Public Reports include all the reports the Company has been required to file under the Exchange Act since that date. As of their respective dates, (i) the Public Reports complied in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder, and (ii) none of the Public Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

2.20 INVESTMENT COMPANY. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and will not, as a result of the transactions contemplated hereby, become an "investment company."

2.21 REGISTRATION RIGHTS. Except as set forth herein and except with respect to the registration rights described on the Annual Report on Form 10-K for the year ended December 31, 1997 and the Company's registration statement on Form S-8, the Company is not under any contractual obligation to register any of its currently outstanding securities or any of its securities that may hereafter be issued.

2.22 DISCLOSURE. The Company has provided JJDC with all the information that it has requested for deciding whether to purchase the Shares at the Closing. Neither the Financial Statements nor this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading.

3. REPRESENTATIONS AND WARRANTIES AND OTHER AGREEMENTS OF JJDC.

3.1 REPRESENTATIONS AND WARRANTIES. JJDC hereby represents and warrants to the Company that:

a. AUTHORIZATION. JJDC has full power and authority to execute, deliver and perform this Agreement and to purchase the Shares. Assuming due execution by the Company hereto, this Agreement constitutes the valid and legally binding obligation of JJDC, enforceable against JJDC in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally, and to general equitable principles.

b. INVESTMENT INTENT. JJDC is an "accredited investor" as defined in Regulation D of the Securities Act. The Shares to be received by JJDC will be acquired for investment for JJDC's own account, not as a nominee or agent and not with a view to the distribution of any part thereof. JJDC has no present intention of selling, granting any participation in, or otherwise distributing the same. JJDC does not have any contract,

undertaking, agreement or arrangement with any person to sell, transfer, or grant participation to such person or to any third person, with respect to any of the Shares.

c. RESTRICTIONS ON DISPOSITION. JJDC covenants that in no event will it dispose of any of the Shares (other than pursuant to Rule 144 promulgated under the 1933 Act ("Rule 144") or pursuant to a registration statement filed with the Securities and Exchange Commission (the "SEC") pursuant to the 1933 Act) unless and until (i) JJDC shall have notified the Company of the proposed disposition and shall have furnished the Company with a statement of the circumstances surrounding the proposed disposition, and (ii) if requested by the Company, JJDC shall have furnished the Company with an opinion of JJDC's counsel, reasonably satisfactory in form and substance to the Company and the Company's counsel, to the effect that (a) such disposition will not require registration under the 1933 Act or (b) appropriate action necessary for compliance with the 1933 Act and any applicable state, local or foreign law has been taken. The restrictions on transfer imposed by this Section 3.1(c) shall cease and terminate as to the Shares when: (i) such Shares shall have been effectively registered under the 1933 Act and sold by the holder thereof in accordance with such registration, or (ii) an opinion of the kind described in the preceding sentence states that all future transfers of such Shares by the holder thereof would be exempt from registration under the 1933 Act. Each certificate evidencing the Shares shall bear an appropriate restrictive legend as set forth in Section 3.3 below, except that such certificate shall not be required to bear such legend after a transfer thereof if the transfer was made in compliance with Rule 144 or pursuant to a registration statement or, if the opinion of counsel referred to above is issued and provides that such legend is not required in order to establish compliance with any provisions of the 1933 Act.

d. RECEIPT OF INFORMATION. JJDC has been furnished access to the business records of the Company and all such additional information and documents as JJDC has requested and has been afforded an opportunity to ask questions of and receive answers from representatives of the Company concerning the terms and conditions of this Agreement and the purchase of the Shares.

e. BROKERAGE. There are no claims for brokerage commissions or finder's fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of JJDC, and JJDC agrees to indemnify and hold the Company harmless against any damages incurred as a result of any such claims.

3.2 FURTHER PROVISIONS REGARDING DISPOSITION.

a. TRANSFER TO AFFILIATES. Notwithstanding the provisions of Section 3.1(c) above, no registration statement or opinion of counsel shall be necessary for a transfer by JJDC of the Shares to a subsidiary, shareholder or Affiliate of JJDC, if the transferee agrees in writing to be subject to the terms hereof to the same extent as if such transferee were JJDC hereunder.

b. NEW CERTIFICATES. Whenever the restrictions imposed by Section 3.1(c) shall terminate as herein provided, the holder of the Shares as to which such restrictions have terminated shall be entitled to receive from the Company, without expense, one or more new certificates not bearing restrictive legends and not containing any reference to the restrictions imposed by this Agreement.

3.3 LEGENDS. It is understood that, subject to Sections 3.1(c) and 3.2(b), the certificates evidencing the Shares may bear substantially the following legends:

(a) THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT.

(b) Any legend required by the laws of any other applicable jurisdiction.

4. CONDITIONS TO JJDC'S OBLIGATIONS AT CLOSING. The obligations of JJDC to purchase Shares at the Closing are subject to the fulfillment on or prior to the Closing of each of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company contained in Section 2 shall be true in all material respects (provided that to the extent any representation or warranty has a materiality qualification it shall not be further qualified by the use of the word material in this Section 4(a)) on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date; PROVIDED that a Material Adverse Change or Material Adverse Effect occurring after the date hereof shall not constitute a breach of the specific representation and warranty and condition to closing set forth in this Section 4(a) if such Material Adverse Change or Material Adverse Effect is publicly disclosed by the Company at least two (2) business days prior to the Closing Date.

(b) PERFORMANCE. The Company shall have performed and complied with all material agreements, obligations, and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

(c) QUALIFICATIONS. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Shares to JJDC pursuant to this Agreement shall have been duly obtained and shall be effective on and as of the Closing.

(d) PROCEEDINGS AND DOCUMENTS. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to JJDC and JJDC's counsel, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

(e) LICENSE AGREEMENT. The License Agreement shall have been executed and delivered by the Company and shall be in full force and effect.

(f) OPINION OF COMPANY COUNSEL. JJDC shall have received from Brobeck Phleger & Harrison LLP, counsel for the Company, an opinion addressed to JJDC covering the matters set forth in Sections 2.1, 2.2, 2.3 (as to the due authorization, valid issuance, full payment and non-assessability of the Shares), 2.13, 2.15 (solely with respect to federal securities laws) and 2.20 hereof and, to the best of its knowledge, as to the matters set forth in Section 2.12 (and with respect to the matters set forth in Section 2.12(b), solely as to such notes, indentures, mortgages, leases, agreements, contracts, purchase orders or other instruments or documents identified by the Company as material in the Public Reports).

(g) COMPLIANCE CERTIFICATE. The Chief Executive Officer of the Company shall deliver to JJDC at the Closing a certificate certifying that the conditions specified in Sections 4.1(a), (b) and (c) hereof have been fulfilled and stating that there has been no Material Adverse Change in the Company since the date of the 10-Q.

(h) REQUIRED CONSENTS. All waiting periods applicable to the Closing under the HSR Act (including any extension thereof by reason of a request for additional information) shall have expired or been terminated and no action shall have been instituted, or shall be threatened or pending, by the United States Justice Department (the "DOJ") or the Federal Trade Commission (the "FTC") challenging or seeking to enjoin the consummation of the transactions contemplated at the Closing, which action shall not have been withdrawn or terminated.

5. CONDITIONS OF THE COMPANY'S OBLIGATIONS AT CLOSING. The obligations of the Company under Section 1 of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions:

5.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of JJDC contained in Section 3 shall be true in all material respects (provided that to the extent any representation or warranty has a materiality qualification it shall not be further qualified by the use of the word material in this Section 5.1) on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date.

5.2 PERFORMANCE. JJDC shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

5.3 QUALIFICATIONS. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Shares at the Closing to JJDC pursuant to this Agreement shall have been duly obtained and shall be effective on and as of the date of the Closing.

5.4 REQUIRED CONSENTS. All waiting periods applicable to the Closing under the HSR Act (including any extension thereof by reason of a request for additional information) shall have expired or been terminated and no action shall have been instituted, or shall be threatened or pending, by the DOJ or the FTC challenging or seeking to enjoin the consummation of the transactions contemplated at the Closing, which action shall not have been withdrawn or terminated.

6. REGISTRATION OF SHARES.

6.1 DEFINITIONS. Unless the context otherwise requires, the terms defined in this Section 6 shall have the meanings herein specified for all purposes of this Agreement, applicable to both the singular and plural forms of any of the terms herein defined.

"HOLDER" of any security means the record or beneficial owner of such security or any permitted assignee thereof.

The terms "REGISTER," "REGISTERED" and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the 1933 Act, and the declaration for ordering of the effectiveness of such registration statement.

"REGISTRABLE SECURITIES" means (i) the shares of Common Stock of the Company sold pursuant to this Agreement and (ii) any Common Stock issued or issuable with respect to the Common Stock referred to in clause (i) above by way of a stock dividend or stock split or in connection with a combination of shares, reclassification, recapitalization, merger or consolidation or reorganization; provided, however that such shares of Common Stock shall only be treated as Registrable Securities if and so long as they have not been (x) sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, or (y) sold in a transaction exempt from the registration and prospectus delivery requirements of the 1933 Act pursuant to Rule 144 thereunder so that all the transfer registrations and restrictive legends with respect to such Common Stock are removed upon the consummation of such sale and the Company receives an opinion of counsel for the Company (with a copy to the seller of such Common Stock), which shall be in form and content reasonably satisfactory to the Company, to the effect that such Common Stock in the hands of the purchaser is freely transferable without restriction or registration under the 1933 Act in any public or private transaction.

"REGISTRABLE SECURITIES THEN OUTSTANDING" means the number of shares of Common Stock which are Registrable Securities and (i) are then issued and outstanding or (ii) are then issuable pursuant to the exercise or conversion of then outstanding and then exercisable options, warrants or convertible securities.

6.2 FORM S-3 REGISTRATION. (a) Upon the written request of JJDC (a "Registration Request"), the Company shall file with the SEC on or after the date which is six (6) months after the date hereof, a registration statement on Form S-3 covering all of the Registrable Securities and use its best efforts thereafter to

effect such registration and any related qualification or compliance as soon as practicable as may be necessary and as would permit or facilitate the sale and distribution of all the Registrable Securities.

(b) In the event that the effectiveness of the Form S-3 is suspended or terminated at any time within the two (2) year period following the date hereof, then the Company shall give written notice to the Holders and shall use its best efforts to effect as soon as practicable the registration on Form S-1 of all Registrable Securities which the Holders request to be registered pursuant to such request and all such qualifications and compliances as may be necessary and as would permit or facilitate the sale and distribution of all the Registrable Securities requested to be registered; PROVIDED, HOWEVER, that the Company shall not be obligated to effect or continue any such registration, qualification or compliance pursuant to this Section 6.2 after the second anniversary of the date hereof.

(c) The Company may (i) suspend sales of Registrable Securities under an effective registration statement for a period of not more than sixty (60) days, or (ii) defer the filing (but not the preparation) of a registration statement required by this Section 6.2 until a date not later than sixty (60) days after the date of a Registration Request with respect to the Form S-3 if, at any time prior to receiving the Registration Request, the Company is engaged in confidential negotiations or other confidential business activities, disclosure of which (in the reasonable opinion of outside counsel to the Company) would be required in such registration statement and would not be required if such registration statement were not filed, and the Board of Directors of the Company determines in good faith that such disclosure would be materially detrimental to the Company and its stockholders; provided, however, that the Company shall not utilize this right more than twice in any 12-month period.

(d) A deferral of the filing of a registration statement pursuant to Section 6.2(c) shall be lifted if the negotiations or other activities are disclosed. In order to defer the filing of a registration statement pursuant to this Section 6.2, the Company shall promptly (but in any event within 5 days), upon determining to seek such deferral, deliver to each Holder a certificate signed by an executive officer of the Company stating that the Company is deferring such filing pursuant to this Section 6.2 and a general statement of the reason for such deferral and an approximation of the anticipated delay. Each Holder hereby agrees to keep confidential any information disclosed to such Holder in any such certificate (including the fact that such certificate was delivered).

6.3 REGISTRATION EXPENSES. The Company shall pay all expenses incurred in effecting the registration of Registrable Securities pursuant to Section 6 including, without limitation, all federal and state registration, qualification and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of one counsel for the participating Holders together, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but not including underwriting discounts, commissions and expenses.

6.4 REGISTRATION PROCEDURES. If and whenever the Company is required by the provisions of Section 6 to effect the registration of Registrable Securities under the 1933 Act, the Company will, as expeditiously as possible:

(a) prepare and file with the SEC a registration statement which includes the Registrable Securities and use its best efforts to cause such registration statement to become and remain effective for a period of two (2) years after the date hereof;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the 1933 Act with respect to the sale or other disposition of Registrable Securities covered by such registration statement for a period of two (2) years after the date hereof;

(c) furnish to each participating Holder (and to each underwriter, if any, of Registrable Securities) such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the 1933 Act, and such other documents, as such Holder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities;

(d) use its best efforts to register or qualify the Registrable Securities covered by such registration statement under such state securities or blue sky laws of such jurisdiction as each participating Holder shall reasonably request and do any and all other acts and things which may be necessary under such securities or blue sky laws to enable such Holder to consummate the public sale or other disposition of the Registrable Securities in such jurisdictions, except that the Company shall not for any purpose be required to consent generally to service of process or qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified;

(e) before filing the registration statement or prospectus or amendments or supplements thereto, furnish to counsel selected by the participating Holders copies of such documents proposed to be filed which shall be subject to the reasonable approval of such counsel;

(f) enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offer;

(g) notify the participating Holders at any time when a prospectus relating to any Registrable Securities covered by such registration statement is required to be delivered under the 1933 Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing and promptly file such amendments and supplements as may be necessary so that, as thereafter delivered to such Holders of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing and use its best efforts to cause each such amendment and supplement to become effective;

(h) furnish at the request of the participating Holders on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to Section 6, (i) an opinion, dated such date, of the counsel representing the Company, for purposes of such registration, in form and substance as is customarily given by company counsel to the underwriters in an underwritten public offering addressed to the underwriters, if any, and to such Holders, and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters and to such Holders; and

(i) use its best efforts to cause all such Registrable Securities to be listed on the securities exchange, if any, on which the Common Stock is then listed.

6.5 INDEMNIFICATION. In the event Registrable Securities are registered pursuant to this Section 6:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder of Registrable Securities which are included in a registration statement pursuant to the provisions of this Agreement and any underwriter (within the meaning of the 1933 Act) with respect to the Registrable Securities, and each officer, director, employee and agent thereof and each person, if any, who otherwise controls such Holder or underwriter (within the meaning of the 1933 Act), against any losses or claims, damages, expenses or liabilities, joint or several, to which they may become subject under the 1933 Act, the Exchange Act or other federal or state law, or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions in respect thereof) arise out of or are based upon any untrue or allegedly untrue statement of any material fact contained in the registration statement for the Registrable Securities, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or any document incident to the registration or qualification of any Registrable Securities, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or allegedly necessary to make the statements therein not misleading or arise out of any violation or alleged violation by the Company of the 1933 Act, the Exchange Act, any state securities law or

any rule or regulation promulgated under the 1933 Act, the Exchange Act or any state securities law; and will reimburse such Holder, any underwriter, officer, director, employee, agent or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.5(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, expense, liability or action if such settlement is effected without the written consent of the Company, which shall not be unreasonably withheld, nor shall the Company be liable under this Section 6.5(a) to such Holder, such underwriter, officer, director, employee, agent or controlling person for any such loss, claim, damage, expense, liability or action to the extent that it arises out of, or is based upon, an untrue statement or allegedly untrue statement or omission or alleged omission made in connection with such registration statement, preliminary prospectus, final prospectus, or amendments or supplements thereto, in reliance upon and in conformity with information furnished in writing expressly for use in connection with such registration by such Holder, such underwriter, officer, director, employee, agent or such controlling person.

(b) To the extent permitted by law, each Holder of Registrable Securities which are included in a registration statement pursuant to the provisions of this Agreement will indemnify and hold harmless the Company, each of its employees, agents, directors and officers, each person, if any, who controls the Company within the meaning of the 1933 Act, and any underwriter (within the meaning of the 1933 Act) against any losses, claims, damages, or liabilities to which the Company or any such person or underwriter may become subject, under the 1933 Act, the Exchange Act or other federal or state law or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions in respect thereof) arise out of, or are based upon any untrue or allegedly untrue statement of any material fact contained in a registration statement for the Registrable Securities, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or any document incident to the registration or qualification of any Registrable Securities, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or allegedly necessary to make the statements therein not misleading; in each case to the extent that such untrue statement or allegedly untrue statement or omission or alleged omission was made in such registration statement, preliminary prospectus, or amendments or supplements thereto, in reliance upon and in conformity with information furnished in writing by such Holder expressly for use in connection with such registration; provided, however, that the indemnity agreement contained in this Section 6.5(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, expense, liability or action if such settlement is effected without the written consent of such Holder, which shall not be unreasonably withheld; and such Holder will reimburse the Company or any such person or underwriter for any legal or other expenses reasonably incurred by the Company or any such person or underwriter in connection with investigating or defending such loss, claim, damage, liability, expense or action.

(c) Promptly after receipt by an indemnified party under this Section 6.5 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6.5, notify the indemnifying party in writing of the commencement thereof and generally summarize such action. The indemnifying party shall have the right to participate in and to assume the defense thereof with counsel mutually satisfactory to the parties. An indemnifying party shall not have the right to direct the defense of such an action on behalf of an indemnified party if such indemnified party has reasonably concluded that there may be defenses available to it that are different from or additional to those available to the indemnifying party; provided, however, that in such event, the indemnifying party shall bear the fees and expenses of only one (1) separate counsel for all indemnified parties. The failure to notify an indemnifying party promptly of the commencement of any such action if prejudicial to the ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6.5, but the omission so to notify the indemnifying party will not relieve such party of any liability that such party may have to any indemnified party otherwise than under this Section 6.5.

(d) To the extent permitted by law, the indemnification provided for under this Section 6.5 will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling person (within the meaning of the 1933 Act) of such indemnified party and will survive the transfer of any securities.

(e) If for any reason the foregoing indemnity is unavailable to, or is insufficient to hold harmless an indemnified party, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, or provides a lesser sum to the indemnified party than the amount hereinafter calculated, in such proportion as is appropriate to reflect not only the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other but also the relative fault of the indemnifying party and the indemnified party as well as any other relevant equitable considerations. Notwithstanding the foregoing, no underwriter, if any, shall be required to contribute any amount in excess of the amount by which the total price at which the securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligation of any underwriters to contribute pursuant to this Section 6.5(e) shall be several in proportion to their respective underwriting commitments and not joint.

6.6 "MARKET STAND-OFF" AGREEMENT. Each Holder hereby agrees that, during the period of duration specified by the Company and a managing underwriter of Common Stock or other securities of the Company, following the effective date of a registration statement of the Company filed under the 1933 Act, it shall not, to the extent requested by the Company and such managing underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except Common Stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to the first two such registration statements of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering during the two-year period following the effective date of a registration statement referenced above;

(b) all (i) officers and directors of the Company, (ii) persons acquiring from the Company an aggregate of 1% of more of the outstanding Common Stock (or shares of securities convertible into Common Stock) from and after the date hereof, and (iii) all other persons with registration rights (whether or not pursuant to this Agreement), enter into similar agreements; and

(c) such market stand-off time period shall in no event exceed one hundred eighty (180) days.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period. Notwithstanding the foregoing, the obligations described in this Section 6.6 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms which may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-14 or Form S-15 or similar forms which may be promulgated in the future.

6.7 REPORTS UNDER EXCHANGE ACT. With a view to making available to the Holders the benefits of Rule 144 promulgated under the 1933 Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell Registrable Securities to the public without registration, and with a view to making it possible for any such Holder to register the Registrable Securities pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep available public information, as those terms are understood and defined in Rule 144, at all times;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the Exchange Act; and

(c) furnish to a Holder owning any Registrable Securities upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the 1933 Act and the Exchange Act, or that it qualifies as a registrant whose Registrable Securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably required in availing any Holder of Registrable Securities of any rule or regulation of the SEC which permits the selling of any such Registrable Securities without registration or pursuant to such form.

6.8 TRANSFERABILITY. The right to cause the Company to register Registrable Stock granted by the Company to the Holders under this Agreement may be assigned by any Holder to a transferee or assignee of Registrable Securities who is an affiliate of JJDC; PROVIDED that such transferee or assignee acquires no less than 20% of the Registrable Securities then held by such transferring Holder; and, PROVIDED FURTHER, that the Company must receive written notice prior to or at the time of said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such rights are being assigned.

7. MISCELLANEOUS.

7.1 SURVIVAL OF WARRANTIES. The warranties, representations, agreements, covenants and undertakings of the Company or JJDC contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and each Closing and shall in no way be affected by an investigation of the subject matter thereof made by or on behalf of JJDC or the Company.

7.2 INCORPORATION BY REFERENCE. All Exhibits and Schedules appended to this Agreement are herein incorporated by reference and made a part hereof.

7.3 SUCCESSOR AND ASSIGNEES. All terms, covenants, agreements, representations, warranties and undertakings in this Agreement made by and on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto (including transferees of any Shares) whether so expressed or not, subject to Sections 6.8.

7.4 AMENDMENTS AND WAIVERS. (a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by JJDC and the Company or, in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

7.5 GOVERNING LAW. This Agreement shall be deemed a contract made under the laws of the State of New York and, together with the rights or obligations of the parties hereunder, shall be construed under and governed by the laws of such State.

7.6 NOTICES. All notices, requests, consents and demands shall be in writing and shall be deemed given when (i) personally delivered, (ii) mailed in a registered or certified envelope, postage prepaid or (iii) sent by Federal Express or another nationally recognized overnight delivery service (paid by sender):

to the Company at:

BioCryst Pharmaceuticals, Inc.
2190 Parkway Lake Drive
Birmingham, AL 35244
Fax: (205) 444-4640

Attention: Charles E. Bugg, Ph.D.

with a copy to:

Brobeck, Phleger & Harrison LLP
1633 Broadway, 47th Floor
New York, NY 10019
Fax: (212) 586-7878
Attention: Richard R. Plumridge, Esq.

or to JJDC at:

Johnson & Johnson Development Corporation
One Johnson & Johnson Plaza
New Brunswick, New Jersey 08933
Fax: (908) 247-5309
Attention: President

with a copy to:

Johnson & Johnson
One Johnson & Johnson Plaza
New Brunswick, New Jersey 08933
Fax: (908) 524-2788
Attention: Office of General Counsel

or such other address as may be furnished in writing by a party to the other party hereto.

7.7 COUNTERPARTS. This Agreement may be executed in counterparts, all of which together shall constitute one and the same instrument.

7.8 EFFECT OF HEADINGS. The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

7.9 ENTIRE AGREEMENT. This Agreement, the License Agreement and the Exhibits and Schedules hereto and thereto constitute the entire agreement among the Company and JJDC with respect to the subject matter hereof. There are no representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement supersedes all prior agreements between the parties with respect to the Shares purchased hereunder and the subject matter hereof.

7.10 PUBLICITY. Neither party shall originate any publicity, news release or other public announcement, written or oral, whether relating to the performance under this Agreement or the existence of any arrangement between the parties, without the prior written consent of the other party, except where such publicity, news release or other public announcement is required by law; PROVIDED that in such event, JJDC shall be consulted by the Company in connection with any such publicity, news release or other public announcement prior to its release and shall be provided with a copy thereof.

7.11 SEVERABILITY. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written, by the duly authorized representatives of the parties hereto.

BIOCRYST PHARMACEUTICALS, INC.

By: /s/ Charles E. Bugg

Name: Charles E. Bugg
Title: Chairman/CEO

JOHNSON & JOHNSON
DEVELOPMENT CORPORATION

By: /s/ Blair M. Flicker

Name: Blair M. Flicker
Title: Vice President

EXHIBIT 10.25

STOCKHOLDER'S AGREEMENT

STOCKHOLDER'S AGREEMENT, dated as of September 14, 1998, by and among BIOCRYST PHARMACEUTICALS, INC., a Delaware corporation (the "Company") and JOHNSON & JOHNSON DEVELOPMENT CORPORATION, a New Jersey corporation ("JJDC", together with its Affiliates sometimes referred to herein as the "Stockholder"), and a wholly owned subsidiary of Johnson & Johnson, a New Jersey corporation ("J&J").

R E C I T A L S:

A. The Company has concurrently issued and sold to JJDC, for aggregate consideration of Six Million Dollars ($6,000,000), shares of the Company's common stock (the "Shares"), $0.01 par value per share (the "Common Stock").

B. JJDC and the Company desire to set forth herein certain provisions relating to the ownership and transfer of shares of Common Stock by JJDC.

A G R E E M E N T:

The parties agree as follows:

ARTICLE I
DEFINITIONS; AUTHORIZATIONS

1.01 DEFINED TERMS. AS USED HEREIN, THE TERMS BELOW SHALL HAVE THE FOLLOWING MEANINGS.

"AFFILIATE" shall have the meaning set forth in Section 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

"COMPANY SECURITIES" shall mean the Common Stock and any additional shares of Common Stock issued or issuable to JJDC upon the conversion, exchange or exercise of any other security or right.

"FULLY DILUTED COMMON STOCK" shall mean all of the Common Stock of the Company, assuming conversion, exercise or exchange of all outstanding convertible, exchangeable or exercisable securities, options, warrants and similar instruments for or into Common Stock.

"LICENSE AGREEMENT" shall mean the license agreement dated as of the date hereof by and between ORTHO-MCNEIL PHARMACEUTICALS, INC., a Delaware corporation and its R.W. JOHNSON PHARMACEUTICAL RESEARCH INSTITUTE division ("Ortho"), also a wholly owned subsidiary of J&J, and the Company, in connection with the licensing of Company's influenza neuraminidase technology (as defined in the License Agreement).

"PERMITTED TRANSFEREE" shall mean (i) any Affiliate of JJDC, as applicable, or (ii) any other Person who acquires Company Securities from JJDC in a transaction that is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), other than under Rule 144 thereunder or a similar rule or regulation providing for the sale of securities to the public.

"PERSON" shall mean an individual, partnership, joint venture, corporation, trust or unincorporated organization, a government or any department, agency or political subdivision thereof, or any other entity.

"PURCHASE AGREEMENT" shall mean the Stock Purchase Agreement dated as of September 14, 1998 by and between the Company and JJDC.

"RESTRICTED SECURITIES" shall mean Company Securities issued pursuant to the Purchase Agreement, including Common Stock and any securities convertible, exercisable or exchangeable for or into Common Stock.

1.02 REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company Hereby represents and warrants to JJDC as follows, as of the date hereof:

a) ORGANIZATION. The Company is a corporation duly organized, validly existing and is in good standing under the laws of Delaware, and has all the requisite corporate power and authority do own and lease its properties, to carry on its business as presently conducted and as proposed to be conducted and to carry out the transaction contemplated hereby.

b) AUTHORIZATION. The execution, delivery and performance by the Company of this Agreement has been duly authorized by all requisite corporate actions; and this agreement has been duly executed and delivered by the Company and is a valid and binding obligation of the company, enforceable against it in accordance with its respective terms.

c) NO CONFLICTS. The execution, delivery and performance by the Company of this Agreement, and compliance with the provisions hereof by the Company, will not (a) violate any provision of applicable law, statute, rule or regulation applicable to the Company or any ruling, writ, injunction, order, judgment or decree of any court, arbitrator, administrative agency or other governmental body applicable to the Company or any of its respective properties or assets or (b) conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute (with notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, or result in the creation of, any Encumbrance (as defined below) upon any of the properties or assets of the Company under the charter or organizational documents of either or any material contract to which the Company is a party, except where such violation, conflict or breach would not, individually or in the aggregate, have a material adverse effect on the Company. As used herein, "Encumbrance" shall mean any liens, charges, Encumbrances, equities, claims, options, proxies, pledges, security interests, or other similar rights of any nature.

d) APPROVALS. No permit, authorization, consent or approval of or by, or any notification of or filing with, any person or entity (governmental or private) is required in connection with the execution, delivery or performance of this Agreement by the Company.

1.03 REPRESENTATIONS AND WARRANTIES OF JJDC. JJDC hereby represents and warrants to the Company as follows:

a) ORGANIZATION. JJDC is a company duly organized, validly existing and, if applicable, in good standing under the laws of its jurisdiction of organization and has all the requisite corporate power and authority to own and lease its properties, to carry on its business as presently conducted and as proposed to be conducted and to carry out the transactions contemplated hereby.

b) AUTHORITY. JJDC has full legal right, power and authority to enter into this Agreement and to perform its obligations hereunder, which have been duly authorized and by all requisite corporate action. This agreement is the valid and binding obligation of JJDC, enforceable against it in accordance with its terms.

c) NO CONFLICTS. The execution, delivery and performance by JJDC of this Agreement and compliance with the provisions hereof by JJDC will not (a) violate any provision of applicable law, statute, rule or regulation applicable to JJDC or any ruling, writ, injunction, order, judgment or decree of any court, arbitrator, administrative agency or other governmental body applicable to JJDC or any of its properties or assets or (b) conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute (with

notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, or result in the creation of, any encumbrance (as defined below) upon any of the properties or assets of JJDC under, the charter or organizational documents of either or any material contract to which JJDC is a party, except where such violation, conflict or breach would not, individually or in the aggregate, have a material adverse effect on JJDC. As used herein, "Encumbrance" shall mean any liens, charges, Encumbrances, equities, claims, options, proxies, pledges, security interests, or other similar rights of any nature.

d) APPROVALS. No permit, authorization, consent or approval of or by, or any notification of or filing with, any person or entity (governmental or private) (collectively, "Approval") is required in connection with the execution, delivery or performance of this Agreement by JJDC.

ARTICLE II
TRANSFERS OF RESTRICTED SECURITIES

2.01 GENERAL. JJDC shall not, directly or indirectly, sell, assign, pledge, encumber, hypothecate or otherwise transfer (in each case, a "Transfer") any Company Securities except in accordance with this Agreement. The Company shall not, and shall not permit any transfer agent or registrar for the Company Securities to, transfer upon the books of the Company any Company Securities from JJDC to any transferee (as hereinafter defined), in any manner, except in accordance with this agreement, and any purported transfer not in compliance with this Agreement shall be void.

2.02 NO VIOLATIONS OR BREACH. Notwithstanding any other provision of this Agreement, JJDC shall not, directly or indirectly, Transfer any Restricted Securities at any time if such action would constitute a violation of any federal or state securities or blue sky laws or a breach of the conditions to any exemption from registration of Restricted Securities under any such laws or a breach of any undertaking or agreement of JJDC entered into pursuant to such laws or in connection with obtaining an exemption thereunder.

ARTICLE III
RIGHT OF FIRST OFFER

3.01 TRANSFERS BY JJDC.

a) NOTICE OF INTENTION. If at any time JJDC shall desire to Transfer any Restricted Securities owned by it in any transaction or series of related transactions, then JJDC shall deliver prior written notice of its desire to Transfer (a "Notice of Intention") to the Company setting forth JJDC's desire to make such Transfer, the number and class of Company Securities proposed to be transferred (the "Offered Shares") and the proposed form of transaction (the "Transaction Proposal"), together with the price (which may at J&J's discretion be a formula based upon market price at date of agreement or purchase, or other variable formula) at which JJDC proposes to Transfer the Offered Shares (the "Offer Price"); provided that this Article III shall not apply to any proposed Transfer of Restricted Securities: (i) in a single transaction or series of related transactions of less than 50,000 shares (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalizations) or (ii) pursuant to a sale effected through a public trading market, including NASDAQ National Market, where JJDC has no prior arrangement or understanding regarding the Transfer with the ultimate purchaser of Restricted Securities or to a broker or dealer.

b) NOTICE OF EXERCISE. Upon receipt of the Notice of Intention, the Company shall have the right to purchase at the Offer Price the Offered Shares, exercisable by the delivery of notice to JJDC (the "Notice of Exercise") within three (3) business days from the date of receipt of the Notice of Intention. If no such Notice of Exercise has been delivered by the Company within such three (3)

business-day period, or such Notice of Exercise does not relate to all the Offered Shares covered by the Notice of Intention, then JJDC shall be entitled to Transfer the Offered Shares to the intended Transferee, on terms not materially less favorable to JJDC than those described in the Notice of Intention, for a period of sixty (60) days.

c) OBLIGATION TO SELL. In the event that the Company exercises its right to purchase Offered Shares in accordance with Section 3.01(b), then JJDC must sell the Offered Shares to the Company in the amounts set forth in the Notice of Intention, after not less than five (5) business and not more than fifteen (15) business days from the date of the delivery of the Notice of Exercise.

d) TERMINATION. The rights and obligations of JJDC and the Company pursuant to the Right of First Offer provided herein shall terminate with respect to each such party on the earlier of (i) the tenth anniversary of the date hereof and (ii) the first date that JJDC and its Permitted Transferrees, beneficially own, in the aggregate, Company Securities representing less than One Percent (1%) of the Fully Diluted Common Stock.

ARTICLE IV
STANDSTILL

4.01 STANDSTILL BY JJDC. Subject to the terms of this Section 4.01, JJDC agrees that, upon execution of this Agreement until the earlier of (i) ten (10) years from the date hereof, or (ii) one (1) year following the effective date of termination of the License Agreement by Ortho, it will not, nor will it permit any of its Affiliates (including Ortho and J&J) to, without the prior written consent of the Company:

a) (i) acquire, directly or indirectly, by purchase or otherwise, of record or beneficially, other than by the Purchase Agreement, any securities of the Company or rights or options to acquire any securities from any holder of such securities if after such acquisition (and giving effect to the exercise of any such rights or options) JJDC and its Affiliates, including Ortho and J&J, would own capital stock of Company having ten percent (10%) or more of the voting power of the outstanding capital stock of Company; PROVIDED, HOWEVER, that neither (1) the purchase of the Shares pursuant to the Purchase Agreement nor (2) subsequent reductions in the number of shares of outstanding capital stock of Company (or rights or options therefor) shall be deemed to have caused a violation of this Section 4.01(a)(i);

(ii) to the extent JJDC and/or its Affiliates (including Ortho and J&J) own(s), beneficially or of record, securities of Company constituting ten percent (10%) or more of the voting power of the outstanding capital stock of Company and such securities include securities of Company other than those purchased pursuant to the Purchase Agreement, JJDC and/or its Affiliates (including Ortho and J&J) shall be deemed to own "PROHIBITED SECURITIES." JJDC agrees that neither it nor any of its Affiliates (including Ortho and J&J) shall (and neither it nor any of its Affiliates (including Ortho and J&J) shall be entitled to) vote any Prohibited Securities with respect to any matter subject to the vote or written consent of Company's stockholders (PROVIDED, HOWEVER, that the foregoing shall not be deemed to limit Company's remedies in the event that the Prohibited Securities were acquired in violation of this Section 4.01;

(iii) JJDC hereby covenants and agrees that during the term provided for in Section 3.01, it will provide written notice to Company of any purchase, other acquisition on the open market or in private transactions, by JJDC or any of its Affiliates (including Ortho and J&J) of any securities of Company (or if JJDC or such Affiliates shall direct any third party to take any such actions on behalf of JJDC or such Affiliates). Such notice shall be transmitted to Company by facsimile (with telephonic notice) within three (3) business days after any such transaction on the open

market or within ten (10) business days after any such private transaction and shall specify the person or entity effecting the transaction, the date of such transaction, the number of securities and the price per security with respect to such transaction;

b) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" (as such terms are defined or used in Regulation 14A of the Exchange Act) to vote, or seek to advise or influence any person with respect to the voting of, any securities of Company, or become a "participant" in any "election contest" (as such terms are used or defined in Regulation 14A of the Exchange Act) relating to the election of directors of Company;

c) deposit any securities of Company in a voting trust or subject them to a voting agreement or other agreement of similar effect (other than a revocable proxy);

d) initiate, propose or otherwise solicit any stockholder for the approval of one or more stockholder proposals at any time, or induce or attempt to induce any other person to initiate any stockholder proposal;

e) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transaction involving the Company or any of its securities or assets;

f) otherwise act or seek to control or influence the management, Board of Directors or policies of the Company;

g) form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) or otherwise act in concert with any person for the purpose of acquiring, holding, voting or disposing of any securities of Company;

h) request the Company (or its directors, officers, employees or agents), directly or indirectly, to amend or waive any of the provisions contained in this Section 4.01;

i) take any action individually or jointly with any partnership, limited partnership, syndicate, or other group or assist any other person, corporation, entity or group in taking any action it could not take individually under the terms of this Section 4.01; or

j) take any action that could reasonably be expected to require the Company to make a public announcement regarding the possibility of any of the events described in clauses (a) through (i) above.

Notwithstanding the foregoing, if a third party makes a tender offer or exchange offer for 40% or more of Company's outstanding voting securities, or the Company publicly announces a transaction pursuant to which a third party not a stockholder of Company on the date hereof is or will acquire, whether through merger, tender offer or exchange offer, 40% or more of Company's voting securities or all or substantially all of Company's assets, then the restrictions set forth in this Section 4.01 shall lapse until such time, if any, as such transaction or transactions are withdrawn or abandoned, at which time such restrictions shall be reinstated. Any reinstatement of such restrictions shall not affect JJDC's ability to continue to pursue any transaction it announced prior to such reinstatement; PROVIDED, that such announcement did not violate this Section 4.01, and PROVIDED FURTHER that such transaction is completed within six (6) months from the date of announcement.

ARTICLE V
MISCELLANEOUS

5.01 TERM. Except as otherwise provided herein, this Agreement shall terminate upon the sale of all Company Securities now owned by JJDC (or its respective Permitted Transferees) in compliance with the provisions hereof to parties not bound hereby, as provided herein.

5.02 INJUNCTIVE RELIEF. The parties hereto hereby agree and acknowledge that it will be impossible to measure in money the damages that would be suffered if any party should breach any obligation, covenant or representation herein imposed or made, and that, in the event of such breach, a non-breaching party will be irreparably damaged and will not have an adequate remedy at law. Any such non-breaching party shall, therefore, be entitled to injunctive relief, including specific performance, to enforce such obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the other parties hereto shall raise the defense that there is an adequate remedy at law.

5.03 NOTICES. All notices, other communications or documents provided for or permitted to be given hereunder, shall be made in writing and shall be given either personally by hand-delivery, by telex or facsimile transmission, by mailing the same in a sealed envelope, certified first-class mail, postage prepaid, return receipt requested, or by air courier guaranteeing overnight delivery:

(i) if to the Company to:

Biocryst Pharmaceuticals, Inc.
2190 Parkway Lake Drive
Birmingham, AL 35244
Telecopier: (205) 444-4640
Attention: Charles E. Bugg, Ph.D.

with a copy to:

Brobeck, Phleger & Harrison LLP
1633 Broadway, 47th Floor
New York, New York 10019
Telecopier: (212) 586-7878
Attention: Richard R. Plumridge, Esq.

(ii) if to JJDC:

Johnson & Johnson Development Corporation
One Johnson & Johnson Plaza
New Brunswick, New Jersey 08933
Telecopier: (908) 247-5309
Attention: President

with a copy to:

Johnson & Johnson
One Johnson & Johnson Plaza
New Brunswick, New Jersey 08933
Telecopier: (908) 524-2788
Attention: Office of General Counsel

JJDC and Company, by written notice given to the other in accordance with this Section 5.03 may change the address to which notices, other communications or documents are to be sent to JJDC or Company. All notices, other communications or documents shall be deemed to have been duly given when received.

5.04 ASSIGNMENT. This Agreement may not be assigned by JJDC or Company hereto without the prior written consent of the other, which consent shall not be unreasonably withheld, conditioned or delayed. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties and successors and assigns of each of the parties. If JJDC shall acquire any Restricted Securities in any manner, whether by operation of law or otherwise, such Restricted Securities shall be held subject to all of the terms of the Agreement.

5.05 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the principals of conflicts of laws.

5.06 HEADINGS. The headings in this Agreement are inserted for convenience of reference only and shall not constitute a part of this Agreement.

5.07 SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

5.08 AMENDMENTS AND WAIVER. No provision of this Agreement may be amended, nor performance of any covenant or agreement waived, except by a written instrument executed by each of the Company and JJDC. Neither a failure nor a delay in exercising any right, power or privilege of a party hereunder shall operate as a waiver of, or a consent to the modification of, the terms hereof unless given by that party in writing. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach.

5.09 INSPECTION. So long as this Agreement shall be in effect, this Agreement shall be made available for inspection by any stockholder of the Company at the principal offices of the Company.

5.10 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same Agreement.

5.11 ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supercede all prior agreements and understandings among the parties with respect thereto.

IN WITNESS WHEREOF, each of the undersigned has duly executed this Stockholder's Agreement as of the date first written above.

BIOCRYST PHARMACEUTICALS, INC.

By: /s/ Charles E. Bugg

Name: Charles E. Bugg
Title: Chairman/CEO

JOHNSON & JOHNSON DEVELOPMENT CORPORATION

By: /s/ Blair M. Flicker

Name: Blair M. Flicker
Title: Vice President

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BIOCRYST PHARMACEUTICALS, INC. FINANCIAL STATEMENTS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR	
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	SEP-30-1998
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