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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2017

or

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-32587

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**ALTIMMUNE, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**19 Firstfield Road, Gaithersburg, Maryland**  
(Address of principal executive offices)

**20-2726770**  
(I.R.S. Employer  
Identification No.)

**20878**  
(Zip Code)

**(240) 654-1450**  
(Registrant's telephone number, including area code)

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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  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of the registrant's Common Stock, par value \$0.0001 per share, outstanding as of November 9, 2017 was 15,652,640

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ALTIMMUNE, INC.

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## Part I—FINANCIAL INFORMATION

## Item 1. Unaudited Condensed Consolidated Financial Statements.

**ALTIMMUNE, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,116,845	\$ 2,876,113
Restricted cash	34,174	—
Accounts receivable	2,902,503	383,046
Prepaid expenses and other current assets	1,007,032	420,424
Tax refund receivable	5,061,920	807,507
Total current assets	26,122,474	4,487,090
Property and equipment, net	280,093	177,859
Intangible assets, net	38,586,399	14,954,717
Other assets	22,248	22,248
Goodwill	9,334,904	18,758,421
Total assets	<u>\$ 74,346,118</u>	<u>\$ 38,400,335</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$ 49,702	\$ 458,629
Accounts payable	495,064	2,005,208
Accrued expenses and other current liabilities	3,597,313	2,972,745
Current portion of deferred revenue	19,753	19,753
Current portion of deferred rent	18,626	14,388
Total current liabilities	4,180,458	5,470,723
Unvested restricted stock liability	343	1,001
Long-term debt	590,185	525,950
Deferred revenue, long-term portion	164,609	179,424
Deferred rent, long-term portion	1,591	15,914
Deferred tax liability	8,312,426	—
Other long-term liabilities	4,027,962	—
Total liabilities	17,277,574	6,193,012
Contingencies (Note 12)		
Series B redeemable convertible preferred stock; \$0.0001 par value; 16,000 shares designated; 15,656 and zero shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively; aggregate liquidation and redemption value of \$8,238,300 at September 30, 2017	8,238,300	—
Stockholders' equity:		
Series B convertible preferred stock; \$0.01 par value; zero and 599,285 shares authorized, issued and outstanding at September 30, 2017 and December 31, 2016, respectively	—	5,993
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 15,652,640 and 6,991,749 shares issued; 15,627,081 and 6,917,204 shares outstanding at September 30, 2017 and December 31, 2016, respectively	1,563	692
Additional paid-in capital	122,392,504	71,034,899
Accumulated deficit	(68,853,850)	(31,259,449)
Accumulated other comprehensive loss – foreign currency translation adjustments	(4,709,973)	(7,574,812)
Total stockholders' equity	48,830,244	32,207,323
Total liabilities, redeemable convertible preferred stock, and stockholders' equity	<u>\$ 74,346,118</u>	<u>\$ 38,400,335</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**ALTIMMUNE, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE LOSS**

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
License revenue	\$ 26,689	\$ 4,938	\$ 36,565	\$ 168,341
Research grants and contracts	4,565,251	896,101	7,892,919	1,983,574
Total revenue and grants and contracts	<u>4,591,940</u>	<u>901,039</u>	<u>7,929,484</u>	<u>2,151,915</u>
Operating expenses				
Research and development	5,905,552	2,400,914	13,946,403	4,845,045
General and administrative	3,038,756	3,289,647	6,863,782	5,301,444
Goodwill impairment charges	26,600,000	—	26,600,000	—
Total operating expenses	<u>35,544,308</u>	<u>5,690,561</u>	<u>47,410,185</u>	<u>10,146,489</u>
Loss from operations	<u>(30,952,368)</u>	<u>(4,789,522)</u>	<u>(39,480,701)</u>	<u>(7,994,574)</u>
Other income (expense):				
Change in fair value of warrant liabilities	(508,316)	—	(508,316)	—
Change in fair value of embedded derivative	(1,157)	—	(1,157)	—
Interest expense	(2,344)	(9,408)	(160,103)	(28,858)
Interest income	15,372	—	19,538	1,047
Other income (expense)	10,786	3,871	9,839	(2,600)
Total other income (expense), net	<u>(485,659)</u>	<u>(5,537)</u>	<u>(640,199)</u>	<u>(30,411)</u>
Net loss before income tax benefit	<u>(31,438,027)</u>	<u>(4,795,059)</u>	<u>(40,120,900)</u>	<u>(8,024,985)</u>
Income tax benefit	1,532,790	—	2,526,499	—
Net loss	<u>(29,905,237)</u>	<u>(4,795,059)</u>	<u>(37,594,401)</u>	<u>(8,024,985)</u>
Other comprehensive loss – foreign currency translation adjustments	(1,028,033)	(1,316,787)	(2,864,839)	(5,121,081)
Total comprehensive loss	<u>\$ (30,933,270)</u>	<u>\$ (6,111,846)</u>	<u>\$ (40,459,240)</u>	<u>\$ (13,146,066)</u>
Net loss	<u>\$ (29,905,237)</u>	<u>\$ (4,795,059)</u>	<u>\$ (37,594,401)</u>	<u>\$ (8,024,985)</u>
Preferred stock accretion and dividends	(1,962,072)	(104,548)	(2,125,141)	(247,562)
Net loss attributed to common stockholders	<u>\$ (31,867,309)</u>	<u>\$ (4,899,607)</u>	<u>\$ (39,719,542)</u>	<u>\$ (8,272,547)</u>
Weighted-average common shares outstanding, basic and diluted	<u>15,527,867</u>	<u>6,911,715</u>	<u>11,595,698</u>	<u>6,911,366</u>
Net loss per share attributed to common stockholders, basic and diluted	<u>\$ (2.05)</u>	<u>\$ (0.71)</u>	<u>\$ (3.43)</u>	<u>\$ (1.20)</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**ALTIMMUNE, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**

	Series B Redeemable Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 1, 2017	—	\$ —	599,285	\$ 5,993	6,917,204	\$ 692	\$ 71,034,899	\$(31,259,449)	\$ (7,574,812)	\$ 32,207,323
Stock based compensation							905,230			905,230
Vesting and accelerated vesting of restricted stock					48,988	5	231,895			231,900
Exercises of stock options					200,657	20	16,435			16,455
Warrant issuance, net of issuance costs							548,956			548,956
Conversion of Series B convertible preferred stock into common stock			(599,285)	(5,993)	599,285	60	5,933			—
Conversion of convertible notes and accrued interest into common stock					316,734	32	3,645,392			3,645,424
Warrant exercises					660,715	66	(66)			—
Issuance of common stock for the acquisition of subsidiaries					6,883,498	688	44,742,049			44,742,737
Issuance of Series B redeemable convertible preferred stock and warrants, net of issuance costs and discounts	15,656	6,276,228					3,223,853			3,223,853
Accretion of Series B redeemable convertible preferred stock		1,962,072					(1,962,072)			(1,962,072)
Foreign currency translation adjustments									2,864,839	2,864,839
Net loss								(37,594,401)		(37,594,401)
Balance, September 30, 2017	<u>15,656</u>	<u>\$8,238,300</u>	<u>—</u>	<u>\$ —</u>	<u>15,627,081</u>	<u>\$1,563</u>	<u>\$122,392,504</u>	<u>\$(68,853,850)</u>	<u>\$ (4,709,973)</u>	<u>\$ 48,830,244</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**ALTIMMUNE, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (37,594,401)	\$ (8,024,985)
Adjustments to reconcile net loss to net cash used in operating activities:		
Goodwill impairment charges	26,600,000	—
Stock-based compensation	1,137,125	584,784
Depreciation	61,191	47,276
Amortization	40,409	60,552
Debt discount and deferred financing cost accretion	98,060	1,950,159
Loss on disposal of property and equipment	3,745	—
Change in fair value of warrant liabilities	508,316	—
Change in fair value of embedded derivatives	1,157	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,393,988)	(103,308)
Prepaid expenses and other current assets	(150,524)	67,465
Accounts payable	(2,273,397)	925,664
Accrued expenses and other current liabilities	(34,680)	80,668
Deferred revenue	(14,815)	(70,705)
Deferred rent	(10,085)	(5,971)
Tax refund receivable	(2,142,987)	(371,715)
Deferred tax liability	(243,056)	—
Net cash used in operating activities	<u>(15,407,930)</u>	<u>(4,860,116)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(89,849)	(113,040)
Proceeds from sale of property and equipment	7,531	—
Additions to intangible assets	(47,634)	(66,307)
Refund of cash held in escrow	200,000	—
Cash assumed from acquiring subsidiaries	13,684,535	—
Net cash provided by (used in) investing activities	<u>13,754,583</u>	<u>(179,347)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of notes payable	(212,431)	(99)
Proceeds from issuance of convertible notes, net of issuance costs	3,018,780	531
Proceeds from issuance of preferred stock and warrants, net of issuance costs	13,018,570	5,673,680
Proceeds from exercise of stock options	16,455	300
Net cash provided by financing activities	<u>15,841,374</u>	<u>5,674,412</u>
<b>EFFECT OF EXCHANGE RATES ON CASH</b>	<u>86,879</u>	<u>(170,048)</u>
Net increase in cash and cash equivalents and restricted cash	14,274,906	464,901
Cash and cash equivalents and restricted cash, beginning of period	2,876,113	4,638,711
Cash and cash equivalents and restricted cash, end of period	<u>\$ 17,151,019</u>	<u>\$ 5,103,612</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 5,882</u>	<u>\$ 2,424</u>
<b>SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES:</b>		
Accrued expenses and notes payable modified and replaced with convertible notes	<u>\$ 1,077,540</u>	<u>\$ —</u>
Conversion of convertible notes into common stock	<u>\$ 3,645,424</u>	<u>\$ —</u>
Common stock warrants issued in connection with convertible notes, net of issuance costs	<u>\$ 548,956</u>	<u>\$ —</u>
Preferred stock subscription reclassified as additional paid-in capital upon preferred stock issuance	<u>\$ —</u>	<u>\$ 325,280</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**ALTIMMUNE, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of Business and Basis of Presentation**

Altimmune, Inc., headquartered in Gaithersburg, Maryland, United States, together with its subsidiaries (collectively, “Altimmune”) is a clinical stage biopharmaceutical company incorporated in 1997 under the laws of the State of Delaware. Altimmune is focused on discovering and developing immunotherapies and vaccines to address significant unmet medical needs. Since its inception, Altimmune has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, and raising capital, and has financed its operations through the issuance of common and convertible preferred stock, long-term debt, and proceeds from research grants and government contracts. Altimmune has not generated any revenues from the sale of any products to date, and there is no assurance of any future revenues from product sales.

Pursuant to an Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) dated January 18, 2017, PharmAthene, Inc. (“PharmAthene”), its wholly owned acquisition subsidiaries Mustang Merger Sub Corp I Inc. (“Merger Sub Corp”) and Mustang Merger Sub II LLC (“Merger Sub LLC”) agreed to acquire 100% of the outstanding capital stock of Altimmune in a reverse triangular merger and reorganization pursuant to section 368(a) of the Internal Revenue Code (the “Mergers”) (Note 3).

As a condition for the Mergers, in January 2017, prior to the Mergers, Altimmune entered into a Convertible Promissory Note Purchase Agreement (the “Note Agreement”) for the private placement of \$8.6 million of 6% convertible notes (the “Notes”) (See Note 7) to be issued in two separate closings. The initial closing dated March 9, 2017 resulted in \$3,150,630 of gross proceeds. The initial closing also included \$196,496 of certain existing outstanding notes payable and \$881,044 of certain accrued expenses that were modified and became a component of the Notes on March 9, 2017. In connection with the Notes, Altimmune issued warrants to purchase 49,776 shares of Altimmune’s common stock to certain noteholders, with an exercise price of \$0.01 per share. These warrants are classified as permanent equity (see Note 10). The second closing was included in the sale of Series B redeemable convertible preferred stock (“redeemable preferred stock”) that closed on August 16, 2017 (see Note 9).

On May 4, 2017, Altimmune and PharmAthene closed the Mergers in accordance with the terms of the Merger Agreement. Upon the closing of the Mergers, (i) Merger Sub Corp merged with and into Altimmune, with Altimmune remaining as the surviving corporation; (ii) Altimmune then merged with and into Merger Sub LLC, with Merger Sub LLC (renamed as “Altimmune LLC”) remaining as the surviving entity; and (iii) PharmAthene was renamed as “Altimmune, Inc.” Upon closing of the Mergers, all equity instruments of Altimmune were exchanged for corresponding equity instruments of PharmAthene (see Note 3). Altimmune and PharmAthene and its subsidiaries are hereinafter collectively referred to as the “Company” or “we”.

The accompanying unaudited condensed consolidated financial statements are prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete consolidated financial statements and should be read in conjunction with Altimmune’s audited consolidated financial statements for the year ended December 31, 2016 included in the Registration Statement on Form S-4/A which was filed with the SEC on March 31, 2017. In the opinion of management, we have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as our audited consolidated financial statements, and these condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year 2017 or any future years or periods.

The unaudited condensed consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should we be unable to continue as a going concern.

**2. Going Concern**

The accompanying condensed consolidated financial statements have been prepared assuming we will continue as a going concern. We have experienced recurring losses in past years and incurred a net loss of \$37,594,401 and used \$15,407,930 in cash to fund operations during the nine months ended September 30, 2017, and had an accumulated deficit of \$68,853,850 as of September 30, 2017. We expect to incur additional losses in the future in connection with our research and development activities. Since inception, we have financed our activities principally from the issuance of equity and debt securities and the receipt of proceeds from research grants and government contracts.

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Our ability to continue as a going concern is dependent upon our ability to raise additional debt and equity capital. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us. These factors raise substantial doubt about our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should we be unable to continue as a going concern.

As capital resources are consumed to fund our research and development activities, we may not have sufficient capital to fund our plan of operations. In order to address our capital needs, including our planned clinical trials, we must continue to actively pursue additional equity or debt financing. Adequate financing opportunities might not be available to us, when and if needed, on acceptable terms, or at all. If we are unable to obtain additional financing in sufficient amounts or on acceptable terms under such circumstances, our operating results and prospects will be adversely affected.

As more fully described in Note 3, in January 2017, in connection with the Mergers, Altimune entered into the Note Agreement for the private placement of the Notes. In addition, as more fully described in Note 9, in August 2017, we issued shares of redeemable preferred stock and the related common stock warrants for an aggregate net proceeds of \$13.0 million. We expect that the combination of the net proceeds from the Notes, cash assumed from the Mergers, the anticipated receipt of tax refunds (Note 3), redeemable preferred financing, and revenue from our government sponsored contracts will be insufficient to fund our operations and research and development efforts for at least twelve months from the expected issuance date of our September 2017 financial statements.

### **3. Business Combination**

On May 4, 2017, we closed the Mergers with PharmAthene. In accordance with the terms of the Merger Agreement, PharmAthene issued 0.749106 (the “share exchange ratio”) of a share of PharmaAthene common stock for each share of Altimune’s \$0.0001 par value common stock (“common stock”) outstanding as of the closing date. All historical share and per share information including common and preferred stock, common stock warrants, and stock options, has been retroactively adjusted to reflect the impact of the share exchange ratio. In addition, Altimune’s stock options and warrants were also replaced with options and warrants to purchase PharmAthene’s common stock at the same share exchange ratio of 0.749106 share. Immediately prior to closing, 599,285 shares of Series B convertible preferred stock (“convertible preferred stock”) converted into Altimune common stock on a 1-for-1 basis. Due to the convertible preferred stock having unique terms and conditions, the convertible preferred stock outstanding in periods prior to the Mergers continues to be presented separately on our balance sheet for periods prior to conversion. In addition, outstanding principal and accrued interest on the Notes converted into 316,734 shares of Altimune common stock. Further, 39,758 shares of Altimune common stock were issued pursuant to the accelerated vesting of restricted stock, and 660,715 shares of Altimune common stock were issued as a result of warrant exercises, both in accordance with their original terms. Upon the closing of the Mergers, Altimune common stock totaling 6,883,498 shares were exchanged for 6,883,498 shares of PharmAthene common stock.

Although PharmAthene was the issuer of the shares and considered the legal acquirer in the Mergers, following the closing, shareholders of Altimune held 58.2% of the equity interest of the combined entity and assumed control of the combined entity. As a result, the transaction has been accounted for as a reverse merger, with Altimune considered the accounting acquirer, and the assets and liabilities of PharmAthene have been recorded at their estimated fair value. The unadjusted purchase price allocated to PharmAthene’s assets and liabilities was estimated to be \$44,742,737 as of the closing date and consisted of the shares of the combined company retained by PharmAthene shareholders, and the estimated fair value of vested PharmAthene stock options and warrants which remained outstanding as of the closing date. Also at the closing, 7,569 outstanding unvested options of PharmAthene with an estimated fair value of \$15,173 remained subject to vesting and service requirements. These unvested options will be recorded as operating expense in future periods as the services are delivered and the options vest.

Headquartered in Annapolis, Maryland, PharmAthene was incorporated in Delaware in April 2005. PharmAthene was a biodefense company engaged in Phase II clinical trials in developing a next generation anthrax vaccine. The next generation vaccine is intended to have more rapid time to protection, fewer doses for protection and less stringent requirements for temperature controlled storage and handling than the currently used vaccine. The Mergers enable the combined company to become a fully integrated, commercially-focused immunotherapeutics company with the ability to create more value than either company could achieve individually. As a publicly listed entity, the Mergers also provide us with additional capital financing alternatives to support the combined entity’s planned research and development activities.

In addition to the operating assets and liabilities of PharmAthene, Altimune also acquired PharmAthene’s tax attributes, which primarily consisted of a tax refund receivable and approximately \$1 million of net operating losses which were limited under Section 382 of the U.S. Internal Revenue Service and were fully reserved, which begin to expire in 2023. We recorded a deferred tax liability related to future tax benefits arising from an in-process research and development asset (“IPR&D”) acquired in the Mergers. Goodwill generated from the Mergers is not expected to be deductible for tax purposes.



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For accounting purposes, the historical financial statements of Altimmune have not been adjusted to reflect the Mergers, other than adjustments to the capital structure of Altimmune to reflect the historical capital structure of PharmAthene. Altimmune incurred \$1,673,695 of transaction costs, which have been expensed as incurred in the accompanying condensed consolidated financial statements.

The following table lists the various securities of PharmAthene which were outstanding as of May 4, 2017 and whose rights and obligations were assumed by Altimmune following the Mergers:

Outstanding PharmAthene common stock	6,883,498
Outstanding PharmAthene stock options	123,003
Outstanding PharmAthene stock warrants	4,658
Per share fair value of PharmAthene common stock	\$ 6.50
Weighted average per share fair value of PharmAthene stock options	\$ 0.26
Per share fair value of PharmAthene stock warrants	\$ 0.01
Aggregate fair value of consideration	\$44,757,910
Less fair value of unvested common stock options	(15,173)
Total fair value of consideration	<u>\$44,742,737</u>

Since the acquisition date, we have recorded adjustments to the allocation of the purchase consideration that included a \$44,700 adjustment to increase our tax refund receivable and a \$4,535 adjustment to reduce our deferred tax liabilities, with a total adjustment of \$49,235 resulting in an increase in goodwill. The adjustments were the result of a change in the tax rate being applied from 34% to 35%. These purchase price adjustments were reflected in the accompanying condensed consolidated balance sheet as of September 30, 2017. The adjusted allocation of the purchase consideration to the assets acquired and liabilities assumed of PharmAthene in these financial statements is still preliminary and subject to change as management gathers information regarding these items. The adjusted allocation of the purchase consideration was as follows:

Cash and cash equivalents	\$ 13,684,535
Accounts receivable	1,124,462
Prepaid expenses and other current assets	597,172
Tax refund receivable	2,047,234
Property and equipment	75,779
IPR&D	22,389,000
Goodwill	15,573,822
Total assets acquired	<u>55,492,004</u>
Accounts payable and accrued expenses	(2,193,785)
Deferred tax liability	(8,555,482)
Total liabilities assumed	<u>(10,749,267)</u>
Net assets acquired	<u>\$ 44,742,737</u>

We relied on significant Level 3 unobservable inputs to estimate the fair value of acquired IPR&D assets using management's estimate of future revenue and expected profitability of the products after taking into account an estimate of future expenses necessary to bring the products to completion. These projected cash flows were then discounted to their present values using a discount rate of 23%, which was considered commensurate with the risks and stages of development of the products.

The operating activities of PharmAthene have been included in the accompanying condensed consolidated financial statements from the date of the Mergers. For the period from May 4, 2017 to September 30, 2017, revenues and net loss of PharmAthene included in the accompanying condensed consolidated financial statements aggregated \$1,052,007 and \$343,509, respectively.

The following unaudited pro forma information for the nine months ended September 30, 2017 and 2016 gives effect to the acquisition of PharmAthene as if the Mergers had occurred at the beginning of the respective full annual reporting period:

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	Nine Months Ended September 30,	
	2017	2016
Pro forma revenue and grants and contracts	\$ 9,035,435	\$ 6,262,748
Pro forma net (loss) income attributable to common stockholders	\$(39,277,568)	\$111,784,503
Pro forma weighted average common shares outstanding, basic	15,218,542	14,268,717
Pro forma net (loss) income per share, basic	\$ (2.58)	\$ 7.83
Pro forma weighted average common shares outstanding, diluted	15,218,542	15,107,312
Pro forma net (loss) income per share, diluted	\$ (2.58)	\$ 7.40

#### 4. Summary of Significant Accounting Policies

##### *Segment information*

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, our Chief Executive Officer, in making decisions regarding resource allocation and assessing performance. We view our operations and manage our business in one operating segment, the research and development of immunotherapies and vaccines.

##### *Business combination*

We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. Our management collects information and reevaluates these estimates and assumptions quarterly and records any adjustments to our preliminary estimates to goodwill during the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations and comprehensive loss.

Amounts paid for acquisitions are allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. We allocate the purchase price in excess of net tangible assets acquired to identifiable intangible assets, including purchased IPR&D assets. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management. We allocate any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill.

Our IPR&D assets represent the estimated fair value as of the acquisition date of substantive in-process projects that have not reached technological feasibility. The primary basis for determining technological feasibility of these projects is obtaining regulatory approval. The valuation of IPR&D assets is determined using the discounted cash flow method. In determining the value of IPR&D assets, management considers, among other factors, the stage of completion of the projects, the technological feasibility of the projects, whether the projects have an alternative future use and the estimated residual cash flows that could be generated from the various projects and technologies over their respective projected economic lives. The discount rate used is determined at the time of acquisition and includes a rate of return which accounts for the time value of money, as well as risk factors that reflect the economic risk that the cash flows projected may not be realized.

##### *Impairment of long-lived assets and goodwill*

We evaluate our long-lived tangible and intangible assets, including IPR&D assets and goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment of long-lived assets other than goodwill and indefinite lived intangibles is assessed by comparing the undiscounted cash flows expected to be generated by the asset to its carrying value. Goodwill is tested for impairment by comparing the estimated fair value of our single reporting unit to its carrying value.

From the date of the Mergers through September 30, 2017, we experienced a decline in the trading price of our common stock. As of September 30, 2017, our one reporting unit had an estimated average market capitalization through September 30, 2017, before adjusting for an estimated control premium, of approximately \$36,200,000 as compared to the unadjusted carrying value of the reporting unit of \$75,430,244, which is an impairment indicator. As a result, we conducted an interim impairment review and test.

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Our IPR&D assets are currently non-amortizing. Until such time as the projects are either completed or abandoned, we test those assets for impairment annually by comparing the fair value of such assets to their carrying value. On an interim basis, we consider qualitative factors which could be indicative of impairment; these factors include the current project status, forecasted changes in the timing or amounts required to complete the project, forecasted changes in the future cash flows to be generated by the completed products, and changes to other market based assumptions, such as discount rates. Upon completion or abandonment, the value of the IPR&D assets will be amortized to expense or the anticipated useful life of the developed products, if completed, or charged to expense when abandoned if no alternative future use exists. As of September 30, 2017, the projects continue to progress as originally anticipated, and no significant changes to the estimated timing or amount of cash flows or any other market assumptions have occurred. We performed an interim qualitative assessment of our long-lived assets, including IPR&D, as of September 30, 2017, and have determined that our long-lived assets, including IPR&D, are not impaired at September 30, 2017.

We test goodwill for impairment during the fourth quarter of each year, or more frequently if impairment indicators arise. During the nine months ended September 30, 2017, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2017-04, *Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which provides for a one-step quantitative test. We early adopted ASU 2017-04 to simplify our goodwill impairment analysis. If the carrying value of a reporting unit exceeds its fair value, the amount of goodwill impairment is the excess of the reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. We consider multiple methods including both market and income approaches to determine fair value of our one reporting unit, and primarily relied on fair value estimated based on our market capitalization (a Level 1 input) as of or near the testing date, adjusted for an estimated control premium. As noted, due to the decline in the market value of our common stock which indicated potential impairment, we performed an interim impairment test on our goodwill as of September 30, 2017, using a volume weighted average price (“VWAP”) of \$2.31 per share at September 30, 2017 and a control premium of 35%.

Based on the result of our impairment test, the carrying value of our reporting unit exceeded its estimated fair value at September 30, 2017. As a result, we have concluded that our goodwill was impaired at September 30, 2017 and an impairment charge of \$26,600,000 was recorded during the three and nine months ended September 30, 2017, and was classified as a component of operating expenses. We will continue to evaluate our goodwill for impairment based on factors including the overall movements of our market capitalization. Any sustained declines in our stock price from the September 30, 2017 level could result in a future impairment and the overall amount of impairment loss could be material.

### *Income Taxes*

We account for income taxes using the asset and liability approach, which requires the recognition of future tax benefits or liabilities on the temporary differences between the financial reporting and tax bases of our assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized. We also recognize a tax benefit from uncertain tax positions only if it is “more likely than not” that the position is sustainable based on its technical merits.

Pursuant to federal and state tax regulations with respect to carryback periods of certain net operating losses (“NOLs”), in 2017, as a result of the Mergers, we anticipate that we will be able to carryback 2017 NOLs to 2016, which we expect will allow us to recover previously paid federal and state income taxes by PharmAthene and other tax credits of approximately \$5.1 million. These anticipated refunds generated through September 30, 2017, are included as a component of tax refund receivable on the condensed consolidated balance sheet at September 30, 2017 and an income tax benefit during the three and nine months ended September 30, 2017.

### *Preferred Stock*

Convertible preferred stock outstanding prior to the Mergers were classified as permanent equity, with the net issuance price in excess of par value recorded as additional paid-in capital. Redeemable preferred stock issued in August 2017 are classified as temporary equity and were initially recorded at their original issuance price, net of issuance costs and discounts. Discounts included common stock warrants issued as part of the financing which were required to be classified as a liability and recorded at fair value (Note 10), an embedded derivative related to certain redemption features which was classified as a liability and recorded at fair value (Note 9), and the intrinsic value of a beneficial conversion feature present in the instrument at issuance (Note 9). The carrying value of redeemable preferred stock will be accreted over the term of the redeemable preferred stock up to their redemption value, using the interest method with the amount of the accretion recorded as a reduction of additional paid-in capital.

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### *Warrants*

Common stock warrants issued in connection with the convertible preferred stock and the Notes were classified as a component of permanent equity because they were freestanding financial instruments that were legally detachable and separately exercisable from other debt and equity instruments, were contingently exercisable, did not embody an obligation for us to repurchase our own shares, and permitted the holders to receive a fixed number of common shares upon exercise. In addition, such warrants required physical settlement and do not provide any guarantee of value or return. These warrants were valued using the Black Scholes option pricing model (“Black-Scholes”).

Common stock warrants issued in connection with the redeemable preferred stock are classified as a liability because the warrants may be net share settled at the holders option. Such warrants contain terms which could, in certain circumstances, require the Company to settle the instruments for cash and such circumstances are outside the Company’s control. Common stock warrants classified as a liability are initially recorded at their issuance date fair value and are remeasured on each subsequent balance sheet date with changes in fair value recorded as a component of other income (expenses), net. These common stock warrants were valued using the Monte Carlo simulation valuation model.

### *Stock Compensation*

We adopted FASB’s ASU No. 2016-09, *Compensation – Stock Compensation* (“ASU 2016-09”) on January 1, 2017. The adoption of ASU 2016-09 did not have a material impact on our financial statements. We elected to adopt the cash flow presentation of the excess tax benefits prospectively, commencing with our statement of cash flows for the three months ended March 31, 2017. We have elected to continue to estimate the number of stock-based awards expected to vest, rather than electing to account for forfeitures as they occur to determine the amount of compensation cost to be recognized in each period. There was no impact to our computation of dilutive EPS as all securities were considered anti-dilutive.

### *Recently issued accounting pronouncements*

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), as amended, which amends the guidance for revenue recognition to replace numerous industry specific requirements. ASU 2014-09, as amended, implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. ASU 2014-09, as amended, also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. ASU 2014-09, as amended, is effective for reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before December 15, 2016. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently in the process of evaluating the effect the adoption of ASU 2014-09, as amended, may have on our financial statements. As the majority of our revenues relate to research grants and government contracts, we do not expect the adoption of ASU 2014-09, as amended, will have a material impact on our financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 requires a lessee to separate the lease components from the non-lease components in a contract and recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. It also aligns lease accounting for lessors with the revenue recognition guidance in ASU 2014-09. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied at the beginning of the earliest period presented using a modified retrospective approach. We do not expect the adoption of ASU 2016-02 will have a material impact on our financial statements.

## **5. Net Loss Per Share**

Because we have reported a net loss attributable to common stockholders for all periods presented, basic and diluted net loss per share attributable to common stockholders are the same for all periods presented. For periods presented, all preferred stock, unvested restricted stock, common stock warrants, and stock options have been excluded from the computation of diluted weighted-average shares outstanding because such securities would have an antidilutive impact.

The following table sets forth the computation of basic and diluted net loss per share:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Numerator:</b>				
Net loss	\$ (29,905,237)	\$ (4,795,059)	\$ (37,594,401)	\$ (8,024,985)
Less: preferred stock accretion and dividends	(1,962,072)	(104,548)	(2,125,141)	(247,562)
Net loss attributed to common stockholders	<u>\$ (31,867,309)</u>	<u>\$ (4,899,607)</u>	<u>\$ (39,719,542)</u>	<u>\$ (8,272,547)</u>
<b>Denominator:</b>				
Weighted-average common shares outstanding, basic and diluted	<u>15,527,867</u>	<u>6,911,715</u>	<u>11,595,698</u>	<u>6,911,366</u>
Net loss per share attributed to common stockholders, basic and diluted	<u>\$ (2.05)</u>	<u>\$ (0.71)</u>	<u>\$ (3.43)</u>	<u>\$ (1.20)</u>

Potential common shares issuable upon conversion, vesting or exercise of convertible preferred stock, redeemable preferred stock, unvested restricted stock, common stock warrants, and stock options that are excluded from the computation of diluted weighted-average shares outstanding are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Convertible preferred stock	—	517,860	—	411,736
Redeemable preferred stock	5,863,564	—	5,863,564	—
Common stock warrants	2,350,085	538,003	2,350,085	442,910
Common stock options	1,720,004	831,248	1,720,004	838,595
Restricted stock	25,559	—	25,559	—

## 6. Goodwill and Intangible Assets

Changes in the carrying amounts of IPR&D assets and goodwill for the nine months ended September 30, 2017 were:

	IPR&D	Goodwill
Balance, beginning of period	\$14,477,019	\$ 18,758,421
Additions from the Mergers	22,389,000	15,573,822
Foreign currency translation adjustments	1,235,457	1,602,661
Impairment charges	—	(26,600,000)
Balance, end of period	<u>\$38,101,476</u>	<u>\$ 9,334,904</u>

Our intangible assets consisted of the following:

	Estimated Useful Lives	December 31, 2016		Net Book Value
		Gross Carrying Value	Accumulated Amortization	
Internally developed patents	6-10 years	\$ 624,454	\$ (211,956)	\$ 412,498
Acquired licenses	16-20 years	285,000	(219,800)	65,200
Total intangible assets subject to amortization		909,454	(431,756)	477,698
IPR&D assets	Indefinite	14,477,019	—	14,477,019
Total		<u>\$15,386,473</u>	<u>\$ (431,756)</u>	<u>\$14,954,717</u>

	Estimated Useful Lives	September 30, 2017		Net Book Value
		Gross Carrying Value	Accumulated Amortization	
Internally developed patents	6-10 years	\$ 672,088	\$ (239,211)	\$ 432,877
Acquired licenses	16-20 years	285,000	(232,954)	52,046
Total intangible assets subject to amortization		957,088	(472,165)	484,923
IPR&D assets	Indefinite	38,101,476	—	38,101,476
Total		<u>\$39,058,564</u>	<u>\$ (472,165)</u>	<u>\$38,586,399</u>

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Amortization expense of intangible assets subject to amortization totaled \$14,257 and \$11,764 for the three months ended September 30, 2017 and 2016, respectively, and \$40,409 and \$60,552 for the nine months ended September 30, 2017 and 2016, respectively. Amortization expense was classified as research and development expenses in the accompanying condensed consolidated statements of operations and comprehensive loss.

As of September 30, 2017, future estimated amortization expense is as follows:

Years ending December 31,	
The remainder of 2017	\$ 14,257
2018	53,027
2019	48,227
2020	34,781
2021	14,222
2022 and thereafter	320,409
Total	<u>\$484,923</u>

## 7. Notes Payable

As a condition for the Mergers as described in Note 3, Altimmune entered into the Note Agreement on January 18, 2017. The Notes bore interest at a rate of 6% per annum, compounded annually. On February 28, 2017, as part of the initial closing, \$196,496 of the Notes were issued upon the conversion of outstanding principal of certain prior notes payable, and \$881,044 of the Notes were issued upon the conversion of certain outstanding accrued expenses. The conversion of the prior notes payable into the Notes was accounted for as a modification with no resulting gains or losses being recognized. On March 9, 2017, the remainder of the initial closing of the Notes was issued for an aggregate of \$3,150,630 in gross proceeds. In connection with the issuance of the Notes, we granted warrants for the purchase of up to 49,776 shares of our common stock to certain noteholders. The allocated fair value of the warrants on the issuance date of \$566,793 was accounted for as a debt issuance discount and was accreted over the term of the Notes using the interest method.

All outstanding principal and accrued interest on the Notes were converted into our common stock upon the close of the Mergers. On May 4, 2017, upon the close of the Mergers, outstanding principal and accrued interest, net of unamortized discount and deferred financing costs totaling \$3,645,424 were converted into 316,734 shares of our common stock. Interest expense incurred on the Notes prior to conversion totaled \$83,207 and \$136,629 for the three and nine months ended September 30, 2017, respectively.

## 8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	September 30, 2017	December 31, 2016
Accrued professional services	\$ 885,549	\$ 689,135
Accrued board of director compensation	81,414	606,199
Accrued payroll and employee benefits	1,070,006	957,719
Accrued interest	536	169,790
Accrued research and development costs	1,559,808	549,902
Total	<u>\$ 3,597,313</u>	<u>\$ 2,972,745</u>

## 9. Redeemable Convertible Preferred Stock

On August 16, 2017, we issued 15,656 shares of \$0.0001 par value, redeemable preferred stock and warrants to purchase up to 2,345,427 shares of our common stock (see Note 10) for total gross proceeds of \$14,716,370, and incurred issuance costs totaling

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\$1,697,800. The redeemable preferred stock matures on August 16, 2018. The maturity date may be extended at the option of the holders to ten trading days after the curing of a triggering event (as defined), or ten business days after the consummation of a change of control. In addition, the redeemable preferred stock agreements require that we reserve a sufficient number of common shares to cover at least 150% of the common shares expected to be issued upon the conversion of the redeemable preferred stock at the then current conversion price, and the exercises of common stock warrants issued in connection with the redeemable preferred stock.

The rights, preferences, and privileges of redeemable preferred stock are summarized below:

*Voting* – Holders of redeemable preferred stock have no voting rights, except as required by law.

*Dividends* – Holders of redeemable preferred stock are entitled to participate in dividends, when and if declared by our board of directors, on an as converted basis at the initial conversion price of \$2.67 per share, not to exceed the maximum ownership percentages (as defined).

*Optional conversion* – Holders of redeemable preferred stock have the option to convert redeemable preferred stock into shares of common stock, rounded up to the nearest whole shares, at any time, not to exceed the maximum ownership percentages (as defined), at the conversion rate calculated as (1) whole shares of redeemable preferred shares to be converted at \$1,000 per share, plus any accrued but unpaid dividends, and any accrued but unpaid late charges, divided by (2) the conversion price which is \$2.67 per share initially, or as adjusted for any dilutive events and down rounds.

*Mandatory conversion* – If for any ten consecutive trading days after the redeemable preferred stock issuance date, the weighted average price of our common stock equals or exceeds 200% of the then current conversion price (initially \$2.67 per share, subject to adjustment for stock dividends, stock splits, or a stock combination), we have the option to require all holders of redeemable preferred stock to convert all or a pro rata portion of their outstanding unconverted redeemable preferred stock (plus accrued and unpaid dividends and accrued and unpaid late charges) into common stock at the then current conversion rate (initially \$2.67 per share), up to the maximum ownership percentage (as defined).

*Triggering event conversion* – Upon a triggering event, holders of redeemable preferred stock may elect to convert all, or a portion of, the outstanding conversion amount at the triggering event conversion price determined based on the lowest of (1) the conversion price then in effect (initially \$2.67 per share), (2) 75% of the lowest VWAP during the 20-day period prior to the triggering event conversion date, and (3) 75% of the VWAP on the triggering event conversion date, adjusted for any share dividend, share split, or share combination.

*Installment* – On each of the nine specified installment dates beginning in December 2017 through maturity, we are required to convert, redeem, or a combination, one-ninth of the originally issued number of redeemable preferred shares at their stated value of \$1,000 per share, for an aggregate value of \$1,739,524 at each installment. If we elect to convert the installment shares, the conversion price is determined based on the lowest of (i) the then applicable conversion price (initially \$2.67 per share), (ii) 85% of the average of the three lowest weighted-average prices of the common stock during the ten trading days up to the installment date, and (iii) 85% of the weighted average price of common stock on the trading day immediately before the installment date. If we elect cash redemption, the redemption amount is \$1,000 per share, plus any accrued but unpaid dividends and any accrued but unpaid late charges.

*Liquidation preference* – In the event of a voluntary or involuntary liquidation, dissolution, or winding up of business involving substantially all of our assets, holders of redeemable preferred stock are entitled to receive cash payments in priority to holders of common stock in the amount that equals the sum of any outstanding shares at \$1,000 per share, plus any accrued and unpaid dividends, and any accrued and unpaid late charges. If assets available for distribution are insufficient to satisfy the liquidation payment in full, funds available for distribution shall be allocated pari passu among holders of redeemable preferred stock, and other equity classes equal in preference, based on their relative shareholdings. When the holders of redeemable preferred stock are satisfied in full, any excess assets available for distribution will be allocated ratably among holders of common stock and holders of redeemable preferred stock based on the number of common shares held by each holders of redeemable preferred stock on an as-converted basis.

*Mandatory redemption* – Upon maturity, we are required redeem any remaining outstanding redeemable preferred stock in cash at \$1,000 per share, plus any accrued and unpaid dividends, and any accrued and unpaid late charges.



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*Change of control redemption or triggering event redemption* – In the event of a change of control or upon a triggering event, holders of redeemable preferred stock may redeem for cash all or a portion of their outstanding redeemable preferred stock at the greater of (i) 125% of the amount to be redeemed, or (ii) the amount to be redeemed multiplied by the quotient of the highest closing sale price during the period from the earlier of consummation or public announcement of the change of control to the date of the redemption notice, divided by the lowest conversion price in effect during such period. If we are unable to redeem all redeemable preferred stock submitted for redemption, we may be required to pay a penalty until the redemption amount is paid in full.

*Stock purchasing rights* – Holders of redeemable preferred stock are entitled to the same stock purchasing rights granted to holders of common stock.

*Late charges* – We may be required to pay a late charge for any amounts due to the holders of redeemable preferred stock that are not paid timely, at 12% per annum on the unpaid amount, until it is paid in full.

Because the securities contain contingencies which could require the Company to redeem the shares for cash, and such contingencies are outside the control of the Company, the redeemable convertible preferred stock must be classified outside of permanent equity. Because a substantive conversion feature is present at issuance, the redeemable convertible preferred stock is only contingently redeemable and therefore is classified as temporary equity and carried on the balance sheet in between liabilities and equity at its accreted redemption value.

In addition, certain features present in the redeemable convertible preferred stock require separate recognition. For purposes of this evaluation, we have determined that the redeemable preferred instrument is more akin to a debt host because the installment conversion feature, as the primary settlement mechanism, settles in variable shares. Because the potential contingent redemption price contains a significant premium over the issuance price, the redemption feature is not clearly and closely related to the debt-like host instrument. All redemption features (including the change of control redemption, triggering event redemption, mandatory redemption, and installment redemption) have been determined to be a single, compound embedded derivative financial instrument to be bifurcated and separately accounted for as a liability. The embedded derivative financial instrument was initially recorded at its fair value on the redeemable preferred stock issuance date, and is being remeasured on each subsequent balance date with changes in fair value classified as a component of other income (expenses), net. The embedded derivative is classified as a component of other long-term liabilities.

The redeemable convertible preferred stock also contains a beneficial conversion element at issuance. The conversion feature was “in-the-money” as of the commitment date as the fair value of the underlying common share was greater than the effective conversion price. The beneficial conversion feature, measured as the intrinsic value of the feature, totaled \$3,223,853 and is classified as a component of additional paid-in capital. This amount was allocated from the net proceeds of the financing. The beneficial conversion feature will not be remeasured in subsequent periods.

The net proceeds from the financing were allocated as follows:

Common stock warrant liability	\$ 3,498,632
Embedded derivative, redemption features	19,857
Beneficial conversion feature	3,223,853
Initial carrying value of redeemable preferred stock	6,276,228
Net proceeds from redeemable preferred stock issuance	<u>\$13,018,570</u>

The periodic changes in the fair value of the embedded redemption derivative financial instrument measured using Level 3 inputs, is as follows:

Balance, beginning of period	\$ —
Issuance	19,857
Change in fair value	1,157
Balance, end of period	<u>\$21,014</u>

The fair value used to determine the initial carrying value of the embedded redemption derivative financial instrument was measured using Level 3 inputs and was estimated using the Monte Carlo simulation valuation model. The assumptions used to estimate the fair value of the embedded redemption derivative financial instrument as September 30, 2017 and as of the redeemable preferred stock issuance date were as follows:

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	September 30, 2017	August 16, 2017
Expected volatility	52.00%	56.00%
Incremental borrowing rate	12.00%	12.00%
Risk-free interest rate	1.28%	1.24%

### 10. Warrants

As of December 31, 2016, there were 616,770 warrants outstanding. In March 2017, we issued warrants to purchase up to 49,776 shares of common stock in connection with the Notes (see Note 1). The warrants were classified as permanent equity, and were recorded at the issuance date using a relative fair value allocation method, and were not subsequently remeasured. In connection with the Mergers, 660,715 shares of common stock were issued as a result of cashless exercises of such warrants.

In August 2017, in connection with the redeemable preferred stock issuance (Note 9), we granted warrants to holders of redeemable preferred stock to purchase up to 2,345,427 shares of our common stock. Warrants issued with the redeemable preferred stock are classified as a liability and are initially recorded at their grant date fair value, to be remeasured on each subsequent balance sheet date. The warrant liability is classified as component of other long-term liabilities.

A summary of warrant activity during the three and nine months ended September 30, 2017 and 2016 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Warrants outstanding, beginning of period	4,658	477,613	616,770	208,614
Issuances	2,345,427	134,499	2,395,203	403,498
Exercises and conversions	—	—	(661,888)	—
Warrants outstanding, end of period	<u>2,350,085</u>	<u>612,112</u>	<u>2,350,085</u>	<u>612,112</u>

Warrants outstanding at September 30, 2017 have an aggregate grant date fair value of \$3,498,720 with a weighted average exercise price of \$2.70.

The periodic changes in the fair value of the warrant liability, measured using Level 3 inputs, is as follows:

Balance, beginning of period	\$ —
Issuance	3,498,632
Change in fair value	<u>508,316</u>
Balance, end of period	<u>\$4,006,948</u>

The fair value used to determine the initial carrying value of warrants classified as permanent equity was measured using Level 3 inputs and was estimated using the Black-Scholes option pricing model. The fair value of common warrants classified as a liability was estimated using the Monte Carlo simulation valuation model with Level 3 inputs. The following assumptions were used to estimate the fair value of warrants during the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Expected volatility	87.00%	71.00%	87.00%	75.00%
Expected term (years)	5.00	4.22	5.00	4.54
Risk-free interest rate	1.76%	1.08%	1.76%	1.29%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

## 11. Stock-Based Compensation

### Stock Options

Our stock option awards generally vest over four years and typically have a contractual life of ten years. At September 30, 2017, there was \$2,227,080 of unrecognized compensation cost related to stock options, which is expected to be recognized over a weighted-average period of 2.45 years. During the three and nine months ended September 30, 2017, we issued 200,060 and 200,657 shares, respectively, of common stock as a result of option exercises.

Information related to stock options outstanding at September 30, 2017 is as follows:

	Number of Stock Options	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding	1,720,004	\$ 4.73	4.93	\$883,740
Exercisable	971,221	\$ 4.44	4.41	\$857,749
Expected to vest	748,783	\$ 5.11	5.61	\$ 25,991

### Restricted Stock

At September 30, 2017, we had unvested restricted stock of 25,559 shares with total unrecognized compensation expense of \$33,618, which we expect to recognize over a weighted average period of approximately 1.86 years. During the three and nine months ended September 30, 2017, we released 2,130 and 48,987 shares of common stock, respectively, from restriction as a result of the vesting and accelerated vesting of restricted stock.

### Stock-based compensation expense

Stock-based compensation expense is classified in the accompanying condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2017 and 2016 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Research and development	\$ 93,821	\$ 62,871	\$ 250,061	\$215,596
General and administrative	359,216	132,185	887,064	369,189
Total	<u>\$453,037</u>	<u>\$195,056</u>	<u>\$1,137,125</u>	<u>\$584,784</u>

## 12. Contingencies

We are a party in various other contractual disputes, litigation, and potential claims arising in the ordinary course of business. We do not believe that the resolution of these matters will have a material adverse effect on our financial position or results of operations.

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

*The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our consolidated financial statements and related notes for the year ended December 31, 2016 included in the Registration Statement on Form S-4/A, which was filed with the Securities and Exchange Commission on March 31, 2017 ("Form S-4/A"). Unless the context indicates otherwise, references to "we," "us," "our," "Altimmune" or the "Company" refer, for periods prior to the completion of the Mergers (as defined below), to Altimmune, Inc. and its subsidiaries.*

*This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. There are a number of important risks and uncertainties that could cause our actual results to differ materially from those*

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*indicated by forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in the section entitled “Risk Factors” in Part II, Item 1A that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make.*

*We have based the forward-looking statements included in this Quarterly Report on Form 10-Q on information available to us on the date of this Quarterly Report, and we assume no obligation to update any such forward-looking statements, other than as required by law. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we, in the future, may file with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.*

## **Overview**

We are a clinical stage immunotherapeutics company focused on the development of products to stimulate robust and durable immune responses for the prevention and treatment of diseases. We have two proprietary platform technologies, RespirVec and Densigen, each of which has been shown, in preclinical studies and early clinical trials, to activate the immune system in distinctly different ways than traditional vaccine methods. Using these technologies, we have generated clinical product candidates which potentially represent an entirely new approach to harnessing the immune system. Our most advanced product candidate, NasoVAX, an intranasally administered recombinant influenza vaccine, uses an adenovector to achieve expression of the influenza antigen in the target cell, thereby potentially stimulating a broader and more rapid immune response than traditional influenza vaccines. Our planned Phase 2 program for NasoVAX started in September 2017, with initial data anticipated approximately six months following the start of enrollment. Our second most advanced product candidate, HepTcell, is being tested as an immunotherapy for patients chronically infected with the hepatitis B virus (“HBV”), and has the potential to provide a functional cure, something that is not achievable with current treatments. HepTcell is currently in a Phase 1 trial in the United Kingdom and South Korea in patients with chronic HBV. Preliminary results from this trial are expected by the end of 2017. With the support of the U.S. Biomedical Advanced Research and Development Authority (“BARDA”), we are developing a third product candidate, NasoShield, an anthrax vaccine designed to provide rapid, stable protection after one intranasal administration. Subject to continued financial and other support from BARDA, we anticipate launching a Phase 1 trial for NasoShield in the first quarter of 2018. With the support of the National Institute of Allergy and Infectious Disease (“NIAID”), we are developing a fourth product candidate, SparVax-L, a recombinant protein based anthrax vaccine designed to require fewer doses and have a longer shelf-life than the only currently licensed anthrax vaccine.

Pursuant to the Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) dated January 18, 2017, PharmAthene, Inc. (“PharmAthene”), its wholly owned acquisition subsidiaries Mustang Merger Sub Corp I Inc. (“Merger Sub Corp”) and Mustang Merger Sub II LLC (“Merger Sub LLC”) agreed to acquire 100% of Altimune’s outstanding capital stock in a reverse triangular merger and reorganization pursuant to section 368(a) of the Internal Revenue Code (the “Mergers”). Upon the closing of the Mergers, (i) Merger Sub Corp merged with and into Altimune, with Altimune remaining as the surviving corporation; (ii) Altimune then merged with and into Merger Sub LLC, with Merger Sub LLC (renamed as “Altimune LLC”) remaining as the surviving entity; and (iii) PharmAthene was renamed as “Altimune, Inc.”

As a condition for the Mergers, in January 2017, Altimune entered into a Convertible Promissory Note Purchase Agreement (the “Note Agreement”) for the private placement of \$8.6 million of 6% convertible notes (the “Notes”) to be issued in two separate closings. The initial closing dated March 9, 2017 resulted in \$3,150,630 of gross proceeds. The initial closing also included \$196,496 of certain existing outstanding notes payable and \$881,044 of certain accrued expenses that were modified and became a component of the Notes on February 28, 2017. The second closing contemplated by the Note Agreement occurred in connection with the offering of Series B redeemable convertible preferred stock (“redeemable preferred stock”). In connection with the Notes, Altimune issued warrants to purchase 49,776 shares of Altimune’s common stock to certain noteholders, with an exercise price of \$0.01 per share.

In accordance with the terms of the Merger Agreement, PharmAthene issued 0.749106 (the “share exchange ratio”) of a share of PharmAthene common stock for each share of Altimune common stock outstanding as of the closing date. All historical share and per share information has been retroactively adjusted to reflect the impact of the share exchange ratio. In addition, Altimune stock options and warrants were also replaced with options and warrants to purchase PharmAthene’s common stock at the same exchange ratio of 0.749106 share. Immediately prior to closing, 599,285 shares of our Series B convertible preferred (“convertible preferred”) stock were converted into Altimune common stock on a 1-for-1 basis. In addition, outstanding principal and accrued interest on the Notes were converted into 316,734 shares of Altimune common stock. Further, 39,758 shares of Altimune common stock were issued pursuant to the accelerated vesting of restricted stock, and 660,715 shares of Altimune common stock were issued as a result of warrant exercises, both in accordance with their original terms. Upon the closing of the Mergers, all outstanding shares of Altimune common stock were exchanged for 6,883,498 shares of PharmAthene common stock.

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Following the closing, shareholders of Altimmune held 58.2% of the equity interest of the combined entity and assumed control of the combined entity. As a result, the transaction has been accounted for as a reverse merger, and the assets and liabilities of PharmAthene will be recorded at their estimated fair value. The unadjusted purchase price to be allocated to PharmAthene's assets and liabilities was estimated to be \$44,742,737 as of the closing date and consisted of the shares of the combined company retained by PharmAthene shareholders, and the estimated fair value of vested PharmAthene stock options and warrants which remained outstanding as of the closing date. Also at the closing, 7,569 shares of PharmAthene outstanding stock options with an estimated fair value of \$15,173 remained subject to vesting and service requirements. These unvested options will be recorded as operating expense in future periods as the services are delivered and the options vest.

We have incurred accumulated losses since inception. Our ability to continue as a going concern is dependent upon our ability to raise additional debt and equity capital. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us. These factors raise substantial doubt about our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should we be unable to continue as a going concern.

As capital resources are consumed to fund our research and development activities, we may not have sufficient capital to fund our plan of operations. In order to address its capital needs, including our planned clinical trials, in addition to the Note Agreement and the private placement, we must continue to actively pursue additional equity or debt financing.

Adequate financing opportunities might not be available to us, when and if needed, on acceptable terms, or at all. If we are unable to obtain additional financing in sufficient amounts or on acceptable terms under such circumstances, our operating results and prospects will be adversely affected. As of September 30, 2017, the combination of the net proceeds from the Notes, cash assumed from the Mergers, the anticipated receipt of tax refunds, the August 2017 redeemable preferred stock financing, and revenue from our government sponsored contracts will be insufficient to fund our operations and research and development efforts for at least twelve months from the expected issuance date of our September 2017 financial statements.

### **Critical Accounting Policies and Significant Judgment and Estimates**

Other than described below, there were no material changes in the first nine months of 2017 to the information provided under the heading "Critical Accounting Policies and Significant Judgment and Estimates" or in the significant accounting policies in our consolidated financial statements for the year ended December 31, 2016 included in Form S-4/A.

#### *Business combination*

We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. Our management collects information and reevaluates these estimates and assumptions quarterly and records any adjustments to our preliminary estimates to goodwill during the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations and comprehensive loss.

Amounts paid for acquisitions are allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. We allocate the purchase price in excess of net tangible assets acquired to identifiable intangible assets, including purchased IPR&D assets. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management. We allocate any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill.

Our IPR&D assets represent the estimated fair value as of the acquisition date of substantive in-process projects that have not reached technological feasibility. The primary basis for determining technological feasibility of these projects is obtaining regulatory approval.

The valuation of IPR&D assets is determined using the discounted cash flow method. In determining the value of IPR&D assets, management considers, among other factors, the stage of completion of the projects, the technological feasibility of the projects,

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whether the projects have an alternative future use and the estimated residual cash flows that could be generated from the various projects and technologies over their respective projected economic lives. The discount rate used is determined at the time of acquisition and includes a rate of return which accounts for the time value of money, as well as risk factors that reflect the economic risk that the cash flows projected may not be realized.

### *Impairment of long-lived assets and goodwill*

We evaluate our long-lived tangible and intangible assets, including IPR&D assets and goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment of long-lived assets is assessed by comparing the undiscounted cash flows expected to be generated by the asset to its carrying value. From the date of the Mergers through September 30, 2017, we experienced a decline in the trading price of our common stock. As of September 30, 2017, our one reporting unit had an estimated average market capitalization through September 30, 2017, defined as the number of common shares outstanding multiplied by the traded market price of our common stock on September 30, 2017, before adjusting for an estimated control premium, of approximately \$36.2 million as compared to the unadjusted, pre-tax carrying value of the reporting unit of \$75.4 million, which is an impairment indicator.

Our IPR&D assets are currently non-amortizing. Until such time as the projects are either completed or abandoned, we test those assets for impairment annually by comparing the fair value of such assets to their carrying value. On an interim basis, we consider qualitative factors which could be indicative of impairment; these factors include the current project status, forecasted changes in the timing or amounts required to complete the project, forecasted changes in the future cash flows to be generated by the completed products, and changes to other market based assumptions, such as discount rates. Upon completion or abandonment, the value of the IPR&D asset will be amortized to expense or the anticipated useful life of the developed product, if completed, or charged to expense when abandoned if no alternative future use exists. As of September 30, 2017, the projects continue to progress as originally anticipated, and no significant changes to the timing or amount of cash flows or any other market assumptions appears to have occurred. We performed an interim qualitative assessment of our long-lived assets, including IPR&D, as of September 30, 2017, and have determined that our long-lived assets, including IPR&D, are not impaired at September 30, 2017.

We test goodwill for impairment during the fourth quarter of each year, or more frequently if impairment indicators arise. If the carrying value of a reporting unit exceeds its fair value, the amount of goodwill impairment is the excess of the reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. We consider multiple methods including both market and income approaches to determine fair value of our one reporting unit including fair value estimated based on our market capitalization as of or near the testing date, adjusted for an estimated control premium. We performed an interim impairment test on our goodwill as of September 30, 2017. Based on the result of the goodwill impairment test, the carrying value of our reporting unit exceeded its estimated fair value at September 30, 2017. We have concluded that our goodwill was impaired at September 30, 2017 and an impairment adjustment charge of \$26.6 million was recorded during the three and nine months ended September 30, 2017, and was classified as a component of operating expenses. We will continue to evaluate our goodwill for impairment based on factors including the overall movements of our market capitalization. Any sustained declines in our stock price from the September 30, 2017 level could result in a future impairment and the overall amount of impairment loss could be material.

### *Income Taxes*

We account for income taxes using the asset and liability approach, which requires the recognition of future tax benefits or liabilities on the temporary differences between the financial reporting and tax bases of our assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized. We also recognize a tax benefit from uncertain tax positions only if it is "more likely than not" that the position is sustainable based on its technical merits.

Pursuant to federal and state tax regulations with respect to carryback periods of net operating losses ("NOLs"), in 2017, as a result of the Mergers, we anticipate that we will be able to carryback 2017 NOLs to 2016, which we expect will allow us to recover previously paid federal and state income taxes. These anticipated refunds generated through September 30, 2017, are included as a component of tax refund receivable on the unaudited condensed consolidated balance sheet at September 30, 2017 and an income tax benefit during the three and nine months ended September 30, 2017.

### *Recently issued accounting pronouncements*

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), as amended, which amends the guidance for revenue recognition to replace numerous industry specific requirements. ASU 2014-09, as amended, implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. ASU 2014-09, as amended, also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. ASU 2014-09, as amended, is effective for reporting periods beginning after December 15, 2017.

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Early adoption is permitted, but not before December 15, 2016. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently in the process of evaluating the effect the adoption of ASU 2014-09, as amended, may have on our financial statements. We do not expect the adoption of ASU 2014-09, as amended, will have a material impact on our financial statements.

In February 2016, FASB issued ASU No.2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 requires a lessee to separate the lease components from the non-lease components in a contract and recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. It also aligns lease accounting for lessors with the revenue recognition guidance in ASU 2014-09. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied at the beginning of the earliest period presented using a modified retrospective approach. We do not expect the adoption of ASU 2016-02 will have a material impact on our financial statements.

## Results of Operations

*Comparison of the three months ended September 30, 2017 and 2016:*

	Three Months Ended September 30,			
	2017	2016	Increase (Decrease)	
License revenue	\$ 26,689	\$ 4,938	\$ 21,751	440%
Research grants and contracts	4,565,251	896,101	3,669,150	409
Total revenue and grants and contracts	4,591,940	901,039	3,690,901	410
Operating expenses				
Research and development	5,905,552	2,400,914	3,504,638	146
General and administrative	3,038,756	3,289,647	(250,891)	(8)
Goodwill impairment charges	26,600,000	—	26,600,000	—
Total operating expenses	35,544,308	5,690,561	29,853,747	525
Loss from operations	(30,952,368)	(4,789,522)	26,162,846	546
Other income (expenses):				
Change in fair value of warrant liabilities	(508,316)	—	508,316	—
Change in fair value of embedded derivative	(1,157)	—	1,157	—
Interest expense	(2,344)	(9,408)	(7,064)	(75)
Interest income	15,372	—	15,372	—
Other income	10,786	3,871	6,915	179
Total other expenses, net	(485,659)	(5,537)	480,122	8,671
Net loss before income tax benefit	(31,438,027)	(4,795,059)	26,642,968	556
Income tax benefit	1,532,790	—	1,532,790	—
Net loss	<u>\$(29,905,237)</u>	<u>\$(4,795,059)</u>	\$25,110,178	524%

Comparison of the nine months ended September 30, 2017 and 2016:

	2017	Nine Months Ended September 30,		
		2016	Increase (Decrease)	
License revenue	\$ 36,565	\$ 168,341	\$ (131,776)	(78)%
Research grants and contracts	7,892,919	1,983,574	5,909,345	298
Total revenue and grants and contracts	<u>7,929,484</u>	<u>2,151,915</u>	5,777,569	268
Operating expenses				
Research and development	13,946,403	4,845,045	9,101,358	188
General and administrative	6,863,782	5,301,444	1,562,338	29
Goodwill impairment charges	26,600,000	—	26,600,000	—
Total operating expenses	<u>47,410,185</u>	<u>10,146,489</u>	37,263,696	367
Loss from operations	<u>(39,480,701)</u>	<u>(7,994,574)</u>	31,486,127	394
Other income (expenses):				
Change in fair value of warrant liabilities	(508,316)	—	508,316	—
Change in fair value of embedded derivative	(1,157)	—	(1,157)	—
Interest expense	(160,103)	(28,858)	131,245	455
Interest income	19,538	1,047	18,491	1,766
	2017	Nine Months Ended September 30,		
		2016	Increase (Decrease)	
Other expenses	9,839	(2,600)	12,439	478
Total other expenses, net	<u>(640,199)</u>	<u>(30,411)</u>	609,788	2,005
Net loss before income tax benefit	<u>(40,120,900)</u>	<u>(8,024,985)</u>	32,095,915	400
Income tax benefit	2,526,499	—	2,526,499	—
Net loss	<u><u>\$(37,594,401)</u></u>	<u><u>\$(8,024,985)</u></u>	\$29,569,416	368%



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The results of our operations during the three and nine months ended September 30, 2017 include the consolidated financial results of Altimmune and PharmAthene and its subsidiaries from the closing of the Mergers in May 2017. The operating results for the three and nine months ended September 30, 2016 included only Altimmune.

### *Revenue and grants and contracts*

Revenue and grants and contracts for the three and nine months ended September 30, 2016 consisted primarily of research grants from BARDA and NIAID in the United States for our anthrax vaccine product candidates. During July 2016, we signed a new contract with BARDA resulting in an increase in research grants and contracts by \$3.0 million and \$4.9 million during the three and nine months ended September 30, 2017, respectively, as compared to the same period in 2016. Research grants and contracts for the three and nine months ended September 30, 2017 also included \$624,000 and \$1.0 million, respectively, of research grant revenue from a contract with NIAID that was acquired in the Mergers with PharmAthene.

### *Research and development expenses*

Research and development operating expenses increased by \$3.5 million, or 146%, and \$9.1 million, or 188%, for the three and nine months ended September 30, 2017, respectively, as compared to the same periods in 2016. The increase in research and development expenses was the combination of (i) the addition of \$449,000 and \$779,000 research and development costs for the SparVax-L asset acquired in the Mergers with PharmAthene, for the three and nine months ended September 30, 2017, respectively; (ii) an increase of \$2.5 million and \$4.0 million in spending on the development of the NasoShield product on behalf of BARDA during the three and nine months ended September 30, 2017, respectively; (iii) an increase of \$10,000 and \$1.3 million in HepTCell development and Phase 1 trial costs incurred during the three and nine months ended September 30, 2017, respectively; and (iv) an increase of \$843,000 and \$3.6 million in manufacturing and other costs in preparation for NasoVAX Phase 2 trial during the three and nine months ended September 30, 2017, respectively, offset by decreases in spending on other R&D efforts of \$337,000 and \$507,000 during the three and nine months ended September 30, 2017, respectively.

### *General and administrative expenses*

General and administrative expenses decreased by \$251,000, or 8%, during the three months ended September 30, 2017, and increased by \$1.6 million, or 29%, during the nine months ended September 30, 2017, as compared to the same periods in 2016. The changes were the combined result of (i) the addition of \$208,000 and \$232,000 in general and administrative expenses from the Mergers with PharmAthene during the three and nine months ended September 30, 2017, respectively, and (ii) an increase in legal and professional costs, primarily as a result of the Mergers by \$1.3 million and \$2.9 million during the three and nine months ended September 30, 2017, respectively, (iii) an increase in stock compensation expense of \$238,000 and \$528,000 during the three and nine months ended September 30, 2017, respectively, and (iv) an increase of \$388,000 and \$218,000 during the three and nine months ended September 30, 2017, respectively, offset by (v) a decrease due to a write down of deferred offering costs in September 2016 of \$2.3 million.

### *Goodwill impairment charges*

As more fully described in Note 4 to the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2017, we had determined that our goodwill was impaired at September 30, 2017 and an impairment charge of \$26.6 million was recorded during the three and nine months ended September 30, 2017, and was classified as a component of operating expenses.

### *Other income (expenses), net*

The increase in other expenses, net, by \$480,000 and \$610,000 during the three and nine months ended September 30, 2017, respectively, was primarily the result of (i) an increase in interest expense of \$131,000 during the nine months ended September 30, 2017 from the issuance of the Notes during the periods presented, and (ii) a change in the fair value of warrant liabilities for \$508,000 during the three and nine months ended September 30, 2017.

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### *Income tax benefit*

We recorded an income tax benefit of \$1.5 million and \$2.5 million during the three and nine months ended September 30, 2017, respectively, which reflected estimated tax refunds we expect to receive from carrying back the 2017 NOLs to offset the 2016 federal and state income taxes paid by PharmAthene.

## **Liquidity and Capital Resources**

### *Overview*

Our primary sources of cash during the three and nine months ended September 30, 2017 were \$3.0 million in net proceeds received from the issuance of the Notes, \$13.7 million in cash assumed from the Mergers, and \$13.0 million in net proceeds from the issuance of the redeemable preferred stock and warrants. Our primary source of cash during the comparable period in 2016 was \$5.7 million net proceeds received from the issuance of our convertible preferred stock. Our cash and cash equivalents were \$17.1 million at September 30, 2017. We believe, based on the operating cash requirements and capital expenditures expected for 2017, our cash on hand at September 30, 2017, expected tax refunds, and revenue from our government sponsored contracts, are adequate to fund operations through September 2018. Our ability to continue as a going concern is dependent upon our ability to raise additional debt and equity capital. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us. These factors raise substantial doubt about our ability to continue as a going concern. Our condensed consolidated financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should we be unable to continue as a going concern.

We have not generated any revenues from the sale of any products to date, and there is no assurance of any future revenues from product sales. Our sources of revenue consist of revenues under our contract with BARDA and NIAID for the development of NasalShield and SparVax-L, respectively, and to a lesser degree from other licensing arrangements. We have incurred significant losses since we commenced operations. As of September 30, 2017, we had accumulated losses of \$68.9 million since our inception. In addition, we have not generated positive cash flows from operations. We have had to rely on a variety of financing sources, including the issuance of debt and equity securities. As capital resources are consumed to fund our research and development activities, we may not have sufficient capital to fund our plan of operations. In order to address our capital needs, including our planned clinical trials, we must continue to actively pursue additional equity or debt financing.

In July 2016, we signed a five-year contract with BARDA which was amended in March 2017. The contract has a total value of up to \$127.5 million and is used to fund clinical development of NasoShield. Under the contract, BARDA pays us a fixed fee and reimburses certain costs for the research and development of an Ad5-vectored, protective antigen-based intranasal anthrax vaccine through GMP manufacture and conduct of a Phase 2 clinical trial dose ranging assessment of safety and immunogenicity. The contract consists of an initial base performance period providing approximately \$21.6 million in funding for the period July 2016 through July 2018. BARDA has seven options to extend the contract to fund certain continued development and manufacturing activities for the anthrax vaccine, including Phase 2 clinical studies. Each option, if exercised by BARDA, would provide additional funding ranging from approximately \$1.1 million to \$34.4 million for the period July 2018 through July 2021. Through September 30, 2017, we have received an aggregate of approximately \$5.5 million under the current BARDA contract.

As part of the Mergers, we assumed a PharmAthene contract with NIAID. The NIAID contract is incrementally funded. Over the base period of the contract, PharmAthene was awarded initial funding of approximately \$5.2 million, which includes a cost reimbursement component and a fixed fee component payable upon achievement of certain milestones. NIAID exercised four options under this agreement to provide additional funding of approximately \$8.8 million and an extension of the period of performance through December 31, 2017. In April 2017, PharmAthene was notified by NIAID that it will exercise only one of the additional remaining options under the contract to provide funding for a rabbit challenge study. Work under all exercised options will bring total committed and final funding under the NIAID contract to \$15.1 million.

### *Cash Flows*

The following table provides information regarding our cash flows for the nine months ended September 30, 2017 and 2016:

	<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Net cash (used in) provided by:</b>		
Operating activities	\$ (15,407,930)	\$ (4,860,116)
Investing activities	\$ 13,754,583	\$ (179,347)
Financing activities	\$ 15,841,374	\$ 5,674,412

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### *Operating Activities*

Net cash used in operating activities was \$15.4 million for the nine months ended September 30, 2017 compared to \$4.9 million during the nine months ended September 30, 2016.

Net cash used in operating activities during the nine months ended September 30, 2017 included our net loss of \$37.6 million, adjusted for \$26.6 million in goodwill impairment charges, \$1.1 million in stock-based compensation expense, \$98,000 from the accretion of debt discount and deferred financing costs, a \$508,000 change in the fair value of warrant liabilities, a \$1.4 million increase in accounts receivable, a \$2.3 million decrease in accounts payable, a \$151,000 increase in prepaid expenses and other current assets, a \$2.1 million increase in tax refund receivable, a \$243,000 decrease in deferred tax liability and \$88,000 from net changes in other balances.

In comparison, net cash used in operating activities of \$4.9 million during the nine months ended September 30, 2016 included our net loss of \$8.0 million, adjusted for \$585,000 of stock-based compensation expense; \$2.0 million from the accretion of debt discount and deferred financing costs; a \$103,000 increase in accounts receivable; a \$926,000 increase in accounts payable; an \$81,000 increase in accrued expenses and other current liabilities; a \$372,000 increase in tax refund receivable, and \$17,000 from net changes in other balances.

### *Investing Activities*

During the nine months ended September 30, 2017, net cash provided by investing activities of \$13.8 million was primarily the result of \$13.7 million cash assumed from the Mergers with PharmAthene that closed in May 2017.

### *Financing Activities*

Net cash provided by financing activities during the nine months ended September 30, 2017 was primarily the result of \$3.0 million net proceeds received from the Notes that closed in May 2017 and \$13.0 million net proceeds from the redeemable preferred financing, offset by the repayment of notes payable for \$212,000.

Net cash provided by financing activities during the nine months ended September 30, 2016 was primarily the result of \$5.7 million net proceeds received from the issuance of convertible preferred stock in April 2016.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The market risk inherent in our financial instruments and in our financial position represents the potential loss arising from adverse changes in interest rates. As of September 30, 2017, we had cash and cash equivalents of \$17.1 million. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. Because most of our cash is held in bank deposit accounts without restriction, an immediate 100 basis point change in interest rates would not have a material effect on our financial position or the results of our operations. We are subject to interest rate risk from our outstanding notes and borrowings under our credit facility. Borrowings under our credit facility bear interest at an annual rate equal to the bank's prime rate (4.75% at September 30, 2017) plus 2%.

In addition, we are subject to currency risk for cash held in British pounds and Euros in our UK and French subsidiaries. Fluctuations in the exchange rates for the British pound since January 2016 have been about 22% comparing the high and low during the period. Transactions of our UK subsidiary are predominantly settled in British pounds and transactions of our French subsidiary are predominantly settled in Euros; therefore, we believe that we have minimal exposure to foreign currency exchange risks on a net basis. We do not hedge against foreign currency risks.

We do not believe that inflation and changing prices had a significant impact on our results of operations for any periods presented herein.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2017, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control Over Financial Reporting**

Our management, including our principal executive and principal financial officer, has evaluated any changes in our internal control over financial reporting that occurred during the three and nine months ended September 30, 2017, and has concluded that there was no change that occurred during the three and nine months ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as follows:

On May 4, 2017, we completed the Mergers with PharmAthene as described in Items 1 and 2 above.

## **PART II — OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

None.

#### **Item 1A. Risk Factors**

We encourage you to carefully consider the risk factors identified in the "Risk Factors" section of our Form S-4/A filed with the Security and Exchange Commission on March 31, 2017, our Form 10-K for the year ended December 31, 2016, and our Form 8-K filed August 17, 2017. These risk factors could materially affect our business, financial condition, and future results and could cause our actual business and financial results to differ materially from those contained in forward-looking statements made in this Quarterly Report on Form 10-Q or elsewhere by management from time to time. Except for the information presented below, which updates, and should be read in conjunction with, the risk factors and information disclosed in our Form S-4/A, Form 10-K, and Form 8-K, there have been no material changes during the nine months ended September 30, 2017 to the risk factors disclosed in our Form S/A filed with the Security and Exchange Commission on March 31, 2017, and our Annual Report on Form 10-K for the year ended December 31, 2016, and our Form 8-K filed on August 17, 2017.

***Future conditions might require us to make substantial write-downs in our assets, which would adversely affect our balance sheet and results of operations.***

We review our long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We also test our goodwill and indefinite-lived intangible assets for impairment at least annually in the fourth quarter, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. As of September 30, 2017, as a result of our declining share price, we tested our goodwill and indefinite-lived intangible assets for impairment. Based on the result of the test, we have determined that our indefinite-lived intangible assets were not impaired at September 30, 2017; however, we recorded \$26.6 million in goodwill impairment charges as of September 30, 2017. If our stock price continues to remain low or decline, we may determine that certain of our assets, including goodwill, may be further impaired, and we may be required to write-down the carrying value for such assets or record additional write-down for goodwill. Any such significant write-downs could adversely affect our financial position and results of operations.

***Conversion of the Series B redeemable convertible preferred stock or exercise of the related warrants may have an adverse effect on the market price of our common stock.***

In August 2017, we issued and sold 15,656 shares of our Series B redeemable convertible preferred stock, initially convertible into 5,863,564 shares of our common stock (without regard to any limitations on conversion governing the Series B

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redeemable convertible preferred stock). In connection with the issuance of the Series B redeemable convertible preferred stock, we also issued warrants initially exercisable to purchase 2,345,427 shares of our common stock (without regard to any limitations on exercise set forth in the warrants). We cannot predict if and when the holders of Series B redeemable convertible preferred stock and warrants may sell such shares of converted or exercised common stock. The conversion of shares of Series B redeemable convertible preferred stock into shares of common stock or the exercise of warrants for shares of our common stock will result in substantial dilution to holders of our common stock. Further, the sale of a significant amount of these shares of common stock in the open market or the perception that these sales may occur could adversely affect prevailing market prices of our common stock, including causing the market price of our common stock to decline or become highly volatile.

***Holders of our Series B redeemable convertible preferred stock will have rights that may restrict the ability of the Company to operate our business or be adverse to holders of our common stock.***

The Certificate of Designations governing the Series B redeemable convertible preferred stock, as filed with the Secretary of State of the State of Delaware on August 21, 2017, contains a covenant that until the Series B redeemable convertible preferred stock is no longer outstanding, the Company shall maintain an unrestricted cash balance equal to the lower of \$3,500,000 or the amount of preferred outstanding at any given time. Further, additional provisions contained in the Certificate of Designations may limit the Company's ability to: (i) issue stock senior to or on parity with the Series B redeemable convertible preferred stock, (ii) incur indebtedness that would cause us to exceed a specified leverage ratio, (iii) amend, modify, alter or supplement our articles of incorporation or the Certificate of Designations in a manner that would adversely affect the rights, preferences or privileges of the Series B redeemable convertible preferred stock, and (iv) pay distributions on, purchase or redeem our common stock or other capital stock.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Default upon Senior Securities**

Not applicable.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

We have refiled the incentive stock option award agreements with Mr. Enright and Ms. Czerepak dated September 22, 2017 and initially filed with our Current Report on Form 8-K on September 28, 2017 as Exhibit 10.3 and Exhibit 10.4 to this Quarterly Report on Form 10-Q. We are filing these agreements solely to include certain information that was inadvertently omitted from the copies of the agreements filed as exhibits to our Current Report on Form 8-K filed on September 28, 2017.

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### Item 6. Exhibits

<u>No.</u>	<u>Description</u>
2.1*	<a href="#">Securities Purchase Agreement between Altimmune, Inc. and the purchasers named therein dated August 16, 2017 (incorporated by reference to the Exhibit 2.1 to our Form 8-K filed on August 17, 2017).</a>
3.1*	<a href="#">Amended and Restated Certificate of Incorporation, dated October 17, 2017 (incorporated by reference to Exhibit 3.1 to our Form 8-K filed on October 18, 2017).</a>
3.2*	<a href="#">Certificate of Designations of the Series B Convertible Preferred Stock, dated August 21, 2017 (incorporated by reference to Exhibit 3.1 to our Form 8-K filed on August 21, 2017).</a>
3.3*	<a href="#">Amended and Restated Bylaws of Altimmune, Inc. (incorporated by reference to Exhibit 3.2 to our Form 8-K filed on October 18, 2017).</a>
4.1*	<a href="#">Form of Warrant (incorporated by reference to Exhibit 4.1 to our Form 8-K filed on August 17, 2017).</a>
10.1*	<a href="#">Form of Lock Up Agreement (incorporated by reference to Exhibit D of Exhibit 2.1 to our Form 8-K filed on August 17, 2017).</a>
10.2*	<a href="#">Form of Voting Agreement (incorporated by reference to Exhibit E to Exhibit 2.1 to our Form 8-K filed on August 17, 2017).</a>
10.3†	<a href="#">Incentive Stock Option Agreement under the Altimmune, Inc. 2017 Omnibus Incentive Plan, dated as of September 22, 2017, by and between Altimmune, Inc. and William Enright</a>
10.4†	<a href="#">Incentive Stock Option Agreement under the Altimmune, Inc. 2017 Omnibus Incentive Plan, dated as of September 22, 2017, by and between Altimmune, Inc. and Elizabeth Czerepak</a>
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)</a>
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)</a>
32.1	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350</a>
32.2	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350</a>
(101)	The following unaudited condensed consolidated financial statements from the Altimmune, Inc. Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2017, formatted in Extensive Business Reporting Language (“XBRL”): (i) Unaudited Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, (ii) Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2017 and 2016, (iii) Unaudited Condensed Consolidated Statements of Redeemable Preferred Stock and Stockholders’ Equity for the nine months ended September 30, 2017, (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.
101.INS	Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Incorporated by reference.

† Indicates a management contract or compensatory plan.

**SIGNATURES**

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

ALTIMMUNE, INC.

Dated: November 9, 2017

By: /s/ William Enright  
Name: William Enright  
Title: President and Chief Executive Officer (principal executive officer)

Dated: November 9, 2017

By: /s/ Elizabeth A. Czerepak  
Name: Elizabeth A. Czerepak  
Title: Chief Financial Officer and Executive Vice President of Corporate Development (principal financial and accounting officer)

**INCENTIVE STOCK OPTION AGREEMENT  
PURSUANT TO THE  
ALTIMMUNE, INC. 2017 OMNIBUS INCENTIVE PLAN**

\* \* \* \* \*

Participant: William Enright

Grant Date: September 22, 2017

Per Share Exercise Price: \$2.48

Number of Shares of Common Stock subject to this Option: 125,000

Vesting:

A. Provided that the Participant has not incurred a Termination prior to March 31, 2019 (the "Time Based Condition"), this Option shall vest and become exercisable (*i.e.*, no longer be subject to forfeiture) on March 31, 2019 in three tranches as follows (the "Performance Based Condition"):

(a) One-third (1/3<sup>rd</sup>) of this Option shall vest and become exercisable if, and only if, at any time during the period commencing on the Grant Date and ending on December 31, 2018 (the "Performance Period"), the Company's Common Stock attained a closing price on the NASDAQ stock exchange equal to or greater than \$3.75 per share for at least ten (10) consecutive trading days;

(b) An additional one-third (1/3<sup>rd</sup>) of this Option shall vest and become exercisable if, and only if, at any time during the Performance Period, the Company's Common Stock attained a closing price on the NASDAQ stock exchange equal to or greater than \$5.00 per share for at least ten (10) consecutive trading days; and

(c) The remaining one-third (1/3<sup>rd</sup>) of this Option shall vest and become exercisable if, and only if, at any time during the Performance Period, the Company's Common Stock attained a closing price on the NASDAQ stock exchange equal to or greater than \$6.50 per share for at least ten (10) consecutive trading days.

B. Notwithstanding the foregoing:

(a) if a Change in Control shall occur on or before December 31, 2018, and the employment of the Participant is terminated by the Company (or any successor thereto) without Cause (as defined below) or by the Participant for Good Reason (as defined below) within the period commencing on the occurrence of such Change in Control and ending on the earlier of (x) the first anniversary of such Change in Control and (y) March 30, 2019, then (i) the Time Based Condition shall be deemed to have been satisfied; and (ii) the achievement of the applicable stock price for each of the three tranches of the Performance Based Condition shall be determined with reference to the fair market value (as determined by the Committee in its sole discretion) of the consideration per share of Common Stock paid or payable to the stockholders of the Company in respect of the consummation of such Change in Control on the date of the consummation of such Change in Control (and not, for the avoidance of doubt, any consideration that may subsequently become payable, whether pursuant to any earnouts, royalties, milestone payments, escrows, holdbacks or otherwise); and

(b) if a Change of Control shall occur after December 31, 2018 and on or before March 31, 2019, and the employment of the Participant is terminated by the Company (or any successor thereto) without Cause or by the Participant for Good Reason prior to March 31, 2019, then (i) the Time Based Condition shall be deemed to have been satisfied; and (ii) the achievement of the applicable stock price for each of the three tranches of the Performance Based Condition shall be determined pursuant to Section A above during the Performance Period ending on December 31, 2018.



C. The terms “Cause,” “Good Reason,” and “Change in Control” shall have the meanings given to them in the Participant’s Amended and Restated Employment Agreement with the Company, dated December 7, 2015, as amended effective January 18, 2017 (the “Employment Agreement”)

D. Notwithstanding anything contained in the Employment Agreement to the contrary, this Option shall not vest other than as expressly set forth above; provided that the Committee may, at any time, in its sole discretion, accelerate the vesting of all or any portion of this Option.

\* \* \* \* \*

THIS INCENTIVE STOCK OPTION AWARD AGREEMENT (this “Agreement”), dated as of the Grant Date specified above, is entered into by and between Altimmune, Inc., a Delaware corporation (the “Company”), and the Participant specified above, pursuant to the Altimmune, Inc. 2017 Omnibus Incentive Plan, as in effect and as amended from time to time (the “Plan”), which is administered by the Committee; and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the incentive stock option provided for herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt.** This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

2. **Grant of Option.** The Company hereby grants to the Participant, as of the Grant Date specified above, an incentive stock option (this “Option”) to acquire from the Company at the Per Share Exercise Price specified above, the aggregate number of shares of Common Stock specified above (the “Option Shares”). Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant’s interest in the Company for any reason. The Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by this Option unless and until the Participant has become the holder of record of the shares of Common Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan or this Agreement.

3. **Tax Matters.** The Option granted hereby is intended to qualify as an “incentive stock option” under Section 422 of the Code. Notwithstanding the foregoing, the Option will not qualify as an “incentive stock option,” among other events, (a) if the Participant disposes of the Option Shares at any time during the two-year period following the date of this Agreement or the one-year period following the date of any exercise of the Option; (b) except in the event of the Participant’s death or Disability, if the

Participant is not employed by the Company, a Parent or a Subsidiary at all times during the period beginning on the date of this Agreement and ending on the day that is three months before the date of any exercise of the Option; or (c) to the extent the aggregate fair market value of the Common Stock subject to “incentive stock options” held by the Participant which become exercisable for the first time in any calendar year (under all plans of the Company, a Parent or a Subsidiary) exceeds \$100,000. For purposes of clause (c) above, the “fair market value” of the Common Stock shall be determined as of the Grant Date. To the extent that the Option does not qualify as an “incentive stock option,” it shall not affect the validity of the Option and shall constitute a separate non-qualified stock option. In the event that the Participant disposes of the Option Shares within either two (2) years following the Grant Date or one year following the date of exercise of the Option, the Participant must deliver to the Company, within seven (7) days following such disposition, a written notice specifying the date on which such shares were disposed of, the number of shares of Common Stock so disposed, and, if such disposition was by a sale or exchange, the amount of consideration received.

#### 4. **Vesting; Detrimental Activity; Expiration.**

(a) **Vesting.** The Option subject to this grant shall become vested in accordance with the vesting schedule specified above. All vesting of the Option granted hereunder shall occur only on the appropriate vesting date specified above, subject to the Participant’s continued service with the Company or any of its Subsidiaries through each applicable vesting date. There shall be no proportionate or partial vesting in the periods prior to each vesting date.

(b) **Effect of Detrimental Activity.** The provisions of Section 6.3(c)(ii) of the Plan regarding Detrimental Activity shall apply to the Option. The Participant acknowledges and agrees that the restrictions herein and in the Plan regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and its Affiliates, and are considered by the Participant to be reasonable for such purposes. Without intending to limit the legal or equitable remedies available in the Plan and in this Agreement, the Participant acknowledges that engaging in Detrimental Activity will cause the Company and its Affiliates material irreparable injury for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such activity or threat thereof, the Company shall be entitled, in addition to the remedies provided under the Plan, to obtain from any court of competent jurisdiction a temporary restraining order or a preliminary or permanent injunction restraining the Participant from engaging in Detrimental Activity or such other relief as may be required to specifically enforce any of the covenants in the Plan and this Agreement without the necessity of posting a bond, and in the case of a temporary restraining order or a preliminary injunction, without having to prove special damages.

(c) **Expiration.** The term of the Option shall be until the tenth anniversary of the Grant Date, after which time it shall expire (such tenth anniversary date, the “Expiration Date”), subject to earlier termination in the event of the Participant’s Termination as specified in the Plan and this Agreement. Upon the Expiration Date, the Option (whether vested or not) shall automatically be cancelled for no consideration, shall no longer be exercisable, and shall cease to be outstanding.

5. **Termination.** Subject to the terms of the Plan and this Agreement, the Option, to the extent vested at the time of the Participant’s Termination, shall remain exercisable as follows:

(a) **Termination due to Death or Disability.** In the event of the Participant’s Termination by reason of death or Disability, the vested portion of this Option shall remain exercisable until the earlier of (i) one year from the date of such Termination, and (ii) the Expiration Date.

(b) **Termination Without Cause.** In the event of the Participant’s involuntary Termination by the Company without Cause, the vested portion of this Option shall remain exercisable until the earlier of (i) ninety (90) days from the date of such Termination, and (ii) the Expiration Date.

(c) **Voluntary Termination.** In the event of the Participant's voluntary Termination, the vested portion of this Option shall remain exercisable until the earlier of (i) thirty (30) days from the date of such Termination, and (ii) the Expiration Date.

(d) **Termination for Cause.** In the event of the Participant's Termination by the Company for Cause (or in the event of a voluntary Termination by the Participant after the occurrence of an event that would be grounds for a Termination for Cause), the Option granted hereunder (whether or not vested) shall terminate and expire upon such Termination.

(e) **Treatment of Unvested Option upon Termination.** Any portion of this Option that is not vested as of the date of the Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

6. **Method of Exercise and Payment.** Subject to Section 9 hereof, to the extent that the Option has become vested and exercisable with respect to a number of shares of Common Stock as provided herein, the Option may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein and in accordance with Section 6.3 of the Plan, including, without limitation, by the delivery of any form of exercise notice as may be required by the Committee and payment in full of the Per Share Exercise Price multiplied by the number of shares of Common Stock underlying the portion of the Option exercised.

7. **Non-transferability.** The Option, and any rights and interests with respect thereto, issued under this Agreement and the Plan shall not, prior to vesting, be sold, exchanged, Transferred, assigned or otherwise disposed of in any way by the Participant (or any beneficiary(ies) of the Participant), other than by testamentary disposition by the Participant or the laws of descent and distribution. Any attempt to sell, exchange, Transfer, assign, pledge, encumber or otherwise dispose of or hypothecate in any way the Option, or the levy of any execution, attachment or similar legal process upon the Option, contrary to the terms and provisions of this Agreement and/or the Plan shall be null and void and without legal force or effect.

8. **Governing Law.** All questions concerning the construction, validity and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to choice of law principles (whether of the State of Delaware or otherwise) that would result in the application of the law of any other jurisdiction.

9. **Withholding of Tax.** The Company or any Affiliate shall have the power and the right to deduct or withhold, require the Participant to remit to the Company or such Affiliate, or make any other arrangements as it considers appropriate to ensure that it has received, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the Option and, if the Participant fails to do so, the Company may otherwise refuse to issue or Transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement.

10. **Recoupment Policy.** The Participant acknowledges and agrees that this Option (including any shares of Common Stock issued upon exercise thereof) shall be subject to the terms and provisions of any "clawback" or recoupment policy that may be adopted by the Company or its Affiliates from time to time or as may be required by any applicable law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder).

11. **Notices.** Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given: (i) when delivered in person; (ii) two (2) days after being sent by United

States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service, in each case, to the appropriate party at the address set forth below (or such other address as the party may from time to time specify):

If to the Company, to:

Altimmune, Inc.  
19 Firstfield Road, Suite 200  
Gaithersburg, MD 20878  
Attention: Chief Financial Officer

with a copy (which shall not constitute notice) to:

Proskauer Rose LLP  
One International Place  
Boston, MA 02110  
Attention: Ori Solomon, Esq.

If to the Participant, to the address on file with the Company.

12. **No Right to Employment.** Nothing contained in this Agreement shall affect the right of the Company or any of its Affiliates to terminate the Participant's employment at any time, with or without Cause, or shall be deemed to create any rights to employment or continued employment. The rights and obligations arising under this Agreement are not intended to and do not affect the Participant's employment relationship that otherwise exists between the Participant and the Company or any of its Affiliates, whether such employment relationship is at will or defined by an employment contract. Moreover, this Agreement is not intended to and does not amend any existing employment contract between the Participant and the Company or any of its Affiliates; to the extent there is a conflict between this Agreement and such an employment contract, the employment contract shall govern and take priority.

13. **Data Protection.** By executing this Agreement, the Participant hereby consents to the holding and processing of personal information provided by the Participant to the Company, any Affiliate thereof, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to: (i) administering and maintaining Participant records; (ii) providing information to the Company, its Affiliates, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan; (iii) providing information to future purchasers or merger partners of the Company or any Affiliate thereof, or the business in which the Participant works; and (iv) transferring information about the Participant to any country or territory that may not provide the same protection for the information as the Participant's home country.

14. **Market Stand-Off.** If requested by the Company, any Affiliate or the lead underwriter of any public offering of the shares of Common Stock (the "Lead Underwriter"), the Participant shall irrevocably agree not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise Transfer or dispose of, any interest in any shares of Common Stock or any securities convertible into, derivative of, or exchangeable or exercisable for shares of Common Stock, or any other rights to purchase or acquire shares of Common Stock (except shares of Common Stock included in such public offering or acquired on the public market after such offering) during such period of time following the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter shall specify (the "Lock-up Period"). The Participant shall further agree to sign such documents as may be requested by the Lead Underwriter, the Company or any Affiliate to effect the foregoing and agree that the Company or an Affiliate may impose stop transfer instructions with respect to shares of Common Stock acquired pursuant to an Award until the end of such Lock-up Period.

15. **Compliance with Laws.** The issuance of this Option (and the shares of Common Stock upon exercise of this Option) pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. The Company shall not be obligated to issue this Option or any of the shares of Common Stock pursuant to this Agreement if any such issuance would violate any such requirements.

16. **Section 409A.** Notwithstanding anything herein or in the Plan to the contrary, the Option is intended to be exempt from the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent.

17. **Binding Agreement; Assignment.** This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign any part of this Agreement without the prior express written consent of the Company.

18. **Headings.** The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

19. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

20. **Severability.** The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

21. **Entire Agreement; Amendment.** This Agreement, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

22. **Mode of Communications.** The Participant agrees, to the fullest extent permitted by applicable law, in lieu of receiving documents in paper format, to accept electronic delivery of any documents that the Company or any of its Affiliates may deliver in connection with this Option grant and any other grants offered by the Company or its Affiliates, including, without limitation, prospectuses, grant notifications, account statements, annual or quarterly reports, and other communications. Electronic delivery of a document may be made via the Company's email system or by reference to a location on the Company's intranet or website or the online brokerage account system.

23. **Acquired Rights.** The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the award of the Option made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the Option awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under

this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

**ALTIMMUNE, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PARTICIPANT**

\_\_\_\_\_  
Name: William Enright  
Social Security Number: \_\_\_\_\_

**INCENTIVE STOCK OPTION AGREEMENT  
PURSUANT TO THE  
ALTIMMUNE, INC. 2017 OMNIBUS INCENTIVE PLAN**

\* \* \* \* \*

Participant: Elizabeth Czerepak

Grant Date: September 22, 2017

Per Share Exercise Price: \$2.48

Number of Shares of Common Stock subject to this Option: 62,500

Vesting:

A. Provided that the Participant has not incurred a Termination prior to March 31, 2019 (the "Time Based Condition"), this Option shall vest and become exercisable (*i.e.*, no longer be subject to forfeiture) on March 31, 2019 in three tranches as follows (the "Performance Based Condition"):

(a) One-third (1/3<sup>rd</sup>) of this Option shall vest and become exercisable if, and only if, at any time during the period commencing on the Grant Date and ending on December 31, 2018 (the "Performance Period"), the Company's Common Stock attained a closing price on the NASDAQ stock exchange equal to or greater than \$3.75 per share for at least ten (10) consecutive trading days;

(b) An additional one-third (1/3<sup>rd</sup>) of this Option shall vest and become exercisable if, and only if, at any time during the Performance Period, the Company's Common Stock attained a closing price on the NASDAQ stock exchange equal to or greater than \$5.00 per share for at least ten (10) consecutive trading days; and

(c) The remaining one-third (1/3<sup>rd</sup>) of this Option shall vest and become exercisable if, and only if, at any time during the Performance Period, the Company's Common Stock attained a closing price on the NASDAQ stock exchange equal to or greater than \$6.50 per share for at least ten (10) consecutive trading days.

B. Notwithstanding the foregoing:

(a) if a Change in Control shall occur on or before December 31, 2018, and the employment of the Participant is terminated by the Company (or any successor thereto) without Cause (as defined below) or by the Participant for Good Reason (as defined below) within the period commencing on the occurrence of such Change in Control and ending on the earlier of (x) the first anniversary of such Change in Control and (y) March 30, 2019, then (i) the Time Based Condition shall be deemed to have been satisfied; and (ii) the achievement of the applicable stock price for each of the three tranches of the Performance Based Condition shall be determined with reference to the fair market value (as determined by the Committee in its sole discretion) of the consideration per share of Common Stock paid or payable to the stockholders of the Company in respect of the consummation of such Change in Control on the date of the consummation of such Change in Control (and not, for the avoidance of doubt, any consideration that may subsequently become payable, whether pursuant to any earnouts, royalties, milestone payments, escrows, holdbacks or otherwise); and

(b) if a Change of Control shall occur after December 31, 2018 and on or before March 31, 2019, and the employment of the Participant is terminated by the Company (or any successor thereto) without Cause or by the Participant for Good Reason prior to March 31, 2019, then (i) the Time Based Condition shall be deemed to have been satisfied; and (ii) the achievement of the applicable stock price for each of the three tranches of the Performance Based Condition shall be determined pursuant to Section A above during the Performance Period ending on December 31, 2018.



C. The terms “Cause,” “Good Reason,” and “Change in Control” shall have the meanings given to them in the Participant’s Employment Agreement with the Company, dated December 7, 2015, as amended effective January 18, 2017 (the “Employment Agreement”)

D. Notwithstanding anything contained in the Employment Agreement to the contrary, this Option shall not vest other than as expressly set forth above; provided that the Committee may, at any time, in its sole discretion, accelerate the vesting of all or any portion of this Option.

\* \* \* \* \*

THIS INCENTIVE STOCK OPTION AWARD AGREEMENT (this “Agreement”), dated as of the Grant Date specified above, is entered into by and between Altimmune, Inc., a Delaware corporation (the “Company”), and the Participant specified above, pursuant to the Altimmune, Inc. 2017 Omnibus Incentive Plan, as in effect and as amended from time to time (the “Plan”), which is administered by the Committee; and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the incentive stock option provided for herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt.** This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

2. **Grant of Option.** The Company hereby grants to the Participant, as of the Grant Date specified above, an incentive stock option (this “Option”) to acquire from the Company at the Per Share Exercise Price specified above, the aggregate number of shares of Common Stock specified above (the “Option Shares”). Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant’s interest in the Company for any reason. The Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by this Option unless and until the Participant has become the holder of record of the shares of Common Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan or this Agreement.

3. **Tax Matters.** The Option granted hereby is intended to qualify as an “incentive stock option” under Section 422 of the Code. Notwithstanding the foregoing, the Option will not qualify as an “incentive stock option,” among other events, (a) if the Participant disposes of the Option Shares at any time during the two-year period following the date of this Agreement or the one-year period following the date of any exercise of the Option; (b) except in the event of the Participant’s death or Disability, if the

Participant is not employed by the Company, a Parent or a Subsidiary at all times during the period beginning on the date of this Agreement and ending on the day that is three months before the date of any exercise of the Option; or (c) to the extent the aggregate fair market value of the Common Stock subject to “incentive stock options” held by the Participant which become exercisable for the first time in any calendar year (under all plans of the Company, a Parent or a Subsidiary) exceeds \$100,000. For purposes of clause (c) above, the “fair market value” of the Common Stock shall be determined as of the Grant Date. To the extent that the Option does not qualify as an “incentive stock option,” it shall not affect the validity of the Option and shall constitute a separate non-qualified stock option. In the event that the Participant disposes of the Option Shares within either two (2) years following the Grant Date or one year following the date of exercise of the Option, the Participant must deliver to the Company, within seven (7) days following such disposition, a written notice specifying the date on which such shares were disposed of, the number of shares of Common Stock so disposed, and, if such disposition was by a sale or exchange, the amount of consideration received.

#### 4. **Vesting; Detrimental Activity; Expiration.**

(a) **Vesting.** The Option subject to this grant shall become vested in accordance with the vesting schedule specified above. All vesting of the Option granted hereunder shall occur only on the appropriate vesting date specified above, subject to the Participant’s continued service with the Company or any of its Subsidiaries through each applicable vesting date. There shall be no proportionate or partial vesting in the periods prior to each vesting date.

(b) **Effect of Detrimental Activity.** The provisions of Section 6.3(c)(ii) of the Plan regarding Detrimental Activity shall apply to the Option. The Participant acknowledges and agrees that the restrictions herein and in the Plan regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and its Affiliates, and are considered by the Participant to be reasonable for such purposes. Without intending to limit the legal or equitable remedies available in the Plan and in this Agreement, the Participant acknowledges that engaging in Detrimental Activity will cause the Company and its Affiliates material irreparable injury for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such activity or threat thereof, the Company shall be entitled, in addition to the remedies provided under the Plan, to obtain from any court of competent jurisdiction a temporary restraining order or a preliminary or permanent injunction restraining the Participant from engaging in Detrimental Activity or such other relief as may be required to specifically enforce any of the covenants in the Plan and this Agreement without the necessity of posting a bond, and in the case of a temporary restraining order or a preliminary injunction, without having to prove special damages.

(c) **Expiration.** The term of the Option shall be until the tenth anniversary of the Grant Date, after which time it shall expire (such tenth anniversary date, the “Expiration Date”), subject to earlier termination in the event of the Participant’s Termination as specified in the Plan and this Agreement. Upon the Expiration Date, the Option (whether vested or not) shall automatically be cancelled for no consideration, shall no longer be exercisable, and shall cease to be outstanding.

5. **Termination.** Subject to the terms of the Plan and this Agreement, the Option, to the extent vested at the time of the Participant’s Termination, shall remain exercisable as follows:

(a) **Termination due to Death or Disability.** In the event of the Participant’s Termination by reason of death or Disability, the vested portion of this Option shall remain exercisable until the earlier of (i) one year from the date of such Termination, and (ii) the Expiration Date.

(b) **Termination Without Cause.** In the event of the Participant’s involuntary Termination by the Company without Cause, the vested portion of this Option shall remain exercisable until the earlier of (i) ninety (90) days from the date of such Termination, and (ii) the Expiration Date.

(c) **Voluntary Termination.** In the event of the Participant's voluntary Termination, the vested portion of this Option shall remain exercisable until the earlier of (i) thirty (30) days from the date of such Termination, and (ii) the Expiration Date.

(d) **Termination for Cause.** In the event of the Participant's Termination by the Company for Cause (or in the event of a voluntary Termination by the Participant after the occurrence of an event that would be grounds for a Termination for Cause), the Option granted hereunder (whether or not vested) shall terminate and expire upon such Termination.

(e) **Treatment of Unvested Option upon Termination.** Any portion of this Option that is not vested as of the date of the Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

6. **Method of Exercise and Payment.** Subject to Section 9 hereof, to the extent that the Option has become vested and exercisable with respect to a number of shares of Common Stock as provided herein, the Option may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein and in accordance with Section 6.3 of the Plan, including, without limitation, by the delivery of any form of exercise notice as may be required by the Committee and payment in full of the Per Share Exercise Price multiplied by the number of shares of Common Stock underlying the portion of the Option exercised.

7. **Non-transferability.** The Option, and any rights and interests with respect thereto, issued under this Agreement and the Plan shall not, prior to vesting, be sold, exchanged, Transferred, assigned or otherwise disposed of in any way by the Participant (or any beneficiary(ies) of the Participant), other than by testamentary disposition by the Participant or the laws of descent and distribution. Any attempt to sell, exchange, Transfer, assign, pledge, encumber or otherwise dispose of or hypothecate in any way the Option, or the levy of any execution, attachment or similar legal process upon the Option, contrary to the terms and provisions of this Agreement and/or the Plan shall be null and void and without legal force or effect.

8. **Governing Law.** All questions concerning the construction, validity and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to choice of law principles (whether of the State of Delaware or otherwise) that would result in the application of the law of any other jurisdiction.

9. **Withholding of Tax.** The Company or any Affiliate shall have the power and the right to deduct or withhold, require the Participant to remit to the Company or such Affiliate, or make any other arrangements as it considers appropriate to ensure that it has received, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the Option and, if the Participant fails to do so, the Company may otherwise refuse to issue or Transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement.

10. **Recoupment Policy.** The Participant acknowledges and agrees that this Option (including any shares of Common Stock issued upon exercise thereof) shall be subject to the terms and provisions of any "clawback" or recoupment policy that may be adopted by the Company or its Affiliates from time to time or as may be required by any applicable law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder).

11. **Notices.** Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given: (i) when delivered in person; (ii) two (2) days after being sent by United

States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service, in each case, to the appropriate party at the address set forth below (or such other address as the party may from time to time specify):

If to the Company, to:

Altimmune, Inc.  
19 Firstfield Road, Suite 200  
Gaithersburg, MD 20878  
Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:

Proskauer Rose LLP  
One International Place  
Boston, MA 02110  
Attention: Ori Solomon, Esq.

If to the Participant, to the address on file with the Company.

12. **No Right to Employment.** Nothing contained in this Agreement shall affect the right of the Company or any of its Affiliates to terminate the Participant's employment at any time, with or without Cause, or shall be deemed to create any rights to employment or continued employment. The rights and obligations arising under this Agreement are not intended to and do not affect the Participant's employment relationship that otherwise exists between the Participant and the Company or any of its Affiliates, whether such employment relationship is at will or defined by an employment contract. Moreover, this Agreement is not intended to and does not amend any existing employment contract between the Participant and the Company or any of its Affiliates; to the extent there is a conflict between this Agreement and such an employment contract, the employment contract shall govern and take priority.

13. **Data Protection.** By executing this Agreement, the Participant hereby consents to the holding and processing of personal information provided by the Participant to the Company, any Affiliate thereof, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to: (i) administering and maintaining Participant records; (ii) providing information to the Company, its Affiliates, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan; (iii) providing information to future purchasers or merger partners of the Company or any Affiliate thereof, or the business in which the Participant works; and (iv) transferring information about the Participant to any country or territory that may not provide the same protection for the information as the Participant's home country.

14. **Market Stand-Off.** If requested by the Company, any Affiliate or the lead underwriter of any public offering of the shares of Common Stock (the "Lead Underwriter"), the Participant shall irrevocably agree not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise Transfer or dispose of, any interest in any shares of Common Stock or any securities convertible into, derivative of, or exchangeable or exercisable for shares of Common Stock, or any other rights to purchase or acquire shares of Common Stock (except shares of Common Stock included in such public offering or acquired on the public market after such offering) during such period of time following the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter shall specify (the "Lock-up Period"). The Participant shall further agree to sign such documents as may be requested by the Lead Underwriter, the Company or any Affiliate to effect the foregoing and agree that the Company or an Affiliate may

impose stop transfer instructions with respect to shares of Common Stock acquired pursuant to an Award until the end of such Lock-up Period.

15. **Compliance with Laws.** The issuance of this Option (and the shares of Common Stock upon exercise of this Option) pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. The Company shall not be obligated to issue this Option or any of the shares of Common Stock pursuant to this Agreement if any such issuance would violate any such requirements.

16. **Section 409A.** Notwithstanding anything herein or in the Plan to the contrary, the Option is intended to be exempt from the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent.

17. **Binding Agreement; Assignment.** This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign any part of this Agreement without the prior express written consent of the Company.

18. **Headings.** The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

19. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

20. **Severability.** The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

21. **Entire Agreement; Amendment.** This Agreement, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

22. **Mode of Communications.** The Participant agrees, to the fullest extent permitted by applicable law, in lieu of receiving documents in paper format, to accept electronic delivery of any documents that the Company or any of its Affiliates may deliver in connection with this Option grant and any other grants offered by the Company or its Affiliates, including, without limitation, prospectuses, grant notifications, account statements, annual or quarterly reports, and other communications. Electronic delivery of a document may be made via the Company's email system or by reference to a location on the Company's intranet or website or the online brokerage account system.

23. **Acquired Rights.** The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the award of the Option made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the Option awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under

this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

**ALTIMMUNE, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PARTICIPANT**

\_\_\_\_\_  
Name: Elizabeth Czerepak  
Social Security Number: \_\_\_\_\_

**Certification of Principal Executive Officer  
Pursuant to SEC Rule 13a-14(a)/15d-14(a)**

I, William Enright, certify that:

1. I have reviewed this Form 10-Q of Altimmune, Inc. for the period ended September 30, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2017

/s/ William Enright

Name: William Enright

Title: President and Chief Executive Officer (principal executive officer)



**Certification of Principal Financial Officer  
Pursuant to SEC Rule 13a-14(a)/15d-14(a)**

I, Elizabeth A Czerepak, certify that:

1. I have reviewed this Form 10-Q of Altimmune, Inc. for the period ended September 30, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2017

/s/ Elizabeth A. Czerepak

Name: Elizabeth A Czerepak

Title: Chief Financial Officer and Executive Vice President of Corporate Development (principal financial and accounting officer)

**Certification Pursuant to Section 1350 of Chapter 63  
of Title 18 of the United States Code**

In connection with the Quarterly Report on Form 10-Q of Altimmune, Inc. (the "Company") for the period ended September 30, 2017, as filed with the Securities and Exchange Commission (the "Report"), I, William Enright, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ William Enright

William Enright  
President and Chief Executive Officer  
November 9, 2017

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**Certification Pursuant to Section 1350 of Chapter 63  
of Title 18 of the United States Code**

In connection with the Quarterly Report on Form 10-Q of Altimmune, Inc. (the "Company") for the period ended September 30, 2017, as filed with the Securities and Exchange Commission (the "Report"), I, Elizabeth A. Czerepak, Chief Financial Officer and Executive Vice President of Corporate Development of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ Elizabeth A. Czerepak

Elizabeth A. Czerepak  
Chief Financial Officer and Executive Vice President of  
Corporate Development  
November 9, 2017

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.