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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 4, 2017

ALTIMMUNE, INC.
(Exact name of registrant as specified in its Charter)

Delaware	001-32587	20-2726770
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

19 Firstfield Road, Suite 200 Gaithersburg, Maryland	20878
(Address of principal executive offices)	(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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. ☐

Explanatory Note

On May 8, 2017, Altimmune, Inc. (the “Company”) filed a Current Report on Form 8-K (the “Original Form 8-K”) reporting, among other items, that on May 4, 2017, the Company, formerly known as PharmAthene Inc., completed its merger with what was then known as “Altimmune, Inc.” (“Private Altimmune”). This Amendment No. 1 to the Current Report on Form 8-K amends the Original Form 8-K to provide (i) the historical interim financial statements of Private Altimmune for the three months ended March 31, 2017 and (ii) the pro forma condensed combined financial information for the three months ended March 31, 2017 as required by Items 9.01(a) and 9.01(b) of Current Report on Form 8-K, respectively. Such financial information was excluded from the Original Form 8-K in reliance on the instructions to such Items.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The audited financial statements of Private Altimmune, as of and for the years ended December 31, 2015 and 2016, were filed as Exhibit 99.1 to the Company’s Current Report on Form 8-K filed on May 15, 2017. The unaudited financial statements of Private Altimmune, as of and for the three months ended March 31, 2017, are filed herewith as Exhibit 99.2.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information of the Company and Private Altimmune, as of and for the year ended December 31, 2016 was filed as Exhibit 99.3 to the Company’s Current Report on Form 8-K filed on May 15, 2017. The unaudited pro forma condensed combined financial information of the Company and Private Altimmune, as of and for the three months ended March 31, 2017 is filed herewith as Exhibit 99.3.

(d) Exhibits

Reference is made to the Exhibit Index included with this Current Report on Form 8-K.

SIGNATURE

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

Date: July 20, 2017	**ALTTIMUNE INC.**	
	By:	/s/ William Enright
	Name:	William Enright
	Title:	President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
3.1*	Certificate of Amendment (Reverse Stock Split) to the Restated Certificate of Incorporation of the Company, dated May 4, 2017
3.2*	Certificate of Amendment (Name Change) to the Restated Certificate of Incorporation of the Company, dated May 4, 2017
3.3*	Amended and Restated Bylaws of Altimmune, Inc.
10.1*	Altimmune, Inc. 2017 Omnibus Incentive Plan
10.2*	Form of Incentive Stock Option Agreement under the Altimmune, Inc. 2017 Omnibus Incentive Plan
10.3*	Form of Non-Qualified Stock Option Agreement under the Altimmune, Inc. 2017 Omnibus Incentive Plan
16.1*	Letter dated May 5, 2017 from Ernst & Young LLP to the SEC
99.1*	Press release issued by Altimmune, Inc. on May 4, 2017
99.2**	Unaudited Financial Statements of Private Altimmune as of and for the three months ended March 31, 2017.
99.3**	Unaudited Pro Forma Condensed Combined Financial Information of PharmAthene and Private Altimmune as of and for the three months ended March 31, 2017.

*   Previously filed
**   Filed herewith

Exhibit 99.2

ALTIMMUNE, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2016	March 31, 2017	Effect of Pro Forma Adjustments March 31, 2017
ASSETS			
Current assets:			
Cash	$ 2,876,113	$ 2,737,708	$ 2,737,708
Accounts receivable	383,046	253,382	253,382
Prepaid expenses and other current assets	420,424	204,071	204,071
Tax credit refund receivable	807,507	1,026,357	1,026,357
Total current assets	4,487,090	4,221,518	4,221,518
Property and equipment, net	177,859	205,346	205,346
Intangible assets, net	14,954,717	15,197,632	15,197,632
Other assets	22,248	22,248	22,248
Goodwill	18,758,421	19,067,051	19,067,051
Total assets	$ 38,400,335	$ 38,713,795	$ 38,713,795
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of notes payable	$ 458,629	$ 3,809,327	$ 262,133
Accounts payable	2,005,208	3,580,807	3,580,807
Accrued expenses and other current liabilities	2,972,745	1,403,850	1,388,698
Current portion of deferred revenue	19,753	44,753	44,753
Current portion of deferred rent	14,388	15,801	15,801
Total current liabilities	5,470,723	8,854,538	5,292,192
Common stock subscription	—	35,020	35,020
Unvested restricted stock liability	1,001	934	403
Notes payable, long-term portion	525,950	534,791	534,791
Deferred revenue, long-term portion	179,424	174,486	174,486
Deferred rent, long-term portion	15,914	11,140	11,140
Total liabilities	6,193,012	9,610,909	6,048,032
Contingencies (Note 11)			
Stockholders' equity:			
Series B convertible preferred stock; $0.01 par value; 800,000 shares authorized, issued and outstanding at December 31, 2016 and March 31, 2017; aggregate liquidation preference of $8,386,630 and $8,504,987 at December 31, 2016 and March 31, 2017, respectively; none issued and outstanding pro forma	8,000	8,000	—
Common stock, $0.01 par value			
Class A, 15,610,215 shares authorized; 9,294,622 and 9,295,419 shares issued at December 31, 2016 and March 31, 2017, respectively; 9,195,109 and 9,202,540 shares outstanding at December 31, 2016 and March 31, 2017, respectively; 10,189,377 and 10,514,937 shares outstanding pro forma	91,951	92,025	105,149
Class B, 3,146,896 shares authorized; 38,836 shares issued and outstanding at December 31, 2016 and March 31, 2017; none issued and outstanding pro forma	388	388	—
Additional paid-in capital	70,941,245	71,835,679	75,393,820
Accumulated deficit	(31,259,449)	(35,838,230)	(35,838,230)
Accumulated other comprehensive loss – foreign currency translation adjustments	(7,574,812)	(6,994,976)	(6,994,976)
Total stockholders' equity	32,207,323	29,102,886	32,665,763
Total liabilities and stockholders' equity	$ 38,400,335	$ 38,713,795	$ 38,713,795

See accompanying notes to condensed consolidated financial statements.

ALTIMMUNE, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2017
License revenue	$ 4,938	$ 4,938
Research grants and contracts	499,971	294,633
Total revenue and grants and contracts	504,909	299,571
Operating expenses		
Research and development	1,062,618	2,786,122
General and administrative	1,045,156	2,030,516
Total operating expenses	2,107,774	4,816,638
Loss from operations	(1,602,865)	(4,517,067)
Other expense:		
Interest expense	9,630	60,603
Other expenses	361	1,111
Total other expense, net	9,991	61,714
Net loss	(1,612,856)	(4,578,781)
Other comprehensive (loss) gain – foreign currency translation adjustments	(1,190,074)	579,836
Total comprehensive loss	$ (2,802,930)	$ (3,998,945)
Net loss	$ (1,612,856)	$ (4,578,781)
Accumulated dividends on preferred stock	(55,890)	(118,356)
Net loss attributed to common stockholders	$ (1,668,746)	$ (4,697,137)
Weighted-average common shares outstanding, basic and diluted	9,225,916	9,234,618
Net loss per share attributed to common stockholders, basic and diluted	$ (0.18)	$ (0.51)
Pro forma weighted-average common shares outstanding, basic and diluted		10,200,498
Pro forma net loss per share, basic and diluted		$ (0.45)

See accompanying notes to condensed consolidated financial statements.

ALTIMMUNE, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Series B Preferred Stock		Common Stock Class A		Common Stock Class B		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 1, 2017	**800,000**	**$8,000**	**9,195,109**	**$91,951**	**38,836**	**$ 388**	**$70,941,245**	**$(31,259,449)**	**$ (7,574,812)**	**$32,207,323**
Stock based compensation							197,134			197,134
Exercises of stock options			797	8			442			450
Vesting of restricted stock			6,634	66			147,902			147,968
Issuance of common stock warrants, net of issuance costs							548,956			548,956
Foreign currency translation adjustments									579,836	579,836
Net loss								(4,578,781)		(4,578,781)
Balance, March 31, 2017	**800,000**	**$8,000**	**9,202,540**	**$92,025**	**38,836**	**$ 388**	**$71,835,679**	**$(35,838,230)**	**$ (6,994,976)**	**$29,102,886**

See accompanying notes to condensed consolidated financial statements.

ALTIMMUNE, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(1,612,856)	$(4,578,781)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	162,346	345,036
Depreciation	14,979	12,966
Amortization	11,753	12,555
Debt discount and deferred financing cost accretion	—	38,270
Changes in operating assets and liabilities:		
Accounts receivable	296,913	129,664
Prepaid expenses and other current assets	37,645	50,553
Accounts payable	12,652	1,566,604
Accrued expenses and other current liabilities	(541,167)	(733,736)
Deferred revenue	(23,568)	20,062
Deferred rent	(1,990)	(3,362)
Tax credit refund receivable	(6,514)	(203,008)
Net cash used in operating activities	(1,649,807)	(3,343,177)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Refund of cash held in escrow	—	200,000
Purchase of property and equipment	(1,868)	(39,582)
Additions to intangible assets	(18,270)	(17,295)
Net cash (used in) provided by investing activities	(20,138)	143,123
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(99)	—
Proceeds from issuance of convertible notes, net of issuance costs	—	3,018,780
Payments of deferred offering costs	(136,167)	—
Proceeds from exercise of stock options	—	450
Proceeds from issuance of Series B convertible preferred stock, net of issuance costs	1,673,859	—
Proceeds from stock subscriptions	876,190	35,020
Net cash provided by financing activities	2,413,783	3,054,250
EFFECT OF EXCHANGE RATES ON CASH	1,077	7,399
Net increase (decrease) in cash	744,915	(138,405)
Cash, beginning of period	4,638,711	2,876,113
Cash, end of period	$ 5,383,626	$ 2,737,708
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 746	$ 7,181
SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES:		
Accrued expense capitalized as convertible notes	$ —	$ 842,604
Common stock warrants issued in connection with convertible notes	$ —	$ 566,793
Preferred stock subscription reclassified as additional paid-in capital upon preferred stock issuance	$ 325,280	$ —

See accompanying notes to condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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 ("U.S. GAAP") for complete consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements, for the year ended December 31, 2016. In the opinion of management, the Company has prepared the accompanying unaudited condensed consolidated financial statements on the same basis as its 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 the Company be unable to continue as a going concern.

2. Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced recurring losses in past years. The Company incurred a net loss of $4,578,781 and used $3,343,177 in cash to fund operations during the three months ended March 31, 2017, and had an accumulated deficit of $35,838,230 as of March 31, 2017. The Company expects to incur additional losses in the future in connection with research and development activities. Since inception, the Company has financed its activities principally from the issuance of equity and debt securities.

The Company's ability to continue as a going concern is dependent upon the Company's 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 the Company. These factors raise substantial doubt about the Company's 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 the Company be unable to continue as a going concern.

As of March 31, 2017, the Company did not have sufficient capital to fund its plan of operations over the next twelve months. In order to address its capital needs, including its planned clinical trials, in addition to the stock purchase agreement and the private placement described in Note 3, the Company must continue to actively pursue additional equity or debt financing.

Adequate financing opportunities might not be available to the Company, when and if needed, on acceptable terms, or at all. If the Company is unable to obtain additional financing in sufficient amounts or on acceptable terms under such circumstances the Company's operating results and prospects will be adversely affected.

As more fully described in Note 3, in connection with the Agreement and Plan of Merger and Reorganization dated as of January 18, 2017 (as amended on March 29, 2017, the "Merger Agreement") with PharmAthene, Inc., a Delaware corporation ("PharmAthene"), the Company 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"). Through March 31, 2017, the Company has received $3.15 million in gross proceeds from the initial closing of the Notes. The combined total of cash on hand as of March 31, 2017, the remaining net proceeds from the Notes, and net cash assumed from the merger transaction, is expected to fund the Company's operations and research and development efforts at least through September 2018.

3. Reverse Merger and Private Placement

On January 18, 2017, 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 the Company in a series of reverse triangular merger and reorganization (the "Mergers") pursuant to section 368(a) of the Internal Revenue Code. Consummation of the Mergers was subject to the satisfaction or waiver of customary closing conditions, including, among other things, obtaining the requisite approvals of the stockholders of PharmAthene and the Company, including the approval of the charter amendments by PharmAthene's stockholders, PharmAthene having a minimum level of cash of $10.25 million at the time of closing, the completion of a private placement by the Company of at least $3.5 million of gross proceeds prior to closing, a reverse stock split in a manner to be determined prior to closing, and the effectiveness of a registration statement on Form S-4 relating to the shares of PharmAthene common stock to be issued to the Company's stockholders pursuant to the Merger Agreement. The Form S-4 was declared effective by the SEC on March 31, 2017 and the Mergers closed on May 4, 2017.

As a condition for the Mergers, the Company entered into the Note Agreement in January 2017 for the private placement of the Notes (See Notes 2 and 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 that converted and became a component of the Notes on February 28, 2017, and $842,604 of certain accrued expenses that converted and became a component of the Notes on February 28, 2017. The second closing of $5.0 million is conditioned upon certain events, but no later than 135 days after the effective date of the Mergers or 10 days after the termination of the Merger Agreement. In connection with the Notes, the Company issued warrants to purchase 66,447 shares of the Company's Class A Common Stock to certain noteholders, with an exercise price of $0.01 per share. The warrants are classified as permanent equity (see Note 9).

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, the Company's Chief Executive Officer, in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment, the research and development of immunotherapies and vaccines.

Recently issued accounting pronouncements

In May 2014, FASB issued Accounting Standards Update ("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. The Company is currently in the process of evaluating the effect the adoption of ASU 2014-09, as amended, may have on its financial statements. The Company does not expect the adoption of ASU 2014-09, as amended, will have a material impact on its 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. The Company does not expect the adoption of ASU 2016-02 will have a material impact on its financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which removes the second step of the two-step goodwill impairment test. Under ASU 2017-04, an entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019; early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the adoption of ASU 2017-04 will have a material impact on its financial statements.

5. Net Loss Per Share

Because the Company has reported a net loss attributable to common stockholders for both periods presented, basic and diluted net loss per share attributable to common stockholders are the same for both years. 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:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2017
Numerator:		
Net loss	$(1,612,856)	$(4,578,781)
Less: accumulated dividends on preferred stock	(55,890)	(118,356)
Net loss attributable to common stockholders	$(1,668,746)	$(4,697,137)
Denominator:		
Weighted-average common share outstanding, basic and diluted	9,225,916	9,234,618
Net loss per share attributable to common stockholders, basic and diluted	$ (0.18)	$ (0.51)

Potential common shares issuable upon conversion, vesting or exercise of 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 March 31, 2016	Three Months Ended March 31, 2017
Convertible preferred stock	400,000	800,000
Unvested restricted stock	—	92,879
Common stock warrants	458,031	883,570
Common stock options	1,601,777	1,609,016

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the three months ended March 31, 2017 has been computed using the weighted average common shares outstanding after giving pro forma effect to the automatic conversion of all shares of Class B Common Stock, Series B convertible preferred stock, convertible notes principal and accrued interest, and the portion of unvested restricted stock subject to accelerated vesting upon a deemed liquidation event into shares of Class A Common Stock as if such conversions had occurred at the beginning of 2016 or the date of original issuance, if later.

Unaudited pro forma basic and diluted net income per share for the three months ended March 31, 2017 are computed as follows:

Numerator:	
Net loss, basic and diluted	$ (4,578,781)
Denominator:	
Weighted-average common share outstanding, basic	9,234,618
Adjustment for assumed effect of conversion of preferred stock	800,000
Adjustment for assumed conversion of convertible notes principal and accrued interest	112,806
Adjustment for assumed accelerated vesting of unvested restricted stock	53,074
Pro forma weighted-average common shares outstanding, basic and diluted	10,200,498
Pro forma net loss per share, basic and diluted	$ (0.45)

6. Goodwill and Intangible Assets

Changes in the carrying amounts of IPR&D assets and goodwill for the three months ended March 31, 2017 were:

	IPR&D	Goodwill
Balance, beginning of period	$14,477,019	$18,758,421
Capitalized investment during the period	17,295	—
Foreign currency translation adjustments	220,880	308,630
Balance, end of period	$14,715,194	$19,067,051

The Company's intangible assets consisted of the following:

	December 31, 2016			
	Estimated Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Book Value
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		$15,386,473	$ (431,756)	$14,954,717

	March 31, 2017			
	Estimated Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Book Value
Internally developed patents	6-10 years	$ 641,749	$ (220,126)	$ 421,623
Acquired licenses	16-20 years	285,000	(224,185)	60,815
Total intangible assets subject to amortization		926,749	(444,311)	482,438
IPR&D assets	Indefinite	14,715,194	—	14,715,194
Total		$15,641,943	$ (444,311)	$15,197,632

Amortization expense of intangible assets subject to amortization totaled $11,753 and $12,555 for the three months ended March 31, 2016 and 2017, respectively, and was classified as research and development expenses in the accompanying unaudited condensed consolidated statements of operations and comprehensive loss.

As of March 31, 2017, future estimated amortization expense is as follows:

Years ending December 31,	
The remainder of 2017	$ 38,512
2018	47,641
2019	42,841
2020	29,395
2021	8,836
2022 and thereafter	315,213
Total	$482,438

7. Notes Payable

As a condition for the Mergers as described in Note 3, the Company entered into the Note Agreement on January 18, 2017. The Notes bear 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 $842,604 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 an extinguishment 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, the Company granted warrants for the purchase of up to 66,447 shares of the Company's Class A 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 to be accreted over the term of the Notes using the interest method.

The Notes are to be converted or repaid at the earliest of:

Maturity – All outstanding principal and accrued interest are due and payable in cash on the maturity date of March 9, 2018, unless the Notes are converted or the repayment is accelerated in an event of default (as defined).

Event of default – Upon an event of default, repayment of the Notes will be accelerated and interest will be accrued at the default interest rate of 12% per annum, compounded annually.

The Mergers or an alternative reverse merger – All outstanding principal and accrued interest on the Notes will be automatically converted into the Company's Class A Common Stock at $10.00 per share upon the Mergers with PharmAthene or a reverse merger with another publicly traded entity.

Initial public offering – In the event of an initial public offering, all outstanding principal and interest on the Notes will be automatically converted into the Company's shares being issued in the offering, at the offering price per share.

Qualified private financing – Upon the closing of a qualified private financing (as defined), all outstanding principal and accrued interest on the Notes will be automatically converted at 80% of the qualified private financing price per share.

Deemed liquidation event – In a deemed liquidation event and at the written election of the requisite noteholders (as defined), all outstanding principal and accrued interest will either be converted into the Company's Series B preferred stock at $10.00 per share (adjusted for stock dividends, stock splits, or stock combinations), or are due and payable in full, together with a 25% termination premium.

Prepayment – The Notes may be prepaid upon the written consent of the requisite noteholders (as defined).

As of March 31, 2017, outstanding principal for the Notes totaled $4,189,730. Interest expense for the three months ended March 31, 2017 totaled $53,422 which included $15,152 of interest accrued on the Notes, $6,409 from the accretion of deferred financing costs allocated to the Notes, and $31,861 from the accretion of loan discount from the issuance of the common stock warrants.

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31, 2016	March 31, 2017
Accrued professional services	$ 689,135	$ 58,695
Accrued board of director compensation	606,199	85,339
Accrued payroll and employee benefits	957,719	592,555
Accrued interest	169,790	16,752
Accrued other	549,902	650,509
Total	$ 2,972,745	$ 1,403,850

9. Warrants

Common stock warrants are classified as permanent equity and are initially recorded at their grant date fair value, but are not subsequently remeasured.

A summary of warrant activity during the three months ended March 31, 2016 and 2017 is as follows:

	Three Months Ended March 31,	
	2016	2017
Warrants outstanding, beginning of period	278,484	817,123
Issuances	179,547	66,447
Warrants outstanding, end of period	458,031	883,570

Common stock warrants issued in connection with the Notes (see Notes 3 and 7) are accounted for as permanent equity and are recorded at the issuance date using a relative fair value allocation method, and are not subsequently remeasured. The fair value used to determine the warrants' initial carrying value was measured using Level 3 inputs and was estimated using the Black-Scholes option pricing model and the following assumptions

Expected volatility	87.50%
Expected term (years)	3.75
Risk-free interest rate	1.49%
Expected dividend yield	0.00%

10. Stock-Based Compensation

Stock Options

The Company's stock option awards generally vest over four years and typically have a contractual life of ten years. At March 31, 2017, there was $1,515,670 of unrecognized compensation cost related to stock options, which is expected to be recognized over a weighted-average period of 2.39 years.

Information related to stock options outstanding at March 31, 2017 is as follows:

	Number of Stock Options	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding	1,609,016	$ 2.93	5.55	$9,595,589
Exercisable	1,360,127	$ 1.77	4.97	$9,441,840
Vested and expected to vest	1,577,181	$ 2.80	5.45	$9,579,816

Restricted Stock

At March 31, 2017, the Company had unvested restricted stock of 92,879 shares at an aggregate purchase price of $934, with total unrecognized compensation expense of $580,645, which the Company expects to recognize over a weighted average period of approximately 3.75 years.

Stock-based compensation expense

Stock-based compensation expense is classified in the unaudited condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2016 and 2017 as follows:

	Three Months Ended March 31,	
	2016	2017
Research and development	$ 50,958	$ 75,075
General and administrative	111,388	269,961
Total	$162,346	$345,036

11. Contingencies

In August 2016, the Company entered into a confidential settlement agreement and general release with Dr. De-Chu Tang, the Company's former Vice-President of Research. In addition, in August 2016, the court issued a consent judgment and permanent injunction in favor of the Company. The Company believes that the settlement agreement and the court consent judgment resolved all issues and claims previously filed by Dr. Tang.

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

12. Subsequent Events

On May 4, 2017, the Company closed the Mergers on the terms described in more detail in Note 3. In connection with the Mergers, PharmAthene effected a 1-for-10 reverse stock split of its common stock. Upon the closing of the Mergers, (i) Merger Sub Corp merged with and into the Company, with the Company remaining as the surviving corporation; (ii) the Company 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."

In accordance with the terms of the Merger Agreement, PharmAthene issued 0.749106 of a share of PharmaAthene common stock for each share of the Company's common stock outstanding as of the closing date. In addition, the Company's 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, 38,836 shares of the Company's Class B Common Stock and 800,000 shares of its Series B Convertible Preferred Stock converted into the Company's Class A

Common Stock on a 1-for-1 basis. In addition, outstanding principal and accrued interest on the Notes converted into 422,817 shares of the Company's Class A Common Stock in accordance with the terms of the Mergers (Note 7). The resulting combined 10,464,193 shares of outstanding Class A Common Stock were re-designated as common stock. Further, 53,074 shares of the Company's common stock were issued pursuant to the accelerated vesting of restricted stock, and 881,921 shares of the Company's common stock were issued as a result of warrant exercises, both in accordance with their original terms. Upon the closing, outstanding common stock of the Company totaling 11,399,188 shares were exchanged for 8,539,263 shares of PharmAthene common stock.

Although PharmAthene was the issuer of the shares and the legal acquirer in the Mergers, following the closing, shareholders of the Company held 58.2% of the voting interest of the combined entity and controlled the combined entity. As a result, for U.S. GAAP reporting purposes, the Mergers have been accounted for as a reverse merger, and the assets and liabilities of PharmAthene have been recorded at their estimated fair value. The preliminary consideration used in applying the acquisition method aggregated $44,729,880 representing the fair value of the shares of the combined company retained by PharmAthene shareholders and the estimated fair value of vested stock options and warrants of PharmAthene which remained outstanding and were assumed by the combined company following the closing of the Mergers. The fair value of any PharmAthene options that will remain outstanding after the closing and which will be subject to vesting and service requirements will be recorded as operating expense in future periods as the services are delivered and the options vest.

In addition to the operating assets and liabilities of PharmAthene, the Company also acquired PharmAthene's tax attributes, which primarily consisted of net operating loss and credit carryforwards. No net asset has been recognized for these attributes, as recoverability is not considered to be more likely than not. A full valuation allowance has been provided against the PharmAthene deferred tax assets. For accounting purposes, the historical financial statements of the Company have not been adjusted to reflect the Merger, other than adjustments to the capital structure of the Company to reflect the historical capital structure of PharmAthene. No other adjustments to the Company's assets and liabilities have been made as a result of the Mergers. Immediately following the Effective Time of the Mergers, there were 15,450,602 shares of the combined entity's common stock outstanding (post Reverse Stock Split).

Headquartered in Annapolis, Maryland, PharmAthene was incorporated in Delaware in April 2005. PharmAthene is 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 the combined company with additional capital financing alternatives to support the combined entity's planned research and development activities.

Exhibit 99.3

UNAUDITED *PRO FORMA* CONDENSED COMBINED FINANCIAL DATA

On May 4, 2017 (the "Effective Time"), PharmAthene, Inc. ("PharmAthene") completed its business combination with Altimmune, Inc. ("Altimmune"), in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated as of January 18, 2017 (as amended on March 29, 2017, the "Merger Agreement", included elsewhere in this Current Report on Form 8-K), by and among PharmAthene, Mustang Merger Sub Corp I Inc. ("Merger Sub Corp"), Mustang Merger Sub II LLC ("Merger Sub LLC") and Altimmune, pursuant to which (i) Merger Sub Corp merged with and into Altimmune, with Altimmune surviving as the surviving corporation in such merger ("Merger 1"), and immediately thereafter, Altimmune merged with and into Merger Sub LLC, with Merger Sub LLC surviving as the surviving entity in such merger ("Merger 2" and together with Merger 1, each a "Merger" and collectively the "Mergers").

Also on May 4, 2017, in connection with and prior to completion of, the Mergers, PharmAthene effected a 1-for-10 reverse stock split of its common stock (the "Reverse Stock Split") and, following the Mergers, changed its name to "Altimmune, Inc." (the "Company") Unless otherwise noted herein, all references to share and per share amounts reflect the Reverse Stock Split. Following the completion of the Mergers, the business being conducted by the Company became primarily the business formerly conducted by Altimmune, which is a clinical stage immunotherapeutics company focused on the development of products to stimulate robust and durable immune responses for the prevention and treatment of disease.

Under the terms of the Merger Agreement, the Company retained PharmAthene's outstanding common stock that had been adjusted for Reverse Stock Split, and issued shares of its common stock to Altimmune's stockholders, at an exchange ratio of 0.749106 of a share of common stock (post Reverse Stock Split), in exchange for each share of Altimmune common stock outstanding as of the Effective Time. The Company also retained all the outstanding PharmAthene stock options and warrants, and assumed all of the Altimmune stock options and warrants, each representing the right to purchase a number of shares of the Company's common stock equal to 0.749106 multiplied by the number of shares of Altimmune's common stock previously represented by such stock options and warrants, as applicable.

Although PharmAthene was the issuer of the shares and the legal acquirer in the transaction, following the closing, shareholders of the Company held 58.2% of the voting interest of the combined entity and controlled the Company. As a result, for accounting purposes, the Mergers have been accounted for as a reverse merger, and the assets and liabilities of PharmAthene have been recorded at their estimated fair value. The preliminary consideration used in applying the acquisition method aggregated $44.7 million, representing the fair value of the shares of the combined company retained by PharmAthene shareholders and the estimated fair value of vested stock options and warrants of PharmAthene which remained outstanding and were assumed by the Company following the closing of the Mergers.

In addition to the operating assets and liabilities of PharmAthene, the Company also acquired PharmAthene's tax attributes, which primarily consisted of net operating loss and credit carryforwards. No net asset has been recognized for these attributes, as recoverability is not considered to be more likely than not. A full valuation allowance has been provided against the PharmAthene deferred tax assets. For accounting purposes, the historical financial statements of the Company have not been adjusted to reflect the Merger, other than adjustments to the capital structure of the Company to reflect the historical capital structure of PharmAthene. No other adjustments to the Company's assets and liabilities have been made as a result of the Mergers. Immediately following the Effective Time of the Mergers, there were 15,450,602 shares of the Company's common stock outstanding (post Reverse Stock Split).

The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2017 and for the year ended December 31, 2016 give effect to the Mergers as if they had occurred on January 1, 2016. The unaudited pro forma condensed combined balance sheet as of March 31, 2017 assumes that the Mergers took place on that date.

The unaudited condensed statements of operations for the year ended December 31, 2016, as reported, were derived from (i) PharmAthene's audited consolidated financial statements as of and for the year ended December 31, 2016, as included in its Annual Report on Form 10-K incorporated herein by reference and (ii) Altimmune's audited consolidated financial statements as of and for the year ended December 31, 2016 included elsewhere herein;

These unaudited pro forma condensed combined statements of operations are not necessarily reflective of the Company’s results of operations had the Mergers been completed on the date assumed. In addition, they are not necessarily indicative of the Company’s future results of operations or financial condition. The unaudited pro forma condensed combined financial statements reflect management’s best estimate of the fair value of the tangible and intangible assets acquired and liabilities assumed in the Mergers with assistance provided by an independent third-party valuation firm based on information currently available.

These unaudited pro forma condensed combined financial statements include adjustments which give effect to the events that are directly attributable to the Mergers, expected to have a continuing impact on the Company and which are factually supportable.

Altimmune, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2017

	PharmAthene, Inc., as Reported	Altimmune, Inc., as Reported	Pro Forma Adjustments	Notes	Pro Forma Combined
Assets					
Current assets					
Cash and cash equivalents	$ 15,782,402	$ 2,737,708	$ —		$ 18,520,110
Accounts receivable, net	1,040,728	253,382	—		1,294,110
Income tax receivable	1,001,315	204,071	—		1,205,386
Prepaid expenses and other current assets	467,642	1,026,357	—		1,493,999
Total current assets	**18,292,087**	**4,221,518**	**—**		**22,513,605**
Property and equipment, net	87,937	205,346	—		293,283
Intangible assets, net	—	15,197,632	18,888,000	**(d)**	34,085,632
Other noncurrent assets	—	22,248	—		22,248
Goodwill	2,348,453	19,067,051	16,069,427	**(a) (d)**	37,484,931
Total assets	**$ 20,728,477**	**$ 38,713,795**	**$34,957,427**		**$ 94,399,699**
Liabilities, Preferred Stock and Stockholders' Equity					
Current liabilities					
Current portion of notes payable	$ —	$ 3,809,327	$ (3,547,194)	**(f)**	$ 262,133
Accounts payable	839,465	3,580,807			4,420,272
Accrued expenses and other current liabilities	1,339,618	1,403,850	(15,152)	**(f)**	2,728,316
Other short-term liabilities	55,497	60,554			116,051
Total current liabilities	**2,234,580**	**8,854,538**	**(3,562,346)**		**7,526,772**
Note payable, net of current portion	—	534,791	—		534,791
Deferred tax liability	442,589	—	7,112,611	**(a) (d)**	7,555,200
Other long-term liabilities	—	221,580	—		221,580
Total liabilities	**2,677,169**	**9,610,909**	**3,550,265**		**15,838,343**
Stockholders' equity					
Convertible preferred stock	—	8,000	(8,000)	**(c)**	—
Common stock	6,882	92,413	(97,750)	**(b) (c) (f)**	1,545
Additional paid-in capital	50,111,875	71,835,679	2,482,700	**(a) (b) (c) (d) (e) (f)**	124,430,254
Accumulated deficit	(32,067,449)	(35,838,230)	29,030,212	**(b) (e) (f)**	(38,875,467)
Accumulated other comprehensive loss	—	(6,994,976)	—		(6,994,976)
Total stockholders' equity	**18,051,308**	**29,102,886**	**31,407,162**		**78,561,356**
Total liabilities, preferred stock and stockholders' equity	**$ 20,728,477**	**$ 38,713,795**	**$34,957,427**		**$ 94,399,699**

See accompanying notes to unaudited pro forma condensed combined financial statements.

Altimmune, Inc.
Unaudited Pro Forma Condensed Combined Statements of Operations
For the Year Ended December 31, 2016

	PharmAthene, Inc., as Reported	Altimmune, Inc., as Reported	Pro Forma Adjustments	Notes	Pro Forma Combined
License revenue	$ —	$ 410,102	$ —		$ 410,102
Research grants and contracts	5,230,196	2,826,073	—		8,056,269
Total revenue and grants and contracts	5,230,196	3,236,175	—		8,466,371
Operating expenses					
Research and development	4,836,035	7,221,460	—		12,057,495
General and administrative	11,515,071	7,106,378	(1,203,397)	**(e)**	17,418,052
Depreciation	143,437	—	—		143,437
Total operating expense	16,494,543	14,327,838	(1,203,397)		29,618,984
Operating loss	(11,264,347)	(11,091,663)	1,203,397		(21,152,613)
Other income (expense):					
Interest income (expense)	168,150	(37,452)	—		130,698
Income from litigation settlement	217,068,969	—	—		217,068,969
Change in fair value of derivative instruments	(957,070)	—	—		(957,070)
Other income	7,847	42,303	—		50,150
Total other income (expense), net	216,287,896	4,851	—		216,292,747
Net income (loss) before income tax benefit	205,023,549	(11,086,812)	1,203,397		195,140,134
Provision for income taxes	11,169,376	—	—		11,169,376
Net (loss) income	$ 193,854,173	$ (11,086,812)	$ 1,203,397		$183,970,758
Accumulated dividends on preferred stock	—	(368,548)	368,548	**(h)**	—
Net income (loss) attributed to common stockholders	$ 193,854,173	$ (11,455,360)	$ 1,571,945		$183,970,758
Weighted-average common shares outstanding, basic		9,226,376	5,229,011	**(g)**	14,455,387
Net (loss) income per share attributable to common stockholders, basic		$ (1.24)			$ 12.73
Weighted-average common shares outstanding, diluted		9,226,376	6,062,694	**(g)**	15,289,070
Net (loss) income per share attributable to common stockholders, diluted		$ (1.24)			$ 12.03

See accompanying notes to unaudited pro forma condensed combined financial statements.

Altimmune, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2017

	PharmAthene, Inc., as Reported	Atlimmune, Inc., as Reported	Pro Forma Adjustments	Notes	Pro Forma Combined
License revenue	$ —	$ 4,938	$ —		$ 4,938
Research grants and contracts	804,071	294,633	—		1,098,704
Total revenue and grants and contracts	804,071	299,571	—		1,103,642
Operating expenses					
Research and development	725,797	2,786,122	—		3,511,919
General and administrative	3,228,590	2,030,516	(2,341,279)	**(e)**	2,917,827
Depreciation	33,007	—	—		33,007
Total operating expense	3,987,394	4,816,638	(2,341,279)		6,462,753
Operating loss	(3,183,323)	(4,517,067)	2,341,279		(5,359,111)
Other income (expense):					
Interest income (expense)	74,977	(60,603)	53,422	**(f)**	67,796
Change in fair value of derivative financial instruments	(90,191)	—	—		(90,191)
Other expense	(375)	(1,111)	—		(1,486)
Total other (expense) income, net	(15,589)	(61,714)	53,422		(23,881)
Net (loss) income before income tax (benefit)	(3,198,912)	(4,578,781)	2,394,701		(5,382,992)
Income tax benefit	1,001,315	—	—		1,001,315
Net (loss) income	$ (2,197,597)	$ (4,578,781)	$ 2,394,704		$ (4,381,677)
Accumulated dividends on preferred stock	—	(118,356)	118,356	**(h)**	—
Net loss attriburted to common stockholders	$ (2,197,597)	$ (4,697,137)	$ 2,513,057		$ (4,381,677)
Weighted-average common shares outstanding, basic and diluted		9,234,618	5,887,717	**(g) (i)**	15,122,335
Net loss per share attributable to common stockholders, basic and diluted		$ (0.51)			$ (0.29)

See accompanying notes to unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. *Basis of Presentation*

The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the U.S. Securities and Exchange Commission (the "SEC") and are intended to show how the Mergers might have affected the historical financial statements if the Mergers had been completed on January 1, 2016 for the purposes of the pro forma condensed combined statements of operations and the Mergers had been completed on March 31, 2017 for the purposes of the pro forma condensed combined balance sheet.

Certain disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") have been condensed or omitted in these pro forma condensed combined financial statements as permitted by SEC rules and regulations.

The pro forma adjustments reflect the Mergers as a reverse acquisition business combination, using the acquisition method of accounting.

2. *Accounting for the Mergers*

On January 18, 2017, PharmAthene agreed to acquire 100% of the outstanding capital stock of Altimmune in a tax-free reorganization pursuant to section 368(a) of the Internal Revenue Code. The Company has concluded that Altimmune is the accounting acquirer in the Mergers and that the Mergers will be accounted for as a reverse merger business combination in accordance with the acquisition method of accounting.

Pursuant to the acquisition method, the purchase consideration is allocated to the assets acquired and the liabilities assumed based on their estimated fair values, with any excess of the purchase consideration over the estimated fair values of the identifiable net assets acquired being recorded as goodwill. PharmAthene's accounting policies and practices did not materially differ from Altimmune's accounting policies and practices.

Fair value of consideration transferred

The fair value of the merger consideration was determined based on the value of PharmAthene's outstanding shares of common stock, options, and warrants retained by the Company. The common shares, options, and warrants are valued using the trading price through the close of business on the Effective Time.

Fair value of assets acquired and liabilities assumed

The following table summarizes the allocation of the merger consideration to the assets acquired and liabilities assumed, based on their preliminary estimated fair values as of March 31, 2017, the assumed date for purpose of preparing these pro forma financial statements, and the closing date of May 4, 2017, as follows:

	As of March 31, 2017	As of May 4, 2017
Estimated fair value of merger consideration	$ 44,729,880	$44,729,880
Estimated fair value of tangible assets acquired:		
Cash and cash equivalents	$ 15,782,402	$13,685,000
Accounts receivables	1,040,728	1,124,000
Prepaid expenses and other current assets	1,468,957	2,042,000
Property and equipment	87,937	76,000
	18,380,024	16,927,000
Identifiable intangible assets acquired:		
In-process research and development ("IPR&D") asset	18,888,000	18,888,000
Total assets acquired	37,268,024	35,815,000
Liabilities assumed:		
Accounts payable and accruals	2,234,580	1,948,000
Deferred tax liability	7,555,000	7,555,000
Total liabilities assumed	9,789,580	9,503,000
Net assets acquired	24,478,444	26,312,000
Goodwill	$ 17,251,436	$18,417,880

IPR&D asset and goodwill are considered indefinite lived assets. The Company determined the estimated fair value of the IPR&D asset using the Multi-Period Excess Earnings Method ("MPEEM"). The MPEEM is a variation of the Income Approach that is often used to value a business's primary, or primary income generating, asset, or an intangible asset for which application of other valuation approaches, or methods, is determined to likely result in a less reliable indication of value. In applying the MPEEM, the goal is to estimate the future economic earnings attributable to the subject intangible asset. This method requires the application of contributory asset capital charges that reflects the cost of using other assets (tangible and intangible) in generating the economic earnings attributable to the subject asset. Key unobservable inputs used in the MPEEM included forecasts of the operating results that would be expected from use of the IPR&D asset in consideration of the Company's planned business model which included third-party R&D, manufacturing and marketing, and an estimated discount rate to the adjusted debt-free net cash flows. The Mergers were structured as a tax-free reorganization and therefore the Company received carryover basis in the assets and liabilities acquired; accordingly, the Company recognized net deferred tax liabilities associated with the Mergers with a preliminary estimated fair value of approximately $7.6 million. The net deferred tax liabilities do not result in a reduction of Altimmune's existing valuation allowance since the indefinite-lived intangible asset is not considered a future source of taxable income due to uncertainty around the period in which these indefinite-lived assets would begin amortizing or would be written off. As a result, when such determination can be made, a significant adjustment to recognize these tax assets would result.

The pro forma condensed combined financial statements reflect management's best estimate of the fair value of the tangible and intangible assets acquired and liabilities assumed in the Mergers based on a preliminary valuation study performed by an independent third-party valuation firm based on information currently available. Certain valuations and studies necessary to finalize the determination of estimated fair values and estimated useful lives, including with respect to IPR&D asset, among other things, are incomplete as of the date of this filing. As final valuations are performed, increases or decreases in the fair value of assets acquired and liabilities assumed may result in adjustments, which may be material, to the balance sheet and/or statement of operations.

After the Mergers, the Company's legal capital structure (i.e., its outstanding shares of common stock at par value) is reflected as the combined entity's common stock outstanding, and the combined entity's statements of operations will include Altimmune's and PharmAthene's activities. Historical financial statements will solely reflect Altimmune's activities, as predecessor entity.

3. Pro Forma Adjustments

The following represent the pro forma adjustments made to the historical financial statements:

(a) PharmAthene's balance sheet as of March 31, 2017 was adjusted to eliminate goodwill of $2.3 million resulting from PharmAthene's prior business combinations and the corresponding deferred tax liability of $442,600.

(b) Immediately prior to the Mergers, PharmAthene effected a 1-for-10 reverse stock split. All historical PharmAthene equity shares and the per share price, including those related to its options and warrants, were adjusted to reflect the reverse stock split. In addition, the remaining PharmAthene accumulated deficit of $32.1 million and additional paid-in capital of $50.1 million were excluded from the pro forma condensed combined balance sheet at March 31, 2017.

The replacement options and warrants were recorded at the transaction date fair value, but retained the same vesting terms as the original PharmAthene common stock options and warrants. The portion of the replacement option and warrant awards attributable to pre-combination services was accounted for as a component of the transaction consideration and the amount was negligible. The fair value of the replacement option and warrant awards attributable to post-combination services will be recognized over the remaining vesting terms.

(c) In connection with the Mergers, the Company recapitalized its equity shares, specifically, (i) the conversion of the outstanding 800,000 shares of Series B preferred stock into Class A Common Stock on a 1-for-1 basis; (ii) the conversion of the outstanding 38,836 shares of the Company's Class B Common Stock into Class A Common Stock on a 1-for-1 basis; (iii) the conversion of the outstanding principal and accrued interest totaling $4.2 million on the convertible Notes into 422,817 Class A Common Stock; (iv) the resulting combined 10,464,193 shares of outstanding Class A Common Stock were re-designated as common stock; (v) 53,074 shares of the Company's common stock were issued pursuant to the accelerated vesting of restricted stock; (vi) 881,921 shares of the Company's common stock were issued as a result of warrant exercises; (vii) the resulting outstanding common stock of the Company totaling 11,399,188 shares were adjusted for the exchange rate of 0.749106 into 8,539,263 shares of the combined entity common stock with a par value of $0.0001.

(d) A significant adjustment to assets acquired in the Mergers related to the recognition of the estimated fair value of the PharmAthene IPR&D asset of $18.9 million, and goodwill of $18.4 million representing the total of assets acquired net of total liabilities assumed from PharmAthene. For U.S. GAAP purposes, IPR&D assets are generally carried as indefinite-life intangible assets and are not amortized until such time as development is complete, in which case amortization begins, or development is abandoned, in which case the asset is expensed. During 2016 and 2017, these technologies continue to be under development and no amortization would have been recorded related to these assets. Goodwill and the IPR&D asset will be evaluated each year for impairment, and adjustments to the carrying value of goodwill or the IPR&D asset may be required. There are no conditions currently present that would indicate that goodwill and IPR&D are impaired. As a result, there are no adjustments required to these assets that would affect the unaudited pro forma condensed combined statements of operations. Once development is complete, which is expected to occur in 2023, depending on the product candidate in question, the Company will begin amortizing the IPR&D asset over its estimated useful live, expected to be 15 years. There is no assurance that the Company will be able to develop these technologies and obtain the benefits of the IPR&D asset.

(e) In connection with the Mergers, Altimmune incurred direct and incremental costs, primarily professional fees which were expensed as incurred. Such transaction costs included $671,000 incurred during the year ended December 31, 2016 and $803,000 incurred during the three months ended March 31, 2017. Similarly, PharmAthene incurred direct and incremental acquisition costs totaling $532,000 during the year ended December 31, 2016 and $1.5 million during the three months ended March 31, 2017. These transaction costs were excluded from general and administrative expenses in the accompanying unaudited pro forma condensed combined statements of operations for the year ended December 31, 2016 and the three months ended March 31, 2017.

(f) In connection with the conversion of outstanding principal and accrued interest of the Company's convertible Notes as described in Note (c), the unamortized debt issuance discount of $535,000 and deferred financing costs of $108,000 were also excluded from the pro forma combined balance sheet as of March 31, 2017. Similarly, interest expense totaling $53,000 was excluded from the combined statement of operations for the three months ended March 31, 2017. There was no interest expense incurred on the convertible Notes during the year ended December 31, 2016.

(g) As described in Note (c), the Company recapitalized its equity securities in connection with the Mergers. On a pro forma basis, all of the common stock issuances resulting from the recapitalization were treated as if they occurred on January 1, 2016. The pro forma adjustment to the weighted-average common shares outstanding, basic and diluted, for the full year 2016 reflects 100% of the effect of the recapitalization as if it occurred on January 1, 2016.

(h) As described in Note (c), to facilitate the Mergers, all 800,000 outstanding shares of the Company's Series B preferred stock were converted into Class A Common Stock and subsequently re-designated as common stock. On a pro forma basis, Series B preferred stock dividends accrued during the year ended December 31, 2016 totaling $368,500 and during the three months ended March 31, 2017 totaling $118,300 were reversed as if shares of the Series B preferred stock were converted and re-designated into common stock on January 1, 2016.

(i) In addition to the combined shares of Altimmune equity and PharmAthene equity retained in the Mergers, the Company retained 123,003 shares of PharmAthene's stock options and 4,658 shares of its warrants. The pro forma adjustment for the three months ended March 31, 2017 reflects the issued common stock described in Notes (b) and (c), and excludes the impact of in-the-money stock options as the effect would be anti-dilutive.

4. *Pro Forma Weighted Average Common Shares Outstanding*

A reconciliation of weighted average common shares outstanding, as reported, and the pro forma impact of the Mergers, is summarized as follows:

	For the Year Ended December 31, 2016	For the Three Months Ended March 31, 2017
Weighted average common shares outstanding, basic, as reported	9,226,376	9,234,618
Pro forma adjustments as of the pro forma acquisition date of January 1, 2016:		
Effect of applying the 0.749106 share exchange rate to Altimmune equity shares	(2,314,842)	(2,316,910)
Conversion of Altimmune preferred stock into common stock	458,878	—
Pro forma effect of warrant net share exercises	467,664	1,659
Reversal of split-adjusted outstanding PharmAthene common shares retained by PharmAthene shareholders	6,438,209	—
Conversion of convertible Notes principal and accrued interest	76,677	57,693
Exercises of stock options	65,029	46,073
Vesting of restricted shares	37,397	—
Carryover effect of adjustments included in the December 31, 2016 pro forma weighted average common shares outstanding:		
Conversion of Altimmune preferred stock into common stock	—	599,284
Pro forma effect of warrant net share exercises	—	610,758
Reversal of split-adjusted outstanding PharmAthene common shares retained by PharmAthene shareholders	—	6,438,209
Conversion of convertible Notes principal and accrued interest	—	76,677
Exercises of stock options	—	249,291
Vesting of restricted shares	—	124,983
Total pro forma adjustments	5,229,011	5,887,717
Pro forma weighted average common shares outstanding, basic	14,455,387	15,122,335
Weighted average common shares outstanding, diluted, as reported	9,226,376	9,234,618
Total adjustments reflected in the pro forma weighted average common shares outstanding, basic	5,229,011	5,887,717
In-the-money stock options	833,683	—
Pro forma weighted average common shares outstanding, diluted	15,289,070	15,122,335