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

FORM 10-Q

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

For the quarterly period ended March 31, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 001-35285

Vaxart, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**59-1212264**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
385 Oyster Point Boulevard, Suite 9A, South San Francisco, CA 94080	**(650) 550-3500**
(Address of principal executive offices, including zip code)	(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer ☐
Non-accelerated filer ☑
Emerging growth company ☐

Accelerated filer ☐
Smaller reporting 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. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, $0.10 par value	**VXRT**	**The Nasdaq Capital Market**

The Registrant had 74,184,322 shares of common stock, $0.10 par value, outstanding as of May 11, 2020.

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FOR THE QUARTER ENDED MARCH 31, 2020
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

VAXART, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 29,859	$ 13,526
Accounts receivable	2,663	3,619
Prepaid expenses and other current assets	1,143	453
Total current assets	33,665	17,598
Property and equipment, net	191	210
Right-of-use assets, net	1,910	1,990
Intangible assets, net	16,660	17,093
Other long-term assets	138	141
Total assets	$ 52,564	$ 37,032
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 793	$ 852
Current portion of operating lease liability	855	841
Liability related to sale of future royalties, current portion	1,513	2,916
Other accrued liabilities	4,280	4,565
Total current liabilities	7,441	9,174
Operating lease liability, net of current portion	1,271	1,472
Liability related to sale of future royalties, net of current portion	12,541	13,416
Other long-term liabilities	18	18
Total liabilities	21,271	24,080
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock: $0.10 par value; 5,000,000 shares authorized; none issued and outstanding as of March 31, 2020 and December 31, 2019	—	—
Common stock: $0.10 par value; 100,000,000 shares authorized; 72,004,720 and 48,254,994 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	7,200	4,825
Additional paid-in capital	142,051	124,788
Accumulated deficit	(117,958)	(116,661)
Total stockholders' equity	31,293	12,952
Total liabilities and stockholders' equity	$ 52,564	$ 37,032

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

VAXART, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Revenue:		
Revenue from customer service contracts	$ 99	$ —
Royalty revenue	2,769	3,659
Non-cash royalty revenue related to sale of future royalties	34	1,748
Total revenue	2,902	5,407
Operating expenses:		
Research and development	1,542	3,829
General and administrative	1,990	2,026
Restructuring costs	64	—
Total operating expenses	3,596	5,855
Operating loss	(694)	(448)
Other income and (expenses):		
Interest income	41	5
Interest expense	—	(107)
Non-cash interest expense related to sale of future royalties	(491)	(544)
Foreign exchange gain, net	—	5
Total other income and (expenses)	(450)	(641)
Net loss before income taxes	(1,144)	(1,089)
Provision for income taxes	153	250
Net loss	$ (1,297)	$ (1,339)
Net loss per share - basic and diluted	$ (0.02)	$ (0.18)
Shares used to compute net loss per share - basic and diluted	60,677,145	7,301,189

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

VAXART, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity
For the Three Months Ended March 31, 2019 and 2020
(In thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances as of December 31, 2018	7,141,189	$ 714	$ 108,513	$ (97,989)	$ 11,238
Cumulative effect of adoption of new leases standard	—	—	—	(27)	(27)
Balances as of January 1, 2019, as adjusted	7,141,189	$ 714	$ 108,513	$ (98,016)	$ 11,211
Issuance of common stock and warrants, net of offering costs of $560	1,200,000	120	2,320	—	2,440
Issuance of common stock warrants to placement agents' designees	—	—	100	—	100
				—	
Stock-based compensation	—	—	164	—	164
Net loss	—	—	—	(1,339)	(1,339)
Balances as of March 31, 2019	8,341,189	$ 834	$ 111,097	$ (99,355)	$ 12,576

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances as of January 1, 2020	48,254,994	$ 4,825	$ 124,788	$ (116,661)	12,952
Issuance of common stock and common stock warrants in March 2020, net of offering costs of $1,278	4,000,000	400	8,322	—	8,722
Issuance of common stock warrants to placement agents' designees	—	—	453	—	453
Issuance of common stock upon exercise of common stock warrants	19,726,120	1,973	8,376	—	10,349
Issuance of common stock upon exercise of stock options	23,606	2	16	—	18
Stock-based compensation	—	—	96	—	96
Net loss	—	—	—	(1,297)	(1,297)
Balances as of March 31, 2020	72,004,720	$ 7,200	$ 142,051	$ (117,958)	$ 31,293

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

VAXART, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (1,297)	$ (1,339)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	580	1,100
Stock-based compensation	96	164
Non-cash interest expense	—	35
Non-cash interest expense related to sale of future royalties	491	544
Non-cash revenue related to sale of future royalties	(2,769)	(1,384)
Change in operating assets and liabilities:		
Accounts receivable	956	(3,788)
Prepaid expenses and other assets	(690)	100
Accounts payable	(55)	(184)
Other accrued liabilities	(520)	99
Net cash used in operating activities	(3,208)	(4,653)
Cash flows from investing activities:		
Purchase of property and equipment	(4)	(552)
Proceeds from sale of equipment	3	—
Net cash used in investing activities	(1)	(552)
Cash flows from financing activities:		
Net proceeds from issuance of securities in registered direct offering	9,175	2,540
Proceeds from issuance of common stock upon exercise of common stock warrants	10,349	—
Proceeds from issuance of common stock upon exercise of stock options	18	—
Repayment of principal on secured promissory note payable to Oxford Finance	—	(417)
Net cash provided by financing activities	19,542	2,123
Net increase (decrease) in cash and cash equivalents	16,333	(3,082)
Cash, cash equivalents and restricted cash at beginning of the period	13,526	11,506
Cash, cash equivalents and restricted cash at end of the period	$ 29,859	$ 8,424

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

VAXART, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Supplemental disclosure of cash flow information:		
Interest paid	$ —	$ 72
Supplemental disclosure of non-cash financing activity:		
Issuance of warrants to placement agent's representatives	$ 453	$ 100
Acquisition of property and equipment included in accounts payable	$ —	$ 123

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

VAXART, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. Organization and Basis of Presentation

General

Vaxart Biosciences, Inc. was originally incorporated in California in March 2004, under the name West Coast Biologicals, Inc. The Company changed its name to Vaxart, Inc. ("Private Vaxart") in July 2007, and reincorporated in the state of Delaware.

On February 13, 2018, Private Vaxart completed a business combination with Aviragen Therapeutics, Inc. ("Aviragen"), pursuant to which Aviragen merged with Private Vaxart, with Private Vaxart surviving as a wholly-owned subsidiary of Aviragen (the "Merger"). Pursuant to the terms of the Merger, Aviragen changed its name to Vaxart, Inc. (together with its subsidiaries, the "Company" or "Vaxart") and Private Vaxart changed its name to Vaxart Biosciences, Inc. All of Private Vaxart's convertible promissory notes and convertible preferred stock was converted into common stock, following which each share of common stock was converted into approximately 0.22148 shares of the Company's common stock (the "Conversion").

On March 2, 2020, the Company completed a registered direct offering (the "March 2020 Offering") of 4,000,000 shares of the Company's common stock and warrants to purchase 2,000,000 shares of common stock. Each common stock warrant entitles the holder to purchase one share of common stock for $2.50, is exercisable immediately, subject to certain ownership limitations, and will expire five years from the date of issuance. The total gross proceeds from the offering to the Company were $10.0 million. After deducting placement agent fees and offering expenses payable by the Company, the aggregate net proceeds received by the Company totaled $9.2 million. Pursuant to the terms of the engagement letter with the placement agents, the Company paid the placement agents aggregate fees and reimbursable costs of $775,000. In addition, the Company issued the placement agents' designees 280,000 common stock warrants at the closing of the March 2020 Offering, each warrant entitling the holder to purchase one share of common stock for $3.125 at any time within five years of the effective date of the March 2020 Offering. The aggregate fair value of these warrants at issuance was estimated to be $453,000 (see Note 10), which was recorded in offering costs.

The Company's principal operations are based in South San Francisco, California, and it operates in one reportable segment, which is the discovery and development of oral recombinant protein vaccines, based on its proprietary oral vaccine platform.

NOTE 2. Summary of Significant Accounting Policies

Basis of Presentation – The Company has prepared the accompanying condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to these rules and regulations. These condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and footnotes related thereto for the year ended December 31, 2019, included in the Company's Annual Report on Form 10-K filed with the SEC on March 19, 2020 (the "Annual Report"). Except as noted below, there have been no material changes to the Company's significant accounting policies described in Note 2 to the consolidated financial statements included in the Annual Report. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company's financial position and the results of its operations and cash flows. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year.

VAXART, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Unaudited)

Basis of Consolidation – The condensed consolidated financial statements include the financial statements of Vaxart, Inc. and its subsidiaries. All significant transactions and balances between Vaxart, Inc. and its subsidiaries have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results and outcomes could differ from these estimates and assumptions.

Concentration of Credit Risk – Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. The Company places its cash and cash equivalents at financial institutions that management believes are of high credit quality. The Company is exposed to credit risk in the event of default by the financial institutions holding the cash and cash equivalents to the extent such amounts are in excess of the federally insured limits. The Company has not experienced any losses on its deposits since inception.

The primary focus of the Company's investment strategy is to preserve capital and meet liquidity requirements. The Company's investment policy addresses the level of credit exposure by limiting the concentration in any one corporate issuer or sector and establishing a minimum allowable credit rating. The Company generally requires no collateral from its customers.

Reclassification – Prior periods' data is subject to reclassification to conform to the current presentation. Accordingly, $48,000 that was previously recorded as non-lease costs has been included as variable lease costs and in cash outflows related to leases in the three months ended March 31, 2019. This reclassification had no effect on reported net loss.

Recent Accounting Pronouncements

The Company has reviewed all newly-issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or no material effect is expected on its condensed consolidated financial statements as a result of future adoption.

NOTE 3. Fair Value of Financial Instruments

Fair value accounting is applied for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities that approximate fair value due to their relatively short maturities.

Assets and liabilities recorded at fair value on a recurring basis in the balance sheets are categorized based upon the level of judgment associated with inputs used to measure their fair values. The accounting guidance for fair value provides a framework for measuring fair value and requires certain disclosures about how fair value is determined. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance also establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity.

The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company's money market funds are classified within Level 1 of the fair value hierarchy and are valued based on quoted prices in active markets for identical securities. The Company held no recurring financial assets that are measured at fair value as of March 31, 2020. The Company held $15,000 in money market funds, classified as cash equivalents, as of December 31, 2019. The Company held no recurring financial liabilities at either date or in the three months ended March 31, 2020 or 2019.

NOTE 4. Balance Sheet Components

(a) Cash and Cash Equivalents

Cash and cash equivalents comprises the following:

	March 31, 2020	December 31, 2019
	(in thousands)	
Cash at banks	$ 29,859	$ 13,511
Money market funds	—	15
Total cash and cash equivalents	$ 29,859	$ 13,526

VAXART, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(b) Accounts Receivable

Accounts receivable comprises the following:

	March 31, 2020	December 31, 2019
	(in thousands)	
Royalties receivable	$ 2,663	$ 3,438
Customer service contracts - billed	—	181
Accounts receivable	$ 2,663	$ 3,619

The Company has provided no allowance for uncollectible accounts as of March 31, 2020 and December 31, 2019.

(c) Property and Equipment, Net

Property and equipment, net consists of the following:

	March 31, 2020	December 31, 2019
	(in thousands)	
Laboratory equipment	$ 537	$ 537
Office and computer equipment	132	132
Total property and equipment	669	669
Less: accumulated depreciation	(478)	(459)
Property and equipment, net	$ 191	$ 210

Depreciation expense for the three months ended March 31, 2020 and 2019, was $19,000 and $130,000, respectively. There were no impairments of the Company's property and equipment recorded in the three months ended March 31, 2020 or 2019.

(d) Right-of-Use Assets, Net

Right-of-use assets, net consists of the following:

	March 31, 2020	December 31, 2019
	(in thousands)	
Facilities	$ 1,906	$ 1,985
Office equipment	4	5
Right-of-use assets, net	$ 1,910	$ 1,990

(e) Intangible Assets

Intangible assets comprise developed technology and intellectual property. Intangible assets are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over useful lives ranging from 1.3 to 11.75 years for developed technology and 20 years for intellectual property. As of March 31, 2020, developed technology and intellectual property had remaining lives of 9.6 and 7.75 years, respectively. Intangible assets consist of the following:

	March 31, 2020	December 31, 2019
	(in thousands)	
Purchased technology	$ 22,100	$ 22,100
Intellectual property	80	80
Total cost	22,180	22,180
Less: accumulated amortization	(5,520)	(5,087)
Intangible assets, net	$ 16,660	$ 17,093

Total amortization expense was $433,000 and $779,000 in the three months ended March 31, 2020 and 2019, respectively.

As of March 31, 2020, the estimated future amortization expense by year is as follows (in thousands):

Year Ending December 31,	Amount
2020 (nine months remaining)	$ 1,299
2021	1,732
2022	1,731
2023	1,732
2024	1,732
Thereafter	8,434
Total	$ 16,660

(f) Other Accrued Liabilities

Other accrued liabilities consist of the following:

	March 31, 2020	December 31, 2019
	(in thousands)	
Accrued compensation	$ 461	$ 903
Accrued clinical and manufacturing expenses	3,228	3,228
Accrued professional and consulting services	207	2
Reserve for return of royalties	178	178
Other liabilities, current portion	206	254
Total	$ 4,280	$ 4,565

NOTE 5. Revenue

Service Contracts with Customers

Contract Balances. Accounts receivable related to service contracts with customers as of March 31, 2020 and December 31, 2019, was nil and $181,000, respectively. Contract assets, representing unbilled receivables where revenue has been recognized in advance of customer billings, as of March 31, 2020 and December 31, 2019, was $120,000 and $21,000, respectively, which is included in prepaid expenses and other current assets.

Remaining Performance Obligations. Remaining Performance Obligations (“RPO”) comprise deferred revenue plus unbilled contract revenue. As of March 31, 2020 and December 31, 2019, there was no deferred revenue and the aggregate amount of RPO was $112,000 and $211,000, respectively, all of which was unbilled contract revenue which is not recorded on the balance sheet. We expect 100% of this amount to be recognized as revenue within the next three months, subject to unforeseen delays. Unbilled contract revenue represents non-cancelable contracts under which the Company has an obligation to perform, for which revenue has not yet been recognized in the financial statements and the fixed amounts billable have not yet been invoiced.

Royalty Agreements

Aviragen entered into a royalty-generating research and license agreement with GlaxoSmithKline, plc (“GSK”) in 1990 for the development and commercialization of zanamivir, a neuraminidase inhibitor marketed by GSK as Relenza, to treat influenza. Under the agreement, all Relenza patents owned by the Company were exclusively licensed to GSK. All of the Company’s Relenza patents have expired, with the last remaining patent expiring in July 2019 in Japan, at which time royalty revenue ceased, although it remains subject to minor adjustments for sales returns and exchange rate differences. The Company recognized no royalty revenue related to Relenza in the three months ended March 31, 2020 and recognized $695,000 in the three months ended March 31, 2019, representing 7% of net sales in Japan.

The Company also generates royalty revenue from the sale of Inavir in Japan, pursuant to a collaboration and license agreement that Aviragen entered into with Daiichi Sankyo Company, Limited ("Daiichi Sankyo") in 2009. In September 2010, laninamivir octanoate was approved for sale by the Japanese Ministry of Health and Welfare for the treatment of influenza in adults and children, which Daiichi Sankyo markets as Inavir. Under the agreement, the Company currently receives a 4% royalty on net sales of Inavir in Japan. The last patent related to Inavir is set to expire in December 2029, at which time royalty revenue will cease. The royalty revenue related to Inavir recognized in the three months ended March 31, 2020 and 2019, was $2,769,000 and $2,964,000, respectively, representing 4% of net sales in Japan. In addition, the Company recognized non-cash royalty revenue related to the sale of future royalties (see Note 6) of $34,000 and $1,748,000 in the three months ended March 31, 2020 and 2019, respectively. Both the royalty revenue and the non-cash royalty revenue related to the sale of future royalties have been subjected to a 5% withholding tax in Japan, for which $140,000 and $236,000 was included in income tax expense in the three months ended March 31, 2020 and 2019, respectively.

The Company's royalty revenue is seasonal, in line with the flu season, so the majority of the Company's royalty revenue is earned in the first and fourth fiscal quarters.

NOTE 6. Liabilities Related to Sale of Future Royalties

In April 2016, Aviragen entered into a Royalty Interest Acquisition Agreement (the "RIAA") with HealthCare Royalty Partners III, L.P. ("HCRP"). Under the RIAA, HCRP made a $20.0 million cash payment to Aviragen in consideration for acquiring certain royalty rights ("Royalty Rights") related to the approved product Inavir in the Japanese market. The Royalty Rights were obtained pursuant to the collaboration and license agreements (the "License Agreement") and a commercialization agreement that the Company entered into with Daiichi Sankyo. Per the terms of the RIAA, HCRP is entitled to the first $3.0 million plus 15% of the next $1.0 million in royalties earned in each year commencing on April 1, with any excess revenue being retained by the Company.

Under the relevant accounting guidance, due to a limit on the amount of royalties that HCRP can earn under the RIAA, this transaction is accounted for as a liability that is being amortized using the interest method over the life of the arrangement. The Company has no obligation to pay any amounts to HCRP other than to pass through to HCRP its share of royalties as they are received from Daiichi Sankyo. In order to record the amortization of the liability, the Company is required to estimate the total amount of future royalty payments to be received under the License Agreement and the payments that will be passed through to HCRP over the life of this agreement. Consequently, the Company imputes interest on the unamortized portion of the liability and records non-cash interest expense using an estimated effective interest rate. The royalties earned in each period that will be passed through to HCRP are recorded as non-cash royalty revenue related to sale of future royalties, with any excess not subject to pass-through being recorded as royalty revenue. When the pass-through royalties are paid to HCRP in the following quarter, the imputed liability related to sale of future royalties is commensurately reduced. The Company periodically assesses the expected royalty payments, and to the extent such payments are greater or less than the initial estimate, the Company adjusts the amortization of the liability and interest rate. As a result of this accounting, even though the Company does not retain HCRP's share of the royalties, it will continue to record non-cash revenue related to those royalties until the amount of the associated liability, including the related interest, is fully amortized.

The following table shows the activity within the liability account during the three months ended March 31, 2020 (in thousands):

Total liability related to sale of future royalties, start of period	$	16,332
Non-cash royalty revenue paid to HCRP		(2,769)
Non-cash interest expense recognized		491
Total liability related to sale of future royalties, end of period		14,054
Current portion		(1,513)
Long-term portion	$	12,541

NOTE 7. Leases

The Company has obtained the right of use for office and manufacturing facilities under four operating lease agreements, one of which has been subleased, and for equipment under an operating lease agreement with an initial term exceeding one year, and under three operating lease agreements with initial terms of one year or less.

The Company obtained the right of use of real estate located in South San Francisco, California, in June 2015 that was scheduled to terminate on April 30, 2020, with a five-year extension option that the Company exercised in July 2019, extending the lease until April 30, 2025. The right of use of these premises was assessed as partially impaired as of December 31, 2019 (see Note 13). The Company also obtained, via the Merger in February 2018, the right of use of facilities located in Alpharetta, Georgia, that terminates on February 28, 2021, with no extension option. These facilities were subleased for the remainder of the lease term effective November 30, 2018. In addition, the Company has the right of use of two facilities located in South San Francisco, California, under leases that terminate on July 31, 2021, with no extension options, and the right of use of equipment under a lease that terminates in September 2021.

As of March 31, 2020, the weighted average discount rate for operating leases with initial terms of more than one year was 10.53% and the weighted average remaining term of these leases was 3.62 years. Discount rates were determined using the Company's marginal rate of borrowing at the time each lease was executed or extended.

The following table summarizes the Company's undiscounted cash payment obligations for its operating lease liabilities with initial terms of more than twelve months as of March 31, 2020 (in thousands):

Year Ending December 31,	
2020 (excluding the three months ended March 31, 2020)	$ 781
2021	620
2022	336
2023	348
2024	360
Thereafter	121
Undiscounted total	2,566
Less: imputed interest	(440)
Present value of future minimum payments	2,126
Current portion of operating lease liability	(855)
Operating lease liability, net of current portion	$ 1,271

The Company presently has no finance leases and no future obligations under operating leases for equipment with initial terms of one year or less.

Certain operating lease agreements for facilities include non-lease costs, such as common area maintenance, which are recorded as variable lease costs. Operating lease expenses for the three months ended March 31, 2020 and 2019, are summarized as follows:

	Three Months Ended March 31,	
	2020	2019
Lease cost	*(in thousands)*	
Operating lease cost	$ 189	$ 223
Short-term lease cost	3	3
Variable lease cost	11	48
Sublease income	(54)	(54)
Total lease cost	$ 149	$ 220

Net cash outflows associated with operating leases totaled $237,000 and $247,000 in the three months ended March 31, 2020 and 2019, respectively.

NOTE 8. Secured Promissory Note Payable to Oxford Finance

On December 22, 2016, the Company entered into a loan and security agreement (the "Loan Agreement") with Oxford Finance, under which the Company borrowed $5.0 million. The $5.0 million loan, which bore interest at the 30-day U.S. LIBOR plus 6.17%, was evidenced by a secured promissory note and was repayable over four years, with interest only payable over the first 12 months and the balance fully amortized over the subsequent 36 months. Upon repayment, an additional final payment equal to $325,000 was due, which was accreted as interest expense over the term of the loan using the effective-interest method. The loan was secured by substantially all the Company's assets, except for intellectual property.

The annual effective interest rate of the note, including the accretion of the final payment and the amortization of the debt discount, was approximately 10.5%. The Company recorded interest expense related to the Loan Agreement of $106,000, of which $72,000 was paid, during the three months ended March 31, 2019. The note was repaid in full on November 4, 2019.

NOTE 9. Commitments and Contingencies

(a) Leases

The Company's lease commitments are detailed in Note 7.

(b) Indemnifications

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend indemnified parties for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third-party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance.

(c) Litigation

From time to time the Company may be involved in claims arising in connection with its business. Based on information currently available, the Company believes that the amount, or range, of reasonably possible losses in connection with any pending actions against it in excess of established reserves, in the aggregate, not to be material to its consolidated financial condition or cash flows. However, losses may be material to the Company's operating results for any particular future period, depending on the level of income or loss for such period.

NOTE 10. Stockholders' Equity

(a) Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, $0.10 par value per share. The Company's board of directors may, without further action by the stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 5,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of the Company's common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deterring or preventing a change of control or other corporate action. No shares of preferred stock are currently outstanding, and we have no present plan to issue any shares of preferred stock.

(b) Common Stock

Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of common stock possess all voting power for the election of the Company's directors and all other matters requiring stockholder action. Holders of common stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's board of directors in its discretion out of funds legally available therefore. In no event will any stock dividends or stock splits or combinations of stock be declared or made on common stock unless the shares of common stock at the time outstanding are treated equally and identically. As of March 31, 2020, no dividends had been declared by the board of directors.

In the event of the Company's voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up, the holders of the common stock will be entitled to receive an equal amount per share of all of the Company's assets of whatever kind available for distribution to stockholders, after the rights of the holders of the preferred stock have been satisfied. There are no sinking fund provisions applicable to the common stock.

The Company had shares of common stock reserved for issuance as follows:

	March 31, 2020	December 31, 2019
Options issued and outstanding	1,650,848	1,811,652
PRSUs issued and outstanding, net of forfeitures	278,535	—
Available for future grants of equity awards	110,276	295,180
Common stock warrants	25,924,042	43,370,162
Total	27,963,701	45,476,994

(c) Warrants

The following warrants were outstanding as of March 31, 2020, all of which contain standard anti-dilution protections in the event of subsequent rights offerings, stock splits, stock dividends or other extraordinary dividends, or other similar changes in the Company's common stock or capital structure, and none of which have any participating rights for any losses:

Securities into which warrants are convertible	Warrants outstanding	Exercise Price	Expiration Date
Common Stock	17,005,001	$ 0.30	September 2024
Common Stock	696,002	$ 0.375	September 2024
Common Stock	5,685,057	$ 1.10	April 2024
Common Stock	163,068	$ 1.375	April 2024
Common Stock	2,000,000	$ 2.50	March 2025
Common Stock	280,000	$ 3.125	February 2025
Common Stock	84,000	$ 3.125	March 2024
Common Stock	10,914	$ 22.99	December 2026
Total	25,924,042		

The 280,000 common stock warrants issued to placement agents' designees at the closing of the March 2020 Offering (see Note 1) each entitle the holder to purchase one share of common stock for $3.125 at any time within five years of February 27, 2020, the effective date of the March 2020 Offering. The aggregate fair value of these warrants at issuance was estimated to be $453,000, using the Black-Scholes valuation model, using a closing stock price of $2.34 and assumptions including estimated volatility of 98%, a risk-free interest rate of 0.88%, a zero dividend rate and an estimated remaining term of 4.99 years.

In the event of a Fundamental Transaction (a transfer of ownership of the Company as defined in the warrant) within the Company's control, the holders of the unexercised common stock warrants exercisable for $0.30, $0.375, $1.10 and $2.50 and those exercisable for $3.125 expiring in February 2025 shall be entitled to receive cash consideration equal to a Black-Scholes valuation, as defined in the warrant. If such Fundamental Transaction is not within the Company's control, the warrantholders would only be entitled to receive the same form of consideration (and in the same proportion) as the holders of the Company's common stock, hence these warrants are classified as a component of permanent equity.

NOTE 11. Equity Incentive Plans

On April 23, 2019, the Company's stockholders approved the adoption of the 2019 Plan, under which the Company is authorized to issue ISOs, NQSOs, stock appreciation rights, RSAs, RSUs, other stock awards and performance awards that may be settled in cash, stock, or other property. The 2019 Plan is designed to secure and retain the services of employees, directors and consultants, provide incentives for the Company's employees, directors and consultants to exert maximum efforts for the success of the Company and its affiliates, and provide a means by which employees, directors and consultants may be given an opportunity to benefit from increases in the value of the Company's common stock. Following adoption of the 2019 Plan, all previous plans were frozen, and on forfeiture, cancellation and expiration, awards under those plans are not assumed by the 2019 Plan.

In March 2020, the Company granted 411,000 performance-based restricted stock unit ("PRSU") awards to employees which vest upon the achievement of certain performance conditions, subject to each employee's continued service relationship with the Company. As of March 31, 2020, all of these 411,000 PRSUs were outstanding. The related compensation cost, which is based on the grant date fair value of the Company's common stock multiplied by the number of PRSUs granted, is recognized as an expense ratably over the estimated vesting period when achievement of the performance condition is considered probable. Based on the Company's evaluation of the probability of achieving the performance condition as of March 31, 2020, no stock-based compensation expense related to the PRSUs was recorded for the three months then ended. The Company will continue to evaluate the probability of achieving the performance conditions for the PRSUs at the end of each reporting period and, should achievement of the performance condition be assessed as probable, will record compensation expense related to the PRSUs accordingly.

No stock options were awarded in the three months ended March 31, 2020 or 2019. A summary of stock option transactions in the three months ended March 31, 2020, is as follows:

	Shares Available For Grant	Number of Options Outstanding	Weighted Average Exercise Price
Balance at January 1, 2020	295,180	1,811,652	$ 2.74
PRSUs granted, net of tax forfeitures	(278,535)	—	$ —
Exercised	—	(23,606)	$ 0.77
Forfeited	85,910	(85,992)	$ 0.39
Canceled	7,721	(51,206)	$ 9.19
Balance at March 31, 2020	110,276	1,650,848	$ 2.69

The Company measures the fair value of all stock-based awards on the grant date and records the fair value of these awards, net of estimated forfeitures, to compensation expense over the service period. Total stock-based compensation recognized for options was as follows:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Research and development	$ 22	$ 79
General and administrative	74	85
Total stock-based compensation	$ 96	$ 164

As of March 31, 2020, the unrecognized stock-based compensation cost related to outstanding unvested stock options that are expected to vest was $0.6 million, which the Company expects to recognize over an estimated weighted average period of 2.23 years.

VAXART, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 12. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2020	2019
Net loss	$ (1,297)	$ (1,339)
Shares used to compute net loss per share – basic and diluted	60,677,145	7,301,189
Net loss per share – basic and diluted	$ (0.02)	$ (0.18)

No adjustment has been made to the net loss in the three months ended March 31, 2020 or 2019, as the effect would be anti-dilutive due to the net loss.

The following potentially dilutive securities were excluded from the computation of diluted weighted average shares outstanding because they would have been antidilutive:

	Three Months Ended March 31,	
	2020	2019
Options to purchase common stock	1,773,779	860,371
PRSUs	36,132	—
Warrants to purchase common stock	33,023,381	22,114
Total potentially dilutive securities excluded from denominator of the diluted earnings per share computation	34,833,292	882,485

NOTE 13. Restructuring Costs

Restructuring liabilities primarily consist of the estimated future obligations for contract suspension costs. These restructuring liabilities, all of which are expected to be paid in the year ending December 31, 2020, are recorded in other accrued liabilities in the condensed consolidated balance sheets.

The Company approved a reduction-in-force during the year ended December 31, 2019, for which it accrued severance and benefits charges, all of which were paid in the three months ended March 31, 2020. The Company also accrued the maximum amount potentially payable under a manufacturing work order which it suspended, recorded impairment charges against property and equipment and right-of-use assets formerly used for manufacturing covering the period in which no benefits will be derived, and incurred legal fees and accretion costs in connection with the restructuring. The Company recorded costs in the three months ended March 31, 2020, for legal fees and for accretion related to the manufacturing premises and expects to record further charges in 2020 for legal fees, broker commissions and accretion and, potentially, further impairment of a right-of-use asset if it is unable to sublease the manufacturing premises for as much as it is presently paying, or if subleasing takes longer than expected. The Company has not agreed to pay the full amount accrued with respect to the suspended manufacturing work order and expects to reverse part of the related charge following negotiations with the vendor.

Cumulative restructuring costs incurred and a reconciliation of the change in related liabilities during the three months ended March 31, 2020, is as follows:

	Suspension of Contract	Severance Benefits	Impairment Charges	Other	Total
			(in thousands)		
Cumulative cost incurred as of March 31, 2020	$ 3,223	$ 368	$ 1,272	$ 121	$ 4,984
Reconciliation of liabilities:					
Balance at December 31, 2019	$ 3,223	$ 368	$ —	$ 57	$ 3,648
Period charges	—	—	—	64	64
Payments and settlements	—	(368)	—	(112)	(480)
Balance at March 31, 2020	$ 3,223	$ —	$ —	$ 9	$ 3,232

NOTE 14. Subsequent Events

Since March 31, 2020, the Company has issued 2,064,602 shares of common stock upon the exercise of warrants for cash proceeds totaling $2.0 million.

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 in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on March 19, 2020. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements and reflect our beliefs and opinions on the relevant subject. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in "Risk Factors." The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. These statements are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q , and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

Company Overview and Background

We are a clinical-stage biotechnology company primarily focused on the development of oral recombinant vaccines based on our proprietary oral vaccine platform. Our oral vaccines are designed to generate broad and durable immune responses that may protect against a wide range of infectious diseases and may be useful for the treatment of chronic viral infections and cancer. Our vaccines are administered using a convenient room temperature-stable tablet, rather than by injection.

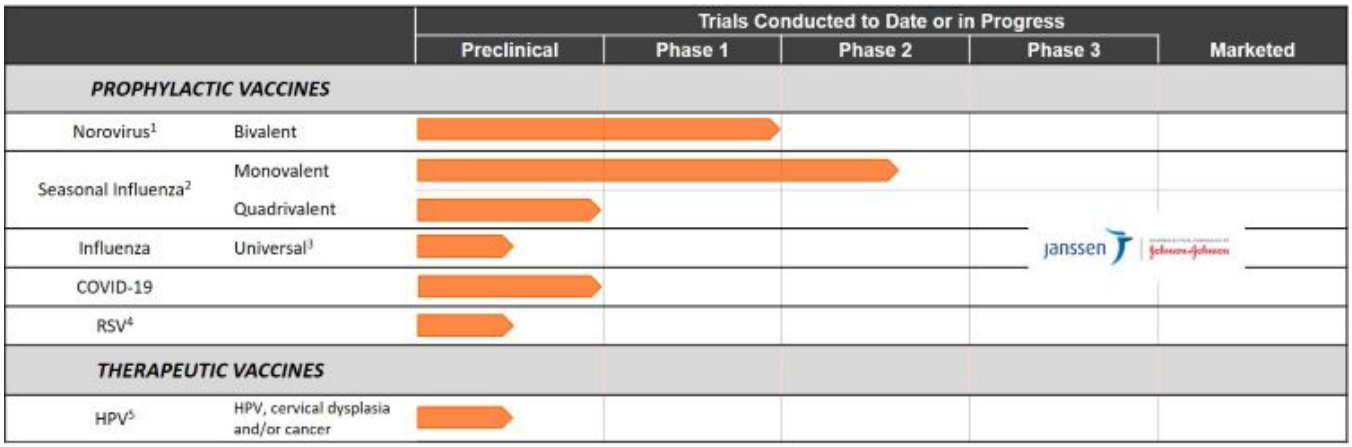
We are developing prophylactic vaccine candidates for several targets. These include SARS-CoV-2, a coronavirus currently causing an epidemic throughout the world; norovirus, a widespread cause of acute gastro-intestinal enteritis, for which three Phase 1 human studies have been completed, including a study with a bivalent norovirus vaccine which, as we announced in September, met its primary and secondary endpoints; seasonal influenza, for which our monovalent H1 influenza vaccine protected patients against H1 influenza infection in a recent Phase 2 challenge study; and respiratory syncytial virus, or RSV, a common cause of respiratory tract infections. In addition, we are developing our first therapeutic vaccine targeting cervical cancer and dysplasia caused by human papillomavirus, or HPV.

Merger with Aviragen

Vaxart Biosciences, Inc. was originally incorporated in California in March 2004, under the name West Coast Biologicals, Inc. and changed its name to Vaxart, Inc., or Private Vaxart, in July 2007, and reincorporated in the state of Delaware. On February 13, 2018, Private Vaxart completed a reverse merger, or the Merger, with Aviragen Therapeutics, Inc., or Aviragen, pursuant to which Private Vaxart survived as a wholly owned subsidiary of Aviragen. Under the terms of the Merger, Aviragen changed its name to Vaxart, Inc. and Private Vaxart changed its name to Vaxart Biosciences, Inc.

Our Product Pipeline

The following table outlines the status of our oral vaccine development programs:



1. Bivalent GI.1 - GII.4 Norovirus vaccine generated IgA ASC response rates of 78 – 86% for GI.1 and 90 – 93% for GII.4. Program on hold pending partnering process.
2. Monovalent H1 flu vaccine completed phase 2 Proof of Concept efficacy study. Quadrivalent flu Phase 1 on hold pending partnering process.
3. Janssen collaboration. Janssen has an option to negotiate an exclusive license.
4. RSV program to be partnered with new antigen partner, pending which the program is on hold.
5. HPV therapeutic pre-IND feedback received. Program presently on hold.

We are developing the following tablet vaccine candidates, which are based on our proprietary platform:

- ***Coronavirus Vaccine.*** We are developing an oral tablet vaccine for coronavirus SARS-CoV-2. We have generated multiple vaccine candidates based on the published genome of SARS-CoV-2 and we are evaluating them in preclinical models for their ability to generate both mucosal and systemic immune responses. We believe the logistical advantages of an oral vaccine that is administered using a convenient room temperature-stable tablet could be of critical benefit when rolling out a major public health vaccination campaign.

According to the Center for Disease Control and Prevention, or CDC, in late 2019 an outbreak of COVID-19, caused by the virus SARS-CoV-2, began in Wuhan, China. The disease spread rapidly and person-to-person transmission has been widely documented. On January 20, 2020, state and local health departments in the United States, in collaboration with teams deployed from CDC, began identifying and monitoring all persons considered to have had close contact with patients with confirmed COVID-19. On March 6, 2020, President Trump signed an $8.3 billion emergency spending bill to confront the COVID-19 outbreak. The aims of these efforts were to ensure rapid evaluation and care of patients, limit further transmission, better understand risk factors for transmission and develop treatments. By May 9, 2020, more than 4 million COVID-19 cases had been identified in over 200 other countries and territories worldwide, including the United States, where over 1.3 million infections and 80,000 deaths have been reported. Stay-at-home orders or similar mandates have been issued in all 50 states and on March 27, 2020, President Trump signed a $2.2 trillion coronavirus relief bill to mitigate the financial and economic damage caused.

- ***Norovirus Vaccine.*** We are developing an oral tablet vaccine for norovirus, a leading cause of acute gastroenteritis in the United States and Europe. Because norovirus infects the small intestine, we believe that our vaccine, which is designed to generate mucosal antibodies locally in the intestine in addition to systemic antibodies in the blood, will better protect against norovirus infection than an injectable vaccine. Clinical evidence that vaccines based on our platform technology can protect against infection is described under “Clinical Trial Update” in the “Seasonal Influenza Vaccine” section below. The program is currently on hold pending partnering discussions.

Norovirus is the leading cause of vomiting and diarrhea from acute gastroenteritis among people of all ages in the United States. Each year, on average, norovirus causes 19 to 21 million cases of acute gastroenteritis and contributes to 56,000 to 71,000 hospitalizations and 570 to 800 deaths, mostly among young children and older adults. Typical symptoms include dehydration, vomiting, diarrhea with abdominal cramps, and nausea. In a study by the CDC and Johns Hopkins University, published in 2016, the global economic impact of norovirus disease was estimated at $60 billion, $34 billion of which occurred in high income countries including the United States, Europe and Japan. An update by the lead authors estimated the burden in the U.S. alone to be $10.5 billion in 2018. Virtually all norovirus disease is caused by norovirus GI and GII genotypes, and we are developing a bivalent vaccine designed to protect against both. We anticipate the vaccine will be an annual, one-time administration ahead of the winter season when norovirus incidence is at its peak, similar to the influenza season.

Clinical Trial Update. In 2019, we completed the active phase of a Phase 1 clinical trial with our bivalent oral tablet vaccine for the GI.1 and GII.4 norovirus strains. Both the oral norovirus GI.1 and GII.4 vaccines were well tolerated, with no serious treatment-related adverse events reported. Most solicited and unsolicited adverse events were mild in severity, and there were no significant differences observed between the vaccine and placebo treatment groups.

Vaxart’s bivalent vaccine demonstrated robust immunogenicity, with an IgA ASC response rate of 78% for the GI.1 strain and 93% for the GII.4 strain for the bivalent cohort of the study, and 86% and 90%, respectively, for the two monovalent cohorts of the study. There was no interference observed in the bivalent arm of the study.

Following a review of the development strategy for norovirus, Vaxart has put all clinical development on hold pending a search for a partner to fund the program. If a partner is found, the next step in the clinical development program would most likely be a Phase 2 safety and dose confirmation study with Vaxart’s bivalent norovirus vaccine in subjects age 18 to 64. The study may be expanded to include subjects age 65 and over. A Phase 2 challenge study may also be considered, and could be conducted in parallel with, before or after the Phase 2 dose confirmation study. The Phase 2 dose confirmation study would be followed by a Phase 3 efficacy study in subjects age 18 and over, assuming FDA concurrence.

- ***Seasonal Influenza Vaccine.*** Influenza is a major cause of morbidity and mortality in the U.S. and worldwide and, according to the CDC, only 49% of eligible U.S. citizens were vaccinated in 2018/2019, with particularly low vaccination rates among adults between ages 18 and 49. We believe our oral tablet vaccine has the potential to improve the protective efficacy of currently available influenza vaccines and increase flu vaccination rates.

Influenza is one of the most common global infectious diseases, causing mild to life-threatening illness and even death. An estimated 350 million cases of seasonal influenza occur annually worldwide, of which three to five million cases are considered severe, causing 290,000 to 650,000 deaths per year globally. During the flu season of 2018/2019 there were 34,200 flu related deaths in the U.S. alone, according to the CDC. Very young children and the elderly are at the greatest risk. In the United States, between 5% and 20% of the population contracts influenza, 226,000 people are hospitalized with complications of influenza, and between 3,000 and 49,000 people die from influenza and its complications each year, with up to 90% of the influenza-related deaths occurring in adults older than 65. The total economic burden of seasonal influenza has been estimated to be $87.1 billion, including medical costs which average $10.4 billion annually, while lost earnings due to illness and loss of life amount to $16.3 billion annually.

We believe our tablet vaccine candidate has the potential to address many of the limitations of current injectable egg-based influenza vaccines, because: our tablet vaccine candidates are designed to create broad and durable immune responses, which may provide more effective immunity and protect against additional strain variants; our vaccine is delivered as a room temperature-stable tablet, which we believe would provide a more convenient method of administration to enhance patient acceptance, and should simplify distribution and administration; and, by using recombinant methods, we believe our tablet vaccine may be manufactured more rapidly than vaccines manufactured using egg-based methods and should eliminate the risk of allergic reactions to egg protein.

Clinical Trial Update. In September 2018, we completed a $15.7 million contract with the U.S. Government through the Department of Health and Human Services, Office of Biomedical Advanced Research and Development Authority, or HHS BARDA, under which a Phase 2 challenge study of our H1N1 flu vaccine candidate was conducted. Previously, we had announced that, in healthy volunteers immunized and then experimentally infected with H1 influenza, our H1 influenza oral tablet vaccine reduced clinical disease by 39% relative to placebo, a result that was superior to that of Fluzone, the market-leading injectable quadrivalent influenza vaccine, which reduced clinical disease by only 27%. Our tablet vaccine also showed a favorable safety profile, indistinguishable from placebo.

On October 4, 2018, we presented data from the study demonstrating that our vaccine elicited a significant expansion of mucosal homing receptor plasmablasts to approximately 60% of all activated B cells, while Fluzone only maintained baseline levels of 20%. We believe these mucosal plasmablasts are a key indicator of a protective mucosal immune response and a unique feature of our vaccines. This data also provided evidence that our vaccines protect through mucosal immunity, the first line of defense against mucosal infections such as flu, norovirus, RSV and others, a potential key advantage over injectable vaccines for these indications.

At this time, we aim to finance development and commercialization of our seasonal quadrivalent influenza oral tablet vaccine through third-party collaboration and licensing arrangements and/or non-dilutive funding. In the future, we may also consider equity offerings and/or debt financings to fund the program. Pending a licensing, partnering or collaboration agreement, the seasonal flu program is currently on hold.

In addition to our conventional seasonal flu vaccine, we entered into a research collaboration agreement with Janssen Vaccines & Prevention B.V., or Janssen, to evaluate our proprietary oral vaccine platform for the Janssen universal influenza vaccine program. Under the agreement, we will produce non-GMP oral vaccine containing certain proprietary antigens from Janssen and test the product in a preclinical challenge model, with results expected in the first half of 2020. Upon completion of the study, Janssen will have an option to negotiate an exclusive worldwide license to our technology encompassing the Janssen antigens.

- ***RSV Vaccine.*** RSV is a major respiratory pathogen with a significant burden of disease in the very young and in the elderly.

Based on the positive results of our cotton rat study, we believe our proprietary oral vaccine platform is the optimal vaccine delivery system for RSV, offering significant advantages over injectable vaccines. We will seek to develop a tablet RSV vaccine by licensing one or more RSV protein antigens that have demonstrated protection against RSV infection in clinical studies, or by partnering with a third party with RSV antigens that can be delivered with our platform. Pending a licensing, partnering or collaboration agreement, the RSV program is currently on hold.

- ***HPV Therapeutic Vaccine.*** Our first therapeutic oral vaccine candidate targets HPV-16 and HPV-18, the two strains responsible for 70% of cervical cancers and precancerous cervical dysplasia.

Cervical cancer is the fourth most common cancer in women worldwide and in the United States with about 13,000 new cases diagnosed annually in the United States according to the National Cervical Cancer Coalition.

We have tested our HPV-16 vaccine candidate in two different HPV-16 solid tumor models in mice. The vaccine elicited T cell responses and promoted migration of the activated T cells into the tumors, leading to tumor cell killing. Mice that received our HPV-16 vaccine showed a significant reduction in volume of their established tumors.

In October 2018, we filed a pre-IND meeting request for our first therapeutic vaccine targeting HPV16 and HPV18 with the FDA, and we subsequently submitted a pre-IND briefing package. We received feedback from the FDA in January 2019. The program is currently on hold while the Company is focusing its efforts on the COVID-19 vaccine.

Anti-Virals

- Through the Merger, we acquired two royalty earning products, Relenza and Inavir. We also acquired three Phase 2 clinical stage antiviral compounds, which we have discontinued.

- Relenza and Inavir are antivirals for the treatment of influenza that are marketed by GlaxoSmithKline, plc, or GSK, and Daiichi Sankyo Company, Limited, or Daiichi Sankyo, respectively. We have earned royalties on the net sales of Relenza and Inavir in Japan. The last patent for Relenza expired in July 2019 and the last patent for Inavir expires in December 2029. Sales of these antivirals vary significantly from quarter to quarter due to the seasonality of flu, and from one year to the next depending on the intensity of the flu season and competition from other antivirals such as Tamiflu. Importantly, on February 23, 2018, Xofluza, a new drug to treat influenza developed by Shionogi, was approved in Japan. The drug has gained significant market share, substantially reducing sales of Inavir.

Financial Operations Overview

Revenue

Revenue from Customer Service Contracts

We are earning revenue from a fixed price service contract, as amended, for a total of $617,000, which we expect to complete by June 30, 2020, subject to unforeseen delays.

Royalty Revenue

We earn royalty revenue on sales of Inavir and, until the patent expired, Relenza, both treatments for influenza, from our licensees, Daiichi Sankyo and GSK, respectively, under royalty agreements with expiry dates in December 2029 and July 2019, respectively, based on fixed percentages of net sales of these drugs.

Non-Cash Royalty Revenue Related to the Sale of Future Royalties

In April 2016, Aviragen sold certain royalty rights related to Inavir in the Japanese market for $20.0 million to HealthCare Royalty Partners III, L.P., or HCRP. At the time of the Merger, the fair value of the estimated future benefit to HCRP was $15.9 million, which we recorded as a liability that we are amortizing using the effective interest method over the remaining estimated life of the arrangement. Even though we did not retain the related royalties under the transaction, as the amounts are remitted to HCRP, we will continue to record revenue related to these royalties until the amount of the associated liability and related interest is fully amortized.

Research and Development Expenses

Research and development expenses represent costs incurred to conduct research, including the development of our tablet vaccine platform, and the manufacturing, preclinical and clinical development activities of our tablet vaccine candidates. We recognize all research and development costs as they are incurred. Research and development expenses consist primarily of the following:

- employee-related expenses, which include salaries, benefits and stock-based compensation;
- expenses incurred under agreements with contract research organizations, or CROs, that conduct clinical trials on our behalf;
- manufacturing materials, analytical and release testing services required for our production of vaccine candidates used primarily in clinical trials;
- process development expenses incurred internally and externally to improve the efficiency and yield of the bulk vaccine and tablet manufacturing activities;
- laboratory supplies and vendor expenses related to its preclinical research activities;
- consultant expenses for services supporting our clinical, regulatory and manufacturing activities; and
- facilities, depreciation and allocated overhead expenses.

We do not allocate our internal expenses to specific programs. Our employees and other internal resources are not directly tied to any one research program and are typically deployed across multiple projects. Internal research and development expenses are presented as one total.

We incur significant external costs for manufacturing our tablet vaccine candidates, and for CROs that conduct clinical trials on our behalf. We capture these expenses for each vaccine program. We do not allocate external costs incurred on preclinical research or process development to specific programs.

The following table shows our research and development expenses for the three months ended March 31, 2020 and 2019, identifying external costs that were incurred in each of our vaccine programs and, separately, on preclinical research and process development:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
External program costs:		
Norovirus program	$ 112	$ 865
RSV and HPV programs	—	13
Teslexivir and vapendavir programs	7	17
Preclinical research and process development	121	53
Total external costs	240	948
Internal costs	1,302	2,881
	$ 1,542	$ 3,829

Our preclinical research activities in the three months ended March 31, 2020, related principally to COVID-19 and to our customer service contract, whereas in the three months ended March 31, 2019, they related principally to norovirus.

We expect that research and development expenses will be lower in 2020 than in 2019 since we ceased internal manufacturing as part of our restructuring in December 2019 and we expect that a substantial proportion of our research and development costs in the future will be funded by partnering or collaboration agreements. We expect that the total costs of research and development related to our product candidates will increase significantly over the next several years as we advance our tablet vaccine candidates into and through clinical trials, pursue regulatory approval of our tablet vaccine candidates and prepare for a possible commercial launch, all of which will also require a significant investment in manufacturing and inventory related costs. Since we believe that a significant portion of such costs will be borne by partners and collaborators, we do not expect the costs borne by us will increase significantly, if at all.

The process of conducting clinical trials necessary to obtain regulatory approval is costly and time consuming. We may never succeed in achieving marketing approval for our tablet vaccine candidates. The probability of successful commercialization of our tablet vaccine candidates may be affected by numerous factors, including clinical data obtained in future trials, competition, manufacturing capability and commercial viability. As a result, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of any of our tablet vaccine candidates.

General and Administrative Expense

General and administrative expenses consist of personnel costs, allocated expenses and expenses for outside professional services, including legal, audit, accounting, public relations, market research and other consulting services. Personnel costs consist of salaries, benefits and stock-based compensation. Allocated expenses consist of rent, depreciation and other facilities related expenses.

Results of Operations

The following table presents selected items in the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Revenue:		
Revenue from customer service contracts	$ 99	$ —
Royalty revenue	2,769	3,659
Non-cash royalty revenue related to sale of future royalties	34	1,748
Total revenue	2,902	5,407
Operating expenses:		
Research and development	1,542	3,829
General and administrative	1,990	2,026
Restructuring costs	64	—
Total operating expenses	3,596	5,855
Operating loss	(694)	(448)
Other income and (expenses):		
Interest income	41	5
Interest expense	—	(107)
Non-cash interest expense related to sale of future royalties	(491)	(544)
Foreign exchange gain, net	—	5
Total other income and (expenses)	(450)	(641)
Net loss before income taxes	(1,144)	(1,089)
Provision for income taxes	153	250
Net loss	$ (1,297)	$ (1,339)

Revenue from Customer Service Contracts

The following table presents our revenue from customer service contracts for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	2019	% Change
(dollars in thousands)		
$ 99	$ —	N/A

In the three months ended March 31, 2020, we earned revenue from customer service contracts of $99,000. This revenue was recognized from a fixed price contract executed in July 2019, as amended, for a total of $617,000, which we expect to be completed by June 30, 2020, subject to unforeseen delays, enabling us to recognize the remaining $112,000 as revenue. There were no comparable contracts in the three months ended March 31, 2019.

Royalty Revenue

The following table presents our royalty revenue for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	**2019**	**% Change**
(dollars in thousands)		
$ 2,769	$ 3,659	(24)%

For the three months ended March 31, 2020, royalty revenue decreased by $890,000, or 24%, compared to the three months ended March 31, 2019. Royalty revenue is earned on sales of Inavir and, until the patent expired in July 2019, Relenza, both treatments for influenza, which were acquired in the Merger and is based on fixed percentages of net sales of these drugs in the period. The decrease in 2020 is principally due to the absence of Relenza royalty revenue.

Non-cash Royalty Revenue Related to Sale of Future Royalties

The following table presents our non-cash royalty revenue related to sale of future royalties for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	**2019**	**% Change**
(dollars in thousands)		
$ 34	$ 1,748	(98%)

For the three months ended March 31, 2020, royalty revenue related to sale of future royalties was $34,000, compared to $1.7 million in the three months ended March 31, 2019. The decrease is due to a ceiling of $3.3 million that may be earned in years ending on March 31, and we recorded almost all of this in the nine months ended December 31, 2019.

Research and Development

The following table presents our research and development expenses for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	**2019**	**% Change**
(dollars in thousands)		
$ 1,542	$ 3,829	(60)%

For the three months ended March 31, 2020, research and development expenses decreased by $2.3 million, or 60%, compared to the three months ended March 31, 2019. The decrease in the 2020 period is principally due to a reduction in personnel costs after we ceased internal manufacturing as part of our December 2019 restructuring, and decreases in manufacturing costs, principally related to the norovirus vaccine, in the cost of norovirus clinical trials, in expenses for depreciation and for amortization of intangible assets acquired in the Merger and in facilities costs. We expect that research and development expenses will continue to be lower in 2020 as compared to 2019 since (i) we ceased internal manufacturing as part of our restructuring in December 2019 and (ii) we expect that a substantial portion of our research and development costs in the future will be funded by partnering or collaboration agreements.

General and Administrative

The following table presents our general and administrative expenses for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	**2019**	**% Change**
(dollars in thousands)		
$ 1,990	$ 2,026	(2)%

For the three months ended March 31, 2020, general and administrative expenses decreased by $36,000, or 2%, compared to the three months ended March 31, 2019. We expect general and administrative costs will remain at a similar level for the remainder of 2020.

Restructuring Costs

The following table presents our restructuring costs for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	**2019**	**% Change**
(dollars in thousands)		
$ 64	$ —	N/A

We approved a reduction-in-force during the year ended December 31, 2019, for which we accrued severance and benefits charges, the maximum amount potentially payable under a manufacturing work order which we suspended, impairment charges against property and equipment and right-of-use assets formerly used for manufacturing from which no future benefits will be derived, and incurred legal fees and accretion costs in connection with the restructuring. Our costs in the three months ended March 31, 2020, were for legal fees and for accretion related to the manufacturing premises.

We expect to record further charges in 2020 for legal fees, broker commissions and accretion related to the manufacturing premises and, potentially, further impairment of a right-of-use asset if we are unable to sublease our manufacturing premises for as much as we are presently paying, or if subleasing takes longer than expected. We also expect to reverse part of the charge related to the suspended manufacturing work order following negotiations with the vendor.

Other Income and (Expenses)

The following table presents our non-operating income and expenses for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	**2019**	**% Change**
(dollars in thousands)		
$ (450)	$ (641)	(30)%

For the three months ended March 31, 2020, we recorded net non-operating expenses of $450,000, a 30% decrease from the $641,000 recorded in the three months ended March 31, 2019. The decrease was principally due to the absence of interest expense in the 2020 period, principally due to the repayment of a loan from Oxford Finance LLC in November 2019.

Provision for Income Taxes

The following table presents our provision for income taxes for the three months ended March 31, 2020 and 2019, respectively:

Three Months Ended March 31,		
2020	**2019**	**% Change**
(dollars in thousands)		
$ 153	$ 250	(39)%

The provision for income taxes comprises $153,000 and $250,000 in the three months ended March 31, 2020 and 2019, respectively. The majority of the charge, $140,000 in 2020 and $236,000 in 2019, represents withholding tax on royalty revenue earned on sales of Inavir in Japan, which is potentially recoverable as a foreign tax credit but expensed because we record a 100% valuation allowance against our deferred tax assets. The decrease arose because of Inavir royalties, including the portion that we pass through to HCRP, in the first calendar quarter fell from $4.7 million in 2019 to $2.8 million in 2020. The remainder of the charge, $13,000 in 2020 and $14,000 in 2019, relates to foreign taxes payable on intercompany interest.

Liquidity and Capital Resources

From its inception until the Merger, Private Vaxart's operations were financed primarily by net proceeds of $38.9 million and $29.4 million from the sale of convertible preferred stock and the issuance of convertible promissory notes, respectively, all of which were converted into Aviragen common stock in the Merger, and $4.9 million from the issuance of secured promissory notes to Oxford Finance, of which the remaining balance of $2.5 million as of September 30, 2019, was repaid in full on November 4, 2019. Vaxart gained $25.5 million in cash from Aviragen in the Merger, of which $4.9 million was used to pay Aviragen's Merger-related costs. Since the Merger, through March 31, 2020, we have received net proceeds of $39.3 million from the sale of common stock, pre-funded warrants and common stock warrants and the exercise of pre-funded warrants and common stock warrants from equity financings in March, April and September 2019 and March 2020.

As of March 31, 2020, we had $29.9 million of cash and cash equivalents. We believe our existing funds, along with our projected revenue and further proceeds from the exercise of common stock warrants and options, are sufficient to fund us well into 2021 and possibly beyond. To continue operations thereafter, we expect that we will need to raise further capital, through the sale of additional securities or otherwise. Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. As of March 31, 2020, we had no commitments for capital expenditures. Our future capital requirements and the adequacy of our available funds will depend on many factors, most notably our ability to successfully commercialize our products and services.

We plan to fund a significant portion of our ongoing operations through partnering and collaboration agreements which, while reducing our risks and extending our cash runway, will also reduce our share of eventual revenues, if any, from our vaccine product candidates. We may be able to fund certain activities with assistance from government programs including HHS BARDA. We may also need fund our operations through equity and/or debt financing. The sale of additional equity would result in additional dilution to our stockholders. Incurring debt financing would result in debt service obligations, and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. If we are unable to raise additional capital in sufficient amounts or on acceptable terms, we may be required to delay, limit, reduce, or terminate our product development or future commercialization efforts or grant rights to develop and market vaccine candidates that we would otherwise prefer to develop and market ourselves. Any of these actions could harm our business, results of operations and prospects.

Our future funding requirements will depend on many factors, including the following:

- the timing and costs of our planned preclinical studies for our product candidates;
- the timing and costs of our planned clinical trials of our product candidates;
- our manufacturing capabilities, including the availability of contract manufacturing organizations to supply our product candidates at reasonable cost;
- the amount and timing of royalties received on sales of Inavir;
- the number and characteristics of product candidates that we pursue;
- the outcome, timing and costs of seeking regulatory approvals;
- revenue received from commercial sales of our future products, which will be subject to receipt of regulatory approval;
- the terms and timing of any future collaborations, licensing, consulting or other arrangements that we may enter into;
- the amount and timing of any payments that may be required in connection with the licensing, filing, prosecution, maintenance, defense and enforcement of any patents or patent applications or other intellectual property rights; and
- the extent to which we in-license or acquire other products and technologies.

In addition, the COVID-19 pandemic may negatively impact our operations, including possible effects on its financial condition, ability to access the capital markets on attractive terms or at all, liquidity, operations, suppliers, industry, and workforce. The Company will continue to evaluate the impact that these events could have on the operations, financial position, and the results of operations and cash flows during fiscal year 2020 and beyond.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2020	**2019**
	(in thousands)	
Net cash used in operating activities	$ (3,208)	$ (4,653)
Net cash used in investing activities	(1)	(552)
Net cash provided by financing activities	19,542	2,123
Net increase (decrease) in cash and cash equivalents	$ 16,333	$ (3,082)

Net Cash Used in Operating Activities

Vaxart experienced negative cash flow from operating activities for the three months ended March 31, 2020 and 2019, in the amounts of $3.2 million and $4.7 million, respectively. The cash used in operating activities in the three months ended March 31, 2020, was due to cash used to fund a net loss of $1.3 million, adjustments for net non-cash income related to depreciation and amortization, stock-based compensation, non-cash interest expense related to sale of future royalties and non-cash revenue related to sale of future royalties totaling $1.6 million and an increase in working capital of $309,000. The cash used in operating activities in the three months ended March 31, 2019, was due to cash used to fund a net loss of $1.3 million and an increase in working capital of $3.8 million, partially offset by net non-cash expenses related to depreciation and amortization, stock-based compensation, non-cash interest expense, non-cash interest expense related to sale of future royalties and non-cash revenue related to sale of future royalties totaling $459,000.

Net Cash Used in Investing Activities

We used $4,000 and $552,000 to purchase property and equipment in the three months ended March 31, 2020 and 2019, respectively. We received cash of $3,000 for the sale of equipment in the three months ended March 31, 2020.

Net Cash Provided by Financing Activities

We received $9.2 million from the sale of common stock and warrants in a registered direct offering and $10.3 million from the exercise of common stock warrants in the three months ended March 31, 2020. We received $2.5 million in the three months ended March 31, 2019, from the sale of common stock in a registered direct offering, partially offset by the repayment of principal of $417,000 on the secured promissory note payable to Oxford Finance LLC.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially from these estimates. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Accrued Research and Development Expenses

We record accrued expenses for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of clinical and contract formulation and contract manufacturing activities. We record the estimated costs of research and development activities based upon the estimated amount of services provided and include the costs incurred but not yet invoiced within accrued liabilities in the condensed consolidated balance sheets and within research and development expense in the condensed consolidated statement of operations and comprehensive loss. These costs can be a significant component our research and development expenses.

We estimate the amount of work completed through discussions with internal personnel and external service providers as to the progress or stage of completion of the services and the agreed-upon fee to be paid for such services. We make significant judgments and estimates in determining the accrued balance in each reporting period. As actual costs become known, we adjust our accrued estimates.

Intangible Assets

Intangible assets acquired in the Merger were recorded at their estimated fair values of $20.3 million for developed technology related to Inavir which is being amortized on a straight-line basis over the estimated period of future royalties of 11.75 years and $1.8 million for the developed technology related to Relenza which was fully amortized over the remaining royalty period of 1.3 years. These valuations were prepared by an independent third party based on estimated discounted cash flows based on probability-weighted future development expenditures and revenue streams, which are highly subjective.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements in the periods presented.

Recent Accounting Pronouncements

See the "Recent Accounting Pronouncements" in Note 2 to the Condensed Consolidated Financial Statements in Part I, Item 1 for information related to the issuance of new accounting standards in the first quarter of 2020, none of which had a material impact on our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer (who serves as our principal executive officer and principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our management has concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2020.

Changes in Internal Control over Financial Reporting

There was no material change in our internal control over financial reporting that occurred during the quarter ended March 31, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our President and Chief Executive Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Vaxart have been detected.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in claims arising in connection with our business. Based on information currently available, we believe that the amount, or range, of reasonably possible losses in connection with any pending actions against us in excess of established reserves, in the aggregate, not to be material to our consolidated financial condition or cash flows. However, losses may be material to our operating results for any particular future period, depending on the level of income for such period.

Item 1A. Risk Factors

You should consider the risks and uncertainties described under Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which we filed with the Securities and Exchange Commission on March 19, 2020, together with all other information contained or incorporated by reference in this Quarterly Report on Form 10-Q when evaluating our business and our prospects. Except as disclosed below, there are no material changes from the risk factors set forth in Part I, Item 1A, in our Annual Report on Form 10-K for the year ended December 31, 2019.

The COVID-19 coronavirus could adversely impact our preclinical studies and clinical trials.

Since the initial report of a novel strain of coronavirus, COVID-19, in China in December 2019, the COVID-19 coronavirus has spread to multiple countries, including the United States. We have active and planned preclinical studies and clinical trial sites in the United States. As the COVID-19 coronavirus continues to spread around the globe, we will likely experience disruptions that could severely impact our planned preclinical studies and clinical trials, including our preclinical studies for our SARS-CoV-2 vaccine and our clinical trials for our vaccine candidate for the GI.1 and GII.4 norovirus strains. Effects on our preclinical study and clinical trial programs include, but are not limited to:

- delays in procuring subjects in our preclinical studies;
- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in preclinical and clinical site initiation, including difficulties in establishing appropriate and safe social distancing and other safeguards at preclinical and clinical sites;
- diversion of healthcare resources away from the conduct of preclinical and clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key preclinical study and clinical trial activities, such as preclinical and clinical trial site monitoring, due to limitations on freight and travel imposed or recommended by federal or state governments, employers and others;
- limitations in employee resources that would otherwise be focused on the conduct of our preclinical studies and clinical trials, including because of sickness of employees or their families, delays or difficulties in conducting site visits and other required travel, and the desire of employees to avoid contact with large groups of people; and
- delays in receiving approval from local regulatory authorities to initiate or continue our planned preclinical studies and clinical trials.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact our preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Description of Document	Incorporated by Reference			
		Schedule/Form	File Number	Exhibit	Filing Date
4.1	Form of Common Stock Warrant (March 2020)	Form 8-K	001-35285	4.1	March 2, 2020
4.2	Form of Placement Agent Warrant (March 2020)	Form 8-K	001-35285	4.2	March 2, 2020
10.1	Form of Securities Purchase Agreement, dated February 27, 2020, by and among Vaxart, Inc. and the Purchasers named therein	Form 8-K	001-35285	10.1	March 2, 2020
10.2 *	Offer Letter, dated May 1, 2006, by and between the Company and Dr. Sean Tucker				
10.3 *	Offer Letter, dated March 26, 2018, by and between the Company and Margaret Echerd				
10.4 *	Letter dated December 27, 2018, from the Company to Margaret Echerd				
31.1 *	Certification of Principal Executive and Financial Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1 *§	Certification of Principal Executive and Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101 *	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2020 and 2019, (iii) the Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2019 and 2020, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and 2019, and (iv) Notes to the Condensed Consolidated Financial Statements				

* Filed herewith

§ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certification furnished in Exhibit 32.1 hereto is deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

VAXART, INC.

Dated: May 12, 2020

By: /s/ WOUTER W. LATOUR, M.D.
Wouter W. Latour, M.D.
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 10.2

WEST COAST BIOLOGICALS

May 1, 2006

Dr. Sean Tucker
West Coast Biologicals, Inc.
360 Langton St., Suite 301
San Francisco, CA 94103

Dear Sean:

West Coast Biologicals, Inc. (the "Company") is pleased to set forth the following terms of your full-time employment with the Company in the position of **Vice President, Research and Director of Immunology.** You will report to the Company's Chief Executive Officer and Board of Directors, and your job responsibilities will include those tasks and duties you have performed in the past and any additional duties or projects as requested by the Chief Executive Officer and the Board of Directors. You will be expected to loyally and conscientiously perform all of the duties and obligations required of you to the reasonable satisfaction of the Company.

During the term of your employment, you agree that you will not render any commercial or professional services of any nature to any person or organization, whether or not for compensation, without the prior written consent of the Company's Board of Directors, *provided* that you may accept speaking or presentation engagements in exchange for honoraria, serve on boards of non-competitive companies or charitable organizations, and own up to 1% of the outstanding equity securities of a corporation whose stock is listed on a national securities exchange (or any other company with the approval of the Board). You agree not to directly or indirectly engage or participate in any business that is competitive with the Company's business.

Salary and Benefits

The Company understands and appreciates your willingness to forego cash compensation (other than $5,000) for your services to date. Accordingly, following the closing of the Company's Series A Preferred Stock financing in the amount of at least $2 million, the Company shall review your cash compensation, taking into account salaries/bonuses for officers in similar positions at other companies. The minimum salary shall be $125,000 per year, provided you remain employed full-time by the Company. Your salary will be payable pursuant to the Company's regular payroll policy, which will provide either that payments are made once a month or twice a month. The Company will review your cash compensation annually as part of the Company's normal review process.

The Company will provide you with the opportunity to participate in standard benefit plans, if any, available to other similarly situated employees, subject to any eligibility requirements imposed by such plans. You will be entitled to 15 days of paid vacation per year (which may be accrued up to a maximum of 45 days), up to 7 days of paid sick leave, and 8 paid holidays. Vacation may not be taken before it is accrued, unless approved by the Board of Directors.

Equity Compensation

The Board of Directors will review your equity compensation package on at least a semi-annual basis to ensure that you have adequate and competitive equity incentives to ensure the Company's success. You will be eligible to participate in the Company's equity incentive programs to the same extent as other executive officers of the Company, *provided* that your future stock option and/or restricted stock awards will be entirely at the discretion of the Board of Directors.

Severance

If during the term of your employment, (1) you are terminated without "cause", or (2) you voluntarily resign for "good reason", then one-half (1/2) of your Option Shares shall vest and become immediately exercisable, except that if there are fewer than one-half (1/2) of the Option Shares unvested, then all remaining unvested Option Shares shall vest and become immediately exercisable. As used in this agreement, "Option Shares" shall mean all options to purchase Company stock held by you at the relevant time, whether or not such options are vested or unvested.

For the purposes hereof, "cause" shall mean that you:

- are convicted of, or plead nolo contendere to, any felony or other offense involving moral turpitude or any crime related to your employment, or commit any unlawful act of personal dishonesty resulting in personal enrichment in respect of your relationship with the Company or any subsidiary or affiliate or otherwise detrimental to the Company in any material respect;

- fail to consistently perform your material duties to the Company in good faith and to the best of your ability; *provided* that the Company shall not be permitted to terminate you pursuant to this clause unless it has first provided you with written notice and an opportunity to cure such failure;

- willfully disregard or fail to follow instructions from the Company's senior management or board of directors to do any legal act related to the Company's business;

- exhibit habitual drunkenness or engage in substance abuse which in any way materially affects your ability to perform your duties and obligations to the Company; or

- commit any material violation of any state or federal law relating to the workplace environment.

Solely for the purposes of the severance provisions herein, "good reason" shall mean that you voluntarily cease employment with the Company due to (i) a significant change or reduction in your job duties and responsibilities, (ii) a reduction in your cash compensation of more than 10%

(following the establishment of your cash compensation as contemplated herein), or (iii) a change in your job location of more than 50 miles from its previous location.

At-Will Employment

Your employment with the Company is "at-will." That means that it is not for any specified period of time and can be terminated either by you or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that your job duties, title, responsibilities, reporting level, compensation and benefits, as well as the Company's personnel policies and procedures, may be changed with or without notice at any time in the sole discretion of the Company. The "at-will" nature of your employment is one aspect of our employment relationship that will not change during your tenure as an employee, except by way of written agreement expressly altering the at-will employment relationship and signed by you and the Company's Board of Directors.

Conditions

This offer, and any employment pursuant to this offer, is conditioned upon the following (to the extent such conditions have not been previously satisfied):

- Your ability to provide satisfactory documentary proof of your identity and eligibility to work in the United States (if you have not already done so, please provide the *INS Form 1-9, Employment Eligibility Verification*, the second page of which includes a description of acceptable documentary proof).

- Your signed agreement to, and ongoing compliance with, the terms of the enclosed Employment, Confidential Information, Invention Assignment and Arbitration Agreement.

- Your consent to, and our receipt of results satisfactory to the Company of, reference and background checks conduct at the Company's discretion.

- Your execution and return of the enclosed copy of this letter to me no later than the due date on the last page of this letter, after which time this offer will expire. By signing and accepting this offer, you represent and warrant that: (a) you are not subject to any pre- existing contractual or other legal obligation with any person, company or business enterprise which may be an impediment to your employment with, or your providing services to, the Company as its employee; and (b) you have no and shall not bring onto Company premises, or use in the course of your employment with the Company, any confidential or proprietary information of another person, company or business enterprise to whom you previously provided services.

Other

If you accept this offer, and the conditions of this offer are satisfied, this offer and the written agreements referenced in this letter shall constitute the complete agreement between you and the

Company with respect to the terms and conditions of your employment. This letter shall supersede any existing employment arrangement or agreement with the Company. Any representations, whether written or oral, not contained in this letter or contrary to those contained in this letter, that may have been made to you are expressly cancelled and superseded by this offer. Except as otherwise specified in this letter, the terms and conditions of your employment pursuant to this letter may not be changed, except by a writing issued by the President. California law shall govern this letter. If any provision of this letter is held invalid or unenforceable, such provision shall be severed, and the remaining provisions shall continue to be valid and enforceable.

We look forward to you accepting this offer and continuing our mutually rewarding relationship. If you accept this offer, please date and sign below on the enclosed copy of this letter and return it to me no later than **May 20, 2006**. If you have any questions regarding this letter, please feel free to contact me at .

Sincerely,

WEST COAST BIOLOGICALS, INC.

/s/ Dr. Mark Backer
Dr. Mark Backer

I accept the above terms and conditions of my employment with the Company.

Dated: May 20, 2006

/s/ Dr. Sean Tucker
Signature

290 Utah Avenue, Suite 200
South San Francisco, CA 94080
+ 1 650 550 3500 MAIN
+ 1 650 871 8580 FAX
www.vaxart.com

UNLOCKING THE FULL POTENTIAL OF ORAL VACCINES

March 26, 2018

Margaret Echerd
By email:

Dear Margaret:

Vaxart (the "Company") is pleased to offer you the position of **Corporate Controller** with a start date of **April 9, 2018.** This is a regular, 80%-time position, reporting to John Harland, the Company's Chief Financial Officer.

Salary, Bonus Rate and Benefits

You will he paid a pro-rated salary at the rate of **$180,000** per year. Your monthly salary will be paid once per month pursuant to the Company's regular payroll policy. Your salary will be reviewed approximately annually as part of the Company's normal performance and salary review process.

You will be eligible to participate in Vaxart's corporate bonus program. Bonuses are paid annually at the discretion of Vaxart's Board and management, based on both the success of the Company in meeting its goals and the performance of the individual. Your bonus potential is **25%** of your salary earned in the calendar year. You must be employed at the Company on March 31 of the following year to be eligible for the bonus.

The Company will provide you with the opportunity to participate in the. standard benefit plans available to other similarly situated employees) subject to any eligibility requirements imposed by such plans. Benefits may be changed at any time at the discretion of the Company. Currently, the employee contribution for an employee and spouse is approximately $235 per month.

You will be entitled to paid vacation earned at the pro-rated rate of 1.00 vacation day per month worked (equivalent to three weeks per year for full-time employment) prorated for the days worked .in the initial month. Vacation may be accrued up to a maximum of 200 days. You will also be entitled to paid holidays consistent with the Company's standard holidays each year. Sick leave is accrued at the rate of 1 hour for every 30 hours worked (up to a maximum of 180 hours). Vacation may not be taken before it is accrued, without senior management approval, and your balance may not go negative.

You will be eligible to join Vaxart's 40l(k) Plan. Currently there is no matching. We will be proposing matching of the first 3% to the Compensation Committee.

Grant of Stock Options

The structure of our stock option awards has yet to be determined. We will recommend to the Board that you receive an award that is indicated by the structure approved by the Compensation Committee. We will be working with a consultant and the Compensation Committee to set up a structure as soon as is practicable. Our employee stock options vest over 48 months with a 12-month cliff.

At-Will Employment

Your employment with the Company is "at-will." That means that it is not for any specified period of time and can be terminated either by you or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. In addition, your job duties, title, responsibilities, reporting level, compensation and benefits; as well as the Company's personnel policies and procedures, may be changed with or without notice at any time at the sole discretion of the Company. The "at-will" nature of your employment is one aspect of our employment relationship that will not change during your tenure as an employee except by way of a written agreement expressly altering the at-will employment relationship and signed by you and the Company's CEO.

Conditions

This offer, and any employment pursuant to this offer, is conditioned upon the following:

- Your ability to provide satisfactory documentary proof of your identity and eligibility to work in the United States on or before your third day of employment.
- Your signed agreement to, and ongoing compliance with the terms of our Employee Proprietary Information and Inventions Agreement.
- Your execution and return of this letter to me no later than **March 28, 2018,** after which time this offer will expire. By signing and accepting this offer, you represent and warrant that: (a) you are not subject to any pre-existing contractual or other legal obligation with any person, company or business enterprise which may be an impediment to your employment with, or your providing services to, the Company as its employee; and (b) you have no and shall not bring onto Company premises, or use in the course of your employment with the Company, any confidential or proprietary information of another person, company or business enterprise to whom you previously provided services.

Entire Agreement

If you accept this offer; and the conditions of this offer are satisfied, this offer and the written agreements referenced in this letter shall constitute the complete agreement between you and the Company with respect to the terms and conditions of your employment. This letter shall supersede any existing employment arrangement or agreement with the Company. Any representations, whether written or oral, not contained in this letter or contrary to those contained in this letter that may have been made to you are expressly cancelled and superseded by this offer. Except as otherwise specified in this letter, the terms and conditions of your employment pursuant to this letter may not be changed, except by a writing issued by the CEO. California law shall govern this letter. If any provision of this letter is held invalid or unenforceable, such provision shall be severed, and the remaining provisions shall continue to be valid and enforceable.

***

We look forward to your accepting this offer and our having a mutually rewarding relationship. As with all important decisions, you should make a decision concerning this offer based on your own independent investigation and judgment concerning the Company and its future prospects.

If you accept this offer, please date and sign below and return a copy to John at .

Please bring your INS Form I-9 required identification and proof of authorization to work.

If you have any questions regarding this letter, please feel free to contact John or me.

Sincerely,

/s/ Wouter Latour, M.D.

Wouter Latour, M.D.
Chief Executive Officer

I accept the above offer, and will begin employment on the date noted above.

Dated: March 26, 2018 /s/ Margaret Echerd
Signature

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UNLOCKING THE FULL POTENTIAL OF ORAL VACCINES

27 December 2018, updated January 5, 2019

Dear Margaret:

We are pleased to promote you to Vice President, Corporate Controller and Principal Accounting Officer, effective January 1, 2019, reporting to Wouter Latour, CEO.

Your annual base salary will be increased to $265,000, effective January 1, 2019. Your target bonus% will be increased to 30%, effective January 1, 2019.

In addition, we will recommend to the Company's Board of Directors that you be granted an incentive stock option to purchase 10,000 shares of the Company's common stock. The option will vest over 48 months, with a 12-month cliff and a vesting start date of January 1, 2019.

You will participate in the Executive Severance Benefit Plan (the "Plan"), under which, if you are terminated without Cause or you resign for Good Reason (as defined in the Plan) you will be eligible for severance of three months if there is no change in control, and six months if the termination results under a change in control.

Thank you for your support and contributions.

Best regards

/s/ Wouter Latour

Wouter Latour
CEO

Exhibit 31.1

CERTIFICATION

I, Wouter W. Latour, M.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vaxart, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 12, 2020

By: /s/ WOUTER W. LATOUR, M.D.

Wouter W. Latour, M.D.
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Wouter W. Latour, M.D., President and Chief Executive Officer of Vaxart, Inc. (the "Company"), hereby certifies that, to his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Date: May 12, 2020

By: /s/ WOUTER W. LATOUR, M.D.

Wouter W. Latour, M.D.
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

A signed original of this written statement required by Section 906 of 18 U.S.C. § 1350 has been provided to Vaxart, Inc. and will be retained by Vaxart, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.