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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34540

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**UNILIFE CORPORATION**

(Exact name of registrant as specified in its charter)

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

**27-1049354**  
(I.R.S. Employer  
Identification No.)

**250 Cross Farm Lane, York, Pennsylvania 17406**  
(Address of principal executive offices)

**Telephone: (717) 384-3400**  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or 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 definition 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 ☐

Smaller reporting company ☐

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

As of November 7, 2014, 110,997,004 shares of the registrant's common stock were outstanding.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### UNILIFE CORPORATION AND SUBSIDIARIES Consolidated Balance Sheets (unaudited)

	September 30, 2014	June 30, 2014
	(in thousands, except share data)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,231	\$ 8,368
Restricted cash	2,088	2,400
Accounts receivable	4,646	1,860
Inventories	147	142
Prepaid expenses and other current assets	880	1,108
Total current assets	11,992	13,878
Property, plant and equipment, net	56,408	54,588
Goodwill	10,987	11,830
Other assets	1,357	1,472
Total assets	\$ 80,744	\$ 81,768
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities:		
Accounts payable	\$ 6,157	\$ 3,583
Accrued expenses	3,711	3,339
Current portion of long-term debt	591	613
Deferred revenue	1,090	717
Total current liabilities	11,549	8,252
Long-term debt, less current portion	57,322	54,835
Deferred revenue	14,550	12,550
Total liabilities	83,421	75,637
Contingencies (Note 10)		
Stockholders' Equity (Deficit):		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized as of September 30, 2014; none issued or outstanding as of September 30, 2014 and June 30, 2014	—	—
Common stock, \$0.01 par value, 250,000,000 shares authorized as of September 30, 2014; 109,531,507 and 103,617,278 shares issued, and 109,502,837 and 103,588,608 shares outstanding as of September 30, 2014 and June 30, 2014, respectively	1,095	1,036
Additional paid-in-capital	310,399	296,169
Accumulated deficit	(315,993)	(293,731)
Accumulated other comprehensive income	1,962	2,797
Treasury stock, at cost, 28,670 shares as of September 30, 2014 and June 30, 2014, respectively	(140)	(140)
Total stockholders' (deficit) equity	(2,677)	6,131
Total liabilities and stockholders' equity (deficit)	\$ 80,744	\$ 81,768

See accompanying notes to the consolidated financial statements.

**UNILIFE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(unaudited)**

	Three Months Ended September 30,	
	2014	2013
	(in thousands, except share data)	
Revenue	\$ 1,380	\$ 3,187
Research and development	10,976	6,399
Selling, general and administrative	8,200	6,520
Depreciation and amortization	1,100	1,042
Total operating expenses	<u>20,276</u>	<u>13,961</u>
Operating loss	(18,896)	(10,774)
Interest expense	1,109	480
Change in fair value of financial instruments	2,230	—
Other expense (income)	27	(10)
Net loss	(22,262)	(11,244)
Other comprehensive loss		
Foreign currency translation	835	(261)
Comprehensive loss	<u>\$ (23,097)</u>	<u>\$ (10,983)</u>
Net loss per share:		
Basic and diluted net loss per share	<u>\$ (0.21)</u>	<u>\$ (0.12)</u>

See accompanying notes to the consolidated financial statements.

**UNILIFE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statement of Stockholders' Equity (Deficit)**  
**(unaudited)**

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Treasury</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Other</u>	<u>Stock</u>	
			<u>Capital</u>		<u>Comprehensive</u>		
					<u>Income</u>		
	(In thousands, except share data)						
<b>Balance as of July 1, 2014</b>	103,617,278	\$1,036	\$296,169	\$ (293,731)	\$ 2,797	\$ (140)	\$ 6,131
Net loss	—	—	—	(22,262)	—	—	(22,262)
Foreign currency translation	—	—	—	—	(835)	—	(835)
Share-based compensation expense	105,429	1	1,887	—	—	—	1,888
Issuance of common stock from public offerings, net of issuance costs	5,808,800	58	12,343	—	—	—	12,401
<b>Balance as of September 30, 2014</b>	<u>109,531,507</u>	<u>\$1,095</u>	<u>\$310,399</u>	<u>\$ (315,993)</u>	<u>\$ 1,962</u>	<u>\$ (140)</u>	<u>\$ (2,677)</u>

See accompanying notes to the consolidated financial statements.

**UNILIFE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**(unaudited)**

	<b>Three Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(in thousands)</b>	
<b>Cash flows from operating activities:</b>		
Net loss	\$(22,262)	\$(11,244)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,100	1,042
Share-based compensation expense	1,888	2,636
Recognition of deferred revenue	(125)	(3,187)
Non-cash interest expense	225	—
Change in fair value of financial instruments	2,230	—
Changes in assets and liabilities:		
Accounts receivable	(288)	935
Inventories	(5)	(1)
Prepaid expenses and other current assets	228	124
Other assets	71	6
Accounts payable	2,619	(705)
Accrued expenses	1,212	980
<b>Net cash used in operating activities</b>	<b>(13,107)</b>	<b>(9,414)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(3,594)	(1,166)
<b>Net cash used in investing activities</b>	<b>(3,594)</b>	<b>(1,166)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt and capital lease obligations	(157)	(1,108)
Proceeds from the issuance of common stock, net of issuance costs	12,401	10,668
Proceeds from the exercise of options to purchase common stock	—	2,234
Decrease in restricted cash	312	434
<b>Net cash provided by financing activities</b>	<b>12,556</b>	<b>12,228</b>
Effect of exchange rate changes on cash	8	32
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,137)</b>	<b>1,680</b>
Cash and cash equivalents at beginning of period	8,368	5,736
Cash and cash equivalents at end of period	<u>\$ 4,231</u>	<u>\$ 7,416</u>
<b>Supplemental disclosure of non-cash activities</b>		
Purchases of property, plant and equipment in accounts payable and accrued expenses	<u>\$ 107</u>	<u>\$ 229</u>

See accompanying notes to the consolidated financial statements.

Unilife Corporation and Subsidiaries  
Notes to Unaudited Consolidated Financial Statements

## 1. Description of Business and Unaudited Financial Statements

Unilife Corporation and subsidiaries (the “Company”) is a U.S. based designer, manufacturer and supplier of innovative injectable drug delivery systems that can enhance and differentiate the injectable drugs, biologics and vaccines, or collectively injectable therapies, of its pharmaceutical and biotechnology customers. The Company has a broad portfolio of proprietary product platforms, including pre-filled syringes, drug reconstitution delivery systems, auto-injectors, wearable injectors, ocular delivery systems and other novel injectable drug delivery systems. Products within each platform are highly differentiated from competitors’ products with a series of innovative features designed to optimize the safe, simple and convenient administration of an injectable therapy. The Company sells its products directly to pharmaceutical and biotechnology companies who incorporate them into the drug-device combination product that is supplied pre-filled and ready for administration by end-users such as health-care providers or patients. Products within each of the Company’s platforms can be customized to address specific customer, therapy, patient and/or commercial requirements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying unaudited consolidated financial statements contain all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented as required by Rule 10-01 of Regulation S-X. Interim results may not be indicative of results for a full year. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the fiscal year ended June 30, 2014 contained in its Annual Report on Form 10-K.

References to A\$ mean the lawful currency of the Commonwealth of Australia. References to € or euros are to the lawful currency of the European Union.

## 2. Liquidity

The Company has incurred recurring losses from operations during the year ended June 30, 2014, and the three months ended September 30, 2014, and anticipates incurring additional losses until such time that it can generate sufficient revenue from the sale, customization, or exclusive use and licensing of its proprietary range of injectable drug delivery systems to pharmaceutical and biotechnology customers. Management has taken such steps delineated below to address its cash requirements.

On March 12, 2014 (the “Closing Date”), Unilife Medical Solutions, Inc. (the “Borrower”), a wholly owned subsidiary of the Company, entered into a credit agreement (the “Credit Agreement”) with ROS Acquisition Offshore LP (together with its affiliates, successors, transferees and assignees, the “Lender” or ROS), an affiliate of OrbiMed Advisors. Pursuant to and subject to the terms of the Credit Agreement, the Lender agreed to provide term loans to the Borrower in the aggregate principal amount of up to \$60.0 million. A first tranche loan of \$40.0 million was drawn on the Closing Date and a further two tranches each of \$10.0 million (collectively, the “Loans”) were committed by the Lender. On September 30, 2014 the Borrower entered into a First Amendment to the Credit Agreement (“Amended Credit Agreement”) pursuant to which it received the proceeds from the first \$10 million tranche on October 1, 2014 and the proceeds from the second \$10 million tranche on November 10, 2014. Under the Amended Credit Agreement, Borrower’s prepayments and repayments of any unpaid principal amount of the Loans shall include a 10.0% repayment premium (with certain enumerated exceptions). The Amended Credit Agreement contains customary representations and warranties in favor of the Lender. The Amended Credit Agreement also contains certain covenants relating to financial performance and liquidity targets among others.

Concurrent with the First Amendment to the Credit Agreement the Borrower entered into the First Amendment to the Royalty Agreement. Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay the Lender 3.875% on the first \$50.0 million of net sales in each fiscal year, plus 1.500% of net sales in excess of \$50.0 million and up to and including \$100.0 million in each fiscal year, plus 0.375% of net sales in excess of \$100.0 million in each fiscal year. Borrower has the right to buyout the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The buy-out amount ranges from \$9.75 million to \$26.25 million (such amount to be determined based on when the buy-out option is exercised), less amounts previously paid by Borrower to Lender pursuant to the Amended Royalty Agreement.

In October 2012, the Company entered into a Controlled Equity Offering Sales Agreement, (the “Sales Agreement”) pursuant to which the Company may, from time to time, issue and sell shares of common stock having an aggregate offering price of up to \$45.0 million. During the three months ended September 30, 2014, the Company issued 5,808,800 shares of common stock and raised approximately \$12.4 million under the Sales Agreement, which was the full remaining amount available for sale under the Sales Agreement. As a result, the Company has completed use of the facility available under the Sales Agreement.



Unilife Corporation and Subsidiaries  
Notes to Unaudited Consolidated Financial Statements

The Company continues to have discussions with current and prospective customers for many active programs in its commercial pipeline and has executed several agreements featuring a combination of revenue streams including exclusivity fees, device customization programs and supply contracts that have begun to generate cash payments to the Company. The Company expects to continue to execute agreements and generate additional cash payments during the remainder of fiscal year 2015. Given the substantial size, complexity and long-term duration of many of these prospective agreements, some can take a significant amount of time to negotiate and finalize.

The Company estimates that its cash and cash equivalents, along with its restricted cash, together with the additional proceeds from the First Amendment to the Credit Agreement and additional proceeds raised under the Sales Agreement, combined with anticipated cash to be generated from new and existing customer agreements are expected to provide the Company with sufficient liquidity through fiscal year 2015. However, there can be no assurance that such cash from customer agreements will be available when needed. These factors continue to raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

### **3. Summary of Significant Accounting Policies**

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Unilife Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

#### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates are principally in the areas of revenue recognition, royalty liability valuation and share-based compensation expense. Management bases its estimates on historical experience and various assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

#### ***Inventories***

Inventories consist primarily of syringe components and include direct materials, direct labor and manufacturing overhead. Inventories are stated at the lower of cost or market, with cost determined using the first in, first out method. The Company routinely reviews its inventory for obsolete, slow moving or otherwise impaired inventory and records the estimated impact in the periods in which they occur.

#### ***Share-Based Compensation***

The Company grants equity awards to its employees, directors, consultants and service providers. Certain employee and director awards vest over stated vesting periods and others also require achievement of specific performance or market conditions. The Company expenses the grant-date fair value of awards to employees and directors over their respective vesting periods. To the extent that employee and director awards vest only upon the achievement of a specific performance condition, expense is recognized over the period from the date management determines that the performance condition is probable of achievement through the date they are expected to be met. Awards granted to consultants and service providers are sometimes granted for past services, in which case their fair value is expensed on their grant date, while other awards require future service, or the achievement of performance or market conditions. Timing of expense recognition for consultant awards is similar to that of employee and director awards; however, aggregate expense is re-measured each quarter-end based on the then fair value of the award through the vesting date of the award. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model, with the exception of market-based grants, which are valued based on the Monte Carlo option pricing model. Option pricing methods require the input of highly subjective assumptions, including the expected stock price volatility.

#### ***Revenue Recognition***

The Company recognizes revenue from industrialization and development fees, licensing fees and product sales. The Company recognizes revenue from sales of products at the time of shipment when title passes to the customer. The Company recognizes up front, non-refundable fees ratably over the expected life of the related agreement. Revenue from industrialization and development

Unilife Corporation and Subsidiaries  
Notes to Unaudited Consolidated Financial Statements

fees is recognized as services are rendered or upon achievement of the “at risk” milestone events, which represent the culmination of the earnings process related to such events. Milestones can include specific phases of projects such as product design, prototype availability, user tests, manufacturing proof of principle and the various steps to complete the industrialization of the product. The terms of these contracts provide for customer payments to be made as services are rendered or milestones are achieved. Payment terms are considered to be standard commercial terms. Revenue is recognized when each substantive milestone has been achieved and the Company has no future performance obligations related to the milestone. Fees for completed milestones which are dependent upon customer acceptance for non-refundable payment or, if paid, are refundable pending customer acceptance are recognized upon customer acceptance and the termination of refund rights.

### ***Fair Value Measurements***

In accordance with Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures, the Company measures fair value based on a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. The fair value hierarchy is broken down into three levels based on the source of inputs.

The carrying value of financial instruments such as accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair value because of the short maturity of these items. The Company believes that the current carrying amount of its long-term debt approximates fair value because the interest rates on these instruments are similar to those rates that the Company would currently be able to receive for similar instruments of comparable maturity.

The Company has elected to measure its royalty liability at fair value in accordance with ASC 825, Financial Instruments. The fair value of the royalty liability is based on significant inputs not observable in the market, which require it to be reported as a Level 3 liability within the fair value hierarchy. The valuation uses a methodology and assumptions that the Company believes would be made by a market participant. In particular, the valuation analysis uses a discounted cash flow methodology under the income approach based on the present value sum of payments to be made in the future. The fair value of the royalty liability is estimated by applying a risk adjusted discount rate to the adjusted royalty revenue stream. These fair value estimates are most sensitive to changes in the payment stream.

### ***Interest Expense***

The Company recognizes interest expense in the statement of operations for all debt instruments using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability. The application of the method has the effect of recognizing expense payable on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, including fees for early redemption and all other premiums and discounts.

### ***Reclassifications***

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation.

### ***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers”. The guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, January 1, 2017. Early application is not permitted, but the standard permits the use of either the retrospective or cumulative effect transition method. The Company has not selected a transition method and is currently evaluating the impact this guidance will have on its financial condition, results of operations and cash flows.

In June 2014, FASB issued ASU 2014-12 “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” which is part of ASC 718: Compensation-Stock Compensation. The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and not be reflected in the estimate of the grant-date fair value of the award. The

guidance is effective for annual periods beginning after December 15, 2015. The guidance can be applied prospectively for all awards granted or modified after the effective date or retrospectively to all awards with performance targets outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not expect a material impact on its financial condition, results of operations or cash flows from the adoption of this guidance.

In August 2014, the FASB issued ASU 2014-15 “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. The guidance requires an entity to perform a going concern assessment by evaluating its ability to meet its obligations for a look-forward period of one year from the financial statement issuance date. Disclosures are required if it is probable an entity will be unable to meet its obligations within the look-forward period. Incremental substantial doubt disclosure is required if the probability is not mitigated by management’s plans. The guidance is effective for all entities for the first annual period ending after December 15, 2016 and interim periods thereafter. Early application is permitted. The Company is currently evaluating the impact this guidance will have on its financial disclosures; however, as the guidance only impacts disclosure, the adoption of this guidance is not expected to have any impact on the Company’s financial condition, results of operations and cash flows.

#### 4. Equity Transactions and Share-Based Compensation

The Company recognized share-based compensation expense related to equity awards to employees, directors, consultants and service providers of \$1.9 million and \$2.6 million during the three months ended September 30, 2014 and 2013, respectively.

##### *Stock Options and Warrants*

The Company has granted stock options to certain employees and directors under the Employee Share Option Plan (the “Plan”). The Plan is designed to assist in the motivation and retention of employees and to recognize the importance of employees to the long-term performance and success of the Company. The Company has also granted stock options to certain service providers outside of the Plan. The majority of the options to purchase common stock vest on the anniversary of the date of grant, which ranges from one to three years. Additionally, certain stock options vest upon the closing price of the Company’s common stock reaching certain minimum levels, as defined in the agreements. Share-based compensation expense related to options granted to employees is recognized on a straight-line method over the related vesting term. Share-based compensation expense related to options granted to service providers is recognized ratably over each vesting tranche of the options.

In November 2009, the Company adopted the 2009 Stock Incentive Plan (the “Stock Incentive Plan”). The Stock Incentive Plan initially provided for a maximum of 6,000,000 shares of common stock to be reserved for the issuance of stock options and other stock-based awards. Commencing on January 1, 2012, and on each January 1<sup>st</sup> thereafter, through January 1, 2019, the share reserve automatically adjusts so that it equals 17.5% of the weighted average number of shares of common stock outstanding reduced by the sum of any shares of common stock issued under the Stock Incentive Plan and any shares of common stock subject to outstanding awards under the Stock Incentive Plan.

In January 2010, the Company issued 1,000,000 options to purchase common stock to a consultant under the Stock Incentive Plan in consideration for various services to be performed for the Company. The options to purchase common stock are exercisable at A\$6.33 per share and vest upon the trading price of the Company’s CHESS Depositary Interests reaching certain minimum levels on the Australian Securities Exchange, which range from A\$1.75 to A\$3.22 per share. The options are re-measured each reporting date and as of September 30, 2014 were valued at \$0.005 per option, which is being expensed ratably over the vesting period of each tranche, which is less than 0.5 years. The options will be re-valued on a quarterly basis and marked to market until exercised.

The following is a summary of activity related to stock options held by employees and directors during the three months ended September 30, 2014:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding as of July 1, 2014	<u>3,922,411</u>	<u>\$ 4.73</u>		
Outstanding as of September 30, 2014	<u>3,922,411</u>	<u>\$ 4.73</u>	<u>4.9</u>	<u>\$ 6</u>
Exercisable as of September 30, 2014	<u>2,060,907</u>	<u>\$ 4.54</u>	<u>5.3</u>	<u>\$ 4</u>

Unilife Corporation and Subsidiaries  
Notes to Unaudited Consolidated Financial Statements

The following is a summary of activity related to stock options and warrants held by persons other than employees and directors during the three months ended September 30, 2014:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding as of July 1, 2014	<u>2,050,003</u>	<u>\$ 4.85</u>		
Outstanding as of September 30, 2014	<u>2,050,003</u>	<u>\$ 4.85</u>	<u>1.2</u>	<u>\$ 45</u>
Exercisable as of September 30, 2014	<u>1,050,003</u>	<u>\$ 4.20</u>	<u>2.0</u>	<u>\$ 45</u>

The aggregate intrinsic value is defined as the difference between the market value of the Company's common stock as of the end of the period and the exercise price of the in-the-money stock options. The total intrinsic value of stock options exercised during the three months ended September 30, 2014 and 2013 was \$0 and \$1.8 million, respectively.

The Company used the following weighted average assumptions in calculating the fair value of options granted during the three months ended September 30, 2013. There were no options granted during the three months ended September 30, 2014:

	<u>Three Months Ended September 30, 2013</u>
Number of stock options granted	300,000
Expected dividend yield	0%
Risk-free interest rate	1.54%
Expected volatility	55%
Expected life (in years)	5.0

The fair value of each stock option was estimated at the grant date using the Black-Scholes option pricing model. The Company has not historically paid dividends to its stockholders and, as a result, assumed a dividend yield of 0%. The risk free interest rate is based upon the rates of U.S. Treasury bonds with a term equal to the expected term of the option. Due to the Company's limited Nasdaq trading history, the expected volatility used to value options granted after January 27, 2010 is based upon a blended rate of the historical share price of the Company's stock on the Australian Securities Exchange and the volatility of peer companies traded on U.S. exchanges operating in the same industry as the Company. The expected term of the options to purchase common stock issued to employees and directors is based upon the simplified method, which is the mid-point between the vesting date of the option and its contractual term unless a reasonable alternate term is estimated by management. The expected term of the options to purchase common stock issued to consultants and service providers is based on the contractual term of the awards.

### ***Restricted Stock***

The Company has granted shares of restricted stock to certain employees, directors and consultants under the Stock Incentive Plan. During the period prior to vesting, the holder of the non-vested restricted stock will have the right to vote and the right to receive all dividends and other distributions declared. All non-vested shares of restricted stock are reflected as outstanding; however, they have been excluded from the calculation of basic earnings per share.

For employees, the fair value of restricted stock is measured on the date of grant using the price of the Company's common stock on that date. Share-based compensation expense for restricted stock issued to employees is recognized on a straight-line basis over the requisite service period, which is generally the longest vesting period. For restricted stock granted to consultants, the fair value of the awards will be re-valued on a quarterly basis and marked to market until vested. Share-based compensation expense for restricted stock issued to consultants is recognized ratably over each vesting tranche.

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The following is a summary of activity related to restricted stock awards during the three months ended September 30, 2014:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Unvested as of July 1, 2014	2,436,061	\$ 3.42
Granted	125,000	2.24
Vested	(31,250)	4.02
Cancelled	(20,000)	3.95
Unvested as of September 30, 2014	<u>2,509,811</u>	<u>\$ 3.35</u>

## 5. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30, 2014	June 30, 2014
	(in thousands)	
Building	\$ 32,188	\$ 32,188
Machinery and equipment	22,269	21,224
Computer software	2,741	2,675
Furniture and fixtures	613	610
Construction in progress	10,776	9,119
Land	2,036	2,036
Leasehold improvements	166	166
	70,789	68,018
Less: accumulated depreciation and amortization	(14,381)	(13,430)
Property, plant and equipment, net	<u>\$ 56,408</u>	<u>\$ 54,588</u>

Construction in progress as of September 30, 2014 consisted primarily of amounts incurred in connection with machinery and equipment including interest expense incurred during the construction phase of the related machinery and equipment. Interest capitalized during the three month period ended September 30, 2014 was \$0.6 million.

## 6. Goodwill

The changes in the carrying amount of goodwill during the three months ended September 30, 2014 are as follows:

	(in thousands)
Balance as of July 1, 2014	\$ 11,830
Foreign currency translation	(843)
Balance as of September 30, 2014	<u>\$ 10,987</u>

## 7. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2014	June 30, 2014
	(In thousands)	
Accrued payroll and other employee related expenses	\$ 3,499	\$ 2,103
Accrued other	212	1,236
Total accrued expenses	<u>\$ 3,711</u>	<u>\$ 3,339</u>

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## 8. Long-Term Debt

Long-term debt consists of the following:

	September 30, 2014	June 30, 2014
	(In thousands)	
10.25% Term loan, due March 2020	\$ 33,849	\$ 33,457
Royalty agreement liability	8,630	6,400
6.00% Mortgage loan, due December 2031	13,126	13,228
5.00% Commonwealth of Pennsylvania financing authority loan, due January 2021	2,074	2,087
Other	234	276
	57,913	55,448
Less: current portion of long-term debt	591	613
Total long-term debt	<u>\$ 57,322</u>	<u>\$ 54,835</u>

### Term Loan

On March 12, 2014, or the Closing Date, the Borrower entered into the Credit Agreement with the Lender. Pursuant to and subject to the terms of the Credit Agreement, the Lender agreed to provide term loans to the Borrower in the aggregate principal amount of up to \$60.0 million. A first tranche loan of \$40.0 million was drawn on the Closing Date and a further two tranches each of \$10.0 million were committed by the Lender and were to be funded on each of December 15, 2014 and June 15, 2015, subject to and in accordance with the terms of the Credit Agreement. On September 30, 2014 the Borrower entered into a First Amendment to the Credit Agreement to accelerate the funding of the two additional tranches pursuant to which it received the proceeds from the first \$10 million tranche on October 1, 2014 and the proceeds from the second \$10 million tranche on November 10, 2014.

The Loans bear interest at 9.25% per annum plus the greater of three-month LIBOR or 1.0%, payable in cash quarterly in arrears and as otherwise described in the Amended Credit Agreement. A default interest rate of 14.25% per annum plus the greater of three-month LIBOR or 1.0% shall apply during the existence of a default under the Amended Credit Agreement. The Loans will be interest-only until March 12, 2020 (the “Maturity Date”).

Unless the loan facility is otherwise terminated earlier pursuant to the terms of the Amended Credit Agreement, the Borrower is required to repay in full the unpaid principal amount of the Loans drawn down, together with all accrued and unpaid interest thereon plus a 10.0% repayment premium on Maturity Date. The Borrower can make voluntary repayments at any time of any unpaid principal amount of the Loans, plus a 10.0% repayment premium. The Borrower must make mandatory prepayments in certain prescribed circumstances, including, without limitation, certain dispositions of assets and certain casualty events. In such events, the Borrower must prepay to Lender 100% of the net cash proceeds received.

The obligations of the Borrower under the Amended Credit Agreement are guaranteed by the Company and each of its subsidiaries and the Amended Credit Agreement is secured by the assets of the Company and its subsidiaries. The security interests granted by Borrower, the Company, Unilife Cross Farm LLC (“Cross Farm”), Unilife Medical Solutions Limited (“USML”) and Unitract Syringe Pty Limited (“Unitract Syringe”) are evidenced by, among other things, the Pledge and Security Agreement, dated as of March 14, 2014, by the Borrower, the Company, Cross Farm, USML, and Unitract Syringe in favor of Lender, for itself and as agent for Royalty Opportunities S.A.R.L. (“ROS”), the Mortgage and Security Agreement, dated March 12, 2014, by and between Cross Farm and Lender, for itself and as agent of ROS, and the General Security Deed, dated as of March 12, 2014, by Unitract Syringe, USML, and the Company in favor of the Lender, for itself and as agent of ROS.

The Amended Credit Agreement also contains certain customary covenants, as well as covenants relating to achieving minimum cash revenue targets at the end of each calendar year, maintaining minimum liquidity targets, and the execution of certain customer and employment agreements in form and substance satisfactory to lender. In the event of default, Borrower must prepay to Lender any unpaid principal amount of the loans drawn down, together with all accrued and unpaid interest thereon plus a 10.0% repayment premium. An event of default could also result in the Lender enforcing its security over the assets of Borrower, the Company, Cross Farm, USML and Unitract Syringe in accordance with the terms of the OrbiMed Credit Agreement and the related security agreements. The Company is in compliance with all the loan covenants set forth in the Amended Credit Agreement.

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In connection with the Credit Agreement, the Borrower entered into a royalty agreement (the “Royalty Agreement”) with ROS which will entitle ROS to receive royalty payments. Concurrent with the First Amendment to the Credit Agreement, the Borrower entered into the First Amendment to the Royalty Agreement (“Amended Royalty Agreement”). Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay the Lender 3.875% on the first \$50.0 million of net sales (on a cash receipts basis as defined in the Amended Credit Agreement) in each fiscal year, plus 1.500% of net sales in excess of \$50.0 million and up to and including \$100.0 million in each fiscal year, plus 0.375% of net sales in excess of \$100.0 million in each fiscal year. Borrower has the right to buyout the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The lender has the right to exercise a put option upon the occurrence of an event of default upon which the Borrower would be required to pay the buyout amount under the Amended Royalty Agreement. The buy-out amount ranges from \$9.75 million to \$26.25 million (such amount to be determined based on when the buy-out or put option is exercised), less amounts previously paid by Borrower to Lender pursuant to the Amended Royalty Agreement. The Amended Royalty Agreement has a term commencing on the Closing Date and ending on the earlier of (i) the tenth anniversary of the Closing Date and (ii) the date of payment of the purchase price pursuant to the exercise of a put option by the Lender or the exercise of a buy-out option by the Borrower. As the Company has elected to value the Amended Royalty Agreement at fair value, the put option feature does not meet the criterion of ASC 815-15-25-1b and thus is not separated from the host contract and accounted for as a derivative instrument.

The Company determined that the Credit Agreement and the Royalty Agreement should be accounted for as two separate units. Accordingly, the Company allocated the proceeds from the Loans on a residual basis between the two units based on their relative fair values. As a result, on the Closing Date, the Royalty liability was determined to have a fair value of \$7.0 million and the Loan was allocated the remaining proceeds of \$33.0 million. The Loan will be accreted to the face value over the loan term based on the effective interest rate. The Royalty liability will be adjusted to fair value on a quarterly basis. As of September 30, 2014, the fair value of the Royalty liability was \$8.6 million.

There are cross-defaults in the OrbiMed Amended Credit Agreement, Metro Bank Loan and Keystone/CFA Loan, so that a default under one agreement could trigger a default under the others. Metro Bank, the Lender under the OrbiMed Amended Credit Agreement, Keystone Redevelopment Group, LLC and Commonwealth Financing Authority are parties to an intercreditor agreement.

#### **Mortgage Loan**

In October 2010, Cross Farm entered into the Loan Agreement with Metro Bank, pursuant to which Metro Bank provided Cross Farm with two mortgage loans in the amounts of \$14.25 million (“First Mortgage”) and \$3.75 million (“Second Mortgage”). The proceeds received were used to finance the purchase of land and construction of the Company’s corporate headquarters and manufacturing facility in York, Pennsylvania. In connection with the Credit Agreement, the Company entered into the Metro Bank Amendment pursuant to which the Second Mortgage due October 2020 was repaid. Cross Farm is paying principal and interest on the First Mortgage, with interest at a fixed rate of 6.00%.

The Original Metro Loan Document contains certain customary covenants, including the maintenance of a Debt Service Reserve Account in the amount of \$2.4 million, classified as restricted cash on the consolidated balance sheet, which will remain in place until Cross Farm and Metro agree on the financial covenants. The terms of the Original Metro Loan Documents allow the Company to use the Debt Service Reserve Account to pay monthly debt service on the mortgage loans, so long as the balance in the account is at least \$1.6 million and is replenished to \$2.4 million every six months. The Company was in compliance with its debt covenants as of September 30, 2014. However, there can be no assurance that the Company will be able to maintain the Debt Service Reserve Account balance for a period of 12 months from September 30, 2014. Cross Farm may prepay the loan without penalty. The U.S. Department of Agriculture has guaranteed \$8.0 million of the mortgage loan due December 2031. In connection with the First Mortgage, the Company has given Metro Bank a lien on the building and real estate and the debt service reserve account.

#### **Commonwealth of Pennsylvania Financing Authority Loan**

In December 2010, Cross Farm received a \$2.25 million loan from the Commonwealth of Pennsylvania for land and the construction of its current manufacturing facility. The loan bears interest at a rate of 5.00% per annum, matures in January 2021 and is secured by a third mortgage on the facility. In connection with the loan agreement, Cross Farm entered into an intercreditor agreement by which the Commonwealth of Pennsylvania agreed that it would not exercise its rights in the event of a default by Cross Farm without the consent of Metro Bank, which holds the first mortgage on the facility.



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**9. Net Loss Per Share**

The Company's net loss per share is as follows:

	Three Months Ended September 30,	
	2014	2013
	(In thousands, except share and per share data)	
<b>Numerator</b>		
Net loss	\$ (22,262)	\$ (11,244)
<b>Denominator</b>		
Weighted average number of shares used to compute basic net loss per share	105,049,820	93,833,603
Effect of dilutive options to purchase common stock	—	—
Weighted average number of shares used to compute diluted net loss per share	105,049,820	93,833,603
<b>Basic and diluted net loss per share</b>	<u>\$ (0.21)</u>	<u>\$ (0.12)</u>

Due to the Company's net losses, unvested shares of restricted stock (participating securities) totaling 2,402,052 and 3,147,851 were excluded from the calculation of basic and diluted net loss per share during the three months ended September 30, 2014 and 2013, respectively.

In addition, stock options (non-participating securities) totaling 3,663,407 and 6,283,164 during the three months ended September 30, 2014 and 2013, respectively, were excluded from the calculation of diluted net loss per share, as their effect would have been anti-dilutive. Certain of these stock options were excluded solely due to the Company's net loss position. Had the Company reported net income during the three months ended September 30, 2014 and 2013, these shares would have had an effect of 48,009 and 495,572 diluted shares, respectively, for purposes of calculating diluted net loss per share.

**10. Contingencies**

From time to time, the Company is involved in various legal proceedings, claims, suits and complaints arising out of the normal course of business. Based on the facts currently available to the Company, management believes that these claims, suits and complaints are adequately provided for, covered by insurance, without merit or not probable that an unfavorable outcome will result.

On September 7, 2012, the Company received a letter from counsel for Talbot (Todd) Smith, a former employee, alleging that Mr. Smith was wrongly terminated. Mr. Smith, who was terminated "for cause" by the Company, filed a complaint with the U.S. Occupational Safety and Health Administration (OSHA) in November 2012. The Company and various third parties have investigated the allegations made by Mr. Smith and have determined that his allegations are without merit. The Company believes the allegations made by Mr. Smith against it are in retaliation for his "for cause" termination and defended itself vigorously in the OSHA matter. Because OSHA did not make a final determination on Mr. Smith's complaint within 180 days, Mr. Smith filed a civil complaint in the United States District Court for the Eastern District of Pennsylvania on August 30, 2013 and an amended complaint on March 5, 2014 against the Company and various officers of the Company. OSHA accordingly dismissed the OSHA matter without a final determination. The complaint filed in the District Court makes the same allegations made by Mr. Smith in the OSHA complaint and also includes a defamation claim. To the extent that the allegations made by Mr. Smith in the District Court are nearly identical to those made in his OSHA complaint, the Company and various third parties have investigated his allegations previously and have determined that the allegations are without merit, and the Company intends to defend itself vigorously in the District Court action. After Mr. Smith disclosed a violation of the Pennsylvania Wire Tapping and Electronic Surveillance Control Act (PA Wiretapping Act) during the pendency of discovery in the District Court action, on June 20, 2014 the Company filed counterclaims against Mr. Smith for his violation of the PA Wiretapping Act. The District Court action is currently in discovery.

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As previously disclosed, subsequent to the filing of the OSHA complaint by Mr. Smith, the Company received a subpoena from the staff of the U.S. Securities and Exchange Commission (the “Staff”) requesting the Company to provide certain information to the Staff, which is generally consistent with the meritless allegations made by Mr. Smith in his OSHA complaint. In his complaint filed in the United States District Court for the Eastern District of Pennsylvania, Mr. Smith states that he provided the Staff with information about his allegations in July and August 2012. The Company responded to that subpoena and has received additional subpoenas from the Staff, requesting additional information consistent with the first subpoena. The Company is cooperating fully with the Staff and is providing the requested information.

On January 8, 2014, the Company was served with a derivative complaint filed in the Delaware Chancery Court by Cambridge Retirement System, a purported stockholder of the Company, against its Board of Directors to recover allegedly “excessive and wasteful” compensation paid to the non-executive directors since 2010. The Company believes that these allegations are baseless and without merit and the Company and the directors are defending themselves vigorously. In February 2014, the Company filed a motion to dismiss the complaint in lieu of an answer. On June 26, 2014, the Court granted the Company’s motion to dismiss with respect to the directors’ equity grants, but denied the motion with respect to their cash compensation. The Company filed an answer to the remaining claims on July 11, 2014. The action is currently in discovery.

The Company does not believe there will be any material impact to the Company or its business as a result of these matters.

## 11. Revenue

The Company recognized \$1.4 million and \$3.2 million of revenue during the three months ended September 30, 2014 and 2013, respectively.

During the three months ended September 30, 2014 one customer accounted for 56% of consolidated revenue. During the three months ended September 30, 2013 two customers accounted for 71% and 28% of consolidated revenue, respectively.

During the three months ended September 30, 2014, the Company recognized \$0.2 million in revenue related to substantive milestones that were completed during the period pursuant to customer agreements to provide customization and development services, clinical support services, collaborative research activities and testing support services. Milestones completed during the period included various customization activities, device design, devices developed for use in customer evaluation testing, compatibility testing, user studies, and verification activities.

During the three months ended September 30, 2014, the Company recognized \$1.2 million in revenue related to services rendered on a time and materials basis during the period pursuant to customer agreements to provide various customization and development services.

During the three months ended September 30, 2013, the Company recognized the final \$2.3 million of revenue related to its licensing agreement with Sanofi, and the Company recognized \$0.9 million in revenue related to services rendered on a time and materials basis during the period pursuant to customer agreements to provide various customization and development services.

## 12. Financial Instruments

The Company does not hold or issue financial instruments for trading purposes. The estimated fair values of the Company’s financial instruments are as follows:

	September 30, 2014		September 30, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Royalty agreement liability	\$ 8,630	\$ 8,630	\$ —	\$ —

The carrying amount of the Company’s cash equivalents, which includes certificates of deposit, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short term maturities of these items. The estimated fair value of the Company’s debt approximates its carrying value based upon the rates that the Company would currently be able to receive for similar instruments of comparable maturity.

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The Company categorizes its assets and liabilities measured at fair value into a fair value hierarchy that prioritizes the inputs used in pricing the asset or liability. The three levels of the fair value hierarchy are as follows:

*Level 1* — Quoted prices in active markets for identical assets or liabilities.

*Level 2* — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The levels in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the Company's liabilities that are measured at fair value on a recurring basis for the periods presented:

	Fair Value Based On			Total Fair Value Measurements
	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(In thousands)			
Royalty Agreement liability	\$ —	\$ —	\$ 8,630	\$ 8,630

The following table presents the changes in the fair value of the level 3 financial instruments for the three months ended September 30, 2014. There were no level 3 financial instruments for the three months ended September 30, 2013:

	Royalty Agreement Liability
June 30, 2014	\$ 6,400
Increase in royalty liability	2,230
September 30, 2014	\$ 8,630

Following is a description of the valuation methodology used to measure the Royalty Agreement liability at fair value. There have been no changes in the methodology used during the three months ended September 30, 2014:

The fair value is based on a discounted cash flow methodology under the income approach based on the present value sum of payments expected to be made in the future. The fair value is estimated by applying a risk adjusted discount rate to the expected royalty payment stream. These fair value estimates are most sensitive to changes in the payment stream.

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

### **Cautionary Note Regarding Forward-Looking Information**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. This discussion and analysis includes certain forward-looking statements that involve risks, uncertainties and assumptions. You should review the "Risk Factors" section of our Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by such forward-looking statements.

Certain statements in this Quarterly Report on Form 10-Q may constitute forward looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to our management. Our management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K and those described from time to time in other reports which we file with the Securities and Exchange Commission.

### **Overview**

We are a designer, manufacturer and supplier of innovative injectable drug delivery systems that can enhance and differentiate the injectable therapies of our customers. We have a broad portfolio of proprietary product platforms, including pre-filled syringes, drug reconstitution delivery systems, auto-injectors, wearable injectors, ocular delivery systems and other novel injectable drug delivery systems. Products within each platform are highly differentiated from competitors' products with a series of innovative features designed to optimize the safe, simple and convenient administration of an injectable therapy. We sell our products directly to pharmaceutical and biotechnology companies who incorporate them into the drug-device combination product that is supplied pre-filled and ready for administration by end-users such as health-care providers or patients. Products within each of our platforms can be customized by us to address specific customer, therapy, patient and/or commercial requirements.

### **Key Factors Affecting Performance and Financial Condition**

We have entered into several agreements with our customers including customers with whom we have entered into a customization or supply agreement and customers with whom we have entered into preliminary agreements such as letters of intent. The customization, industrialization and development fees and other payments received from customers in connection with these agreements and development programs accounted for the majority of our revenue in the three month period ended September 30, 2014. We also increased expenses during the three month period ended September 30, 2014 as a result of the acceleration of our investments in our manufacturing capacity and increased research and development efforts, both in response to increasing demand from our customers for our products and services.

Longer customer development timelines and increases in capital expenses and headcount have impacted us from a liquidity standpoint. Historically, we have funded our operations primarily from a combination of term loans, equity issuances, borrowings under our bank mortgages, and payments from various customers. In recent years we have addressed our capital needs through the use of an "At-The-Market" equity offering, pursuant to which we, from time to time, issued and sold shares of common stock having an aggregate offering price of \$45.0 million, customization, industrialization and development fees received from our customers and our debt financing from an affiliate of OrbiMed Advisors, or OrbiMed, in March 2014.

### **Revenue**

Our revenue is currently generated from customization, industrialization, licensing and development fees (many of which are recognized on the milestone basis of accounting). Customization, industrialization, development and licensing fees accounted for substantially all of our consolidated revenue the three month period ended September 30, 2014. We expect that product sales, which historically have not had a meaningful impact on our revenue, will begin to account for an increasing portion of our revenue as we increase commercial sales to customers during fiscal year 2015 and beyond.

We expect our revenue to increase as we continue to deliver under our existing contracts with our customers and enter into additional agreements with new and existing customers. We also expect that our future revenue will be favorably impacted by several trends in the industry, including a shift in the focus of large pharmaceutical and biotechnology companies' product development activities to biologic therapies, an emphasis within health-care providers to patient self-administration and a growing demand for passive safety for injectable drug delivery.

### ***Operating Expenses***

Our operating expenses have increased as a result of the acceleration of our investments in our manufacturing capacity and increased research and development efforts, both in response to increasing demand from our customers for our products and services. We increased our cross-functional research and development teams of engineers and other staff that are dedicated to servicing existing and prospective customers. The increase in research and development costs also related to the costs of products and components supplied to existing and prospective customers to support evaluation processes and user studies that are typically undertaken prior to the anticipated signing of customer agreements.

### ***Significant Developments in the Industry***

We believe that recently signed customer contracts and future customer contracts expected to be signed with existing and prospective customers as a result of ongoing discussions will provide significant revenue growth in relation to prior periods. Known trends in the industry that we believe will have a material favorable impact on our revenue include a shift in the focus of large pharmaceutical and biotechnology companies' product development activities to biologic therapies, an emphasis within health-care providers to patient self-administration and a growing demand for passive safety for injectable drug delivery. There has been a marked shift in the product development activities of large customers toward biologic therapies and the majority of therapies in the pipeline of large pharmaceutical and biotechnology companies are complex biologic therapies. The characteristics of many of these therapies (including, for example, large dose volumes and increased viscosity) necessitates administration by injection using innovative injectable drug delivery systems such as our products. We believe that we are well-positioned to meet what we expect to be a growing demand for innovative injectable drug delivery systems in light of the focus on biologic therapies. Concurrently with the shift toward biologic therapies is an emphasis towards patient self-administration. Patient self-administration is viewed as a growing trend in order to reduce demand pressure on the health-care system as well as reducing costs especially for treatment of chronic illnesses. Devices suitable for self-administration of injectable therapies need to be safe and intuitive to use. We believe that many of our products, including prefilled syringes, drug reconstitution delivery systems, auto-injectors, and wearable injectors, are well suited for safe and intuitive patient self-administration of injectable therapies and that we will be able to meet the expected increase in demand for such products.

### **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This requires management to make certain estimates, judgments and assumptions that could affect the amounts reported in the consolidated financial statements and accompanying notes.

Our critical accounting policies and estimates are described in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" of our Annual Report on Form 10-K. There have been no changes in critical accounting policies in the current year from those described in our Annual Report on Form 10-K.

### **Basis of Presentation**

#### ***Revenue***

We derive revenue primarily from customization, industrialization and development programs with our customers. The agreements with our customers generally provide for fees to be paid to us for providing specific products or services. Certain of these agreements provide for fees to be paid upon completion of certain agreed-upon milestones. In these instances, we recognize revenue when these agreed-upon milestones have been completed and there is no further performance obligation related to the milestone. Certain of our agreements provide for fees to be paid for specific services to be rendered or the provision of certain deliverables and we recognize revenue upon completion of the related service or deliverable. Certain of our agreements provide for fees to be paid on an ongoing basis over the life of the agreement for agreed-upon services and we recognize revenue ratably over the requisite service period.

#### ***Operating expenses***

Operating expenses primarily include costs related to research and development, selling, general and administrative expenses, as well as depreciation and amortization expense.

#### ***Research and development costs***

Research and development costs consist primarily of payroll and related personnel expenses (including share-based compensation expense), fees paid to external service providers, costs of materials, components and supplies, costs for facilities, tooling and equipment and costs related to customization and development service arrangements and developing prototype products and samples used for various evaluation, testing and related activities for existing and potential customers.

#### ***Selling, general and administrative costs***

Selling, general and administrative costs include marketing and commercial development costs, quality assurance and regulatory costs, accounting and financial related costs, information and technology costs, legal and professional fees, corporate facility costs, corporate payroll and related benefit costs (including share-based compensation expense).

#### ***Depreciation***

Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets, which range from 40 years for our York, Pennsylvania facility to 2 to 15 years for machinery, equipment, furniture and software and the lesser of the lease term or estimated useful life for leasehold improvements. Intangible assets are being amortized using the straight-line method over their estimated useful lives up to 15 years.

#### ***Interest expense***

Interest expense includes the cash and non-cash interest cost for all debt instruments. Interest expense is recognized under the effective interest method such that non-cash interest includes the additional expense recognized over and above the cash interest paid during a period as a result of the application of the effective interest method.

#### ***Net loss***

Net loss includes the results from revenue recognized during the period after deducting all operating and non-operating expenses.

## Results of Operations

The following table summarizes our results of operations for the three months ended September 30, 2014 and 2013:

	Three Months Ended September 30,	
	2014	2013
	(in thousands, except per share data)	
Revenue	\$ 1,380	\$ 3,187
Research and development	10,976	6,399
Selling, general and administrative	8,200	6,520
Depreciation and amortization	1,100	1,042
Total operating expenses	20,276	13,961
Operating loss	(18,896)	(10,774)
Interest expense	1,109	480
Interest income	(3)	(6)
Change in fair value of financial instruments	2,230	—
Other expense (income)	30	(4)
Net loss	\$ (22,262)	\$ (11,244)
<b>Net loss per share:</b>		
Basic and diluted net loss per share	\$ (0.21)	\$ (0.12)

### Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

**Revenue.** Revenue decreased by \$1.8 million or 57%. During the three months ended September 30, 2014, we recognized approximately \$0.2 million of revenue related to substantive milestones that were completed during the period pursuant to customer agreements to provide customization and development services, clinical support services, collaborative research activities and testing support services. Milestones completed during the period included various customization activities, device design, devices developed for use in customer evaluation testing, compatibility testing, user studies, and verification activities. During the three months ended September 30, 2014, we recognized \$1.2 million in revenue related to services rendered on a time and materials basis pursuant to customer agreements to provide various customization and development services. During the three month period ended September 30, 2013, we recognized \$2.3 million of revenue related to our former agreement with Sanofi and \$0.9 million in revenue related to services rendered on a time and materials basis during the period pursuant to customer agreements to provide various customization and development services. We expect future revenue to continue to increase as we deliver under the customer agreements we have previously entered into and from additional customer agreements that we expect to enter into in future periods.

**Research and development expenses.** Research and development expenses increased by \$4.6 million or 71.5% primarily due to increased payroll and related costs of \$1.7 million related to increased headcount to support ongoing and future customer programs, increased material and tooling costs of \$2.4 million, and increased third party contracting costs of \$0.5 million related to customer programs. The increased investment in research and development during the current period is related to the supply of products and components to existing customers including for customization, industrialization and development programs and prospective customers to support evaluation processes and user studies that are typically undertaken prior to the anticipated signing of contracts. We expect to continue our investment in research and development as we service existing customers and enter into additional customer agreements in future periods.

**Selling, general and administrative expenses.** Selling, general and administrative expenses increased by \$1.7 million or 25.8% primarily due to increased legal and professional fees of \$1.1 million, increased payroll and related costs of \$0.6 million and increased other administrative costs of \$0.5 million, partially offset by decreased share-based compensation expense of \$0.5 million.

**Depreciation and amortization expense.** Depreciation and amortization expense increased by \$0.1 million or 5.6% primarily as a result of additional equipment placed in service during the current period.

**Interest expense.** Interest expense increased by \$0.6 million or 131.0% primarily as a result of the Credit Agreement which we entered into during March 2014.

**Change in fair value of financial instruments.** Change in fair value of financial instruments increased by \$2.2 million in the current quarter. The increase is related to the change in the fair value of the Royalty liability in connection with the OrbiMed financing which is revalued each quarter and is a result of the amendment entered into on September 30, 2014 which accelerated the second and third tranches of \$10 million each in exchange for an increase in the royalty payments to be made over the term of the debt.

**Net loss and net loss per share.** Net loss during the three months ended September 30, 2014 and 2013 was \$22.3 million and \$11.2 million, respectively. Basic and diluted net loss per share was \$0.21 and \$0.12, respectively, on weighted average shares outstanding of 105,049,820 and 93,833,603. The increase in the weighted average shares outstanding was primarily due to the issuance of common stock in connection with our February 2013 equity financing as well as shares issued under the Sales Agreement during the current period as well as during fiscal year 2014.

## **Liquidity and Capital Resources**

To date, we have funded our operations primarily from a combination of term loans, equity issuances, borrowings under our bank mortgages, and payments from various customers. As of September 30, 2014, cash and cash equivalents were \$4.2 million, restricted cash was \$2.1 million and our long-term debt was \$57.9 million. As of June 30, 2014, cash and cash equivalents were \$8.4 million, restricted cash was \$2.4 million and our long-term debt was \$55.4 million. The restricted cash relates to amounts that must remain in cash deposits under our loan agreement with Metro Bank.

On March 12, 2014, we entered into the Credit Agreement with an affiliate of OrbiMed Advisors (“Lender”). Under the terms of the credit agreement, the Lender agreed to provide term loans to us in the aggregate principal amount of up to \$60.0 million. A first tranche loan of \$40.0 million was drawn on the Closing Date and a further two tranches each of \$10.0 million have been committed by the Lender and were to be funded on each of December 15, 2014 and June 15, 2015, subject to and in accordance with the terms of the Credit Agreement. On September 30, 2014 we entered into a First Amendment to the Credit Agreement pursuant to which we received the proceeds from the first \$10 million tranche on October 1, 2014 and the proceeds from the second \$10 million tranche on November 10, 2014. Under the Amended Credit Agreement, Borrower’s prepayments and repayments of any unpaid principal amount of the Loans shall include a 10.0% repayment premium (with certain enumerated exceptions). The Amended Credit Agreement contains customary representations and warranties in favor of the Lender. The Amended Credit Agreement also contains certain covenants relating to financial performance, liquidity targets among others.

Concurrent with the First Amendment to the Credit Agreement, we entered into the First Amendment to the Royalty Agreement. Pursuant to and subject to the terms of the Amended Royalty Agreement, Borrower has agreed to pay the Lender 3.875% on the first \$50.0 million of net sales in each fiscal year, plus 1.500% of net sales in excess of \$50.0 million and up to and including \$100.0 million in each fiscal year, plus 0.375% of net sales in excess of \$100.0 million in each fiscal year. Borrower has the right to buyout the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount. The buy-out amount ranges from \$9.75 million to \$26.25 million (such amount to be determined based on when the buy-out option is exercised), less amounts previously paid by Borrower to Lender pursuant to the Amended Royalty Agreement.

During October 2012, we entered into the Sales Agreement, pursuant to which we may, from time to time, issue and sell shares of common stock having an aggregate offering price of up to \$45.0 million. During the three months ended September 30, 2014, we issued 5,808,800 shares of common stock and raised approximately \$12.4 million under the Sales Agreement, which was the full remaining amount available for sale under the Sales Agreement. As a result, we have completed use of the full facility available under the Sales Agreement.

We have incurred losses from operations during the year ended June 30, 2014 and three months ended September 30, 2014 and anticipate incurring additional losses until such time that we can generate sufficient revenue from the sale, customization or exclusive use and licensing of our proprietary range of injectable drug delivery systems to pharmaceutical and biotechnology customers.

We continue to have discussions with current and prospective customers for many active programs in our commercial pipeline and have executed several agreements featuring a combination of revenue streams, including exclusivity fees, device customization programs and supply contracts that have begun to generate cash payments. We expect to continue to execute agreements and generate additional cash payments during the remainder of fiscal year 2015. Given the substantial size, complexity and long-term duration of many of these prospective agreements, some can take a significant amount of time to negotiate and finalize. We estimate that our cash and cash equivalents of \$4.2 million as of September 30, 2014, along with our \$2.1 million of restricted cash, together with the additional proceeds from the First Amendment to the Credit Agreement and additional proceeds raised under the Sales Agreement as well as the anticipated cash receipts from customers is sufficient to sustain planned operations through fiscal 2015. However, there can be no assurance that such cash from customer agreements will be available when needed.



The following table summarizes our cash flows during the three months ended September 30, 2014 and 2013:

	Three Months Ended September 30,	
	2014	2013
	(in thousands)	
Net cash provided by (used in):		
Operating activities	\$(13,107)	\$ (9,414)
Investing activities	(3,594)	(1,166)
Financing activities	12,556	12,228

#### *Net Cash Used In Operating Activities*

Net cash used in operating activities during the three months ended September 30, 2014 was \$13.1 million compared to \$9.4 million during the three months ended September 30, 2013. The increase in net cash used in operating activities was primarily due to the increase in net loss of \$11.0 million partially offset by an increase in non-cash items of \$4.8 million as well as the change in working capital of \$2.5 million.

#### *Net Cash Used in Investing Activities*

Net cash used in investing activities during the three months ended September 30, 2014 and 2013 was \$3.6 million and \$1.2 million respectively. This increase was primarily a result of costs incurred in connection with the purchase of machinery and related equipment.

#### *Net Cash Provided by Financing Activities*

Net cash provided by financing activities during the three months ended September 30, 2014 was \$12.6 million compared to \$12.2 million during the three months ended September 30, 2013.

During the three months ended September 30, 2014, we received \$12.4 million of proceeds in connection with our public offering of common stock under the Sales Agreement partially offset by \$0.2 million in principal debt repayments.

During the three months ended September 30, 2013, we received \$10.7 million of proceeds in connection with our public offering of common stock under the Sales Agreement and \$2.2 million from the exercise of stock options, partially offset by principal debt repayments of \$1.1 million.

### **Contractual Obligations and Commitments**

The following table provides information regarding our contractual obligations as of September 30, 2014:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years (In thousands)	3-5 Years	More Than 5 Years
Long-term debt and related interest	\$123,437	\$ 7,603	\$15,150	\$15,116	\$ 85,568
Operating leases	8,717	850	2,438	2,497	2,932
Purchase obligations	19,461	19,461	—	—	—
Total contractual obligations	<u>\$151,615</u>	<u>\$27,914</u>	<u>\$17,588</u>	<u>\$17,613</u>	<u>\$ 88,500</u>

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

We are exposed to market risk from changes in interest rates and foreign currency exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows.

#### *Interest Rate Risk*

Our exposure to interest rate risk is limited to our cash and cash equivalents that are invested in money market funds with highly liquid short term investments and our variable interest rate term loans. We currently do not utilize derivative instruments to mitigate changes in interest rates.

### ***Foreign Currency Exchange Rate Fluctuations***

Certain of our revenues are derived from payments under our exclusive agreement received in euros while we incur most of our expenses in U.S. dollars and Australian dollars. In addition, a portion of our cash and cash equivalents and investments are held at Australian banking institutions and are denominated in Australian dollars. We are exposed to foreign currency exchange rate risks on these amounts. We currently do not utilize options or forward contracts to mitigate changes in foreign currency exchange rates. For U.S. reporting purposes, we translate all assets and liabilities of our non-U.S. entities into U.S. dollars using the exchange rate as of the end of the related period and we translate all revenues and expenses of our non-U.S. entities using the average exchange rate during the applicable period.

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

### ***Disclosure Controls and Procedures***

Our Principal Executive Officer and Principal Financial Officer, with the participation of our management, has evaluated the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) and 15d-(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of such date, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### ***Changes in Internal Control***

There has not been any change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

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

On September 7, 2012, we received a letter from counsel for Talbot (Todd) Smith, a former employee, alleging that Mr. Smith was wrongly terminated. Mr. Smith, who was terminated “for cause” by us, filed a complaint with the U.S. Occupational Safety and Health Administration, or OSHA, in November 2012. We and various third parties have investigated the allegations made by Mr. Smith and have determined that his allegations are without merit. We believe the allegations made by Mr. Smith against us are in retaliation for his “for cause” termination and defended ourselves vigorously in the OSHA matter. Because OSHA did not make a final determination on Mr. Smith’s complaint within 180 days, Mr. Smith filed a civil complaint in the United States District Court for the Eastern District of Pennsylvania on August 30, 2013 and an amended complaint on March 5, 2014 against the Company and various officers of the Company. OSHA accordingly dismissed the OSHA matter without a final determination. The complaint filed in the District Court makes the same allegations made by Mr. Smith in the OSHA complaint and also includes a defamation claim. To the extent that the allegations made by Mr. Smith in the District Court are nearly identical to those made in his OSHA complaint, we and various third parties have investigated his allegations previously and have determined that the allegations are without merit, and we intend to defend ourselves vigorously in the District Court action. After Mr. Smith disclosed a violation of the Pennsylvania Wire Tapping and Electronic Surveillance Control Act, or the PA Wiretapping Act, during the pendency of discovery in the District Court action, on June 20, 2014, we filed counterclaims against Mr. Smith for his violation of the PA Wiretapping Act. The District Court action is currently in discovery.

On January 8, 2014, we were served with a derivative complaint filed in the Delaware Chancery Court by Cambridge Retirement System, a purported stockholder of the Company, against our board of directors to recover allegedly “excessive and wasteful” compensation paid to the non-executive directors since 2010. We believe that these allegations are baseless and without merit and we and the directors are defending ourselves vigorously. In February 2014, we filed a motion to dismiss the complaint in lieu of an answer. On June 26, 2014, the Court granted our motion to dismiss with respect to the directors’ equity grants, but denied the motion with respect to their cash compensation. We filed an answer to the remaining claims on July 11, 2014. The action is currently in discovery.

We do not believe there will be any material impact to us or our business as a result of either of these matters.

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

On November 6, 2014, we entered into an Employment Agreement (the “Agreement”) with Mark V. Iampietro. The Agreement extends Mr. Iampietro’s employment with us as our Vice President, Corporate Quality and Regulatory Affairs and Chief Compliance Officer through December 31, 2018 and is subject to annual renewals thereafter. The Agreement sets forth Mr. Iampietro’s annual base salary of \$242,000 and an annual target cash bonus opportunity of 35% of his base salary.

The Agreement further provides that, if Mr. Iampietro's employment is terminated by us without "cause" (including a termination of employment due to the Company's election not to renew the term of the Agreement), he will be entitled to: (i) continuation of base salary and group health benefits for a period of 12 months, (ii) payment of an amount, payable in equal installments over a 12 month period, equal to the greater of the annual bonus paid to him for the preceding year or his target bonus for the year of termination, and (iii) accelerated vesting of all outstanding equity awards. If Mr. Iampietro's employment is terminated by us without cause (including a termination of employment due to the Company's election not to renew the term of the Agreement) upon or within 12 months following a "change in control" (as defined in the Agreement), in lieu of the severance benefits described above, Mr. Iampietro will be entitled to: (i) continuation of base salary and group health benefits for 18 months and (ii) payment of a lump-sum amount equal to the greater of the annual bonus paid to him for the preceding year or his target bonus for the year of termination. In addition, upon the occurrence of a change in control, all outstanding equity awards held by Mr. Iampietro will then become fully vested. All severance benefits payable under the Agreement will be conditioned on Mr. Iampietro's execution of a release of claims against us. The Agreement also contains customary indemnification provisions and restrictive covenants.

The description of the Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the complete text of the Agreement, a copy of which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.3, and is incorporated herein by reference.

On November 10, 2014, pursuant to and subject to the terms of the Amended Credit Agreement, the Lender issued a third and final tranche loan of \$10.0 million. Under the Amended Credit Agreement, Borrower's prepayments and repayments of any unpaid principal amount of the Loans shall include a 10.0% repayment premium (with certain enumerated exceptions).

The Amended Credit Agreement contains customary representations and warranties in favor of the Lender. The Amended Credit Agreement also contains the following minimum cash receipts covenants: (i) \$20.0 million for the calendar year ended December 31, 2014; (ii) \$54.1 million for the calendar year ended December 31, 2015; (iii) \$67.4 million for the calendar year ended December 31, 2016; (iv) \$78.4 million for the calendar year ended December 31, 2017; (v) \$84.0 for the calendar year ended December 31, 2018; and (vi) \$84.0 for the calendar year ended December 31, 2019. The minimum cash receipts for the six months ended June 30, 2015 must also not be less than \$20.0 million.

We received net proceeds of approximately \$10.0 million following payment of certain fees and expenses in connection with these transactions.

**Item 6. Exhibits**

The exhibits to this report are listed in the Exhibit Index below.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>	<u>Included Herewith</u>
10.1	First Amendment to the Credit Agreement, dated as of September 30, 2014, by and between Unilife Medical Solutions, Inc. and ROS Acquisition Offshore LP.	X
10.2	First Amendment Royalty Agreement, dated as of September 30, 2014, by and between Royalty Opportunities S.A.R.L. and Unilife Medical Solutions, Inc.	X
10.3	Employment Agreement dated as of November 6, 2014 by and between Unilife Corporation and Mark V. Iampietro	
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer	X
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer	X
32.1	Section 1350 Certification	X
32.2	Section 1350 Certification	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X

## **SIGNATURES**

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

Date: November 10, 2014

UNILIFE CORPORATION

By: /s/ Dennis P. Pyers

Dennis P. Pyers  
Interim Chief Financial Officer  
(Duly Authorized Officer & Principal Financial Officer)

FIRST AMENDMENT TO CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made and entered into as of September 30, 2014 by and among UNILIFE MEDICAL SOLUTIONS, INC., a Delaware corporation (the "Borrower"), the other Creditor Obligors party hereto and ROS ACQUISITION OFFSHORE LP, a Cayman Islands exempted limited partnership (the "Lender").

**WHEREAS**, the Borrower and the Lender are party to that certain Credit Agreement, dated as of March 12, 2014 (as amended from time to time, the "Credit Agreement"), pursuant to which the Lender has extended credit to the Borrower on the terms set forth therein;

**WHEREAS**, the Borrower has requested that the Lender amend the Credit Agreement, as more fully described herein; and

**WHEREAS**, the Lender is willing to agree to such amendment, but only upon the terms and subject to the conditions set forth herein.

**NOW, THEREFORE**, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions: Loan Document. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

2. Amendments.

(a) The definition of "Delayed Draw Closing Date" in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows :

"Delayed Draw Closing Date" means (a) September 30, 2014 and (b) a date following the execution and delivery of the New Sanofi Agreement but on or prior to December 15, 2014 when the applicable conditions set forth in Section 5.1 are satisfied (or waived in writing by the Lender).

(b) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in alphabetical order:

"New Sanofi Agreement" means a definitive master services and supply agreement between Sanofi Winthrop Industrie and the Borrower relating to the manufacture and supply of wearable injector devices.

(c) The definition of “Repayment Premium” in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows :

“Repayment Premium” means a premium of 10.0% of the principal amount of any prepayment or repayment of the Borrower on any Loan.

(d) Section 2.4 of the Credit Agreement is hereby amended and restated in its entirety as follows:

SECTION 2.4 Reduction of the Commitment Amounts. The Initial Commitment Amount shall automatically and permanently be reduced to zero on the Closing Date. The Delayed Draw Commitment Amount shall automatically and permanently be reduced (i) to \$10,000,000 upon the funding of the Delayed Draw Loan on September 30, 2014 and (ii) to zero at the close of business on December 15, 2014.

(e) Section 5.1 of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

The obligation of the Lender to make the Delayed Draw Loan on the Delayed Draw Closing Date referred to in clause (b) of the definition thereof shall be subject to the receipt of evidence that the Borrower and Sanofi Winthrop Industrie have entered into the New Sanofi Agreement in form and substance reasonably satisfactory to the Lender (or waiver in writing by the Lender).

(f) Section 8.4(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(a) Minimum Revenue Base. The Revenue Base for each calendar year set forth below shall not be less than the amount set forth below for such calendar year:

<u>Calendar Year Ended</u>	<u>Minimum Revenue Base</u>
December 31, 2014	\$20,000,000
December 31, 2015	\$54,100,000
December 31, 2016	\$67,400,000
December 31, 2017	\$78,400,000
December 31, 2018	\$84,000,000
December 31, 2019	\$84,000,000

(g) Section 8.4 of the Credit Agreement is hereby amended by adding the following section as Section 8.4(c):

(c) Minimum Revenue Base (June 2015). The Revenue Base for the six months ending June 30, 2015 shall not be less than \$20,000,000.



3. Conditions to Effectiveness of Amendment. This Amendment shall become effective upon receipt (i) by the Lender of a Secretary's Certificate with respect to each Credit Obligor, in substantially the form delivered on the Closing Date, duly executed and delivered by the signatories thereto, (ii) by the Lender of a counterpart signature to this Amendment duly executed and delivered by the Borrower and each of the other Credit Obligors, and (iii) by the Lender or its counsel of reimbursement for all fees and out-of-pocket expenses incurred by the Lender in connection with this Amendment and all other like expenses remaining unpaid as of the date hereof.

4. Expenses. The Borrower agrees to pay on demand all expenses of the Lender (including, without limitation, the fees and out-of-pocket expenses of Covington & Burling LLP, counsel to the Lender, and of local counsel, if any, who may be retained by or on behalf of the Lender) incurred in connection with the negotiation, preparation, execution and delivery of this Amendment and all other expenses of the Lender remaining unpaid as of the date hereof.

5. Representations and Warranties. The Credit Obligors represent and warrant to the Lender as follows:

(a) After giving effect to this Amendment, the representations and warranties of the Borrower and the Guarantors contained in the Credit Agreement or any other Loan Document shall, (i) with respect to representations and warranties that contain a materiality qualification, be true and correct in all respects on and as of the date hereof, and (ii) with respect to representations and warranties that do not contain a materiality qualification, be true and correct in all material respects on and as of the date hereof, and except that the representations and warranties limited by their terms to a specific date shall be true and correct as of such date.

(b) After giving effect to this Amendment, no Default or Event of Default has occurred or is continuing.

(c) (i) Each Credit Obligor has taken all necessary action to authorize the execution, delivery and performance of this Amendment; (ii) this Amendment has been duly executed and delivered by the Credit Obligors and constitutes each of the Credit Obligors' legal, valid and binding obligations, enforceable in accordance with its terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity), and (iii) no authorization or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery or performance by any Credit Obligor of this Amendment.

6. No Implied Amendment or Waiver. Except as expressly set forth in this Amendment, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of the Lender under the Credit Agreement or the other Loan Documents, or alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Credit Agreement or the other Loan Documents, all of which shall continue in full force and effect. Nothing in this Amendment shall be construed to imply any willingness on the part of the Lender to agree to or grant any similar or future amendment, consent or waiver of any of the terms and conditions of the Credit Agreement or the other Loan Documents.

7. Reaffirmation of Security Interests. The Credit Obligors (i) affirm that each of the security interests and liens granted in or pursuant to the Loan Documents are valid and subsisting and (ii) agree that this Amendment shall in no manner impair or otherwise adversely affect any of the security interests and liens granted in or pursuant to the Loan Documents.

8. Reaffirmation of Guarantee. Each Guarantor (a) acknowledges and consents to all of the terms and conditions of this Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge the Guarantor's obligations under the Loan Documents.

9. Waiver and Release. TO INDUCE THE LENDER TO AGREE TO THE TERMS OF THIS AMENDMENT, EACH CREDIT OBLIGOR REPRESENTS AND WARRANTS THAT AS OF THE DATE HEREOF THERE ARE NO CLAIMS OR OFFSETS AGAINST OR RIGHTS OF RECOUPMENT WITH RESPECT TO OR DEFENSES OR COUNTERCLAIMS TO ITS OBLIGATIONS UNDER THE LOAN DOCUMENTS AND IN ACCORDANCE THEREWITH IT:

(a) WAIVES ANY AND ALL SUCH CLAIMS, OFFSETS, RIGHTS OF RECOUPMENT, DEFENSES OR COUNTERCLAIMS, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE DATE HEREOF; AND

(b) RELEASES AND DISCHARGES THE LENDER, ITS AFFILIATES AND ITS AND THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SHAREHOLDERS AND ATTORNEYS (COLLECTIVELY THE "RELEASED PARTIES") FROM ANY AND ALL OBLIGATIONS, INDEBTEDNESS, LIABILITIES, CLAIMS, RIGHTS, CAUSES OF ACTION OR DEMANDS WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, IN LAW OR EQUITY, WHICH THE BORROWER EVER HAD, NOW HAS, CLAIMS TO HAVE OR MAY HAVE AGAINST ANY RELEASED PARTY ARISING PRIOR TO THE DATE HEREOF AND FROM OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY.

10. Counterparts; Governing Law. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of such when so executed and delivered shall be an original, but all of such counterparts shall together constitute but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by fax transmission or other electronic mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Amendment. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

[Remainder of Page Intentionally Left Blank]

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

UNILIFE MEDICAL SOLUTIONS, INC.

By: /s/ John Ryan  
Name: John Ryan  
Title: Senior Vice President, General  
Counsel and Secretary

UNILIFE CORPORATION

By: /s/ John Ryan  
Name: John Ryan  
Title: Senior Vice President, General  
Counsel and Secretary

UNILIFE CROSS FARM LLC

By: /s/ John Ryan  
Name: John Ryan  
Title: Senior Vice President, General  
Counsel and Secretary

**Executed by Unilife Medical Solutions Pty  
Limited** in accordance with Section 127 of the  
*Corporations Act 2001*

/s/ Alan Shortall  
Signature of director

Alan Shortall  
Name of director (print)

**Executed by Unitract Syringe Pty Ltd** in  
accordance with Section 127 of the  
*Corporations Act 2001*

/s/ Alan Shortall  
Signature of director

Alan Shortall  
Name of director (print)

/s/ John Ryan  
Signature of director/company secretary  
(Please delete as applicable)

John Ryan  
Name of director/company secretary (print)

/s/ John Ryan  
Signature of director/company secretary  
(Please delete as applicable)

John Ryan  
Name of director/company secretary (print)

*Signature Page to First Amendment to Credit Agreement*

ROS ACQUISITION OFFSHORE LP,  
as the Lender  
By OrbiMed Advisors LLC, its investment  
manager

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly

Title: Managing Member

*Signature Page to First Amendment to Credit Agreement*

**FIRST AMENDMENT TO ROYALTY AGREEMENT**

This FIRST AMENDMENT TO ROYALTY AGREEMENT (this “Amendment”) is made and entered into as of September 30, 2014 by and among UNILIFE MEDICAL SOLUTIONS, INC., a Delaware corporation (the “Unilife”) and ROYALTY OPPORTUNITIES S.À R.L, a Luxembourg société à responsabilité limitée (together with its Affiliates, successors, transferees and assignees, “ROS”).

**WHEREAS**, the Unilife and ROS are party to that certain Royalty Agreement, dated as of March 12, 2014 (as amended from time to time, the “Royalty Agreement”), pursuant to which Unilife granted to ROS a royalty on the terms set forth therein;

**WHEREAS**, Unilife and ROS Acquisition Offshore LP, a Cayman Islands exempted limited partnership (the “Lender”) are party to that certain Credit Agreement, dated as of March 12, 2014 (as amended from time to time, the “Credit Agreement”), pursuant to which the Lender has extended credit to Unilife on the terms set forth therein;

**WHEREAS**, Unilife has requested that ROS amend the Royalty Agreement, as more fully described herein; and

**WHEREAS**, ROS is willing to agree to such amendment, but only upon the terms and subject to the conditions set forth herein.

**NOW, THEREFORE**, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions; Loan Document. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Royalty Agreement and, to the extent not defined therein, in the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. Each reference to “hereof”, “hereunder”, “herein” and “hereby” and each other similar reference and each reference to “this Agreement” and each other similar reference contained in the Royalty Agreement shall, after this Amendment becomes effective, refer to the Royalty Agreement as amended hereby.

2. Amendments.

(a) The chart in the definition of “Purchase Price” in Section 1.1 of the Royalty Agreement is hereby amended and restated in its entirety as follows:

<u>Applicable Period</u>	<u>Applicable Amount</u>
On or before the 1st anniversary of the Closing Date	\$9,750,000
After the 1st anniversary of the Closing Date and on or before the 2nd anniversary of the Closing Date	\$13,125,000
After the 2nd anniversary of the Closing Date and on or before the 3rd anniversary of the Closing Date	\$18,125,000
After the 3rd anniversary of the Closing Date and on or before the 4th anniversary of the Closing Date	\$23,125,000
Any time after the 4th anniversary of the Closing Date	\$26,250,000

(b) Section 2.1 (a) of the Royalty Agreement is hereby amended and restated in its entirety as follows:

(a) Unilife shall pay to ROS, in respect of each Fiscal Year (or portion of a Fiscal Year, in the case of the first Fiscal Year and last Fiscal Year of the Royalty Term) during the Royalty Term, a royalty amount equal to the sum of (i) 3.875% of the aggregate Net Sales during such Fiscal Year (or portion of a Fiscal Year, as the case may be) up to \$50,000,000 of such Net Sales, plus (ii) 1.500% of the aggregate Net Sales during such Fiscal Year (or portion of a Fiscal Year, as the case may be) in excess of \$50,000,000 and up to and including \$100,000,000, plus (iii) 0.375% of the aggregate Net Sales during such Fiscal Year (or portion of a Fiscal Year, as the case may be) in excess of \$100,000,000.

3. Conditions to Effectiveness of Amendment. This Amendment shall become effective upon receipt (i) by ROS of a counterpart signature to this Amendment duly executed and delivered by Unilife, and (ii) by ROS or its counsel of reimbursement for all fees and out-of-pocket expenses incurred by ROS in connection with this Amendment and all other like expenses remaining unpaid as of the date hereof.

4. Expenses. Unilife agrees to pay on demand all expenses of ROS (including, without limitation, the fees and out-of-pocket expenses of Covington & Burling LLP, counsel to ROS, and of local counsel, if any, who may be retained by or on behalf of ROS) incurred in connection with the negotiation, preparation, execution and delivery of this Amendment and all other expenses of ROS remaining unpaid as of the date hereof.

5. Representations and Warranties. Unilife represents and warrants to ROS as follows:

(a) After giving effect to this Amendment, the representations and warranties of Unilife contained in the Royalty Agreement shall, (i) with respect to representations and warranties that contain a materiality qualification, be true and correct in all respects on and as of the date hereof, and (ii) with respect to representations and warranties that do not contain a materiality qualification, be true and correct in all material respects on and as of the date hereof, and except that the representations and warranties limited by their terms to a specific date shall be true and correct as of such date.

(b) After giving effect to this Amendment, no Royalty Event of Default has occurred or is continuing.

(c) (i) Unilife has taken all necessary action to authorize the execution, delivery and performance of this Amendment; (ii) this Amendment has been duly executed and delivered by Unilife and constitutes Unilife's legal, valid and binding obligation, enforceable in accordance with its terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principles of equity), and (iii) no authorization or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery or performance by Unilife of this Amendment.

6. No Implied Amendment or Waiver. Except as expressly set forth in this Amendment, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of ROS under the Royalty Agreement or the other Loan Documents, or alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Royalty Agreement or the other Loan Documents, all of which shall continue in full force and effect. Nothing in this Amendment shall be construed to imply any willingness on the part of ROS to agree to or grant any similar or future amendment, consent or waiver of any of the terms and conditions of the Royalty Agreement or the other Loan Documents.

7. Reaffirmation of Security Interests. The Credit Obligors (i) affirm that each of the security interests and liens granted in or pursuant to the Loan Documents are valid and subsisting and (ii) agree that this Amendment shall in no manner impair or otherwise adversely affect any of the security interests and liens granted in or pursuant to the Loan Documents.

8. Reaffirmation of Guarantee. Each Guarantor (a) acknowledges and consents to all of the terms and conditions of this Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge the Guarantor's obligations under the Loan Documents.

9. Waiver and Release. TO INDUCE ROS TO AGREE TO THE TERMS OF THIS AMENDMENT, UNILIFE REPRESENTS AND WARRANTS THAT AS OF THE DATE HEREOF THERE ARE NO CLAIMS OR OFFSETS AGAINST OR RIGHTS OF RECOUPMENT WITH RESPECT TO OR DEFENSES OR COUNTERCLAIMS TO ITS



OBLIGATIONS UNDER THE LOAN DOCUMENTS AND IN ACCORDANCE THEREWITH IT:

(a) WAIVES ANY AND ALL SUCH CLAIMS, OFFSETS, RIGHTS OF RECOUPMENT, DEFENSES OR COUNTERCLAIMS, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE DATE HEREOF; AND

(b) RELEASES AND DISCHARGES ROS, ITS AFFILIATES AND ITS AND THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SHAREHOLDERS AND ATTORNEYS (COLLECTIVELY THE "RELEASED PARTIES") FROM ANY AND ALL OBLIGATIONS, INDEBTEDNESS, LIABILITIES, CLAIMS, RIGHTS, CAUSES OF ACTION OR DEMANDS WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, IN LAW OR EQUITY, WHICH UNILIFE EVER HAD, NOW HAS, CLAIMS TO HAVE OR MAY HAVE AGAINST ANY RELEASED PARTY ARISING PRIOR TO THE DATE HEREOF AND FROM OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY.

10. Counterparts; Governing Law. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of such when so executed and delivered shall be an original, but all of such counterparts shall together constitute but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by fax transmission or other electronic mail transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Amendment. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

[Remainder of Page Intentionally Left Blank]

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

UNILIFE MEDICAL SOLUTIONS, INC.

By: /s/ John Ryan

Name: John Ryan

Title: Senior Vice President, General  
Counsel and Secretary

ROYALTY OPPORTUNITIES S.À R.L

By OrbiMed Advisors LLC, its investment  
manager

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly

Title: Managing Member

*Signature Page to First Amendment to Royalty Agreement*

UNILIFE CROSS FARM LLC

By: /s/ John Ryan  
Name: John Ryan  
Title: Senior Vice President, General  
Counsel and Secretary

**Executed by Unilife Medical Solutions Pty  
Limited** in accordance with Section 127 of the  
*Corporations Act 2001*

/s/ Alan Shortall  
Signature of director

Alan Shortall  
Name of director (print)

**Executed by Unitract Syringe Pty Ltd** in  
accordance with Section 127 of the  
*Corporations Act 2001*

/s/ Alan Shortall  
Signature of director

Alan Shortall  
Name of director (print)

UNILIFE CORPORATION

By: /s/ John Ryan  
Name: John Ryan  
Title: Senior Vice President, General  
Counsel and Secretary

/s/ John Ryan  
Signature of director/company secretary  
(Please delete as applicable)

John Ryan  
Name of director/company secretary (print)

/s/ John Ryan  
Signature of director/company secretary  
(Please delete as applicable)

John Ryan  
Name of director/company secretary (print)

*Signature Page to First Amendment to Royalty Agreement*

## EMPLOYMENT AGREEMENT

**THIS EMPLOYMENT AGREEMENT** is made and entered into as of this 6th day of November 2014, by and between Unilife Corporation (“Unilife”) and Mark V. Iampietro (“Iampietro”). The term “Unilife” shall include its subsidiaries, affiliates, assigns and successors in interest under Sections 7, 8, and 13.

**WHEREAS**, Unilife is engaged in the business of designing, developing, manufacturing and supplying advanced drug delivery systems;

**WHEREAS**, Unilife has employed Iampietro as Vice President, Corporate Quality and Regulatory Affairs since October 2008;

**WHEREAS**, Unilife wishes to replace the employment agreement entered into by the parties on November 10, 2009 and extend the employment of Iampietro as Vice President, Corporate Quality and Regulatory Affairs and Chief Compliance Officer, and Iampietro wishes to extend the term of his employment with Unilife; and

**WHEREAS**, Unilife and Iampietro wish to enter into this employment agreement to set forth the terms of Iampietro’s continued employment relationship with Unilife.

**NOW, THEREFORE**, in consideration of the promises and covenants set forth herein, and intending to be legally bound hereby, the parties agree as follows:

1. Term. This agreement shall be effective as of the date of this agreement and shall be for a multi-year term commencing on such effective date and expiring on December 31, 2018. This agreement will automatically renew for one-year periods annually thereafter, unless either party gives the other party thirty (30) days written notice in advance of the relevant expiration date of its intention not to renew the agreement. Upon expiration or earlier termination of this employment relationship, the parties will be relieved of their duties and obligations under this agreement, except that the rights and obligations of Unilife under Section 6 below shall remain in full force and effect until all appropriate payments have been made to Iampietro and the rights and obligations of Iampietro set forth in Sections 7 and 8 below shall remain in full force and effect and shall survive the expiration or termination of this agreement, regardless of the reason(s) for termination.

2. Position and Duties.

(a) Unilife will employ Iampietro as Vice President, Corporate Quality and Regulatory Affairs and Chief Compliance Officer, and Iampietro agrees to serve in such capacity for Unilife with responsibility for Unilife’s corporate quality and regulatory affairs and such other duties as are assigned to him by the Chief Executive Officer (“CEO”) of Unilife, and shall have vested in him the authority and duties typically held by an employee in such position. Iampietro shall report to the Chief Executive Officer with respect to the performance of these duties and shall be a member of the Executive Team. In the performance of these duties, Iampietro shall devote his knowledge, skill, attention, energies and all of his business time, and shall comply with all of Unilife’s policies, rules, and procedures, as they may be amended from time to time. Iampietro shall not engage in any endeavor that would conflict with the rendition of his services to Unilife, either directly or indirectly, without the prior written consent of Unilife’s CEO; provided, however,



Iampietro may participate in civic, charitable, educational, industry and professional organizations, to the extent that such participation does not unreasonably interfere with the performance of his duties hereunder; and Iampietro may also serve on corporate boards and committees, but only with the prior written consent of Unilife's CEO.

(b) Notwithstanding the responsibilities and duties contained in Section 2(a) above, Iampietro acknowledges that all material decisions relating to the management of Unilife's business will be made by the CEO or the Board of Directors of Unilife. In addition, any decisions which have the capacity to affect significantly the financial standing of Unilife must be referred to the CEO or Board of Directors of Unilife who will have ultimate control in respect of these matters.

### 3. Compensation.

(a) Base Salary. Iampietro shall be paid an annual base salary of Two Hundred Forty-Two Thousand Dollars (\$242,000) payable in accordance with Unilife's standard payroll practices. Iampietro's base salary will be subject to the customary withholding and employment taxes, as required by law, with respect to compensation paid by an employer to an employee. At the discretion of the Compensation Committee of the Board of Directors of Unilife (the "Compensation Committee"), Iampietro shall be eligible for increases in base salary. Further, Unilife will not reduce Iampietro's base salary to less than what is agreed to herein.

(b) Bonus. Iampietro shall be eligible to participate in Unilife's Incentive Bonus Plan in amounts and percentages as determined by Unilife's Compensation Committee. The target cash bonus amount for such bonus will be thirty-five percent (35%) of base salary. Bonuses are subject to achievement of such goals and objectives as the Compensation Committee determines in a set of Key Performance Indicators. Any bonus payable for a fiscal or calendar year shall be paid in a lump-sum payment no later than the date that is two and one-half months after the close of the relevant fiscal or calendar year. Iampietro's bonuses will be subject to the customary withholding and employment taxes, as required by law, with respect to compensation paid by an employer to an employee.

### 4. Benefits.

(a) Benefits Generally Available to Unilife Employees. Iampietro shall be eligible to participate in Unilife's benefits programs (including any equity incentive plan of Unilife or its affiliates), as they may change from time to time. The benefits provided to Iampietro will be the same as the benefits provided to other similarly situated Unilife employees, and may be changed upon expiration or other termination of the current benefits contracts. For further information, Iampietro should review any applicable benefit plan documents, which will govern the terms of the benefits.

(b) Vacation. Iampietro shall also receive four (4) weeks of paid vacation per calendar year. Any unused vacation days may be carried over or paid in lieu thereof, to the extent allowed by Unilife's policy for similarly situated employees or at the CEO's discretion.

(c) Equity Plans. Any stock options and other stock-based awards that Iampietro may receive from Unilife shall be governed by the applicable, underlying award agreement and the terms of the 2009 Stock Incentive Plan or any successor plan under which the award is granted.

(d) Expenses. Unilife shall reimburse Iampietro for all reasonable and necessary expenses incurred by him in carrying out his duties under this agreement in accordance with Unilife's business expense policies, including without limitation, requirements with respect to reporting, documentation and payment of such expenses. All such expenses shall be paid promptly after submission in accordance with Unilife's policies, but no later than December 31st of the calendar year following the year in which such expenses were incurred.



5. Indemnification. Unilife agrees to provide Iampietro with indemnification equivalent to that provided to other members of senior management and insurance coverage pursuant to Unilife's Directors and Officers insurance policies, as amended from time to time.

6. Termination and Pay upon Termination.

(a) General Rule. In the event that Unilife terminates this agreement and Iampietro's employment without Cause as defined herein, including employment termination due to Unilife's election not to renew this agreement where Iampietro was willing and able to continue performing services under the terms of this agreement, Unilife will pay Iampietro the severance benefits provided in subparagraphs (i) through (iv) of this Section 6(a).

(i) his base salary, at the rate in effect immediately before the date that Iampietro's employment terminates, for twelve (12) months, in accordance with Unilife's standard payroll practices then in effect, commencing on the fifteenth (15th) day after the date that Iampietro's employment terminates and the General Release provided for in Section 9 of this Agreement becomes irrevocable;

(ii) provided that Iampietro is eligible for and timely elects to receive COBRA health, vision and dental care continuation coverage, the cost of Iampietro's COBRA health, vision and dental care continuation coverage premiums (for himself and his eligible dependents) for twelve (12) months, commencing on the first of the month immediately after the month which includes the date that Iampietro's employment terminates and the General Release provided for in Section 9 of this agreement becomes irrevocable;

(iii) payment of an amount, equal to the greater of the amount of the bonus, if any, earned by and paid to Iampietro for the last completed bonus year prior to the year in which his employment terminates or the target bonus for which Iampietro was eligible to earn in the bonus year in which his employment is terminated, which will be payable in equal installments over a twelve (12) month period, in accordance with Unilife's standard payroll practices then in effect, commencing on the fifteenth (15<sup>th</sup>) day after the date that Iampietro's employment terminates and the General Release provided for in Section 9 of this Agreement becomes irrevocable; and

(iv) notwithstanding anything to the contrary, all of Iampietro's outstanding and unvested options and other stock-based awards shall vest immediately upon such termination of employment without Cause.

In the event that Iampietro terminates this agreement for any reason, including Iampietro's election not to renew the agreement, Iampietro shall not receive any compensation or benefits from the time that he ceases to devote full time and attention to Unilife's business, except such



compensation as was earned prior to that date, including, but not limited to unused vacation and vested equity grants. In addition, Iampietro agrees to provide Unilife with thirty (30) days advance written notice of his intent to terminate his employment, whether during the initial term or any renewal thereof. Upon termination of this agreement, the parties will be relieved of their duties and obligations, except that the rights and obligations of Unilife under this Section 6(a) shall remain in full force and effect until all appropriate payments have been made to Iampietro, if applicable, and the rights and obligations of Iampietro set forth in Sections 7 and 8 below shall remain in full force and effect and shall survive the expiration or termination of this agreement, regardless of the reason(s) for termination. Upon termination of this agreement, Iampietro shall not have any further contact with any customers of Unilife on behalf of a competing entity until the expiration of the conditions of Section 8 of this agreement.

(b) Termination Following a Change in Control.

(i) Termination Pay. Notwithstanding paragraph (a) immediately above, in the event that Unilife terminates this agreement and Iampietro's employment without Cause as defined herein, including employment termination due to Unilife's election not to renew this agreement where Iampietro was willing and able to continue performing services under the terms of this agreement, in either case coincident with or within twelve months after a Change in Control as defined in subparagraph (iii) immediately below, then Unilife, in lieu of and not in duplication of the severance compensation provided for in paragraph (a) immediately above, shall pay Iampietro:

(A) his base salary, at the rate in effect immediately before the date that Iampietro's employment terminates, for eighteen (18) months, in accordance with Unilife's standard payroll practices then in effect, commencing on the fifteenth (15<sup>th</sup>) day after the date that Iampietro's employment terminates and the General Release provided for in Section 9 of this Agreement becomes irrevocable,

(B) provided that Iampietro is eligible for and timely elects to receive COBRA health, vision and dental care continuation coverage, the cost of Iampietro's COBRA health, vision and dental care continuation coverage premiums (for himself and his eligible dependents) for eighteen (18) months, commencing on with the first of the month immediately after the month which includes the date that Iampietro's employment terminates and the General Release provided for in Section 9 of this Agreement becomes irrevocable,

(C) payment of a lump-sum amount, equal to the greater of the amount of the bonus, if any, earned by and paid to Iampietro for the last completed bonus year prior to the year in which his employment terminates or the target bonus for which Iampietro was eligible to earn in the bonus year in which his employment is terminated, which will be payable on the fifteenth (15<sup>th</sup>) day after the date that Iampietro's employment terminates and the General Release provided for in Section 9 of this Agreement becomes irrevocable, and

(D) notwithstanding anything to the contrary, all of Iampietro's outstanding and unvested options and other stock-based awards shall vest immediately upon a Change in Control.



(ii) Definition of "Cause". "Cause" will mean any one or more of the following:

(A) material neglect of assigned duties, willful misconduct in connection with the performance of duties, or refusal to perform assigned duties (other than by reason of disability) which continues uncured for thirty (30) days following receipt of written notice of such deficiency from the CEO, specifying the scope and nature of the deficiency;

(8) engaging in any act of dishonesty, any act of moral turpitude, any illegal conduct or committing a crime that causes material harm to Unilife or its reputation;

(C) being barred from working in a Food and Drug Administration ("FDA") regulated industry by the FDA or otherwise being sanctioned by the FDA or any similar international body;

(D) breaching, in any material respect, the terms of any agreement with Unilife; or

(E) commencement of employment with any other employer while an employee of Unilife without the prior written consent of the CEO.

Any determination of "Cause" as used herein will be made in good faith by the CEO.

(iii) Definition of "Change in Control". "Change in Control" means a: (i) Change in Ownership of Unilife Corporation, (ii) Change in Effective Control of Unilife Corporation, or a (iii) Change in the Ownership of Assets of Unilife Corporation, all as described herein and construed in accordance with section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(A) A Change in Ownership of Unilife Corporation shall occur on the date that any one Person acquires, or Persons Acting as a Group (or Group) acquire, ownership of the capital stock of Unilife Corporation that, together with the stock held by such Person or Group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the capital stock of Unilife Corporation. However, if any one Person is, or Persons Acting as a Group are, considered to own more than fifty percent (50%) of the total fair market value or total voting power of the capital stock of Unilife Corporation, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of Unilife Corporation or to cause a Change in Effective Control of Unilife Corporation. An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which Unilife Corporation acquires its stock in exchange for property will be treated as an acquisition of stock.

(8) A Change in Effective Control of Unilife Corporation shall occur on the date a majority of members of the Board of Directors of Unilife Corporation is replaced during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors of Unilife Corporation before the date of the appointment or election.





(C) A Change in the Ownership of Assets of Unilife Corporation shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such Person or Persons), assets (including tangible/real property and intangible property (such as goodwill)) from Unilife Corporation the total gross fair market value of which is more than fifty percent (50%) of the total gross fair market value of all of the assets of Unilife Corporation immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Unilife Corporation, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

(1) The following rules of construction apply in interpreting the definition of Change in Control:

(I) A Person means any individual, entity or group within the meaning of Section 13(d) (3) or 14(d) (2) of the Securities Exchange Act of 1934, as amended, other than employee benefit plans sponsored or maintained by Unilife Corporation and by entities controlled by Unilife Corporation or an underwriter of the capital stock of Unilife Corporation in a registered public offering.

(II) Persons will be considered to be Persons Acting as a Group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(III) For purposes of this Section 6(b), fair market value shall be determined in accordance with Code Section 409A.

(IV) A Change in Control shall not include a transfer to a related person as described in Code section 409A or a public offering of capital stock of Unilife Corporation.

(E) For purposes of this Section 6(b), Code section 318(a) applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the



unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation §1.83-3(b) and 0)), the stock underlying the option is not treated as owned by the individual who holds the option.

## 7. Confidential Information.

(a) Iampietro acknowledges that Unilife has a valuable property interest in all aspects of its business relationships with its customers, clients, vendors and suppliers. In the course of Iampietro's work with Unilife, Iampietro will become aware of and familiar with secret and confidential information of Unilife relating to its customers, clients, vendors and suppliers, and its internal business operations. Secret and confidential information includes, but is not limited to, Unilife's business plans, customer lists, customer data, marketing plans, supplier and vendor lists and cost information, software and computer programs, data processing systems and information contained therein, financial statements, financial data, acquisition and divestiture plans, and any other trade secrets or confidential or proprietary information, documents, reports, plans, or data, of or about Unilife that is not already available to the public or was known to Iampietro prior to his employment with Unilife.

(b) Iampietro agrees that he will not, without the written consent of Unilife, during the term of this agreement or thereafter, disclose or make any use of secret and confidential information, except as may be required in the performance of his duties under Section 2 of this agreement. Iampietro agrees that, following the termination of his employment with Unilife for any reason, he will never use secret and confidential information to compete with Unilife in any manner, and he will never disclose any secret and confidential information to any other business or individual, unless such secret or confidential information is: (i) publicly known through no breach of the provisions of this Section 7 by either party, (ii) lawfully disclosed by a third party, or (iii) disclosed pursuant to legal requirement or court order. In no event shall any disclosure made to investment banking firms or private equity firms at the request of Unilife and as part of Iampietro's duties ever be considered a violation of this Section 7.

(c) Upon termination of this agreement, Iampietro shall surrender to Unilife all records and all paper and/or electronic copies made of those records that pertain to any aspect of the business of Unilife, including all secret and confidential information.

## 8. Agreement Not To Compete.

(a) In consideration for employment by Unilife and the benefits of this agreement, Iampietro agrees to be bound by the covenant not to compete as set forth in Section 8 of this agreement below; provided however, this non-compete covenant will extend for a period of two (2) years post-employment, if Iampietro resigns his employment with Unilife or if Unilife terminates Iampietro's employment for Cause, and provided further that this non-compete covenant will extend for a period of one (1) year post-employment if Iampietro's employment with Unilife is terminated by Unilife for any reason, other than Cause.



(b) Iampietro agrees that during the term of his employment, other than as precluded by applicable rules of professional conduct applicable to lawyers including Pennsylvania Rule of Professional Conduct 5.6, he will not, directly or indirectly:

(i) render services to, become employed by, be engaged as a consultant by, own, or have a financial or other interest in (either as an individual, partner, joint venture, owner, manager, employee, partner, officer, director, independent contractor, or other similar role) any business that is engaged in any business activity that is in direct competition with the activities of Unilife, as of the date of the termination of this agreement.

(ii) induce, offer, assist, encourage, or suggest that another business or enterprise offer employment to or enter into a consulting arrangement with any individual who is employed by Unilife, or induce, offer, assist, encourage, or suggest that any Unilife employee terminate his or her employment with Unilife, or accept employment with any other business or enterprise.

(c) In the event that Iampietro commits any breach of Section 8(b) above, Iampietro acknowledges that Unilife would suffer substantial and irreparable harm and damages. Accordingly, Iampietro hereby agrees that in such event, Unilife shall be entitled to temporary and/or permanent injunctive relief, without the necessity of proving damage, to enforce the provisions of this Section, all without prejudice to any and all other remedies that Unilife may have at law or in equity and that Unilife may elect or invoke. Iampietro agrees that if any of the provisions of this Section are or become unenforceable, the remainder hereof shall nevertheless remain binding upon him to the fullest extent possible, taking into consideration the purposes and spirit of this agreement. Any invalid or unenforceable provision is to be reformed to the maximum time, geographic and/or business limitations permitted by applicable laws, so as to be valid and enforceable.

(d) Iampietro expressly acknowledges and agrees that the restrictive covenants set forth in Sections 7 and 8 above are absolutely necessary to protect the legitimate business interests of Unilife, because he is employed in a position of trust and confidence and is provided with extensive access to Unilife's most confidential and proprietary trade secrets, and has significant involvement in important business relationships, which constitute the goodwill of Unilife. Iampietro further agrees and acknowledges that these restrictive covenants are reasonable, will not restrict him from earning a livelihood following the termination of employment, and are intended by the parties to be enforceable following termination of employment for any reason.

(e) In the event that Unilife must bring legal action to enforce or seek a remedy for any breach of the provisions of Sections 7 or 8 of this agreement and Iampietro is found by a court to have breached any of these provisions, Iampietro agrees to reimburse Unilife for any and all expenses, including attorneys' fees and court costs, incurred by it in enforcing the terms of these Sections of the agreement.

9. General Release. As a condition of receiving the severance compensation and benefits described in Section 6, Unilife and Iampietro will execute a mutual general release of claims (which is in a form acceptable to Unilife); provided that, to the extent that any claim that Unilife may have against Iampietro would not be covered under the D&O insurance of Unilife, then Unilife would not release such claim under the mutual release. Such general release would not include rights to previously vested options or claims for any compensation or benefits earned (including, without limitation, unused vacation), or reimbursement of expenses incurred, through the date of termination. Such release must be agreed to, executed and irrevocable no later than 30 days following Iampietro's termination date.



10. **Dispute Resolution.** Any controversy, claim or dispute involving the parties (or their affiliated persons) directly or indirectly concerning this agreement shall be finally settled by binding arbitration held in Dauphin County, Pennsylvania by one arbitrator (who is mutually acceptable to both parties as well as licensed to practice law in the Commonwealth of Pennsylvania) in accordance with the rules of employment arbitration then followed by the American Arbitration Association or any successor to the functions thereof. The arbitrator shall apply Pennsylvania law in the resolution of all controversies, claims and disputes and shall have the right and authority to determine how his or her decision or determination as to each issue or matter in dispute may be implemented or enforced. Any decision or award of the arbitrator shall be final and conclusive for both Iampietro and Unilife (and its affiliates), and there shall be no appeal there from other than causes of appeal allowed by the Federal Arbitration Act. Unilife shall bear all costs of the arbitrator in any action brought under this agreement. The arbitrator shall have the power to award attorney's fees and arbitration costs to the prevailing party, if the award of attorney's fees and litigation costs would be permitted by a court. The parties hereto agree that any action to compel arbitration may be brought in the appropriate Pennsylvania state or federal court, and in connection with such action to compel, the laws of the Commonwealth of Pennsylvania and the Federal Arbitration Act shall control. Application may also be made to such court for confirmation of any decision or award of the arbitrator, for an order of the enforcement and for any other remedies, which may be necessary to effectuate such decision or award. The parties hereto hereby consent to the jurisdiction of the arbitrator and of such court and waive any objection to the jurisdiction of such arbitrator and court.

11. **Non-waiver.** A waiver of any provision of this agreement by either party shall not prevent either party from enforcing that provision or any other provision hereof.

12. **Assignment.** This agreement is personal and may not be assigned by Iampietro. Any assignment of this agreement between Unilife (or its successor) and its affiliates (and their successors) shall not constitute a termination of Iampietro's employment hereunder. This agreement (including the Restrictive Covenants set forth in Sections 7 and 8) shall inure to the benefit of and be binding upon any successor to Unilife. The parties specifically understand and agree that the non-compete provisions of Section 8 will inure to the benefit of a successor and that Iampietro will remain bound by these provisions in the event of a sale or corporate reorganization of Unilife.

13. **Severability.** Each provision of this agreement is severable and distinct from, and independent of, every other provision hereof. If one provision hereof is declared void, the remaining provisions shall remain in effect. Any provision of this agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14. **Entire Agreement.** This agreement contains the entire agreement of the parties concerning the employment relationship and supersedes any prior agreements or understandings between the parties concerning the terms and conditions of Iampietro's employment, whether oral or written; provided, however, that Iampietro's equity grants shall be governed by the equity grant documents; provided further, that any stock options or other stock-based awards provided to Iampietro shall be governed by Unilife's stock incentive plans as they are amended from time to time, except as provided herein. The parties acknowledge, in



entering into this agreement that they have not relied upon any promise or inducement not specifically set forth herein. Any changes to this agreement must be in writing and signed by both parties.

15. Section 409A.

(a) This agreement is intended to comply with, or otherwise be exempt from, Code section 409A and any regulations and Treasury guidance promulgated thereunder, and Unilife shall be required to interpret the terms of this agreement as necessary to comply with the requirements of Code section 409A.

(b) Unilife shall undertake to administer, interpret, and construe this agreement in a manner that does not result in the imposition on Iampietro of any additional tax, penalty, or interest under Code section 409A.

(c) Unilife and Iampietro agree that they will execute any and all amendments to this agreement permitted under applicable law as they mutually agree in good faith may be necessary to ensure compliance with the distribution provisions of Code section 409A or as otherwise needed to ensure that this agreement complies with that section.

(d) The preceding provisions, however, shall not be construed as a guarantee by Unilife of any particular tax effect to Iampietro under this agreement. Unilife shall not be liable to Iampietro for any payment made under this agreement that is determined to result in an additional tax, penalty, or interest under Code section 409A, nor for reporting in good faith any payment made under this agreement as an amount includible in gross income under that section.

(e) For purposes of Code section 409A, the right to a series of installment payments under this agreement shall be treated as a right to a series of separate payments.

(f) With respect to any reimbursement of future expenses of, or any provision of in-kind benefits to, Iampietro, as specified under this agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Code section 105(b); (ii) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit. Any tax gross-up payment shall be made by no later than the end of the calendar year following the year in which Iampietro remits the taxes.

(g) "Termination of employment," "resignation," or words of similar import, as used in this agreement means, for purposes of any payments under this agreement that are payments of deferred compensation subject to Code section 409A, Iampietro's "separation from service" as defined in that section.

(h) If a payment obligation under this agreement arises on account of Iampietro's separation from service while Iampietro is a "specified employee" (as defined under Code section 409A and determined in good faith by the Unilife), any payment of "deferred



compensation” (as defined under Treasury regulation section 1.409A-1(b)(1) }, after giving effect to the exemptions in Treasury regulation sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue without interest and shall be paid within 15 days after the end of the six-month period beginning on the date of such separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of Iampietro’s estate following his death.

(i) To the extent that under the terms of the agreement the execution of a general release of claims is a condition to Iampietro receiving severance or other benefits under the agreement, the Company will provide Iampietro with the form of release agreement within seven days after Iampietro’s separation from service. To be entitled to the severance or other benefits, Iampietro must execute and deliver to the Company the release agreement on or before the last day of the minimum required waiver consideration period provided under the Age Discrimination in Employment Act or other applicable law or such other date as may be specified in the release agreement. If Iampietro timely delivers an executed release agreement to the Company, and Iampietro does not revoke the release agreement during the minimum revocation period required under applicable law, if any, the severance or other benefits shall be paid or commence being paid, as applicable, on or after the date on which the release agreement becomes effective as specified in the agreement. If, however, the period during which Iampietro has discretion to execute or revoke the release agreement straddles two calendar years, no such payment shall be made or benefit provided earlier than the first day of the second such calendar year, regardless of within which calendar year Iampietro actually delivers the executed release agreement to the Company. Consistent with Section 409A, Iampietro may not, directly or indirectly, designate the calendar year of payment.

16. Excise Tax on Parachute Payments. Iampietro shall bear all expense of, and be solely responsible for, all federal, state, local or foreign taxes due with respect to any payment received hereunder, including, without limitation, any excise tax imposed by Code section 4999. Notwithstanding the foregoing, if any payment or distribution by Unilife to or for the benefit of Iampietro, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement or the lapse or termination of any restriction on or the vesting or exercisability of any payment or benefit, would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law (such tax or taxes are hereafter collectively referred to as the “Excise Tax”), then the aggregate amount of such payments and benefits (each such payment or benefit, a “Payment”) payable to Iampietro shall be reduced to the aggregate amount of Payments that may be made to Iampietro without incurring an Excise Tax in accordance with the immediately following sentence; provided that such reduction shall only be imposed if the net after-tax benefit of the Payments retained by Iampietro (after giving effect to such reduction) is equal to or greater than the net after-tax benefit (after giving effect to the Excise Tax) of the Payments to Iampietro without any such reduction. If the Firm (as defined below) determines that a reduction is required by this Section 16, then such reduction shall be made in the following order: (i) first, any future cash payments (if any) shall be reduced (if necessary, to zero); (ii) second, any current cash payments shall be reduced (if necessary, to zero); (iii) third, all non-cash payments (other than equity or equity derivative related payments) shall be reduced (if necessary, to zero); and (iv) fourth, all equity or equity derivative payments shall be reduced.

For purposes of this Section 16, “net after-tax benefit” shall mean (i) the total of all Payments which Iampietro receives or is then entitled to receive from Unilife, less (ii) the



amount of all federal, state, local and foreign income taxes payable with respect to such Payment calculated at the maximum marginal income tax rate for each year in which the foregoing shall be paid to Iampietro (based on the rate in effect for such year as set forth in the Code or other applicable tax law as in effect at the time of the first payment of the foregoing), less (iii) the amount of the applicable Excise Tax, if any, imposed with respect to the Payment.

The foregoing determination shall be made by a nationally recognized human resources consulting or accounting firm (the "Firm") selected by Unilife and reasonably acceptable to Iampietro (which may be, but will not be required to be, Unilife's independent auditors). The Firm shall submit its determination and detailed supporting calculations to both Iampietro and Unilife within fifteen (15) days after receipt of a notice from either Unilife or Iampietro that Iampietro may receive Payments. If the Firm determines that none of the Total Payments, after taking into account any reduction required by this Section 16, constitutes a "parachute payment" within the meaning of Code section 280G, it will, at the same time as it makes such determination, furnish Iampietro and Unilife an opinion that Iampietro has substantial authority not to report any excise tax under Code section 4999 on his federal income tax return.

Iampietro and Unilife shall each provide the Firm access to and copies of any books, records, and documents in the possession of Iampietro or Unilife, as the case may be, reasonably requested by the Firm, and otherwise cooperate with the Firm in connection with the preparation and issuance of the determinations and calculations contemplated by this Section 16. The fees and expenses of the Firm for its services in connection with the determinations and calculations contemplated by this Section 16 shall be borne by Unilife.

17. Counterparts. This agreement may be executed on separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

18. Interpretation. The captions and headings of this agreement are not part of the provisions hereof and shall have no force or effect.

19. Notices. Any notices, requests, demands and other communications provided for by this agreement shall be sufficient if in writing and if hand delivered, sent by overnight courier, or sent by registered or certified mail to Iampietro at the last address he has filed in writing with Unilife or, in the case of Unilife, to Unilife's CEO at Unilife's principal executive offices.

20. Governing Law. The terms of this agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to provisions thereof regarding conflict of laws.

21. Representations and Warranties. Iampietro represents and warrants to Unilife that he is not bound by any restrictive covenants and has no prior or other obligations or commitments of any kind that would in any way prevent, restrict, hinder or interfere with Iampietro's acceptance of employment or the performance of all duties and services hereunder to the fullest extent of Iampietro's ability and knowledge, except for the duty of confidentiality owed to former employers. If Iampietro has misrepresented the representation and warranty provided herein, then Iampietro would be liable to Unilife for all damages incurred as a consequence thereof, including attorney's fees and costs of court.


*[Remainder of the page left blank]*



IN WITNESS WHEREOF, and wishing to be legally bound, the parties have executed this agreement as of the date first above written.

UNILIFE CORPORATION:

Mark V. Iampietro:

By: 

Alan D. Shortall  
Chief Executive Officer



**Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Alan Shortall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unilife 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 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: November 10, 2014

/s/ Alan Shortall

Name: Alan Shortall

Title: Chairman and Chief Executive Officer

**Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Dennis P. Pyers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unilife 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 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: November 10, 2014

/s/ Dennis P. Pyers

Name: Dennis P. Pyers

Title: Interim Chief Financial Officer

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

In connection with the quarterly report of Unilife Corporation (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alan Shortall, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my 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: November 10, 2014

/s/ Alan Shortall

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Name: Alan Shortall

Title: Chairman and Chief Executive Officer

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

In connection with the quarterly report of Unilife Corporation (the "Company") on Form 10-Q for the quarterly period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis P. Pyers, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my 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: November 10, 2014

/s/ Dennis P. Pyers

Name: Dennis P. Pyers

Title: Interim Chief Financial Officer