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 June 30, 2002

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: 17,636,465 shares of the Company's Common Stock, $.01 par value, were outstanding as of July 31, 2002.

BIOCRYST PHARMACEUTICALS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BIOCRYST PHARMACEUTICALS, INC.
CONDENSED BALANCE SHEETS
June 30, 2002 and December 31, 2001
(In thousands, except per share data)

	2002 (Unaudited)	2001 (Note 1)
Assets		
Cash and cash equivalents	$ 14,831	$ 18,865
Securities held-to-maturity	12,049	13,122
Prepaid expenses and other current assets	851	416
Total current assets	27,731	32,403
Securities held-to-maturity	14,886	20,954
Furniture and equipment, net	5,177	5,396
Patents	83	343
Total assets	$ 47,877	$ 59,096
Liabilities and Stockholders' Equity		
Accounts payable	$ 775	$ 617
Accrued expenses	590	1,365
Total current liabilities	1,365	1,982
Deferred revenue	300	300
Stockholders' equity:		
Preferred stock: shares authorized – 5,000		
Series A Convertible Preferred stock, $.01 par value, shares authorized – 1,800; shares issued and outstanding – none		
Series B Junior Participating Preferred Stock, $.001 par value, shares authorized – 21.5; shares issued and outstanding - none		
Common stock, $.01 par value, shares authorized - 45,000; shares issued and outstanding - 17,636 in 2002 and 17,607 in 2001	176	176
Additional paid-in capital	131,845	131,669
Accumulated deficit	(85,809)	(75,031)
Total stockholders' equity	46,212	56,814
Total liabilities and stockholders' equity	$ 47,877	$ 59,096

See accompanying notes to condensed financial statements.

BIOCRYST PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF OPERATIONS
Periods Ended June 30, 2002 and 2001
(In thousands, except per share)
(Unaudited)

	Three Months		Six Months	
	2002	2001	2002	2001
Revenues:				
Collaborative and other research and development	$ 0	$ 3,634	$ 0	$ 4,338
Interest and other	461	903	1,000	2,086
Total revenues	461	4,537	1,000	6,424
Expenses:				
Research and development	4,377	2,714	9,764	5,244
General and administrative	871	657	1,640	1,356
Impairment of patents and licenses	374	0	374	0
Royalty expense	0	208	0	249
Total expenses	5,622	3,579	11,778	6,849
Net income (loss)	$ (5,161)	$ 958	$ (10,778)	$ (425)
Amounts per common share:				
Net income (loss) (Note 2)				
-Basic	$ (.29)	$ 0.05	$ (.61)	$ (.02)
-Diluted	$ (.29)	$ 0.05	$ (.61)	$ (.02)
Weighted average shares outstanding (Note 2)				
-Basic	17,636	17,540	17,632	17,540
-Diluted	17,636	17,602	17,632	17,540

See accompanying notes to condensed financial statements.

BIOCRYST PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2002 and 2001
(In thousands)
(Unaudited)

	2002	2001
Operating activities:		
Net loss	$ (10,778)	$ (425)
Depreciation and amortization	628	485
Amortization of patents and licenses	2	0
Impairment of patents and licenses	374	0
Deferred expense	0	249
Deferred revenue	0	(4,338)
Non-monetary compensation	75	72
Changes in operating assets and liabilities, net	(1,052)	(738)
Net cash used in operating activities	**(10,751)**	**(4,695)**
Investing activities:		
Purchases of furniture and equipment	(409)	(717)
Purchases of patents and licenses	(116)	(21)
Purchases of marketable securities	(2,585)	(21,943)
Maturities of marketable securities	9,726	36,875
Net cash provided by investing activities	**6,616**	**14,194**
Financing activities:		
Principal payments of debt and capital lease obligations	0	(10)
Proceeds from sale of common stock	101	19

Net cash provided by financing activities	**101**	**9**
Increase (decrease) in cash and cash equivalents	(4,034)	9,508
Cash and cash equivalents at beginning of period	18,865	8,456
Cash and cash equivalents at end of period	$ **14,831**	$ **17,964**

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 June 30, 2002 and the condensed statements of operations and cash flows for the six months ended June 30, 2002 and 2001 have been prepared by the Company in accordance with accounting principles generally accepted in the United States and have not been audited. Such financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, the financial position at June 30, 2002 and the results of operations and cash flows for the six months ended June 30, 2002 and 2001. These condensed financial statements should be read in conjunction with the financial statements for the year ended December 31, 2001 and the notes thereto included in the Company's 2001 Annual Report on Form 10-K. Interim operating results are not necessarily indicative of operating results for the full year. The condensed balance sheet as of December 31, 2001 has been prepared from the audited financial statements included in the previously mentioned Annual Report.

Note 2. Net 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 and common shares expected to be issued under the Company's employee stock purchase plan and are calculated under the treasury stock method. Common equivalent shares from unexercised stock options are excluded from the computation when there is a loss, as their effect is anti-dilutive.

For the three months ended June 30, 2002, common stock equivalents of approximately 354 shares were not used to calculate net loss per share because of their anti-dilutive effect. For the three months ended June 30, 2001, common stock equivalents of approximately 61,917 shares were included in the weighted average shares outstanding used to calculate diluted income per share. For the six months ended June 30, 2002 and 2001, common stock equivalents of approximately 38,112 and 98,362 shares respectively, were not used to calculate net loss per share because of their anti-dilutive effect. There were no reconciling items in calculating the numerator for net loss per share for any of the periods presented.

Note 3. Stockholder's Equity

In June 2002, our board of directors adopted a stockholder rights plan and, pursuant thereto, issued preferred stock purchase rights ("Rights") to the holders of our common stock. The Rights have certain anti-takeover effects. If triggered, the Rights would cause substantial dilution to a person or group of persons who acquires more than 15% (19.9% for William W. Featheringill, a Director who already owns more than 15%) of our common stock on terms not approved by the board of directors. The rights are not exercisable until the distribution date, as defined in the Rights Agreement by and between the Company and American Stock Transfer & Trust Company, as Rights Agent. The Rights will expire at the close of business on June 24, 2012, unless that final expiration date is extended or unless the rights are earlier redeemed or exchanged by the Company.

Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series B Junior Participating Preferred Stock ("Series B"), par value $0.001 per share at a purchase price of $26.00, subject to adjustment. Shares of Series B purchasable upon exercise of the Rights will not be redeemable. Each share of Series B will be entitled to a dividend of 1,000 times the dividend declared per share of common stock. In the event of liquidation, each share of Series B will be entitled to a payment of 1,000 times the payment made per share of common stock. Each share of Series B will have 1,000 votes, voting together with the common stock. Finally, in the event of any merger, consolidation, or other transaction in which shares of common stock are exchanged, each share of Series B will be entitled to receive 1,000 times the amount received per share of common stock.

Note 4. Impairment of long-lived assets

The Company periodically reviews its patents and licenses for impairment in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("Statement No. 144") to determine any impairment that needs to be recognized. During the quarter ended June 30, 2002, the Company abandoned the development of peramivir, its influenza neuraminidase inhibitor. As a result, the Company recognized an expense of $374,000 during the quarter related to the patents for our neuraminidase inhibitors, as they no longer have any readily determinable value to the Company.

Note 5. Subsequent Events

On July 10, 2002, the Company streamlined its operations, reducing its workforce from 75 employees to 45 employees in order to conserve its resources and provide a longer timeframe in which to advance its other programs. The expenses related to this reduction in staff will be recognized during the third quarter of 2002.

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

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

Overview

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

- identification and licensing of enzyme targets;
- drug discovery;
- structure-based design of drug candidates;
- small-scale synthesis of compounds;
- conducting preclinical studies and clinical trials;
- recruiting our scientific and management personnel;
- establishing laboratory facilities; and
- raising capital.

Our revenues have generally been limited to license fees, milestone payments, interest income, collaboration research and development fees. Prior to January 1, 2000, the Company recognized research and development fees, license fees and milestone payments as revenue when received. Effective January 1, 2000, the Company changed its method of accounting for revenue recognition in accordance with SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"). Research and development revenue on cost-reimbursement agreements is recognized as expenses are incurred, up to contractual limits. Research and development fees, license fees and milestone payments are recognized as revenue when the earnings process is complete, the Company has no further continuing performance obligations and has completed its performance under the terms of the agreement, in accordance with SAB 101. License fees and milestone payments received under licensing agreements that are related to future performance are deferred and taken into income as earned over the estimated drug development period. The Company has not received any royalties from the sale of licensed pharmaceutical products. It could be several years, if ever, before we will recognize significant revenue from royalties received pursuant to our license agreements, and we do not expect to ever generate revenue directly from product sales. Future revenues, if any, are likely to fluctuate substantially from quarter to quarter.

We have incurred operating losses since our inception. Our accumulated deficit at June 30, 2002 was $85.8 million. We will require substantial expenditures relating to the development of our current and future drug candidates. During the three years ended December 31, 2001, we spent 26.9% of our research and development expenses on contract research and development, including:

- payments to consultants;

- funding of research at academic institutions;
- large scale synthesis of compounds;
- preclinical studies;
- engaging investigators to conduct clinical trials;
- hiring contract research organizations to monitor and gather data on clinical trials; and
- using statisticians to evaluate the results of clinical trials.

The above expenditures for contract research and development for our current and future drug candidates will vary from quarter to quarter depending on the status of our research and development projects. For example, on June 25, 2002, we announced preliminary Phase III clinical trial data for peramivir, our investigational oral influenza neuraminidase inhibitor. The trial indicated no statistically significant difference in the primary efficacy endpoint between groups treated with peramivir and groups treated with placebo. Based on these data, we discontinued the development of peramivir. During the first six months of 2002, our cash expenses related to this trial were approximately $4 million. After terminating the development of peramivir, the Company streamlined its operations, reducing its workforce from 75 employees to 45 employees in order to conserve its resources and provide a longer timeframe in which to advance its other programs.

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

Results of Operations (three months ended June 30, 2002 compared to the three months ended June 30, 2001)

Revenues decreased 89.8% to $461,000 in the three months ended June 30, 2002 from $4,537,000 in the three months ended June 30, 2001. The decrease was primarily due to a change in accounting estimate in the quarter ended June 30, 2001 following termination by Ortho-McNeil and RWJPRI of the worldwide license agreement with BioCryst for peramivir, the Company’s neuraminidase inhibitor. As a result of this change, we had no collaborative revenue during the second quarter of 2002 as compared to $3,634,000 in the second quarter of 2001. In addition, interest and other income decreased 48.9% to $461,000 in the second quarter of 2002 from $903,000 in the second quarter of 2001, due to a reduction in cash from funding operations and expansion of our facilities, plus the effect of lower interest rates on some of our investments.

Research and development expenses increased 61.3% to $4,377,000 in the three months ended June 30, 2002 from $2,714,000 in the three months ended June 30, 2001. The increase is primarily attributable to an increase in clinical trial expenses related to the Phase III development of peramivir. General and administrative expenses for the three months ended June 30, 2002 increased 32.6% to $871,000 as compared to the same period in 2001, primarily due to an increase in expenses related to the adoption of a stockholder rights plan and other professional fees. Royalty expense decreased 100.00% to $0 in the three months ended June 30, 2002 from $208,000 for the three months ended June 30, 2001, as a result of the termination agreement with Ortho-McNeil and RWJPRI. During the quarter ended June 30, 2002, the Company recorded a non-cash impairment loss of $374,000 related to the influenza patents, as this program was terminated effective June 25, 2002.

Results of Operations (six months ended June 30, 2002 compared to the six months ended June 30, 2001)

Revenues decreased 84.4% to $1,000,000 in the six months ended June 30, 2002 from $6,424,000 in the six months ended June 30, 2001. The decrease was primarily due to a change in accounting estimate in the quarter ended June 30, 2001 following termination by Ortho-McNeil and RWJPRI of the worldwide license agreement with BioCryst for peramivir, the Company’s neuraminidase inhibitor. As a result of this change, we had no collaborative revenue during the first six months of 2002 as compared to $4,338,000 in the first six months of 2001. In addition, interest and other income decreased 52.1% to $1,000,000 in the six months ended June 30, 2002 from $2,086,000 in the first six months of 2001, due to a reduction in cash from funding operations and expansion of our facilities, plus the effect of lower interest rates on some of our investments.

Research and development expenses increased 86.2% to $9,764,000 in the six months ended June 30, 2002 from $5,244,000 in the six months ended June 30, 2001. The increase is primarily attributable to an increase in clinical trial expenses related to the Phase III development of peramivir. General and administrative expenses for the six months ended June 30, 2002 increased 20.9% to $1,640,000 as compared to the same period in 2001,

primarily due to an increase in expenses related to the adoption of a stockholder rights plan and other professional fees. Royalty expense decreased 100.00% to $0 in the six months ended June 30, 2002 from $249,000 for the six months ended June 30, 2001, as a result of the termination agreement with Ortho-McNeil and RWJPRI. During the second quarter of 2002, the Company recorded a non-cash impairment loss of $374,000 related to the influenza patents, as this program was terminated effective June 25, 2002.

Liquidity and Capital Resources

Cash expenditures have exceeded revenues since the Company's inception. Our operations have principally been funded through various sources, including the following:

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

On June 25, 2002, the Company announced we were discontinuing the development of peramivir, our investigational oral influenza neuraminidase inhibitor designed to treat and prevent influenza. After terminating the development of peramivir, the Company streamlined its operations, reducing its workforce from 75 employees to 45 employees in order to conserve its resources and provide a longer timeframe in which to advance its other programs.

The Company invests its excess cash principally in U.S. marketable securities from a diversified portfolio of institutions with strong credit ratings and in U.S. government and agency bills and notes, and by policy, limits the amount of credit exposure at any one institution. These investments are generally not collateralized and mature within four years. The Company has not realized any losses from such investments. In addition, at June 30, 2002, approximately $10.6 million was invested in the Merrill Lynch Premier Institutional Fund, which invests primarily in commercial paper, U.S. government and agency bills and notes, corporate notes, certificates of deposit and time deposits. The Merrill Lynch Premier Institutional Fund is not insured. At June 30, 2002, our cash, cash equivalents and securities held-to-maturity were $41.8 million, a decrease of $11.2 million from December 31, 2001, principally due to the funding of current operations, which included the Phase III development of peramivir prior to the termination of this program in June 2002.

We have financed some of our equipment purchases with lease lines of credit. We currently have a $500,000 general line of credit with our bank, secured by a pledge of $600,000 in marketable securities. There was nothing drawn against this line as of June 30, 2002. In July 2000, we renegotiated our lease for our current facilities, which will expire on June 30, 2010. We have an option to renew the lease for an additional five years at current market rates. The lease, as amended effective July 1, 2001 for an additional 7,200 square feet, requires us to pay monthly rent starting at $33,145 per month in July 2001 and escalating annually to a minimum of $47,437 per month in the final year, plus our pro rata share of operating expenses and real estate taxes in excess of base year amounts. As part of the lease, we have pledged a U.S. Treasury security deposited in escrow for the payment of rent and performance of other obligations specified in the lease. This pledged amount is currently $455,000, which will be decreased by $65,000 annually throughout the term of the lease.

During 2000, we renovated our facilities to gain additional laboratory space, update our existing laboratories, and add a small good manufacturing practices (GMP) clean room. In addition, we updated our general office facility to provide for growth and efficiencies. The total cost of these changes, including furniture and laboratory equipment, was approximately $2.7 million. This phase of renovation was completed in December 2000. Another phase of renovation was completed in February 2002 for approximately $2.6 million to add two chemistry laboratories and purchase additional equipment. Currently, there are no plans for additional remodeling.

As a result of the reduction in our staff during July 2002, we now have approximately 14,000 square feet of excess space we are currently attempting to sublease.

At December 31, 2001, we had long-term operating lease obligations, which provide for aggregate minimum payments of $567,123 in 2002, $580,803 in 2003 and $594,897 in 2004. These obligations include the future rental of our operating facility.

We plan to finance our needs principally from the following:

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

We believe that our available funds will be sufficient to fund our operations at least through 2004. However, this is a forward-looking statement, and there may be changes that would consume available resources significantly before such time. Our long-term capital requirements and the adequacy of our available funds will depend upon many factors, including:

- the progress of our research, drug discovery and development programs;
- changes in existing collaborative relationships;
- our ability to establish additional collaborative relationships;
- the magnitude of our research and development programs;
- the scope and results of preclinical studies and clinical trials to identify drug candidates;
- competitive and technological advances;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- our dependence on others for development and commercialization of our product candidates, and
- successful commercialization of our products consistent with our licensing strategy.

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

Critical Accounting Policies

We have established various accounting policies that govern the application of accounting principles generally accepted in the United States in the preparation of our financial statements. Our significant accounting policies are described in the footnotes to the financial statements of the Company's most recent Annual Report on Form 10-K. Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of operations.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

Effective January 1, 2000, we changed our method of accounting for revenue recognition in accordance with SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"). Research and development revenue on cost-reimbursement agreements is recognized as expenses are incurred, up to contractual limits. Research and development fees, license fees and milestone payments are recognized as revenue when the earnings process is complete, the Company has no further continuing performance obligations and has completed its performance under the terms of the agreement, in accordance with SAB 101. License fees and milestone

payments received under licensing agreements that are related to future performance are deferred and taken into income as earned over the estimated drug development period. Recognized revenues and profit are subject to revisions as these contracts or agreements progress to completion. Revisions to revenue or profit estimates are charged to income in the period in which the facts that give rise to the revision became known.

Valuation of Financial Instruments

We carry our held-to-maturity securities at amortized cost, as adjusted for other-than-temporary declines in market value. In determining if and when a decline in market value below amortized cost is other-than-temporary, we evaluate the market conditions and other key measures for our held-to-maturity investments. Future adverse changes in market conditions could result in losses or an inability to recover the carrying value of the held-to-maturity investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

Deferred Taxes

We have not had taxable income since incorporation and, therefore, we have not paid any income tax. We have deferred tax assets related to net operating loss carryforwards and research and development carryforwards. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize the deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Patents and Licenses

Patents and licenses are recorded at cost and amortized on a straight-line basis over their estimated useful lives or 20 years, whichever is lesser. These costs are reviewed periodically in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("Statement No. 144") to determine any impairment that needs to be recognized.

Certain Risk Factors That May Affect Future Results, Financial Condition and the Market Price of Securities

We have incurred substantial losses since our inception in 1986, expect to continue to incur such losses, may never be profitable and may need additional financing

Since our inception in 1986, we have not been profitable. We expect to incur additional losses for the foreseeable future, and our losses could increase as our research and development efforts progress. As of June 30, 2002, our accumulated deficit was approximately $85.8 million. To become profitable, we must successfully develop drug candidates, enter into profitable agreements with other parties and our drug candidates must receive regulatory approval. These other parties must then successfully manufacture and market our drug candidates. It could be several years, if ever, before we receive royalties from any future license agreements. In addition, we never expect to generate revenue directly from product sales. If we do not generate revenue, or if our drug development expenses increase, we may need to raise additional funds through new or existing collaborations or through private or public equity or debt financing. If financing is not available on acceptable terms or not available at all, we may not have enough capital to continue our current business strategy.

Our future revenue generation is uncertain

Our revenue from collaborative agreements is dependent upon the status of our preclinical and clinical programs. If we fail to advance these programs to the point of being able to enter into successful collaborations, we will not receive any future milestone or other collaborative payments.

If our development collaborations with other parties fail, the development of our drug candidates will be delayed or stopped

We rely completely upon other parties for many important stages of our drug development programs, including:

- discovery of proteins that cause or enable biological reactions necessary for the progression of the disease or disorder, called enzyme targets;

- execution of some preclinical studies and late-stage development for our compounds and drug candidates; and

- manufacturing, sales, marketing and distribution of our drug candidates.

Our failure to engage in successful collaborations at any one of these stages would greatly impact our business. If we do not license enzyme targets from academic institutions or from other biotechnology companies on acceptable terms, our product development efforts would suffer. Similarly, if the contract research organizations that conduct our initial or late-stage clinical trials breached their obligations to us, this would delay or prevent the development of our drug candidates.

Even more critical to our success is our ability to enter into successful collaborations for the late-stage clinical development, regulatory approval, manufacturing, marketing, sales and distribution of our drug candidates. Our strategy is to rely upon other parties for all of these steps so that we can focus exclusively on the key areas of our expertise. This heavy reliance upon third parties for these critical functions presents several risks, including:

- these contracts may expire or the other parties to the contract may terminate them;

- our partners may choose to pursue alternative technologies, including those of our competitors;

- we may have disputes with a partner that could lead to litigation or arbitration;

- our partners may not devote sufficient capital or resources towards our drug candidates; and

- our partners may not comply with applicable government regulatory requirements.

Any problems encountered with our current or future partners could delay or prevent the development of our compounds, which would severely affect our business, because if our compounds do not reach the market in a timely manner, or at all, we may never receive any milestone or royalty payments.

If the clinical trials of our drug candidates fail, our drug candidates will not be marketed, which would result in a decrease in, or complete absence of, revenue

To receive the regulatory approvals necessary for the sale of our drug candidates, we or our licensees must demonstrate through preclinical studies and clinical trials that each drug candidate is safe and effective. If we or our licensees are unable to demonstrate that our drug candidates are safe and effective, our drug candidates will not receive regulatory approval and will not be marketed, which would result in a decrease in, or complete absence of, revenue. The clinical trial process is complex and uncertain. Positive results from preclinical studies and early clinical trials do not ensure positive results in clinical trials designed to permit application for regulatory approval, called pivotal clinical trials. We may suffer significant setbacks in pivotal clinical trials, even after earlier clinical trials show promising results. Any of our drug candidates may produce undesirable side effects in humans. These side effects could cause us or regulatory authorities to interrupt, delay or halt clinical trials of a drug candidate. These side effects could also result in the FDA or foreign regulatory authorities refusing to approve the drug candidate for any targeted indications. We, our licensees, the FDA or foreign regulatory authorities may suspend or terminate clinical trials at any time if we or they believe the trial participants face unacceptable health risks. Clinical trials may fail to demonstrate that our drug candidates are safe or effective.

Clinical trials are lengthy and expensive. We or our licensees incur substantial expense for, and devote significant time to, preclinical testing and clinical trials, yet cannot be certain that the tests and trials will ever result in the commercial sale of a product. For example, clinical trials require adequate supplies of drug and sufficient patient enrollment. Delays in patient enrollment can result in increased costs and longer development times. Even if we or our licensees successfully complete clinical trials for our product candidates, our licensees might not file the required regulatory submissions in a timely manner and may not receive regulatory approval for the drug candidate.

If we or our licensees do not obtain and maintain governmental approvals for our products under development, we or our partners will not be able to sell these potential products, which would significantly harm our business because we will receive no revenue

We or our licensees must obtain regulatory approval before marketing or selling our future drug products. If we or our licensees are unable to receive regulatory approval and do not market or sell our future drug products, we will never receive any revenue from such product sales. In the United States, we or our partners must obtain FDA approval for each drug that we intend to commercialize. The FDA approval process is typically lengthy and expensive, and approval is never certain. Products distributed abroad are also subject to foreign government regulation. The FDA or foreign regulatory agencies have not approved any of our drug candidates. If we or our licensees fail to obtain regulatory approval we will be unable to market and sell our future drug products. We have several drug products in various stages of preclinical and clinical development; however, we are unable to determine when, if ever, any of these products will be commercially available. Because of the risks and

uncertainties in biopharmaceutical development, our drug candidates could take a significantly longer time to gain regulatory approval than we expect or may never gain approval. If the FDA delays regulatory approval of our drug candidates, our management's credibility, our company's value and our operating results may suffer. Even if the FDA or foreign regulatory agencies approve a drug candidate, the approval may limit the indicated uses for a drug candidate and/or may require post-marketing studies.

The FDA regulates, among other things, the record keeping and storage of data pertaining to potential pharmaceutical products. We currently store most of our preclinical research data at our facility. While we do store duplicate copies of most of our clinical data offsite, we could lose important preclinical data if our facility incurs damage. If we get approval to market our potential products, whether in the United States or internationally, we will continue to be subject to extensive regulatory requirements. These requirements are wide ranging and govern, among other things:

- adverse drug experience reporting regulations;
- product promotion;
- product manufacturing, including good manufacturing practice requirements; and
- product changes or modifications.

Our failure to comply with existing or future regulatory requirements, or our loss of, or changes to, previously obtained approvals, could have a material adverse effect on our business because we will not receive royalty revenues if our licensees do not receive approval of our products for marketing.

In June 1995, we notified the FDA that we submitted incorrect data for our Phase II studies of BCX-34 applied to the skin for cutaneous T-cell lymphoma and psoriasis. The FDA inspected us in November 1995 and issued us a List of Inspectional Observations, Form FDA 483, which cited our failure to follow good clinical practices. The FDA also inspected us in June 1996. The focus was on the two 1995 Phase II dose-ranging studies of topical BCX-34 for the treatment of cutaneous T-cell lymphoma and psoriasis. As a result of the investigation, the FDA issued us a Form FDA 483, which cited our failure to follow good clinical practices. BioCryst is no longer developing BCX-34; however, as a consequence of these two investigations, our ongoing and future clinical studies may receive increased scrutiny, which may delay the regulatory review process.

If our drug candidates do not achieve broad market acceptance, our business may never become profitable

Our drug candidates may not gain the market acceptance required for us to be profitable even if they receive approval for sale by the FDA or foreign regulatory agencies. The degree of market acceptance of any drug candidates that we or our partners develop will depend on a number of factors, including:

- cost-effectiveness of our drug candidates;
- their safety and effectiveness relative to alternative treatments;
- reimbursement policies of government and third-party payers; and
- marketing and distribution support for our drug candidates.

Physicians, patients, payers or the medical community in general may not accept or use our drug candidates even after the FDA or foreign regulatory agencies approve the drug candidates. If our drug candidates do not achieve significant market acceptance, we will not have enough revenues to become profitable.

If competitive products from other companies are better than our product candidates, our future revenues might fail to meet expectations

The biotechnology and pharmaceutical industries are highly competitive and are subject to rapid and substantial technological change. Other products and therapies that either currently exist on the market or are under development could compete directly with some of the compounds that we are seeking to develop and market. These other products may render some or all of our compounds under development noncompetitive or obsolete. Products marketed by our competitors may prove to be more effective than our own, and our products, if any, may not offer an economically feasible or preferable alternative to existing therapies.

If we fail to adequately protect or enforce our intellectual property rights or secure rights to patents of others, the value of those rights would diminish

Our success will depend in part on our ability and the abilities of our licensors to obtain patent protection for our products, methods, processes and other technologies to preserve our trade secrets, and to operate without infringing the proprietary rights of third parties. If we or our partners are unable to adequately protect or enforce

our intellectual property rights for our products, methods, processes and other technologies, the value of the drug candidates that we license to derive revenue would diminish. Additionally, if our products, methods, processes and other technologies infringe the proprietary rights of other parties, we could incur substantial costs. The U.S. Patent and Trademark Office has issued to us a number of U.S. patents for our various inventions and we have in-licensed several patents from various institutions. We have filed additional patent applications and provisional patent applications with the U.S. Patent and Trademark Office. We have filed a number of corresponding foreign patent applications and intend to file additional foreign and U.S. patent applications, as appropriate. We cannot assure you as to:

- the degree and range of protection any patents will afford against competitors with similar products;
- if and when patents will issue; or
- whether or not others will obtain patents claiming aspects similar to those covered by our patent applications.

If the U.S. Patent and Trademark Office upholds patents issued to others or if the U.S. Patent and Trademark Office grants patent applications filed by others, we may have to:

- obtain licenses or redesign our products or processes to avoid infringement;

- stop using the subject matter claimed in those patents; or
- pay damages.

We may initiate, or others may bring against us, litigation or administrative proceedings related to intellectual property rights, including proceedings before the U.S. Patent and Trademark Office. Any judgment adverse to us in any litigation or other proceeding arising in connection with a patent or patent application could materially and adversely affect our business, financial condition and results of operations. In addition, the costs of any such proceeding may be substantial whether or not we are successful.

Our success is also dependent upon the skills, knowledge and experience, none of which is patentable, of our scientific and technical personnel. To help protect our rights, we require all employees, consultants, advisors and collaborators to enter into confidentiality agreements that prohibit the disclosure of confidential information to anyone outside of our company and require disclosure and assignment to us of their ideas, developments, discoveries and inventions. These agreements may not provide adequate protection for our 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, and if any of our proprietary information is disclosed, our business will suffer because our revenues depend upon our ability to license our technology and any such events would significantly impair the value of such a license.

If we fail to retain our existing key personnel or fail to attract and retain additional key personnel, the development of our drug candidates and the expansion of our business will be delayed or stopped

We are highly dependent upon our senior management and scientific team, the loss of whose services might impede the achievement of our development and commercial objectives. Competition for key personnel with the experience that we require is intense and is expected to continue to increase. Our inability to attract and retain the required number of skilled and experienced management, operational and scientific personnel, will harm our business because we rely upon these personnel for many critical functions of our business. In addition, we rely on members of our scientific advisory board and consultants to assist us in formulating our research and development strategy. All of the members of the scientific advisory board and all of our consultants are otherwise employed and each such member or consultant may have commitments to other entities that may limit their availability to us.

If users of our drug products are not reimbursed for use, future sales of our drug products will decline

The lack of reimbursement for the use of our product candidates by hospitals, clinics, patients or doctors will harm our business. Medicare, Medicaid, health maintenance organizations and other third-party payers may not authorize or otherwise budget for the reimbursement of our products. Governmental and third-party payers are increasingly challenging the prices charged for medical products and services. We cannot be sure that third-party payers would view our product candidates as cost-effective, that reimbursement will be available to consumers or that reimbursement will be sufficient to allow our product candidates to be marketed on a competitive basis. Changes in reimbursement policies, or attempts to contain costs in the health care industry, limit or restrict reimbursement for our product candidates, would materially and adversely affect our business, because future product sales would decline and we would receive less royalty revenue.

If we face clinical trial liability claims related to the use or misuse of our compounds in clinical trials, our management's time will be diverted and we will incur litigation costs

We face an inherent business risk of liability claims in the event that the use or misuse of our compounds results in personal injury or death. We have not experienced any clinical trial liability claims to date, but we may experience these claims in the future. After commercial introduction of our products we may experience losses due to product liability claims. We currently maintain clinical trial liability insurance coverage in the amount of $5.0 million per occurrence and $5.0 million in the aggregate, with an additional $2.0 million potentially available under our umbrella policy. The insurance policy may not be sufficient to cover claims that may be made against us. Clinical trial liability insurance may not be available in the future on acceptable terms, if at all. Any claims against us, regardless of their merit, could materially and adversely affect our financial condition, because litigation related to these claims would strain our financial resources in addition to consuming the time and attention of our management.

If our computer systems fail, our business will suffer

Our drug development activities depend on the security, integrity and performance of the computer systems supporting them, and the failure of our computer systems could delay our drug development efforts. We currently store most of our preclinical and clinical data at our facility. Duplicate copies of all critical data are stored off-site in a bank vault. Any significant degradation or failure of our computer systems could cause us to inaccurately calculate or lose our data. Loss of data could result in significant delays in our drug development process and any system failure could harm our business and operations.

If, because of our use of hazardous materials, we violate any environmental controls or regulations that apply to such materials, we may incur substantial costs and expenses in our remediation efforts

Our research and development involves the controlled use of hazardous materials, chemicals and various radioactive compounds. We are subject to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and some waste products. Accidental contamination or injury from these materials could occur. In the event of an accident, we could be liable for any damages that result and any liabilities could exceed our resources. Compliance with environmental laws and regulations could require us to incur substantial unexpected costs, which would materially and adversely affect our results of operations.

Because stock ownership is concentrated, you and other investors will have minimal influence on stockholder decisions

Our directors, executive officers and some principal stockholders and their affiliates, including Johnson & Johnson Development Corporation, beneficially own approximately 44% (directors and officers own 28%) of our outstanding common stock and common stock equivalents. As a result, these holders, if acting together, are able to significantly influence matters requiring stockholder approval, including the election of directors. This concentration of ownership may delay, defer or prevent a change in our control.

We have anti-takeover provisions in our corporate charter documents that may result in outcomes with which you do not agree

Our board of directors has the authority to issue up to 3,178,500 shares of undesignated preferred stock and to determine the rights, preferences, privileges and restrictions of those shares without further vote or action by our stockholders. The rights of the holders of any preferred stock that may be issued in the future may adversely affect the rights of the holders of common stock. The issuance of preferred stock could make it more difficult for third parties to acquire a majority of our outstanding voting stock.

In addition, our certificate of incorporation provides for staggered terms for the members of the board of directors and supermajority approval of the removal of any member of the board of directors and prevents our stockholders from acting by written consent. Our certificate also requires supermajority approval of any amendment of these provisions. These provisions and other provisions of our by-laws and of Delaware law applicable to us could delay or make more difficult a merger, tender offer or proxy contest involving us.

In June 2002, our board of directors adopted a stockholder rights plan and, pursuant thereto, issued preferred stock purchase rights (“Rights”) to the holders of our common stock. The Rights have certain anti-takeover effects. If triggered, the Rights would cause substantial dilution to a person or group of persons who acquires more than 15% (19.9% for William W. Featheringill, a Director who already owns more than 15%) of our common stock on terms not approved by the board of directors.

Our stock price is likely to be highly volatile and the value of your investment could decline significantly

The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be highly volatile in the future. Moreover, our stock price has fluctuated frequently, and these fluctuations are often not related to our financial results. For the twelve months ended June 30, 2002, the 52-week range of the market price of our stock has been from $0.60 to $6.59 per share. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- announcements of technological innovations or new products by us or our competitors;
- developments or disputes concerning patents or proprietary rights;
- status of new or existing licensing or collaborative agreements;
- we or our licensees achieving or failing to achieve development milestones;
- publicity regarding actual or potential medical results relating to products under development by us or our competitors;
- regulatory developments in both the United States and foreign countries;
- public concern as to the safety of pharmaceutical products;
- actual or anticipated fluctuations in our operating results;
- changes in financial estimates or recommendations by securities analysts;
- economic and other external factors or other disasters or crises; and
- period-to-period fluctuations in our financial results.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 2. Changes in Securities and Use of Proceeds:

None

Item 3. Defaults Upon Senior Securities:

None

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

(a) The Company’s annual meeting of stockholders was held on May 15, 2002.

(b) Messrs. Featheringill, Sherrill and Spencer were reelected as directors for three-year terms expiring in 2005. Messrs. Bennett, Horovitz, Steer, Bugg, Gee and Montgomery continue as directors.

(c) Motions before stockholders:

1. Election of three directors as follows -

Name	Votes For	Abstentions/ Withheld
William W. Featheringill	15,272,639	103,126
Joseph H. Sherrill, Jr.	15,266,151	109,614
William M. Spencer, III	15,262,308	113,457

2. Amendment to the Employee Stock Purchase Plan

Votes For	Votes Against	Abstentions/ Withheld
15,031,075	278,934	65,756

(d) Not applicable.

Item 5. Other Information:

None

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.
4.2	Rights Agreement, dated as of June 17, 2002, by and between the Company and American Stock Transfer & Trust Company, as Rights Agent, which includes the Certificate of Designation for the Series B Junior Participating Preferred Stock as Exhibit A and the form of Rights Certificate as Exhibit B. Incorporated by reference to Exhibit 4.1 to the Company's Form 8-A dated June 17, 2002.
10.1	1991 Stock Option Plan, as amended and restated as of March 6, 2000. Incorporated by reference to Exhibit 99.1 to the Company's Form S-8 Registration Statement dated June 16, 2000 (Registration No. 333-39484).
10.2	Employment Agreement dated December 27, 1999 between the Registrant and Charles E. Bugg, Ph.D. Incorporated by reference to Exhibit 10.10 to the Company's Form 10-K for the year ending December 31, 1999 dated March 24, 2000.

10.3#	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).
10.4	Employee Stock Purchase Plan. Incorporated by reference to Exhibit 99.1 to the Company's Form S-8 Registration Statement dated June 14, 2002 (Registration No. 333-90582).
10.5#	License Agreement dated as of September 14, 1998 between Registrant and The R.W. Johnson Pharmaceutical Research Institute and Ortho-McNeil Pharmaceutical, Inc. Incorporated by reference to Exhibit 10.23 to the Company's Form 10-Q for the third quarter ending September 30, 1998 dated November 10, 1998.
10.6#	Stock Purchase Agreement dated as of September 14, 1998 between Registrant and Johnson & Johnson Development Corporation. Incorporated by reference to Exhibit 10.24 to the Company's Form 10-Q for the third quarter ending September 30, 1998 dated November 10, 1998.
10.7#	Stockholder's Agreement dated as of September 14, 1998 between Registrant and Johnson & Johnson Development Corporation. Incorporated by reference to Exhibit 10.25 to the Company's Form 10-Q for the third quarter ending September 30, 1998 dated November 10, 1998.
10.8	Warehouse Lease dated July 12, 2000 between RBP, LLC an Alabama Limited Liability

Company and the Registrant for office/warehouse space. Incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the second quarter ending June 30, 2000 dated August 8, 2000.

10.9* Termination Agreement dated as of September 21, 2001 between Registrant and The R.W. Johnson Pharmaceutical Research Institute and Ortho-McNeil Pharmaceutical, Inc.

10.10 Change of Control Agreement dated May 25, 2001 between the Registrant and W. Randall Pittman. Incorporated by reference to Exhibit 10.10 to the Company's Form 10-K for the year ending December 31, 2001 dated March 22, 2002.

99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Confidential treatment granted.

* Previously filed as Exhibit 10.9 to the Company's Form 10-Q/A for the third quarter ending September 30, 2001, dated January 15, 2002, with confidential treatment granted.

b. Reports on Form 8-K: The following report on Form 8-K was filed by BioCryst on June 17, 2002.

Rights Agreement, dated as of June 17, 2002, by and between the Company and American Stock Transfer & Trust Company, as Rights Agent, which includes the Certificate of Designation for the Series B Junior Participating Preferred Stock as Exhibit A and the form of Rights Certificate as Exhibit B.

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: August 7, 2002

/s/ CHARLES E. BUGG

Charles E. Bugg
Chairman and Chief Executive Officer

Date: August 7, 2002

/s/ W. RANDALL PITTMAN

W. Randall Pittman
Chief Financial Officer and Chief Accounting Officer

EXHIBIT 10.9

THIS TERMINATION AGREEMENT (the "Agreement"), dated as of September 21, 2001 (the "Effective Date"), is hereby entered into 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 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, BIOCRYST and ORTHO previously entered into a license agreement dated September 14, 1998 (the "License Agreement");

WHEREAS, On April 27, 2001 pursuant to Section 12.1 of the License Agreement, ORTHO provided notice to BIOCRYST of its election to terminate the License Agreement, with such termination effective as of the August 27, 2001, and the parties, by letter agreement, subsequently extended the effective date of termination until the Effective Date; and,

WHEREAS, the Parties desire to clarify the rights and responsibilities of each Party in respect of such termination in order to facilitate and expedite the transfer to BIOCRYST of all activities under the License Agreement related to the development, manufacture and marketing of a Neuraminidase Inhibitor Product (collectively, the "Development Program").

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

SECTION 1. DEFINITIONS

Capitalized terms used in this Agreement shall have the meanings set forth in the License Agreement unless otherwise defined in this Agreement or unless the context clearly indicates to the contrary:

1.1 "Agreement" shall mean this Termination Agreement.

1.2 "Clinical and Clinical Support Studies" shall mean any and all scientific evaluations of neuraminidase inhibitors, including Neuraminidase Inhibitor Products, performed in connection with the Development Program, and all related contracts, data and materials arising in connection therewith, including but not limited to the clinical trials, clinical support studies and the other items set forth on Schedule A, attached hereto.

1.3 "Contracts" shall mean the contracts set forth on Schedule B, attached hereto.

1.4 "Data" shall mean all data, notes, databases and information in any tangible or intangible form, including but not limited to paper, electronic and magnetic media, arising out of or related to the Development Program, including but not limited to that (i) arising out of or related to Clinical and Clinical Support Studies, (ii) underlying or supporting the Regulatory Filings; (iii) required in order to maintain the integrity of New Drug Application files as required by law, rule or regulation, and (iv) which is set forth on Schedule D, attached hereto.

1.5 "Domain Names" shall mean the Internet domain names set forth in the Trademark Assignment Agreement, attached hereto as Schedule F.

1.6 "Drug Substance" shall mean the approximately one thousand six hundred (1,600) kilograms of GMP grade neuraminidase inhibitor drug substance (manufactured and maintained in accordance with GMP requirements), approximately 900 kilograms of which has been manufactured according to the final synthesis method, all of which has been manufactured by ORTHO during the term of the License Agreement and which is being stored at ORTHO's facilities in Spring House, Pennsylvania as of the Effective Date.

1.7 "Drug Tablets" shall mean the drug tablets specified in Schedule C, attached hereto, including both placebos and tablets comprised of the neuraminidase inhibitor manufactured by ORTHO or its Affiliates.

1.8 "License Agreement Effective Date" shall mean the effective date of the License Agreement, September 14, 1998.

1.9 “Materials” shall mean those tangible materials generated by, purchased by or allocated to the Development Program by ORTHO, its contractors and agents as set forth on Schedule C.

1.10 “Purchase Order” shall have the meaning set forth in Section 9.2.

1.11 “Regulatory Filings” shall mean all filings with regulatory agencies, departments, bureaus or other government entities, made in connection with the Development Program by ORTHO, its agent and contractors in order to allow ORTHO to market or sell a Neuraminidase Inhibitor Product anywhere in the world, including but not limited to those regulatory filings set forth on Schedule E, attached hereto.

1.12 “Trademarks” shall mean the trademarks set forth in the Trademark Assignment Agreement, attached hereto as Schedule F.

SECTION 2. TERMINATION OF LICENSE AGREEMENT

2.1 The Parties hereby confirm that the License Agreement is hereby terminated in its entirety pursuant to Section 12.1 of the License Agreement, with such termination effective as of the Effective Date.

2.2 The Parties hereby confirm and agree that all provisions, rights and obligations which survive termination of the License Agreement pursuant to the terms of the License Agreement shall continue to survive, except for Article 26 of the License Agreement which the Parties hereby agree shall not survive. All surviving provisions in the License Agreement are hereby supplemented by the terms of this Agreement.

SECTION 3. PATENTS AND INVENTIONS

3.1 ORTHO hereby acknowledges and agrees that (i) all of its rights to the Existing Know-How, Improvements, Existing Patents, and Improvement Patents which arose by virtue of the License Agreement are terminated; and (ii) BIOCRYST is and shall be the exclusive owner of all right, title and interest in and to the Existing Know-How, Improvements, Existing Patents, and Improvement Patents. To the extent necessary to effectuate the foregoing, ORTHO hereby assigns to BIOCRYST any and all right, title and interest throughout the world that ORTHO may have in and to the Existing Know-How, Improvements, Existing Patents, and Improvement Patents.

3.2 ORTHO hereby acknowledges and agrees that (i) all of its rights to the Joint Inventions and Joint Patents by virtue of the License Agreement are terminated; and (ii) BIOCRYST is and shall be the exclusive owner of all right, title and interest in and to the Joint Inventions and Joint Patents. To the extent necessary to effectuate the foregoing, ORTHO hereby assigns to BIOCRYST all of ORTHO’s right, title and interest throughout the world in and to the Joint Inventions and the Joint Patents, including but not limited to the Joint Inventions and Joint Patents set forth on Schedule G, attached hereto.

3.3 BIOCRYST hereby grants to ORTHO a royalty-free, perpetual, non-sublicenseable, non-transferable, fully paid-up limited license to use the manufacturing process claimed in the patent application PCT/US00/15969, all national filings thereof, and any continuations or divisionals reissues or re-examinations of the foregoing, solely for ORTHO’s internal business purposes. For purposes of clarity, internal business purposes shall not include performance of such processes for any third party or supply of the product of the process to any third party; however, internal purposes shall include sale of ORTHO products which are derived from the use of the processes, but which are materially changed from the product of the process.

SECTION 4. TRADEMARKS, DOMAIN NAMES AND GENERIC NAME

4.1 The Parties hereby acknowledge that as of the Effective Date and pursuant to the assignment agreement attached hereto as Schedule F (the “Trademark Assignment”), ORTHO has assigned to BIOCRYST, at BIOCRYST’s expense, all right, title and interest in and to the Trademarks and Domain Names and the applications or registrations therefor, together with the goodwill of the business symbolized by the Trademarks and Domain Names. The Trademark Assignment includes the right to sue and recover damages for past and future infringements of ORTHO’s rights in the Trademarks and the Domain Names and to bring any proceeding in the United States Patent and Trademark Office or any equivalent agency in any other country for cancellation or opposition or other proceeding in connection with the Trademarks and the Domain Names. The right, title and interest is to be held and enjoyed by BIOCRYST and BIOCRYST’s successors and assigns as fully and exclusively as it would have been held and enjoyed by ORTHO had this assignment not been made.

4.2 The Parties acknowledge that the USAN Council has adopted “peramivir” as the United States Adopted Name for the neuraminidase inhibitor RWJ-270201 for publication in the USP Dictionary of USAN and International Nonproprietary Names. ORTHO agrees to provide BIOCRYST with reasonable assistance in updating such publication, or as other otherwise reasonably requested by BIOCRYST in relation to the use and maintenance of peramivir as a nonproprietary name. BIOCRYST agrees to bear ORTHO’s reasonable and actual out-of-pocket costs related thereto.

SECTION 5. CONTRACTS

Excepting only the Excluded Contract Liabilities (defined below), ORTHO hereby assigns and transfers to BIOCRYST all of ORTHO's right, title and interest in and to, and obligations under, the Contracts. BIOCRYST hereby assumes all of the obligations of ORTHO under the Contracts arising from and after the Effective Date, and agrees to make any payments, perform all covenants, stipulations, agreements, and obligations under the Contracts accruing after the Effective Date. In no event, however, shall BIOCRYST be deemed to have assumed, with respect to the Contracts, (i) any obligation to perform which accrued prior to the Effective Date, (ii) any financial obligations, including obligations to make payments or reimburse expenses, which accrued prior to the Effective Date; (iii) any liabilities arising out of the actions or inactions of ORTHO, its agents and contractors; or (iv) any liability or obligation attributable to ORTHO's (or its agents' or contractors') breach of any provision of the Contracts or any other agreements with any third parties, ((i) through (iv) shall be collectively referred to as the "Excluded Contract Liabilities").

SECTION 6. CLINICAL AND CLINICAL SUPPORT STUDIES, DATA AND MATERIALS

Excepting only the Excluded Development Program Liabilities (defined below), ORTHO hereby assigns to BIOCRYST any and all right, title and interest throughout the world that ORTHO may have in and to the Clinical and Clinical Support Studies, Data and Materials. In no event, however, shall BIOCRYST be deemed to have assumed, with respect to the Clinical and Clinical Support Studies, Data and Materials, (i) any obligation to perform which accrued prior to the Effective Date, (ii) any financial obligations, including obligations to make payments or reimburse expenses, which accrued prior to the Effective Date; (iii) any liabilities arising out of the actions or inactions of ORTHO its agents and contractors or arising out of the infringement of any third party intellectual property rights by ORTHO, its agents and contractors; or (iv) any liability or obligation attributable to ORTHO's (or its agents' or contractors') breach of any agreements with any third parties, ((i) through (iv) shall be collectively referred to as the "Excluded Development Program Liabilities").

SECTION 7. REGULATORY FILINGS

Excepting only the Excluded Regulatory Liabilities (defined below), ORTHO hereby assigns to BIOCRYST any and all right, title and interest throughout the world that ORTHO may have in and to the Regulatory Filings. In no event, however, shall BIOCRYST be deemed to have assumed, with respect to the Regulatory Filings, (i) any obligation to perform which accrued prior to the Effective Date, (ii) any financial obligations, including obligations to make payments or reimburse expenses, which accrued prior to the Effective Date; (iii) any liabilities arising out of the actions or in actions of ORTHO, its agents and contractors or arising out of the infringement of any third party intellectual property rights by ORTHO, its agents and contractors; or (iv) any liability or obligation attributable to ORTHO's (or its agents' or contractors') breach of any agreements with any third parties; or (v) any liabilities attributable to any failure of ORTHO (or its agents or contractors) to comply with any applicable laws, regulations or rules, (collectively, the "Excluded Regulatory Liabilities").

SECTION 8. CONFIDENTIALITY

8.1 The Confidentiality provisions set forth in Article 6 of the License Agreement are hereby incorporated into this Agreement by reference as if fully set forth herein, and are hereby extended to cover all information transmitted by either Party to the other in furtherance of either Party's obligations under this Agreement. The parties hereby agree that for confidential information transmitted pursuant to this Agreement the Parties' confidentiality obligations shall remain in effect for five (5) years from the date of each such transmission.

8.2 The Parties hereby understand and agree that ORTHO may keep copies of the Data, Materials and Regulatory Filings and such items reasonably related thereto, solely for archival and regulatory or legal compliance purposes.

SECTION 9. DRUG SUBSTANCE

9.1 ORTHO hereby agrees to maintain the Drug Substance, as specified in Schedule C, and to sell to BIOCRYST or its agents or designee(s) (BIOCRYST, its agents and designees shall be collectively referred to in this Section 9 as "BIOCRYST") Drug Substance as requested by BIOCRYST upon the terms and conditions set forth herein. The provisions of this Section 9 shall apply until the earlier of (i) such time that all Drug Substance has been purchased from ORTHO or (ii) August 31, 2002. ORTHO shall not otherwise use the Drug Substance for itself or on behalf of a Third Party, nor shall it sell the Drug Substance to any Third Party.

9.2 ORTHO agrees to supply BIOCRYST with such quantities of Drug Substance as BIOCRYST may order by issuing a "Purchase Order" to ORTHO. ORTHO shall comply with the terms set forth on each Purchase Order. Each Purchase Order will be substantially in the form of Schedule H, attached hereto, which further sets forth the terms and conditions that shall govern the purchases of Drug Substance. In the event of a conflict between the terms of the Purchase Order and the terms of this Agreement, this Agreement shall prevail. Purchase Orders shall

be delivered to ORTHO via fax, electronically or by any other mutually agreeable method. ORTHO hereby agrees to fully cooperate with BIOCRYST in supplying such Drug Substance to BIOCRYST, and agrees to promptly notify BIOCRYST of any deficiencies in a Purchase Order and of any and all events that would prevent ORTHO from timely or completely fulfilling any Purchase Order.

9.3 Until the earlier of (a) such time that all Drug Substance has been purchased from ORTHO or (b) August 31, 2002, ORTHO agrees to store the Drug Substance in its facilities located in Springhouse, PA in a controlled environment (with respect to temperature, humidity and otherwise) so as to prevent degradation and contamination of the Drug Substance to the fullest extent possible and as otherwise required by the FDA or other law, rule, regulation or standards.

9.4 BIOCRYST shall pay to ORTHO Four Thousand Dollars ($4,000) per kilogram of Drug Substance delivered by ORTHO pursuant to a Purchase Order. ORTHO's right to payment for delivery of Drug Substance pursuant to a Purchase Order shall accrue upon delivery of the Drug Substance, however, BIOCRYST shall not be required to make payment in respect of such delivered Drug Substance unless and until BIOCRYST enters into an agreement with a third party for such third party to develop and market a Neuraminidase Inhibitor Product, at which time all accrued amounts shall become due and payable within 60 days. Thereafter, accrued payments shall be due and payable within thirty (30) days of receipt by BIOCRYST of a correct and undisputed invoice from ORTHO. BIOCRYST agrees to provide ORTHO with prompt notice of its entering into an agreement with a third party for such third party to develop and market a Neuraminidase Inhibitor Product.

9.5 BIOCRYST shall have the right to credit its out-of-pocket expenses related to testing of the Drug Substance transferred or to be transferred to BIOCRYST pursuant to this Agreement against the amounts payable to ORTHO pursuant to Section 9.4, above.

9.6 BIOCRYST agrees to bear the reasonable costs of shipping Drug Substance from storage to BIOCRYST. BIOCRYST agrees to pay any sales tax or other state, city or Federal taxes related to the purchase of Drug Substance, other than taxes based on the income or real property of ORTHO. Such shipping costs and taxes shall be set forth on each invoice and shall be due and payable as set forth in Section 9.4, above.

9.7 Notwithstanding anything to the Contrary in this Agreement, ORTHO agrees to provide BIOCRYST, free of charge and promptly upon BIOCRYST's request with:

(a) such amounts of Drug Substance as BIOCRYST deems reasonably necessary in order to complete the clinical studies with the designations PHI 026, PHI 030, and TX003 and such amounts of the Drug Substance for carcinogenicity studies, animal studies and QA as referred to in item number 19 of Schedule C-5: and,

(b) reasonable amount of Drug Substance for BIOCRYST'S own use as laboratory reference material and for BIOCRYST'S internal research purposes.

SECTION 10. PAYMENT PROVISIONS

The parties acknowledge and agree that as of the Effective Date, each Party is in complete satisfaction of all of its financial obligations to the other in connection with the termination of the License Agreement and the transfer to BIOCRYST of the Development Program. Except as explicitly provided for in this Agreement, neither Party shall be entitled to seek any further fees, expenses or reimbursements from the other in connection with the termination of the License Agreement and the transfer to BIOCRYST of the Development Program including, but not limited to, all inventions, patents, trademarks, clinical trials and support studies, data, materials, contracts and regulatory filings.

SECTION 11. REPRESENTATIONS AND WARRANTIES

11.1 Each Party hereby represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware and has full organizational power and authority to enter into and perform this Agreement, and to carry out the transactions contemplated under this Agreement.

11.2 ORTHO hereby represents and warrants that (i) the execution, delivery and performance by ORTHO of this Agreement, and the consummation by ORTHO of the transactions contemplated herein, have been duly authorized by all requisite organizational action; (ii) this Agreement and all of the obligations entered into and undertaken in connection with the transactions contemplated herein to which ORTHO is a party constitute, or will constitute upon the execution of such agreements, the valid and binding obligations of ORTHO enforceable in accordance with their respective terms, and (iii) the execution of and performance of the transactions contemplated by this Agreement and compliance with its provisions by ORTHO will not violate any provision of applicable law and will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or require a consent or waiver under, ORTHO's organizational documents or any indenture, lease, agreement or other instrument to which ORTHO is a party or by which it or any of its properties is bound, or any decree, judgment, order, statute, rule or regulation applicable to ORTHO.

11.3 ORTHO hereby represents and warrants that: (i) it has made diligent efforts to transfer to BIOCRYST (and will in the future) all Regulatory Filings, Clinical and Clinical Support Studies, Data and Materials, according to

the time schedules set forth in Schedules E, A, D and C, respectively and should additional items related to the foregoing be discovered by ORTHO or otherwise, ORTHO will use diligent efforts to transfer such items to BIOCRYST and otherwise assist BIOCRYST in connection therewith; (ii) it has filed all letters and other documents with the FDA (and all foreign equivalents) in order to effect a transfer of the Regulatory Filings to BIOCRYST; (iii) the Regulatory Filings, Clinical and Clinical Support Studies, Data and Materials transferred to BIOCRYST include all Regulatory Filings, Clinical and Clinical Support Studies, Data and Materials initiated, conducted or generated in the Development Program; and, (iv) it has or will otherwise fully comply with Article 14 of the License Agreement together with all related time schedules set forth in this Agreement and the Schedules hereto.

11.4 ORTHO hereby represents and warrants that it has the full power and authority to assign to BIOCRYST all right title and interest in and to, and obligations under, the Regulatory Filings, Clinical and Clinical Support Studies, Data and Materials.

11.5 ORTHO hereby represents and warrants that, to the best of its knowledge, and except for the interests of BIOCRYST, it has the full power and authority to assign to BIOCRYST all right title and interest in and to the Joint Inventions, Joint Patents, Existing Know-How, Existing Patents, Improvements and Improvement Patents free and clear of all liens, claims and encumbrances of any nature. ORTHO further represents and warrants that it has not granted and will not grant any right to any Third Party in or to the Joint Inventions, Joint Patents, Existing Know-How, Existing Patents, Improvements and Improvement Patents.

11.6 ORTHO hereby represents and warrants (i) that it has the full power and authority to assign to BIOCRYST all right, title and interest in and to, and obligations under, the Contracts, (ii) that it has satisfied all financial obligations under, and all liabilities arising out of, the Contracts which accrued prior to the Effective Date, and (iii) that it is not in breach of any of the Contracts.

11.7 ORTHO hereby represents and warrants that it has complied and in the future will continue to comply with all applicable laws, rules and regulations in connection with its, or its agents and contractors, conduct of the Development Program.

11.8 ORTHO hereby represents and warrants that there is no threatened or pending litigation related to the Development Program including but not limited to the Licensed Products, the Contracts and the Clinical and Clinical Support Studies.

11.9 ORTHO hereby represents that all Drug Substance and other drug materials transferred to BIOCRYST hereunder and in connection with the termination of the License Agreement and the transfer to BIOCRYST of the Development Program at the time of transfer to BIOCRYST that are labeled for use in human clinical trials, pursuant to Schedule C, and not labeled for laboratory use or otherwise shipped under quarantine pursuant to Schedule C, met (or will meet) all applicable FDA requirements and were approved to be administered to humans in connection with clinical trials. However, it is understood that, pursuant to Schedule C some Drug Substance may be shipped to BIOCRYST in quarantine status.

11.10 THE EXPRESS REPRESENTATIONS AND WARRANTIES STATED IN THIS ARTICLE 11 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.

SECTION 12. INDEMNIFICATION

12.1 BIOCRYST agrees to indemnify, defend and hold ORTHO and its directors, officers, employees and agents (the “ORTHO Indemnitees”) harmless from and against any losses, costs, claims, damages, liabilities or expenses (including without limitation, fees and disbursements of counsel incurred by ORTHO Indemnitees in any action or proceeding between ORTHO and ORTHO Indemnitees and ORTHO Indemnitees and any third party or otherwise) (collectively, “Liabilities”) arising out of, or in connection with Third Party claims relating to: (i) any breach by BIOCRYST of the confidentiality provisions of this Agreement, (ii) personal injury or other liability, which occurs after the Effective Date, to a participant in any clinical trial conducted by BIOCRYST of a neuraminidase inhibitor which was the subject of the Development Program; (iii) Liabilities, accruing after the Effective Date based upon BIOCRYST’S or its agents or contractor’s, use, sale, distribution or marketing of any neuraminidase inhibitor which was the subject of the Development Program; (iv) BIOCRYST’s failure to comply with any law, regulation or rule; and, (v) the gross negligence or intentional misconduct of BIOCRYST.

12.2 ORTHO agrees to indemnify, defend and hold BIOCRYST and its directors, officers, employees and agents (the “BIOCRYST Indemnitees”) harmless from and against any losses, costs, claims, damages, liabilities or expense (including without limitation, fees and disbursements of counsel incurred by BIOCRYST Indemnitees in any action or proceeding between ORTHO and BIOCRYST Indemnitees and BIOCRYST Indemnitees and any

third party or otherwise) (collectively, "Liabilities") arising out of, or in connection with Third Party claims relating to: (i) the Development Program prior to the Effective Date; (ii) any breach by ORTHO of its representations and warranties under this Agreement; (iii) any breach by ORTHO of the confidentiality provisions of this Agreement, (iv) any breach by ORTHO in the performance or observation of any covenant, agreement, obligation or provision in any of the Contracts to be performed or observed by ORTHO, (v) the Clinical and Clinical Support Studies prior to the Effective Date, (vi) ORTHO's failure to comply with any law, regulation or rule, (vii) the administration of Drug Tablets, Drug Substance or any other drug tablets manufactured by ORTHO from Drug Substance, to humans, to the extent that such Liabilities are attributable to any failure of ORTHO in properly manufacturing or storing the foregoing, or any failure of ORTHO to meet any and all requirements of the FDA with respect to manufacture or storage of the foregoing, and (viii) the negligence or intentional misconduct of ORTHO.

12.3 An indemnitee that intends to claim indemnification under this Agreement shall promptly notify indemnifying party of any claim, demand, action or other proceeding for which the Indemnitee intends to claim such indemnification, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, to assume sole control of the defense thereof with counsel selected by the indemnifying party; provided, however, that the Indemnitee shall have the absolute right to retain its own counsel, with the fees and expenses to be paid by the Indemnitee. The indemnity obligations under this Agreement shall not apply to amounts paid in settlement of any loss, claim, damage, liability or action if such settlement is effected without the consent of the indemnifying party, which consent shall not be unreasonably withheld or delayed. The Indemnitee, its employees and agents, shall cooperate fully with the indemnifying party and its legal representatives in the investigation of any action, claim or liability covered by an indemnification from the indemnifying party. The Indemnifying party shall not, without the prior written consent of the Indemnitee, effect any settlement of any pending or threatened action, suit or proceeding in respect of which any Indemnitee is or could have been a party and indemnity could have been sought hereunder by such Indemnitee, unless such settlement includes an unconditional release of such Indemnitee from all liability on claims that are the subject matter of such action, suit or proceeding.

SECTION 13. FURTHER ASSURANCES

13.1 In addition to the actions specifically provided for elsewhere in this Agreement, from and after the Effective Date, each of the parties hereto shall take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and to reasonably aid BIOCRYST in its assumption and continuation of the Development Program, including the execution and delivery of instruments of conveyance, assignment and transfer, cooperation in all filings with, and to obtain all consents, approvals or authorizations of, any governmental authority or any other person under any permit, license, agreement, indenture or other instrument, at the expense of the requesting party.

13.2 In the event that following the Effective Date ORTHO discovers any document, data, contract, invention, patent, or any other item related to the Development Program, which has not been transferred to BIOCRYST but which ORTHO is obligated to transfer and/or assign to BIOCRYST pursuant to the License Agreement, or makes any invention that would be characterized as a Joint Invention under the License Agreement, ORTHO shall promptly notify BIOCRYST and assign and transfer the foregoing to BIOCRYST.

13.3 In the event that ORTHO is contacted by any third party (including for example, the FDA), in any fashion regarding the subject matter of the Development Program, ORTHO shall promptly notify BIOCRYST of the of the nature and substance of such contact or inquiry and shall comply with its confidentiality obligations set forth herein.

SECTION 14. INTERPRETATION

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.

SECTION 15. DISPUTE RESOLUTION

The Dispute Resolution provisions set forth in Article 19 of the License Agreement are hereby incorporated into this Agreement by reference, and shall apply to this Agreement as if fully set forth herein.

SECTION 16. NOTICES

16.1 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

If to ORTHO:

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

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.

SECTION 17. WAIVER

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.

SECTION 18. ENTIRE AGREEMENT

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.

SECTION 19. ASSIGNMENT

This Agreement, and all rights and obligations hereunder, is personal to ORTHO and shall not be assigned in whole or in part by ORTHO to any other person or company (other than Affiliates of ORTHO) without the prior written consent of BIOCRYST. When assigned as permitted herein this Agreement shall be binding on each Party’s successors and assigns.

SECTION 20. TITLES

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.

SECTION 21. UNENFORCEABLE PROVISIONS

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.

SECTION 22. OTHERS

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

SECTION 23. EXECUTION

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

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: _____

Title: _____

Date: _____

ORTHO-McNEIL PHARMACEUTICAL, INC.

WITNESS

By: _____

Title: _____

Date: _____

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

WITNESS

By: _____

Title: _____

Date: _____

Exhibit 99.1

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

In connection with the Quarterly Report of BioCryst Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Bugg, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Charles E. Bugg
Charles E. Bugg
Chief Executive Officer
August 7, 2002

Exhibit 99.2

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

In connection with the Quarterly Report of BioCryst Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Randall Pittman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ W. Randall Pittman
W. Randall Pittman
Chief Financial Officer
August 7, 2002