APPLIED GENETIC TECHNOLOGIES CORP

FORM 10-Q
(Quarterly Report)

Filed 05/10/17 for the Period Ending 03/31/17

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Telephone	386-462-2204
CIK	0001273636
Symbol	AGTC
SIC Code	2836 - Biological Products, Except Diagnostic Substances
Industry	Biotechnology & Medical Research
Sector	Healthcare
Fiscal Year	06/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2017

OR

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

Commission File Number: 001-36370

APPLIED GENETIC TECHNOLOGIES CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**59-3553710**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

14193 NW 119 th Terrace
Suite 10
Alachua, Florida 32615
(Address of Principal Executive Offices, Including Zip Code)

(386) 462-2204
(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☒

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

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

The number of shares of the registrant's common stock outstanding as of May 5, 2017 was 18,083,563.

APPLIED GENETIC TECHNO LOGIES CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2017

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PA RT I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APPLIED GENETIC TECHNOLOGIES CORPORATION
CONDENSED BALANCE SHEETS
(Unaudited)

In thousands, except per share data	March 31, 2017	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,500	$ 28,868
Investments	96,228	69,664
Grants receivable	169	954
Prepaid and other current assets	3,797	3,089
Total current assets	135,694	102,575
Investments	16,995	74,183
Property and equipment, net	2,720	2,627
Intangible assets, net	1,264	1,321
Other assets	2,107	91
Total assets	$ 158,780	$ 180,797
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 817	$ 1,331
Accrued and other liabilities	6,372	6,514
Deferred revenue	24,818	46,898
Total current liabilities	32,007	54,743
Deferred revenue, net of current portion	8,411	16,766
Total liabilities	40,418	71,509
Stockholders' equity:		
Common stock—par value $.001 per share; shares authorized: 150,000 at March 31, 2017 and June 30, 2016; shares issued and outstanding: 18,084 and 18,077, respectively, at March 31, 2017; shares issued outstanding: 18,053 and 18,048, respectively, at June 30, 2016.	18	18
Additional paid-in capital	203,492	199,303
Accumulated deficit	(85,148)	(90,033)
Total stockholders' equity	118,362	109,288
Total liabilities and stockholders' equity	$ 158,780	$ 180,797

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

APPLIED GENETIC TECHNOLOGIES CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

In thousands, except per share amounts	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016	For the Nine Months Ended March 31, 2017	For the Nine Months Ended March 31, 2016
Revenue:				
Collaboration revenue	$ 8,297	$ 11,882	$ 30,959	$ 34,717
Grant and other revenue	91	115	169	531
Total revenue	8,388	11,997	31,128	35,248
Operating expenses:				
Research and development	6,303	7,868	17,916	32,108
General and administrative and other	2,921	2,362	8,507	7,716
Total operating expenses	9,224	10,230	26,423	39,824
(Loss) income from operations	(836)	1,767	4,705	(4,576)
Other income:				
Investment income, net	236	202	700	467
Total other income, net	236	202	700	467
Provision for income Taxes	221	—	519	—
Net (loss) income	$ (821)	$ 1,969	$ 4,886	$ (4,109)
Net (loss) income per share, basic and diluted	$ (0.05)	$ 0.11	$ 0.27	$ (0.23)
Weighted average shares outstanding - basic	18,081	18,033	18,068	17,735
Weighted average shares outstanding - diluted	18,081	18,472	18,408	17,735

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

APPLIED GENETIC TECHNOLOGIES CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

In thousands	For the Nine Months Ended March 31, 2017	2016
Cash flows from operating activities		
Net income (loss)	$ 4,886	$ (4,109)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Share-based compensation expense	4,161	3,605
Share-based collaboration expense	—	636
Depreciation and amortization	657	375
Non-cash interest expense	320	289
Changes in operating assets and liabilities:		
Grants receivable	785	352
Prepaid and other assets	(725)	(1058)
Accounts payable	(514)	294
Deferred revenues	(30,435)	75,389
Accrued and other liabilities	(142)	2,617
Net cash provided by (used in) operating activities:	(21,007)	78,390
Cash flows from investing activities		
Purchase of property and equipment	(560)	(2,239)
Purchase of and capitalized costs related to intangible assets	(132)	(105)
Investment in Bionic Sight	(2,000)	—
Maturity of investments	80,821	31,424
Purchase of investments	(50,517)	(148,219)
Net cash provided by (used in) investing activities:	27,612	(119,139)
Cash flows from financing activities		
Proceeds from exercise of common stock options	27	235
Proceeds from issuance of common stock, net of issuance costs	—	19,211
Net cash provided by financing activities:	27	19,446
Net change in cash and cash equivalents	6,632	(21,303)
Cash and cash equivalents, beginning of period	28,868	39,187
Cash and cash equivalents, end of period	$ 35,500	$ 17,884

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

1. Organization and Operations:

Applied Genetic Technologies Corporation (the "Company" or "AGTC") was incorporated as a Florida corporation on January 19, 1999 and reincorporated as a Delaware corporation on October 24, 2003. The Company is a clinical-stage biotechnology company developing gene therapy products designed to transform the lives of patients with severe diseases, primarily in ophthalmology.

In April 2014, the Company completed its initial public offering ("IPO") in which it sold 4,166,667 shares of common stock at a price of $12.00 per share. The Company now trades on NASDAQ under the ticker symbol AGTC. In April 2014, the Company sold an additional 625,000 shares of common stock at the offering price of $12.00 per share pursuant to the exercise of the underwriters' over-allotment option. The aggregate net proceeds received by the Company from the IPO offering, including exercise of the over-allotment option, amounted to $51.6 million, net of underwriting discounts and commissions and other issuance costs incurred by the Company.

In July 2014, the Company completed a follow on public offering in which it sold 2,000,000 shares of common stock at a public offering price of $15.00 per share. In August 2014, the Company sold an additional 300,000 shares of common stock at a public offering price of $15.00 per share pursuant to the full exercise of an overallotment option granted to the underwriters in connection with the follow-on offering. The aggregate net proceeds received by the Company from the follow-on offering, including exercise of the overallotment option, amounted to $32.0 million, net of underwriting discounts and commissions and other offering expenses.

In July 2015, the Company entered into a collaboration agreement (the "Collaboration Agreement") with Biogen MA, Inc., a wholly owned subsidiary of Biogen Inc. ("Biogen"), pursuant to which the Company and Biogen will collaborate to develop, seek regulatory approval for and commercialize gene therapy products to treat X-linked retinoschisis ("XLRS"), X-linked retinitis pigmentosa ("XLRP"), and discovery programs targeting three indications based on the Company's adeno-associated virus vector technologies. The Collaboration Agreement became effective in August 2015. The Collaboration Agreement and other transactions with Biogen are discussed further in Note 6 to these financial statements.

The Company has devoted substantially all of its efforts to research and development, including clinical trials. The Company has not completed the development of any products. The Company has generated revenue from collaboration agreements, sponsored research payments and grants, but has not generated product revenue to date and is subject to a number of risks similar to those of other early stage companies in the biotechnology industry, including dependence on key individuals, the difficulties inherent in the development of commercially viable products, the need to obtain additional capital necessary to fund the development of its products, development by the Company or its competitors of technological innovations, risks of failure of clinical studies, protection of proprietary technology, compliance with government regulations and ability to transition to large-scale production of products. As of March 31, 2017, the Company had an accumulated deficit of $85.1 million and recorded net loss of $0.8 million and net income of $4.9 million , respectively, during the three and nine month periods ended March 31, 2017. While the Company expects to continue to generate some revenue from partnering, including under the collaboration with Biogen, the Company expects to incur losses for the foreseeable future. The Company has funded its operations to date primarily through public offerings of its common stock, private placements of its preferred stock, and collaborations. At March 31, 2017, the Company had cash and cash equivalents and investments of $148.7 million.

2 . Summary of Significant Accounting Policies:

(a) **Basis of presentation** – The accompanying unaudited condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and, in the opinion of management, include all adjustments necessary for a fair presentation of the Company's financial position, results of operations, and cash flows for each period presented.

The adjustments referred to above are of a normal and recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to U.S. Securities and Exchange Commission ("SEC") rules and regulations for interim reporting.

Certain amounts reported previously have been reclassified to conform to the current period presentation, with no effect on stockholders' equity or net income (loss) as previously presented.

The Condensed Balance Sheet as of June 30, 2016 was derived from audited financial statements, but does not include all disclosures required by GAAP. These Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements included in the Company's 2016 Annual Report on Form 10-K, as amended, ("June 30, 2016 Form 10-K"). Results of operations for the three and nine months ended March 31, 2017 are not necessarily indicative of the results to be expected for the full year or any other interim period.

(b) **Use of estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) **Cash and cash equivalents** — Cash consists of funds held in bank accounts. Cash equivalents consist of short-term, highly liquid investments with original maturities of 90 days or less at the time of purchase and generally include money market accounts.

(d) **Investments** —The Company's investments consist of certificates of deposit and debt securities classified as held-to-maturity. Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Interest on securities classified as held-to-maturity is included in investment income.

The Company uses the specific identification method to determine the cost basis of securities sold.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company evaluates an investment for impairment by considering the length of time and extent to which market value has been less than cost or amortized cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer and the Company's intent to sell the security or the likelihood that it will be required to sell the security before recovery of the entire amortized cost. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to other income (expense) and a new cost basis in the investment is established.

(e) **Fair va lue of financial instruments** —The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. The Financial Accounting Standards Boar d ("FASB") Accounting Standard Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* , establishes a hierarchy of inputs used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of financial instruments and is not a measure of the investment credit quality. The three levels of the fair value hierarchy are described below:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Valuations based on quoted prices for similar assets or liabilities in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations that require inputs that reflect the Company's own assumptions that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

(f) **Intangible assets** – Intangible assets primarily include licenses and patents. The Company obtains licenses from third parties and capitalizes the costs related to exclusive licenses that have alternative future use in multiple potential programs. The Company also capitalizes costs related to filing, issuance, and prosecution of patents. The Company reviews its capitalized costs periodically to determine that such costs relate to patent applications that have future value and an alternative future use, and writes off any costs associated with patents that are no longer being actively pursued or that have no future benefit. Amortization expense is computed using the straight-line method over the estimated useful lives of the assets, which are generally eight to twenty years. The Company amortizes in-licensed patents and patent applications from the date of the applicable license and internally developed patents and patent applications from the date of the initial application. Licenses and patents converted to research use only are expensed immediately.

(g) **Revenue recognition** – The Company has generated revenue through collaboration agreements, sponsored research arrangements with nonprofit organizations for the development and commercialization of product candidates and revenues from federal research and development grant programs. The Company recognizes revenue when amounts are realized or realizable and earned. Revenue is considered realizable and earned when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the price is fixed or determinable; and (4) collection of the amounts due is reasonably assured.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in the Company's unaudited condensed balance sheets. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as current liabilities. The Company recognizes revenue for reimbursements of research and development costs under collaboration agreements as the services are performed. The Company records these reimbursements as revenue and not as a reduction of research and development expenses, as the Company has the risks and rewards as the principal in the research and development activities.

The Company evaluates the terms of sponsored research agreement grants and federal grants to assess the Company's obligations and if the Company's obligations are satisfied by the passage of time, revenue is recognized on a straight-line basis. In situations where the performance of the Company's obligations has been satisfied when the grant is received, revenue is recognized upon receipt of the grant. Certain grants contain refund provisions. The Company reviews those refund provisions to determine the likelihood of repayment. If the likelihood of repayment of the grant is determined to be remote, the grant is recognized as revenue. If the probability of repayment is determined to be more than remote, the Company records the grant as a deferred revenue, until such time that the grant requirements have been satisfied.

Collaboration revenue

On July 1, 2015, the Company entered into the Collaboration Agreement. This collaboration is discussed further in Note 6 to these financial statements. The terms of this Collaboration Agreement and other potential collaboration or commercialization agreements the Company may enter into generally contain multiple elements, or deliverables, which may include, among others, (i) licenses, or options to obtain licenses, to its technology, and (ii) research and development activities to be performed on behalf of the collaborative partner. Payments made under such arrangements typically include one or more of the following: non-refundable, up-front license fees; option exercise fees; funding of research and/or development efforts; milestone payments; and royalties on future product sales.

Multiple element arrangements are analyzed to determine whether the deliverables within the agreement can be separated or whether they must be treated as a single unit of accounting. Deliverables under an agreement are required to be treated as separate units of accounting provided that (i) a delivered item has value to the customer on a stand-alone basis; and (ii) if the agreement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor. The consideration received is allocated among the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units.

The Company determines the estimated selling price for deliverables within each agreement using vendor-specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE") of selling price if VSOE is not available, or best estimate of selling price ("BESP") if neither VSOE nor TPE are available. Determining the best estimate of selling price for a deliverable requires significant judgment. The Company uses BESP to estimate the selling price related to licenses to its proprietary technology, since it often does not have VSOE or TPE of selling price for these deliverables. In those circumstances where it utilizes BESP to determine the estimated selling price of a license to its proprietary technology, the Company considers market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements as well as internally developed models that include assumptions related to the market opportunity, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the license. In validating its best estimate of selling price, the Company evaluates whether changes in the key assumptions used to determine the best estimate of selling price will have a significant effect on the allocation of arrangement consideration among multiple deliverables.

If the delivered element does not have stand-alone value, the arrangement is then treated as a single unit of accounting and the Company recognizes the consideration received under the arrangement as revenue on a straight-line basis over its estimated period of performance. The Company’s anticipated periods of performance, typically the terms of its research and development obligations, are subject to estimates by management and may change over the course of the collaboration agreement. Such changes could have a material impact on the amount of revenue recorded in future periods.

Milestone revenue

The Company applies the milestone method of accounting to recognize revenue from milestone payments when earned, as evidenced by written acknowledgement from the collaborator or other persuasive evidence that the milestone has been achieved and the payment is non-refundable, provided that the milestone event is substantive. A milestone event is defined as an event (i) that can only be achieved based in whole or in part on either the Company’s performance or on the occurrence of a specific outcome resulting from the Company’s performance; (ii) for which there is substantive uncertainty at the inception of the arrangement that the event will be achieved; and (iii) that would result in additional payments being due to the Company. Events for which the occurrence is either contingent solely upon the passage of time or the result of a counterparty’s performance are not considered to be milestone events. A milestone event is substantive if all of the following conditions are met: (i) the consideration is commensurate with either the Company’s performance to achieve the milestone, or the enhancement of the value to the delivered item(s) as a result of a specific outcome resulting from the Company’s performance to achieve the milestone; (ii) the consideration relates solely to past performance; and (iii) the consideration is reasonable relative to all the deliverables and payment terms (including other potential milestone consideration) within the arrangement.

The Company assesses whether a milestone is substantive at the inception of the arrangement. If a milestone is deemed substantive and the milestone payment is nonrefundable, the Company recognizes revenue upon the successful accomplishment of that milestone. Where a milestone is deemed non-substantive, we account for that milestone payment in accordance with the multiple element arrangements guidance and recognize revenue consistent with the related units of accounting for the arrangement over the related performance period.

Deferred revenue

Amounts received by the Company prior to satisfying the above revenue recognition criteria are recorded as deferred revenue on the unaudited condensed balance sheets. Amounts not expected to be recognized within 12 months of the balance sheet date are classified as non-current deferred revenue on the unaudited condensed balance sheets.

(h) **Research and development** – Research and development costs include costs incurred in identifying, developing and testing product candidates and generally comprise compensation and related benefits and non-cash share-based compensation to research related employees; laboratory costs; animal and laboratory maintenance and supplies; rent; utilities; clinical and pre-clinical expenses; and payments for sponsored research, scientific and regulatory consulting fees and testing.

Research and development costs also include license and sub-license fees and other direct and incremental costs incurred pursuant to the negotiation of and entry into collaborative and other partnership arrangements. Such costs associated with collaborative and other arrangements are expensed as incurred.

As part of the process of preparing its financial statements, the Company is required to estimate its accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on its behalf and estimating the level of service performed and the associated cost incurred for services for which the Company has not yet been invoiced or otherwise notified of the actual cost. The majority of the Company's service providers invoice the Company monthly in arrears for services performed or when contractual milestones are met. The Company makes estimates of its accrued expenses as of each balance sheet date in its financial statements based on facts and circumstances known to it at that time. The significant estimates in the Company's accrued research and development expenses are related to expenses incurred with respect to academic research centers, contract research organizations, and other vendors in connection with research and development activities for which it has not yet been invoiced.

There may be instances in which the Company's service providers require advance payments at the inception of a contract or in which payments made to these vendors will exceed the level of services provided, resulting in a prepayment of the research and development expense. Such prepayments are charged to research and development expense as and when the service is provided or when a specific milestone outlined in the contract is reached.

Prepayments related to research and development activities were $2.0 million and $2.0 million at March 31, 2017 and June 30, 2016, respectively, and are included in prepaid and other current assets on the unaudited condensed balance sheets.

(i) **Share-based compensation** – The Company accounts for share-based awards issued to employees in accordance with Accounting Standards Codification ("ASC") Topic 718, *Compensation—Stock Compensation* and generally recognizes share-based compensation expense on a straight-line basis over the periods during which the employees are required to provide service in exchange for the award. In addition, the Company issues stock options and restricted shares of common stock to non-employees in exchange for consulting services and accounts for these in accordance with the provisions of ASC Subtopic 505-50, *Equity-Based Payments to Non-employees* ("ASC 505-50"). Under ASC 505-50, share-based awards to non-employees are subject to periodic fair value re-measurement over their vesting terms.

For purposes of calculating stock-based compensation, the Company estimates the fair value of stock options using a Black-Scholes option-pricing model. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by the Company's stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. If factors change and the Company employs different assumptions, stock-based compensation expense may differ significantly from what has been recorded in the past. If there is a difference between the assumptions used in determining stock-based compensation expense and the actual factors which become known over time, specifically with respect to anticipated forfeitures, the Company may change the input factors used in determining stock-based compensation costs for future grants. These changes, if any, may materially impact the Company's results of operations in the period such changes are made.

(j) **Income taxes** – The Company uses the asset and liability method for accounting for income taxes. Under this method, defe rred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax ass ets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company is subject to examination of its income tax returns in the federal and state income tax jurisdictions in which it operates.

For the three and nine month periods ended March 31, 2017, the Company recorded an income tax provision of $0.2 million and $0.5 million, respectively, based on the Company's alternative minimum taxable income ("AMTI"). The Company calculates its AMTI using the alternative minimum tax ("AMT") system. The Company's federal income tax liability is the greater of the tax computed using the regular tax system or the tax under the AMT system. Corporations are exempt from AMT for all prior years in which their annual gross receipts for the 3-year period ending before the current tax year did not exceed $7.5 million . For the fiscal year ending June 30, 2017, the Company no longer qualifies for the small company exclusion. The AMT system limits the use of net operating losses used by taxpayers to offset taxable income. In 2017, the Company anticipates being subject to alternative minimum income tax and therefore estimated tax payments of approximately $0.5 million have been made as of March 31, 2017. A credit may be earned for the tax paid on an alternative minimum tax basis and this credit can be carried forward indefinitely and used to reduce regular tax, but not below the alternative minimum tax for that future year. There were no income tax provisions during the three and nine month periods ended March 31, 2016, due to the cumulative operating losses for the nine months ended March 31, 2016.

As of March 31,2017 and June 30, 2016, the Company did not have any significant uncertain tax positions.

(k) **Net (loss) income per share -** Basic net (loss) income per share is based on the weighted-average number of common shares outstanding during the three and nine month periods ended March 31, 2017 and 2016. Diluted net (loss) income per share is based on the weighted-average number of common shares outstanding during the three and nine month periods ended March 31, 2017 and 2016, adjusted for the dilutive effect of employee share-based compensation and other share-based compensation awards.

The dilutive impact of options and other share-based compensation awards during the nine months ended March 31, 2017, was 0.3 million shares and 0.4 million shares during the three months ended March 31, 2016. Due to the net loss in the three months ended March 31, 2017 and the nine months ended March 31, 2016, common stock equivalents of 0.3 and 0.4 million shares, respectively, were excluded from the computation of diluted loss per share due to their anti-dilutive effect.

(l) **Comprehensive income or loss** – Comprehensive income or loss consists of net income or loss and changes in equity during a period from transactions and other equity and circumstances generated from non-owner sources. The Company's net income or loss equals comprehensive income or loss for both periods presented.

(m) **New accounting pronouncements** – In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases previously classified as operating leases under GAAP. The standard requires, in most instances, a lessee to recognize on its balance sheet a liability to make lease payments (the lease liability) and also a right-of-use asset representing its right to use the underlying asset for the lease term. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those periods, using a modified retrospective approach and early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of this standard on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* , which amends ASC Topic 718, *Compensation – Stock Compensation* . The amendments simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, forfeitures, and classification on the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of this standard on its financial statements.

In May 2014, the FASB issued guidance that requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. It also requires enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively, and improves guidance for multiple-element arrangements. Th e guidance applies to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. In July 2015, t he FASB delayed the effective date of this guidance by one year. The guidance is now effective for public companies for annual periods beginning after December 15, 2017 as well as interim periods within those annual periods using either the full retrospect ive approach or modified retrospective approach. The Company is currently evaluating the impact of the new guidance on its financial statements.

3. Share-based Compensation Plans:

The Company uses stock options and awards of restricted stock to provide long-term incentives for its employees, non-employee directors and certain consultants. The Company has two equity compensation plans under which awards are currently authorized for issuance, the 2013 Employee Stock Purchase Plan and the 2013 Equity and Incentive Plan. No awards have been issued to date under the 2013 Employee Stock Purchase Plan and all of the 128,571 shares previously authorized under this plan remain available for issuance. A summary of the stock option activity for the nine months ended March 31, 2017 and 2016 is as follows:

	For the Nine Months Ended March 31,			
	2017		2016	
(In thousands, except per share amounts)	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at June 30,	2,037	$ 13.71	1,484	$ 11.83
Granted	831	11.00	567	17.30
Exercised	(31)	0.90	(44)	5.27
Forfeited	(93)	13.98	(39)	12.90
Expired	(29)	17.07	(6)	15.50
Outstanding at March 31,	2,715	$ 12.98	1,962	$ 13.53
Exercisable at March 31,	1,392		810	
Weighted average fair value of options granted during the period	$ 7.59		$ 12.00	

For the three and nine months ended March 31, 2017, share-based compensation expense related to stock options awarded to employees, non-employee directors and consultants amounted to approximately $1.2 million and $4.2 million, respectively, compared to $1.1 million and $3.4 million, respectively, for the three and nine months ended March 31, 2016.

For the three and nine months ended March 31, 2017 share-based compensation expense associated with restricted share awards granted to employees and non-employee consultants was not material. For the three and nine months ended March 31, 2016, share-based compensation expense associated with restricted share awards granted to employees and non-employee consultants amounted to $0 thousand and $166 thousand, respectively.

As of March 31, 2017, there was $12.6 million of unrecognized compensation expense related to non-vested stock options.

4. Investments:

Cash in excess of immediate requirements is invested in accordance with the Company's investment policy that primarily seeks to maintain adequate liquidity and preserve capital.

The following table summarizes the Company's investments by category as of March 31, 2017 and June 30, 2016:

In thousands	March 31, 2017	June 30, 2016
Investments - Current:		
Certificates of deposit	$ 7,288	$ 18,093
Debt securities - held-to-maturity	88,940	51,571
Total	$ 96,228	$ 69,664
Investments - Noncurrent:		
Certificates of deposit	$ 2,824	$ 2,544
Debt securities - held-to-maturity	14,171	71,639
Total	$ 16,995	$ 74,183

A summary of the Company's debt securities classified as held-to-maturity is as follows:

	At March 31, 2017			
In thousands	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments - Current:				
U.S. government and agency obligations	$ 86,016	$ —	$ (136)	$ 85,880
Corporate obligations	2,924		(1)	2,923
	$ 88,940	$ —	$ (137)	$ 88,803
Investments - Noncurrent:				
U.S. government and agency obligations	$ 12,065	$ —	$ (65)	$ 12,000
Corporate obligations	2,106		(9)	2,097
	$ 14,171	$ —	$ (74)	$ 14,097

	At June 30, 2016			
In thousands	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments - Current:				
U.S. government and agency obligations	$ 40,609	$ 12	$ (2)	$ 40,619
Corporate obligations	10,962	3	(1)	10,964
	$ 51,571	$ 15	$ (3)	$ 51,583
Investments - Noncurrent:				
U.S. government and agency obligations	$ 71,639	$ 53	$ (11)	$ 71,681
	$ 71,639	$ 53	$ (11)	$ 71,681

The amortized cost and fair value of held-to-maturity debt securities as of March 31, 2017, by contractual maturity, were as follows:

In thousands	Amortized Cost	Fair Value
Due in one year or less	$ 88,940	$ 88,803
Due after one year through two years	14,171	14,097
	$ 103,111	$ 102,900

The Company believes that the unrealized losses disclosed above were primarily driven by interest rate changes rather than by unfavorable changes in the credit ratings associated with these securities and as a result, the Company continues to expect to collect the principal and interest due on its debt securities that have an amortized cost in excess of fair value. At each reporting period, the Company evaluates securities for impairment when the fair value of the investment is less than its amortized cost. The Company evaluated the underlying credit quality and credit ratings of the issuers, noting neither a significant deterioration since purchase nor other factors leading to an other-than-temporary impairment. Therefore, the Company believes these losses to be temporary. As of March 31, 2017, the Company did not have the intent to sell any of the securities that were in an unrealized loss position at that date .

5. Fair Value of Financial Instruments and Investments:

Certain assets and liabilities are measured at fair value in the Company's financial statements or have fair values disclosed in the notes to the financial statements. These assets and liabilities are classified into one of three levels of a hierarchy defined by GAAP. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following methods and assumptions were used to estimate the fair value and determine the fair value hierarchy classification of each class of financial instrument included in the table below.

Cash and Cash Equivalents. The carrying value of cash and cash equivalents approximates fair value as maturities are less than three months.

Certificates of Deposit. The Company's certificates of deposit are placed through an account registry service. The fair value measurement of the Company's certificates of deposit is considered Level 2 of the fair value hierarchy as the inputs are based on quoted prices for identical assets in markets that are not active. The carrying amounts of the Company's certificates of deposit reported in the unaudited condensed balance sheets approximate fair value.

Debt securities – held-to-maturity. The Company's investments in debt securities classified as held-to-maturity generally include U.S. Treasury Securities, government agency obligations, and corporate obligations. U.S. Treasury Securities and U.S. government agency obligations are valued using quoted market prices. Valuation adjustments are not applied. Accordingly, U.S. Treasury Securities are considered Level 1 of the fair value hierarchy. The fair values of U.S. government agency and corporate obligations are generally determined using recently executed transactions, broker quotes, market price quotations where these are available or other observable market inputs for the same or similar securities. As such, the Company classifies its investments in U.S. agency and corporate obligations within Level 2 of the hierarchy.

The following fair value hierarchy table presents information about each major category of the Company's financial assets and liabilities measured at fair value on a recurring basis:

In thousands	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value	Total Carrying Value
March 31, 2017					
Cash and cash equivalents	$ 35,500	$ —	$ —	$ 35,500	$ 35,500
Certificates of deposit	—	10,100	—	10,100	10,112
Held-to-maturity investments:					
Corporate obligations	—	5,022	—	5,022	5,030
U.S. government and agency obligations	77,512	20,366	—	97,878	98,081
Total assets	$ 113,012	$ 35,488	$ —	$ 148,500	$ 148,723
June 30, 2016					
Cash and cash equivalents	$ 28,868	$ —	$ —	$ 28,868	$ 28,868
Certificates of deposit	—	20,626	—	20,626	20,637
Held-to-maturity investments:					
Corporate obligations	—	10,964	—	10,964	10,962
U.S. government and agency obligations	73,809	38,491	—	112,300	112,248
Total assets	$ 102,677	$ 70,081	$ —	$ 172,758	$ 172,715

6. Collaboration Agreement with Biogen

On July 1, 2015, the Company entered into a Collaboration Agreement with Biogen, pursuant to which the Company and Biogen will collaborate to develop, seek regulatory approval for and commercialize gene therapy products to treat XLRS, XLRP, and discovery programs targeting three indications based on the Company's adeno-associated virus vector technologies. The Collaboration Agreement became effective on August 14, 2015.

Under the Collaboration Agreement, the Company will conduct all development activities through regulatory approval in the United States for the XLRS program, and all development activities through the completion of the first in human clinical trial for the XLRP program. In addition, the Collaboration Agreement provides for discovery programs targeting three indications whereby the Company will conduct discovery, research and development activities for those additional drug candidates through the stage of clinical candidate designation, after which, Biogen may exercise an option to continue to develop, seek regulatory approval for and commercialize the designated clinical candidate. In February 2016, the Company announced Biogen's selection of adrenoleukodystrophy as the non-ophthalmic indication of the three discovery programs. Under the terms of the Collaboration Agreement, the Company, in part through its participation in joint committees with Biogen, will participate in overseeing the development and commercialization of these specific programs.

The Company has granted to Biogen with respect to the XLRS and XLRP programs, and upon exercise of the option for the applicable discovery program, an exclusive, royalty-bearing license, with the right to grant sublicenses, to use adeno-associated virus vector technology and other technology controlled by the Company for the licensed products or discovery programs developed under the Collaboration Agreement. Biogen and the Company have also granted each other worldwide licenses, with the right to grant sublicenses, of their respective interests in other intellectual property developed under the collaboration outside the licensed products or discovery programs.

Biogen will also receive an exclusive license to use the Company's proprietary manufacturing technology platform to make Adeno-Associated Virus ("AAV") vectors for up to six genes, three of which are at the Company's discretion, in exchange for payment of milestones and royalties.

Activities under the Collaboration Agreement were evaluated under ASC 605-25, *Revenue Recognition—Multiple Element Arrangements* , as amended by ASU 2009-13, *Revenue Recognition* ("ASC 605-25"), to determine if they represented a multiple element revenue arrangement. The Collaboration Agreement includes the following significant deliverables: (1) for each of the XLRS and XLRP programs, exclusive, royalty-bearing licenses, with the right to grant sublicenses, to use adeno-associated virus vector technology and other technology controlled by the Company for the purpose of researching, developing, manufacturing and commercializing licensed products developed under the arrangement (the "License Deliverables"); (2) for each of the three discovery programs, exercisable options to obtain exclusive licenses to develop, seek regulatory approval for and commercialize any of the designated clinical candidates under such discovery programs (the "Option Deliverables"); and (3) the performance obligations to conduct research and development activities through (a) regulatory approval in the

Uni ted States, in the case of the XLRS program; (b) completion of the first in human clinical trial, in the case of the XLRP program; and (c) the stage of clinical candidate designation, in the case of each of the three discovery programs (the "R&D Activity D eliverables").

The Company determined that all of the License Deliverables and Option Deliverables did not have stand-alone value and did not meet the criteria to be accounted for as separate units of accounting under ASC 605-25. The factors considered by the Company in making this determination included, among other things, the unique and specialized nature of its proprietary technology and intellectual property, and the development stages of each of the XLRS, XLRP and the discovery programs targeting three indications. Accordingly, the License Deliverables under each of the XLRS and XLRP programs and the Option Deliverables under each of the discovery programs have been combined with the R&D Activity Deliverables associated with each related program and as a result, the Company's separate units of accounting under its collaboration with Biogen, comprise the XLRS program, the XLRP program, and each of the three discovery programs.

Under the Collaboration Agreement, the Company received a non-refundable upfront payment of $94.0 million in August 2015 which it recorded as deferred revenue . This upfront payment of $94.0 million was allocated among the separate units of accounting discussed above using the relative selling price method. In addition to the Collaboration Agreement, on July 1, 2015, the Company also entered into an equity agreement with Biogen. Under the terms of this equity agreement, Biogen purchased 1,453,957 shares of the Company's common stock, at a purchase price equal to $20.63 per share, for an aggregate cash purchase price of $30.0 million which the Company also received in August 2015. The shares issued to Biogen represented approximately 8.1% of the Company's outstanding common stock on a post-issuance basis, calculated on the number of shares that were outstanding at June 30, 2015, and constitute restricted securities that may not be resold by Biogen other than in a transaction registered under, or pursuant to an exemption from the registration requirements of, the Securities Act of 1933, as amended.

Accounting standards for multiple element arrangements contain a presumption that separate contracts negotiated or entered into at or near to the same time with the same entity were likely negotiated as a package and should be evaluated as a single agreement. The Company determined that the price of $20.63 paid by Biogen included a premium of $7.45 per share over the fair value of the company's stock price, calculated based upon the stock price on the date of close of the agreement and adjusted for lack of marketability due to restrictions. Accordingly, the total premium of $10.8 million was also recorded as deferred revenue and, together with the $94.0 million, allocated to the separate units of accounting above using the relative selling price method as discussed in Note 2 to these financial statements. The Company will record revenue based on the revenue recognition criteria applicable to each separate unit of accounting. For amounts received up-front and initially deferred, the Company will recognize the deferred revenue on a straight-line basis over the estimated service periods in which it is required to perform the research and development activities associated with each unit of accounting, anticipated to be between 2 and 4 years.

T he Company recognized collaboration revenue of $8.3 million and $11.9 million during the three months ended March 31, 2017 and 2016, respectively, and $31.0 million and $34.7 million during the nine months ended March 31, 2017 and 2016, respectively, from its collaboration with Biogen. Below is a summary of the components of the collaboration revenue:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2017	2016	2017	2016
	(dollars in thousands)		(dollars in thousands)	
Amortization of non-refundable upfront fees	$ 7,907	$ 11,725	$ 30,435	$ 29,442
Milestone revenue	—	—	—	5,000
Other	390	157	524	275
Total collaboration revenue	$ 8,297	$ 11,882	$ 30,959	$ 34,717

During the nine months ended March 31, 2016, the Company recorded $5.0 million of milestone revenue after having achieved a patient enrollment-based milestone under the Collaboration Agreement. Other revenue is primarily comprised of reimbursable costs for post-funding development activities conducted by the Company.

As a r esult of the upfront payment of $94.0 million made by Biogen and achievement of the $5.0 million milestone as discussed above, the Company became liable to various research partner institutions for sub-license and other payments under existing agreements w ith such institutions. These agreements obligate the Company to pay to each research partner institution, amounts that range from 5% to 10% of certain proceeds received from collaboration and other arrangements, including any milestone payments received u nder such arrangements. As a result , the Company recorded total collaboration costs of approximately $12.0 million associated with such obligations during the six months ended December 31,2015. These collaboration costs included $0.6 million of expense t hat was settled during that period by the issuance of 40,000 shares of the Company's common stock to a research partner institution, pursuant to the terms of the existing agreement with that institution. The remainder of these sub-license and milestone fe es were fully paid in cash during the fiscal year ended June 30, 2016.

The Company is also eligible to receive payments of up to $467.5 million based on the successful achievement of future milestones under the two lead programs and up to $592.5 million based on the exercise of the option for and the successful achievement of future milestones under the three discovery programs.

Biogen will pay revenue-based royalties for each licensed product at tiered rates ranging from high single digit to mid-teen percentages of annual net sales of the XLRS or XLRP products and at rates ranging from mid-single digit to low-teen percentages of annual net sales for the discovery products. Due to the uncertainty surrounding the achievement of the future milestones, such payments were not considered fixed or determinable at the inception of the Collaboration Agreement and accordingly, will not be recognized as revenue unless and until they become earned. The Company is not able to reasonably predict if and when the remaining milestones will be achieved.

7. Agreement with Bionic Sight LLC

Collaboration Agreement

On February 2, 2017, the Company entered into a strategic research and development collaboration agreement with Bionic Sight, LLC ("Bionic Sight"), to develop therapies for patients with visual deficits and blindness due to retinal disease. Through the AGTC-Bionic Sight collaboration, the companies seek to develop a new optogenetic therapy that leverages AGTC's deep experience in gene therapy and ophthalmology and Bionic Sight's innovative neuro-prosthetic device and algorithm for retinal coding.

Under the agreement, AGTC made an initial $2.0 million payment to Bionic Sight for an equity interest in that company. This initial investment represents an approximate 5 percent equity interest in Bionic Sight. In addition to the initial investment, AGTC will contribute to ongoing research and development support costs through additional payments or other in-kind contributions. These payments and contributions will be made over time, up to the date that Bionic Sight has received both investigational new drug clearance from the FDA and receipt of written approval from an internal review board to conduct clinical trials from at least one clinical site for that product (the "IND Trigger".)

If the IND Trigger is attained, AGTC will receive additional equity, based on the valuation in place at the beginning of the agreement, for its cash and "in kind " research and development contributions and will be obligated to purchase additional equity in Bionic Sight for $4.0 million, at a pre-determined valuation.

The Company recorded its initial $2.0 million investment in Bionic Sight using the cost method of accounting for investments, which is recorded as *"non-current other assets"* on the Company's balance sheet. The ongoing research and development costs and contributions will be recorded as a periodic cost until such time when or if the IND Trigger is achieved.

The collaboration agreement grants to AGTC, subject to achievement by Bionic Sight of certain development milestones, an option to exclusively negotiate for a limited period of time to acquire (i) a majority equity interest in Bionic Sight, (ii) the Bionic Sight assets to which the collaboration agreement relates, or (iii) an exclusive license with respect to the product to which the collaboration agreement relates.

ITEM 2. M ANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides an overview of our financial condition as of March 31, 2017, and results of operations for the three and nine months ended March 31, 2017 and 2016. This discussion should be read in conjunction with the accompanying Unaudited Condensed Financial Statements and accompanying notes, as well as our Annual Report on Form 10-K for the year ended June 30, 2016, as amended, ("June 2016 Form 10-K"). In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, assumptions and beliefs. 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 report as well as those set forth in Part I, Item 1A, "Risk Factors" of the June, 2016 Form 10-K. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies and operations, financing plans, potential growth opportunities, potential market opportunities and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions and the negatives of those terms. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's plans, estimates, assumptions and beliefs only as of the date of this report. Except as required by law, we assume no obligation to update these forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

As used herein, except as otherwise indicated by context, references to "we," "us," "our," or the "Company" refer to Applied Genetic Technologies Corporation.

Overview

We are a clinical-stage biotechnology company using gene therapy based on the adeno-associated virus ("AAV"), to develop genetic therapies to treat patients with inherited diseases. Each treatment is precisely designed to address a specific genetic disorder. Our most advanced gene therapy programs are designed to produce treatments that will restore visual function in patients with rare blinding diseases. Gene therapies are complex, with interdependent components that must work in harmony. Fifteen years of gene therapy experience allows us to design and construct all critical gene therapy components and bring them together to develop potentially effective treatments for patients. We are committed to attracting and maintaining a team with a substantial breadth of clinical and scientific expertise who can foster an atmosphere of scientific growth and discovery.

Our most advanced products consist of four ophthalmology product candidates: X-linked retinoschisis ("XLRS"), X-linked retinitis pigmentosa ("XLRP"), caused by mutations in the RPGR gene, and achromatopsia ("ACHM"), caused by mutations in either the CNGB3 gene or the CNGA3 gene. These inherited orphan diseases of the eye are caused by mutations in single genes that significantly affect visual function and currently lack effective medical treatments. Our XLRS and XLRP product candidates are subject to our collaboration agreement with Biogen. Our XLRS, ACHMB3 and ACHMA3 product candidates are currently in Phase 1/2 human clinical trials. We expect to file the IND for our XLRP product candidate in the third quarter of 2017. Updates to our development pipeline goals include the following:

- For our XLRS product candidate, we have enrolled a total of twelve patients – six are in the low dose group, three are in the middle dose group and three are in the high dose group which completes those three groups. A Data Safety and Monitoring Committee ("DSMC") meeting reviewed the safety data from these 12 patients and we are scheduling patients for the expansion group, which includes adults and children, at the high dose. Safety data to date have shown that our XLRS product candidate has been generally well tolerated. We have observed mild to moderate ocular inflammation in the majority of patients, which resolved either without treatment or after treatment with topical or oral corticosteroids.
- For our ACHMB3 product candidate, we plan to continue the trial by enrolling two additional patients at the low dose, who will both be treated by a surgeon who treated one of the earlier patients in this group, such that three patients will be treated by the same surgeon. Patient scheduling is ongoing. We reviewed additional data with the DSMC to understand initial differences in patient outcomes which we believe were most likely due to surgical variation.

- For our ACHMA3 product candidate patient schedulin g is ongoing and patients in the near term will be treated by the same surgeon discussed above.
- For our XLRP product candidate we expect to file the IND in the third quarter of year.

Since our inception in 1999, we have devoted substantially all of our resources to development efforts relating to our programs in ophthalmology and other orphan indications, including activities to manufacture products in compliance with good manufacturing practices ("GMP"), preparing to conduct and conducting clinical trials of our product candidates, providing general and administrative support for these operations and protecting our intellectual property. We do not have any products approved for sale and have not generated any revenue from product sales. To date, we have financed our operations primarily through the sale of equity securities, proceeds from our collaboration with Biogen and, to a lesser extent through research grants from third parties.

While we expect to continue to generate some revenue from partnering, including our collaboration with Biogen, we do not anticipate that we will generate revenue from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates, which we expect will take a number of years and which we believe is subject to significant uncertainty. As a result, we expect to incur losses for the foreseeable future, and we expect these losses to increase as we continue our development of, and seek regulatory approvals for, our product candidates and begin to commercialize any approved products. Because of the risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and share-based compensation. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a description of our accounting policies that, in our opinion, involve the most significant application of judgment or involve complex estimation and which could, if different judgments or estimates were made, materially affect our reported results of operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our June 2016 Form 10-K, as amended, for the year ended June 30, 2016.

New Accounting Pronouncements

Refer to Note 2 to the condensed financial statements included in this quarterly report for further information on recently issued accounting standards.

Results of Operations

Comparison of the three months ended March 31, 2017 to the three months ended March 31, 2016

Revenue

	For the Three Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(dollars in thousands)			
Collaboration revenue	$ 8,297	$ 11,882	$ (3,585)	(30)%
Grant revenue	91	115	(24)	(21)%
Total revenue	$ 8,388	$ 11,997	$ (3,609)	(30)%

Total revenue for the three months ended March 31, 2017 was $8.4 million compared to $12.0 million generated during the same period in 2016. Collaboration revenue recorded during the three months ended March 31, 2017 and 2016 resulted primarily from the amortization of upfront fees received under our collaboration agreement with Biogen which began in August 2015. Non-refundable upfront fees are amortized to collaboration revenue on a straight-line basis over the estimated service period. Extensions to the length of time for the estimated service periods resulted in a decrease in non-refundable upfront fees recognized as revenue during the three months ended March 31, 2017 versus the three months ended March 31, 2016. Grant revenue decreased $24 thousand during the three months ended March 31, 2017 compared to the same period in 2016, largely attributable to reduced research and development activities on grant-funded projects.

Research and development expense

	For the Three Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(dollars in thousands)			
	$	$	$ -	
Outside program costs	2,516	3,141	(625)	(20)%
Employee-related costs	2,127	1,443	684	47%
Share-based compensation	574	508	66	13%
Laboratory supplies	412	469	(57)	(12)%
Licenses and related fees	3	1,502	(1,499)	(100)%
Other	671	805	(134)	(17)%
Total research and development expense	$ 6,303	$ 7,868	$ (1,565)	(20)%

Research and development expense for the three months ended March 31, 2017 decreased by $1.6 million to $6.3 million compared to the same period in 2016. The period-over-period decrease was largely driven by the reduction of licenses and related fees which were lower during the three months ended March 31, 2017 compared to the three months March 31, 2016 due to technology access fees that were incurred in 2016 and did not recur in 2017. In addition, outside program costs decreased during the three months ended March 31, 2017 compared to the three months ended March 31, 2016, due largely to temporary delays encountered during the conduct of Phase 1/2 human clinical trials for our XLRS and CNGB3-related ACHM product candidates. The impact of these decreases was partially offset by higher employee-related and share-based compensation costs that were driven primarily by hiring additional employees. The decrease in other research and development costs relates to lower milestone research payments and lower rent expense.

An analysis of the breakdown of research and development costs by product candidate for the three-month period ended March 31, 2017 and 2016 follows:

	For the Three Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(dollars in thousands)			
ACHM	$ 1,199	$ 1,447	$ (248)	(17)%
XLRS	1,128	936	192	21%
XLRP	780	712	68	10%
STARGARDT	154	134	20	15%
DRY AMD	89	32	57	178%
General research and development	2,953	4,607	(1,654)	(36)%
Total research and development expense	$ 6,303	$ 7,868	$ (1,565)	(20)%

General and administrative expense

	For the Three Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
Employee-related costs	$ 1,123	$ 764	$ 359	47%
Share-based compensation	675	608	67	11%
Legal and professional fees	215	197	18	9%
Other	908	793	115	15%
Total general and administrative expense	$ 2,921	$ 2,362	$ 559	24%

General and administrative expense for the three months ended March 31, 2017 increased by $0.5 million to $2.9 million compared to the same period in 2016. The increase was primarily driven by higher share-based compensation and employee-related costs which resulted from hiring additional employees to support our continued expansion. Nominal increases in professional fees and other expenses were noted during the three months ended March 31, 2017 compared to the three months ended March 31, 2016. The increase in other general and administrative costs is attributable to increased expenditures for office supplies, rent, and dues and subscriptions.

Comparison of nine months ended March 31, 2017 to the nine months ended March 31, 2016

Revenue

	For the Nine Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(dollars in thousands)			
Collaboration revenue	$ 30,959	$ 34,717	$ (3,758)	(11)%
Grant revenue	169	531	(362)	(68)%
Total revenue	$ 31,128	$ 35,248	$ (4,120)	(12)%

Total revenue for the nine months ended March 31, 2017 was $31.1 million compared to $35.2 million generated during the same period in 2016. Collaboration revenue recorded during the nine months ended March 31, 2017 and 2016 resulted primarily from the amortization of upfront fees received under our collaboration agreement with Biogen which began in August 2015. Grant revenue decreased $0.4 million during the nine months ended March 31, 2017 compared to same period in 2016, largely attributable to reduced research and development activities on grant-funded projects.

Research and development expense

	For the Nine Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(dollars in thousands)			
Collaboration costs		$ 12,034	$ (12,034)	n/m
Outside program costs	7,028	8,948	(1,920)	(21)%
Employee-related costs	5,647	4,039	1,608	40%
Licenses and related fees	9	3,007	(2,998)	n/m
Share-based compensation	1,855	1,679	176	10%
Laboratory supplies	1,266	931	335	36%
Other	2,111	1,470	641	44%
Total research and development expense	$ 17,916	$ 32,108	$ (14,192)	(44)%

Research and development expense for the nine months ended March 31, 2017 decreased by $14.2 million to $17.9 million compared to the same period in 2016. The decrease was largely driven by the impact of collaboration-related costs and license fees that were incurred in 2016 as a result of our entry into and receipt of fees and payments under the collaboration agreement with Biogen and which did not recur in 2017. Also, licenses and related fees decreased during the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016 due to technology access fees that were incurred in 2016 and did not recur i n 2017 . In addition, outside program costs decreased in 2017 compared to 2016 due largely to temporary delays encountered during the conduct of Phase 1/2 human clinical trials for our XLRS and CNGB3-related ACHM product candidates. The impact of these dec reases was partially offset by higher employee-related and share-based compensation expenses that were driven primarily by hiring additional employees and the incremental impact of new share-based incentives awarded in 2017, as well as higher laboratory su pplies and other costs during 2017, when compared to 2016. The increase in other research and development costs includes increased depreciation expense generated by additional fixed asset purchases, increased rent expense from the expansion of the company' s facilities along with an increase in consulting and travel expenses.

An analysis of the breakdown of research and development costs by product candidate for the nine-month period ended March 31, 2017 and 2016 follows:

	For the Nine Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(dollars in thousands)			
ACHM	$ 3,436	$ 3,948	$ (512)	(13)%
XLRS	2,678	2,631	47	2%
XLRP	1,996	2,360	(364)	(15)%
STARGARDT	268	311	(43)	(14)%
DRY AMD	214	63	151	(240)%
General research and development	9,324	22,795	(13,471)	(59)%
Total research and development expense	$ 17,916	$ 32,108	$ (14,192)	(44)%

General and administrative expense

	For the Nine Months Ended March 31,		Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(dollars in thousands)			
Employee-related costs	$ 3,098	$ 2,116	$ 982	46%
Share-based compensation	2,307	1,926	381	20%
Legal and professional fees	700	911	(211)	(23)%
Other	2,402	2,763	(361)	(13)%
Total general and administrative expense	$ 8,507	$ 7,716	$ 791	10%

General and administrative expense for the nine months ended March 31, 2017 increased by $0.8 million to $8.5 million compared to the same period in 2016. The increase was driven by higher employee-related and share-based compensation costs which resulted from hiring additional employees to support our continued expansion, which were partially offset by lower legal and professional fees and other expenses. The higher legal and professional fees incurred in 2016 were largely attributable to professional consultations associated with the negotiation and entry into our collaboration with Biogen. The decrease in other general and administrative costs reflects a reduction in expenditures for licensing fees and royalties.

Liquidity and capital resources

We have incurred cumulative losses and negative cash flows from operations since our inception in 1999, and as of March 31, 2017, we had an accumulated deficit of $85.1 million . It will be several years, if ever, before we have a product candidate ready for commercialization. We expect that our research and development and general and administrative expenses will increase and as a result, we anticipate that we will require additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

As of March 31, 2017, we had cash, cash equivalents, and investments totaling $148.7 million. We believe that our existing cash, cash equivalents, and investments at March 31, 2017 will be sufficient to enable us to advance planned preclinical studies and clinical trials for our lead product candidates and currently planned discovery programs for at least the next two years.

Cash in excess of immediate requirements is invested in accordance with our investment policy which primarily seeks to maintain adequate liquidity and preserve capital by generally limiting investments to certificates of deposit and investment-grade debt securities that mature within 24 months. As of March 31, 2017, our cash and cash equivalents were held in bank accounts and money market funds, while our short and long-term investments consisted of certificates of deposit and corporate and government bonds, none of which mature more than 24 months after the balance sheet date.

Cash flows

The following table sets forth the primary sources and uses of cash for each of the periods set forth below:

	For the Nine Months Ended March 31,	
	2017	2016
	(in thousands)	
Net cash provided by (used in):		
Operating activities	$ (21,007)	$ 78,390
Investing activities	27,612	(119,139)
Financing activities	27	19,446
Net increase (decrease) in cash and cash equivalents	$ 6,632	$ (21,303)

Operating activities. For the nine months ended March 31, 2017, net cash used in operating activities was primarily the result of cash payments made for normal business operations and the impact of changes in our working capital accounts. For the nine months ended March 31, 2016, net cash provided by operating activities was primarily associated with the upfront cash proceeds of $104.8 million, which included an allocation of $10.8 million from the equity agreement, and milestone payment of $5.0 million received during that period following our collaboration with Biogen. Those cash proceeds were partially offset by the impact of the net loss incurred during the nine months ended March 31, 2016 and changes in our working capital accounts.

Investing activities. Net cash provided by investing activities for the nine months ended March 31, 2017 consisted primarily of cash proceeds of $64.3 million from the maturity of investments, partially offset by cash outflows of $37.2 million related to the purchase of investment securities, which includes our $2.0 million equity investment in Bionic Sight, LLC. For the nine months ended March 31, 2016, net cash used in investing activities consisted primarily of cash outflows of $148.2 million related to the purchase of investment securities and $2.2 million for the purchase of property and equipment, including leasehold improvements at our new facilities in Alachua, Florida and Cambridge, Massachusetts. These cash outflows were partially offset by $31.4 million of proceeds from the maturity of investments.

Financing activities. Net cash provided by financing activities during the nine months ended March 31, 2017 was associated with the exercise of common stock options. For the nine months ended March 31, 2016, net cash provided by financing activities of $19.4 million was primarily related to the shares of common stock purchased by Biogen pursuant to the equity agreement that was negotiated and entered into contemporaneously with the Biogen collaboration ag reement in July 2015.

Operating capital requirements

To date, we have not generated any revenue from product sales. We do not know when, or if, we will generate any revenue from product sales. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize one of our current or future product candidates. We anticipate that we will continue to generate losses for the foreseeable future as we continue the development of, and seek regulatory approvals for, our product candidates, and begin to commercialize any approved products. We are subject to all of the risks incident in the development of new gene therapy products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business.

In order to complete the process of obtaining regulatory approval for our lead product candidates and to build the sales, marketing and distribution infrastructure that we believe will be necessary to commercialize our lead product candidates, if approved, we will require substantial additional funding.

ITEM 3. Q UANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended June 30, 2016, which is incorporated by reference herein, for a description of our market risks.

ITEM 4. CONTROLS AND PROCEDURES

Material Weakness in Internal Control over Financial Reporting

As discussed in our Annual Report on Form 10-K for the year ended June 30, 2016, our management has determined that we have a material weakness in our internal control over financial reporting which relates to the design and operation of our closing and financial reporting processes. Refer to Part II, Item 9A, “Controls and Procedures,” in our Annual Report on Form 10-K for the year ended June 30, 2016 for a discussion of the actions that we have previously undertaken to remediate this material weakness. During the period covered by this Quarterly Report on Form 10-Q, we continued to: (a) provide functional and system training to employees and to prepare detailed documentation to clearly define key tasks and actions; (b) document and formalize our accounting policies and internal control processes and to help strengthen supervisory reviews by our management; (c) hire additional employees to provide further support to our finance and accounting team; and (d) design and implement monthly manual controls to manage our financial reporting close processes and to help ensure an adequate level of segregation of duties within our finance and accounting function. Although we had not fully remediated this material weakness as of March 31, 2017, we continue to actively engage in the implementation of these and other remediation efforts to address this material weakness.

Notwithstanding the material weakness described above, our management has concluded that the financial statements covered by this report present fairly, in all material respects, our financial position, results of operation and cash flows in conformity with U.S. generally accepted accounting principles.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and we necessarily were required to apply our judgment in evaluating whether the benefits of the controls and procedures that we adopt outweigh their costs.

As required by Rule 13a-15(b) under the Exchange Act, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of June 30, 2016 was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. As a result of the material weakness in internal control over financial reporting relating to the design and operation of our closing and financial reporting processes disclosed below, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2017.

Changes in Internal Control over Financial Reporting

As described under “Material Weakness in Internal Control over Financial reporting,” above, during the period covered by this Quarterly Report on Form 10-Q we took and are continuing to take remedial actions intended to correct material weaknesses in our system of internal controls over financial reporting, which remedial actions have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Except for those remedial actions, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

P ART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not a party to any pending legal proceedings. However, because of the nature of our business, we may be subject at any particular time to lawsuits or other claims arising in the ordinary course of our business, and we expect that this will continue to be the case in the future.

ITEM 1A. RISK FACTORS

Refer to Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended June 30, 2016 for a listing of our risk factors. A discussion of additional risk factors follows:

We may encounter substantial delays in our clinical trials or we may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of such product candidates in humans. Clinical testing is expensive, time-consuming and uncertain as to outcome. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. A failure of one or more clinical trials can occur at any stage of testing.

Events that may prevent successful or timely completion of clinical development include:

- delays in raising, or inability to raise, sufficient capital to fund the planned clinical trials;
- inability to generate sufficient preclinical, toxicology, or other data to support the initiation of human clinical trials;
- delays in reaching a consensus with regulatory agencies on trial design;
- identifying, recruiting and training suitable clinical investigators;
- delays in reaching agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- delays in obtaining required IRB approval at each clinical trial site;
- delays in recruiting suitable patients to participate in our clinical trials;
- delays due to changing standard of care for the diseases we are targeting;
- adding new clinical trial sites;
- imposition of a clinical hold by regulatory agencies, after review of an IND application or equivalent application or an inspection of our clinical trial operations or trial sites;
- failure by our CROs, other third parties or us to adhere to clinical trial requirements;
- loss of product due to shipping delays or delays in customs in connection with delivery to foreign countries for use in clinical trials;
- failure to perform in accordance with the FDA’s good clinical practices, or GCP requirements or applicable regulatory guidelines in other countries;
- delays in the manufacture, testing, release, import or export for use of sufficient quantities of our product candidates for use in clinical trials by our vendors, such as the vendor testing errors recently experienced in our ongoing clinical trials;
- failure by us or our vendors to manufacture our product candidate in accordance with the FDA’s good manufacturing practice, or GMP, requirements or applicable regulatory guidelines in other countries;
- delays by us or our contract vendors in the testing, validation and delivery of our product candidates to the clinical trial sites;
- variations in observed results in a clinical trial on account of variations in techniques used to administer our product candidates;

- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- clinical trial sites deviating from trial protocol or clinical trial sites or patients dropping out of a trial;
- occurrence of serious adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols;
- the costs of clinical trials of our product candidates may be greater than we anticipate; or
- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs.

Further, a clinical trial may be suspended or terminated by us, our collaborators, the IRBs, in the institutions in which such trials are being conducted, the Data Safety Monitoring Board, or DSMB, for such trial, or by the FDA or other regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a product candidate, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. In appropriate circumstances, we may also elect to temporarily suspend an ongoing clinical trial to further study unexpected results, even if those results would not require us to formally suspend the trial under the applicable regulatory requirements or clinical protocols. Such temporary suspension could include further testing of trial materials and the need to review subject responses to ensure safety. If we experience termination of, or delays in the completion of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. Furthermore, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us or impair our ability to generate revenues from product sales, regulatory and commercialization milestones and royalties. In addition, if we or our third-party collaborators make manufacturing or formulation changes to product candidates, we or they may need to conduct additional trial to bridge the modified product candidates to earlier versions. Clinical trial delays could also shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do, which could impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

If the results of our clinical trials are inconclusive or if there are safety concerns or adverse events associated with our product candidates, we may:

- be delayed in obtaining marketing approval for our product candidates, if at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;
- be subject to changes with the way the product is administered;
- be required to perform additional clinical trials to support approval or be subject to additional post-marketing testing requirements;
- have regulatory authorities withdraw their approval of the product or impose restrictions on its distribution in the form of a modified risk evaluation and mitigation strategy;
- be subject to the addition of labeling statements, such as warnings or contraindications;
- be sued; or
- experience damage to our reputation.

Any of these events could prevent us from achieving or maintaining market acceptance of our product candidates and impair our ability to commercialize our product candidates.

Our product candidates may cause undesirable side effects or have other properties that could delay or prevent the ir regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any potential marketing approval.

As with many pharmaceutical and biological products, treatment with our product candidates may produce undesirable side effects or adverse reactions or events. These adverse events may occur despite our belief that our AAV vectors have an improved safety profile over prior such treatments.

Known adverse side effects that could occur with treatment with AAV vectors include an immunologic reaction to the capsid protein or gene at early time points after administration. In previous clinical trials involving AAV viral vectors for gene therapy, some subjects experienced serious adverse events, including the development of T-cell response due to immune response against the vector capsid proteins. If our vectors demonstrate a similar effect, or other adverse events, we may be required to halt or delay further clinical development of our product candidates. In addition, theoretical adverse side effects of AAV vectors include replication and spread of the virus to other parts of the body and insertional oncogenesis, which is the process whereby the insertion of a functional gene near a gene that is important in cell growth or division results in uncontrolled cell division, also known as cancer, which could potentially enhance the risk of malignant transformation. Potential procedure-related events, including inflammation or injury to the eye, are similar to those associated with standard ophthalmic intervention procedures. There is also the potential risk of delayed adverse events following exposure to gene therapy products due to persistent biological activity of the genetic material or other components of products used to carry the genetic material. If any such adverse events occur, our clinical trials could be suspended or terminated and the FDA, the EMA or other foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. The product-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial. If we elect or are required to delay, suspend or terminate any clinical trial of any of our product candidates, the commercial prospects of such product candidates will be harmed and our ability to generate product revenues from any of these product candidates will be delayed or eliminated. Any of these occurrences may harm our business, financial condition and prospects significantly.

If any of our product candidates receive marketing approval, the FDA could require us to adopt a Risk Evaluation and Mitigation Strategy, or REMS, to ensure that the benefits outweigh its risks, which may include, among other things, a medication guide outlining the risks of gene therapies for distribution to patients and a communication plan to health care practitioners. Furthermore, if we or others later identify undesirable side effects caused by our product candidate, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such product candidate;
- regulatory authorities may require additional warnings on the label;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we may be required to change the way a product candidate is administered or conduct additional clinical trials;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent or delay us from achieving or maintaining market acceptance of our product candidates and could significantly harm our business, prospects, financial condition and results of operations.

ITEM 6. E XHIBITS

Exhibit Number	Description
3.1	Fifth Amended and Restated Certificate of Incorporation of Applied Genetic Technologies Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, event date March 26, 2014, filed on April 1, 2014)
3.2	Amended and Restated Bylaws of Applied Genetic Technologies Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, event date March 26, 2014, filed on April 1, 2014)
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer of Applied Genetic Technologies Corporation
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer of Applied Genetic Technologies Corporation
32.1**	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer of Applied Genetic Technologies Corporation
101*	Interactive Data Files pursuant to Rule 405 of Regulation S-T (XBRL)

* Filed herewith.
** Furnished herewith.

SIG NATURE

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

APPLIED GENETIC TECHNOLOGIES CORPORATION
(Registrant)

By: /s/ Lawrence E. Bullock
Lawrence E. Bullock, Chief Financial Officer

Date: May 10, 2017

E xhibit Index

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101*	Interactive Data Files pursuant to Rule 405 of Regulation S-T (XBRL)

* Filed herewith.
** Furnished herewith

Exhibit 31.1

CERTIFICATIONS

I, Susan B. Washer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Genetic Technologies Corporation;

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

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

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

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

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

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

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

5. The registrant's other certifying officer 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 10, 2017

By: /s/ Susan B. Washer
Susan B. Washer
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Lawrence E. Bullock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Genetic Technologies Corporation;

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

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

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

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

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

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

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

5. The registrant’s other certifying officer 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 10, 2017

By: /s/ Lawrence E. Bullock
Lawrence E. Bullock
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Applied Genetic Technologies Corporation (the "Company") for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, that to her or his knowledge:

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

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

Date: May 10, 2017

By: /s/ Susan B. Washer
Susan B. Washer
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2017

By: /s/ Lawrence E. Bullock
Lawrence E. Bullock
Chief Financial Officer
(Principal Financial Officer)