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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

☐ **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 1-13602

Veru Inc.

(Name of registrant as specified in its charter)

Wisconsin	**39-1144397**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
4400 Biscayne Boulevard, Suite 888	
Miami, FL	**33137**
(Address of principal executive offices)	**(Zip Code)**

305-509-6897
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

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 for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

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

As of August 4, 2017, the registrant had 53,208,439 shares of $0.01 par value common stock outstanding.

VERU INC.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements included in this quarterly report on Form 10-Q which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "intend," "may," "opportunity," "plan," "predict," "potential," "estimate," "will," "would" or the negative of these terms or other words of similar meaning. The Company cautions readers that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. Such factors include, among others, the following: the Company's ability to secure adequate capital to fund product development, working capital requirements, advertising and promotional expenditures and strategic initiatives; factors related to increased competition from existing and new competitors including the potential for reduced sales, pressure on pricing and increased spending on marketing; limitations on the Company's opportunities to enter into and/or renew agreements with international partners, the failure of the Company or its partners to successfully market, sell and deliver its products in international markets, and risks inherent in doing business on an international level, such as laws governing medical devices that differ from those in the U.S., unexpected changes in the regulatory requirements, political risks, export restrictions, tariffs and other trade barriers and fluctuations in currency exchange rates; the disruption of production at the Company's manufacturing facilities due to raw material shortages, labor shortages and/or physical damage to the Company's facilities; the Company’s reliance on its major customers and risks relating to delays in payment of accounts receivable by major customers; the Company's ability to manage its growth and to adapt its administrative, operational and financial control systems to the needs of the expanded entity and the failure of management to anticipate, respond to and manage changing business conditions; the loss of the services of executive officers and other key employees and the Company's continued ability to attract and retain highly-skilled and qualified personnel; the costs and other effects of litigation, governmental investigations, legal and administrative cases and proceedings, settlements and investigations; product demand and market acceptance; risks related to the development of the Company's product portfolio, including clinical trials, regulatory approvals and time and cost to bring to market; many of the Company's products are at an early stage of development and the Company may fail to successfully commercialize such products; risks related to intellectual property, including licensing risks; government contracting risks, including the appropriations process and funding priorities, potential bureaucratic delays in awarding contracts, process errors, politics or other pressures, and the risk that government tenders and contracts may be subject to cancellation, delay or restructuring; a governmental tender award indicates acceptance of the bidder's price rather than an order or guarantee of the purchase of any minimum number of units, and as a result government ministries or other public sector customers may order and purchase fewer units than the full maximum tender amount; the Company’s ability to identify, successfully negotiate and complete suitable acquisitions or other strategic initiatives; and the Company’s ability to successfully integrate acquired businesses, technologies or products. Such uncertainties and other risks that may affect the Company's performance are discussed further in Part I, Item 1A, "Risk Factors," in the Company's Form 10-K for the year ended September 30, 2016. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this report or to update them to reflect events or circumstances occurring after the date of this report.

Item 1. Financial Statements

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017	September 30, 2016
ASSETS		
Current Assets:		
Cash	$ 2,671,132	$ 2,385,082
Accounts receivable, net	5,760,147	10,775,200
Income tax receivable	37,104	2,387
Inventory, net	2,765,369	2,492,644
Prepaid expenses and other current assets	800,814	634,588
TOTAL CURRENT ASSETS	12,034,566	16,289,901
PLANT AND EQUIPMENT		
Equipment, furniture and fixtures	4,165,498	4,625,472
Leasehold improvements	300,752	323,147
Less accumulated depreciation and amortization	(3,793,950)	(4,123,532)
Plant and equipment, net	672,300	825,087
Other trade receivables	7,837,500	7,837,500
Other assets	183,317	189,219
Deferred income taxes	9,027,096	13,482,000
Intangible assets, net	20,793,084	—
Goodwill	6,878,932	—
TOTAL ASSETS	$ 57,426,795	$ 38,623,707
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,915,772	$ 701,035
Accrued expenses and other current liabilities	1,593,830	2,380,571
Unearned revenue	964,382	—
Accrued compensation	396,893	264,871
TOTAL CURRENT LIABILITIES	4,870,877	3,346,477
LONG-TERM LIABILITIES		
Other liabilities	1,233,750	1,233,750
Deferred rent	61,442	—
Deferred income taxes	465,766	110,069
TOTAL LIABILITIES	6,631,835	4,690,296
Series 4 Preferred Stock	17,981,883	—
Commitments and Contingencies	—	—
STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	335,220	312,740
Additional paid-in-capital	72,449,908	69,660,010
Accumulated other comprehensive loss	(581,519)	(581,519)
Accumulated deficit	(31,583,927)	(27,651,215)
Treasury stock, at cost	(7,806,605)	(7,806,605)
TOTAL STOCKHOLDERS' EQUITY	32,813,077	33,933,411
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 57,426,795	$ 38,623,707

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2017	2016
Net revenues	$ 4,314,068	$ 5,560,776
Cost of sales	2,019,154	2,327,583
Gross profit	2,294,914	3,233,193
Operating expenses:		
Selling, general and administrative	3,134,239	2,361,951
Research and development	426,811	22,723
Total operating expenses	3,561,050	2,384,674
Operating (loss) income	(1,266,136)	848,519
Non-operating expenses:		
Interest and other expense, net	(13,323)	(7,399)
Foreign currency transaction loss	(20,143)	(39,651)
Total non-operating expenses	(33,466)	(47,050)
(Loss) income before income taxes	(1,299,602)	801,469
Income tax (benefit) expense	(509,713)	231,211
Net (loss) income	$ (789,889)	$ 570,258
Net (loss) income per basic common share outstanding	$ (0.03)	$ 0.02
Basic weighted average common shares outstanding	30,991,247	28,655,970
Net (loss) income per diluted common share outstanding	$ (0.03)	$ 0.02
Diluted weighted average common shares outstanding	30,991,247	29,054,147

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine Months Ended June 30,	
	2017	**2016**
Net revenues	$ 9,963,186	$ 18,564,236
Cost of sales	4,738,333	7,083,311
Gross profit	5,224,853	11,480,925
Operating expenses:		
Selling, general and administrative	8,909,939	8,073,288
Research and development	2,034,973	96,138
Total operating expenses	10,944,912	8,169,426
Operating (loss) income	(5,720,059)	3,311,499
Non-operating expenses:		
Interest and other expense, net	(35,630)	(54,551)
Foreign currency transaction loss	(40,838)	(128,442)
Total non-operating expenses	(76,468)	(182,993)
(Loss) income before income taxes	(5,796,527)	3,128,506
Income tax (benefit) expense	(1,863,815)	1,032,840
Net (loss) income	$ (3,932,712)	$ 2,095,666
Net (loss) income per basic common share outstanding	$ (0.13)	$ 0.07
Basic weighted average common shares outstanding	30,983,271	28,647,275
Net (loss) income per diluted common share outstanding	$ (0.13)	$ 0.07
Diluted weighted average common shares outstanding	30,983,271	29,058,576

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock at Cost	Total
Balance at September 30, 2016	$ —	31,273,954	$ 312,740	$69,660,010	$ (581,519)	$(27,651,215)	$(7,806,605)	$33,933,411
Share-based compensation	—	247,999	2,480	440,871	—	—	—	443,351
Issuance of 2,000,000 shares of common stock in connection with the APP Merger.	—	2,000,000	20,000	1,806,097	—	—	—	1,826,097
Issuance of 2,585,379 warrants in connection with the APP Merger.	—	—	—	542,930	—	—	—	542,930
Net loss	—	—	—	—	—	(3,932,712)	—	(3,932,712)
Balance at June 30, 2017	$ —	33,521,953	$ 335,220	$72,449,908	$ (581,519)	$(31,583,927)	$(7,806,605)	$32,813,077

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30,	
	2017	2016
OPERATING ACTIVITIES		
Net (loss) income	$ (3,932,712)	$ 2,095,666
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	267,193	327,632
Amortization of intangible assets	106,916	—
Share-based compensation	527,785	364,700
Warrants issued	542,930	—
Deferred income taxes	(1,989,399)	789,197
Loss on disposal of fixed assets	9,973	496
Changes in current assets and liabilities, net of effects of acquisition of a business:		
Decrease (increase) in accounts receivable	5,022,028	(4,548,253)
Decrease (increase) in income tax receivable	(34,717)	(7,749)
Decrease (increase) in inventory	(131,684)	(592,256)
Decrease (increase) in prepaid expenses and other assets	(159,985)	10,750
(Decrease) increase in accounts payable	127,525	(17,939)
(Decrease) increase in unearned revenue	964,382	—
(Decrease) increase in accrued expenses and other current liabilities	(914,763)	686,051
Net cash provided by (used in) operating activities	405,472	(891,705)
INVESTING ACTIVITIES		
Capital expenditures	(119,422)	(3,425)
Net cash used in investing activities	(119,422)	(3,425)
Net increase (decrease) in cash	286,050	(895,130)
Cash at beginning of period	2,385,082	4,105,814
CASH AT END OF PERIOD	$ 2,671,132	$ 3,210,684
Supplemental Disclosure of Cash Flow Information:		
Cash payments for income taxes paid	$ 215,893	$ 276,284
Schedule of noncash financing and investing activities:		
Issuance of common stock in connection with the APP Merger	$ 1,826,097	—
Issuance of Series 4 Preferred Stock in connection with the APP Merger	$ 17,981,883	—
Reduction of accrued expense upon issuance of shares	$ 22,176	—

See notes to unaudited condensed consolidated financial statements.

VERU INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited but in the opinion of management contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position and the results of operations and cash flow for the periods presented in conformity with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

Operating results for the three and nine months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2017. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2016.

Principles of Consolidation and Nature of Operations

Veru Inc. (Veru or the Company) is a biopharmaceutical company focused on urology and oncology. The Company does business as both "Veru Healthcare" and "The Female Health Company." On July 31, 2017, the Company changed its corporate name from The Female Health Company to Veru Inc.

Veru specifically focuses on the development and commercialization of pharmaceutical products that qualify for FDA's 505(b)(2) regulatory approval pathway, which is designed to allow for potentially expedited regulatory approval based on a previously established safety and efficacy profile of the product. The Company is developing products under the 505(b)(1) pathway as well, which is the traditional new drug application (NDA) pathway. The Company is currently developing prescription products for benign prostatic hyperplasia (BPH or enlarged prostate), hot flashes associated with prostate cancer hormone treatment, male infertility and novel oral chemotherapy for a variety of malignancies, including metastatic prostate, breast and ovarian cancers. In addition, the Company initiated selling the FC2 Female Condom® in the US via prescription in April 2017 through its own dedicated sales force. The Company also sells PREBOOST® (4% benzocaine medicated individual wipe), which is a male genital desensitizing drug for the prevention of premature ejaculation, direct to consumers.

The Company’s division, The Female Health Company, manages the Global Public Health Division, which is focused on the global public health sector FC2 business. This division manufactures and markets the Company’s Female Condom (FC2) to entities, including ministries of health, government health agencies, U.N. agencies, nonprofit organizations and commercial partners, that work to support and improve the lives, health and well-being of women around the world.

The consolidated financial statements include the accounts of Veru and its wholly owned subsidiaries, Aspen Park Pharmaceuticals, Inc. (APP) and The Female Health Company Limited, and The Female Health Company Limited’s wholly owned subsidiaries, The Female Health Company (UK) plc and The Female Health Company (M) SDN.BHD. All significant intercompany transactions and accounts have been eliminated in consolidation. Prior to the completion of the acquisition of APP through the merger of a wholly owned subsidiary of the Company into APP (the APP Merger) (see Note 3, APP Merger Transaction), the Company had been a single product company engaged in marketing, manufacturing and distributing a consumer health care product, the FC2 female condom. The Female Health Company Limited, is the holding company of The Female Health Company (UK) plc, which is located in London, England (collectively the U.K. subsidiary). The Female Health Company (M) SDN.BHD leases a manufacturing facility located in Selangor D.E., Malaysia (the Malaysia subsidiary). The Company headquarters is located in Miami, Florida and a regional office is located in Chicago, Illinois, both in leased office facilities.

FC2 has been distributed in either or both commercial (private sector) and public health sector markets in 144 countries. It is marketed to consumers through distributors, public health programs and retailers in 16 countries.

The Company's standard credit terms vary from 30 to 120 days, depending on the class of trade and customary terms within a territory, so accounts receivable is affected by the mix of purchasers within the period. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion or for certain sales. The Company has agreed to credit terms of up to 150 days with our distributor in the Republic of South Africa. For the most recent order of 15 million units under the Brazil tender, the Company has agreed to up to 360 day credit terms with our distributor in Brazil subject to earlier payment upon receipt of payment by the distributor from the Brazilian Government. For the past twelve months, the Company's average days' sales outstanding has averaged approximately429 days. The balance in the allowance for doubtful accounts was $38,000 at both June 30, 2017 and September 30, 2016.

Unearned Revenue

FC2 is distributed in the U.S. prescription channel principally through the retail pharmacy, which initiates through large pharmaceutical wholesalers in the U.S. Unearned revenue as of June 30, 2017 was $964,382 and was com-prised mainly of sales made to wholesalers. We lack the experiential data which would allow us to estimate returns; therefore, as of June 30, 2017, we have determined that we do not yet meet the criteria for the recognition of reve-nue at the time of shipment to wholesalers as allowances for returns cannot be reasonably estimated. Accordingly, the Company deferred recognition of revenue on prescription products sold to wholesale distributors until the right of return no longer exists, which occurs at the earlier of the time the prescription products were dispensed through patient prescriptions or expiration of the right of return. The corresponding costs of product revenues for which we have not recognized product revenue have similarly not yet been reflected in our Unaudited Condensed Consoli-dated Statement of Operations.

Restricted cash

Restricted cash relates to security provided to one of the Company's U.K. banks for performance bonds issued in favor of customers. The Company has a facility of $250,000 for such performance bonds. Such security has been extended infrequently and only on occasions where it has been a contract term expressly stipulated as an absolute requirement by the funds' provider. The expiration of the bond is defined by the completion of the event such as, but not limited to, a period of time after the product has been distributed or expiration of the product shelf life. Restricted cash was $134,247 and $134,443 at June 30, 2017 and September 30, 2016, respectively, and is included in cash on the accompanying Unaudited Condensed Consolidated Balance Sheets.

Foreign Currency and Change in Functional Currency

The Company recognized a foreign currency transaction loss of $20,143 and $40,838 for the three and nine months ended June 30, 2017, respectively, compared to a loss of $39,651 and $128,442 for the three and nine months ended June 30, 2016, respectively. The consistent use of the U.S. dollar as functional currency across the Company reduces its foreign currency risk and stabilizes its operating results. As a result of the U.S. dollar being the functional currency of the Company and all of its subsidiaries, comprehensive income is equivalent to the reported net income.

Business Combinations

The Company accounts for acquisitions using the acquisition method of accounting which requires the recognition of tangible and identifiable intangible assets acquired and liabilities assumed at their estimated fair values as of the business combination date. The Company allocates any excess purchase price over the estimated fair value assigned to the net tangible and identifiable intangible assets acquired and liabilities assumed to goodwill. Transaction costs are expensed as incurred in general and administrative expenses. Results of operations and cash flows of acquired companies are included in the Company's operating results from the date of acquisition.

Goodwill and Intangible Assets

Goodwill represents the excess of the consideration transferred over the estimated fair value of assets acquired and liabilities assumed in a business combination. Intangible assets with indefinite useful lives are related to acquired in-process research and development projects and are measured at their respective fair values as of the acquisition date. Goodwill and intangible assets with indefinite useful lives are not amortized but are tested for impairment on an annual basis or more frequently if the Company becomes aware of any events or changes that would indicate the fair values of the assets are below their carrying amounts. Intangible assets related to in-process research and development projects are considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts. If and when development is complete, which generally occurs if and when regulatory approval to market a product is obtained, the associated assets are deemed finite-lived and are amortized based on their respective estimated useful lives at that point in time. The Company has not recorded an impairment of goodwill or in-process research and development since inception.

Intangible assets with finite useful lives are amortized over their estimated useful lives, either on a straight-line basis or over the projected related revenue stream.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment and definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated from the use of the asset and its eventual disposition. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the impaired assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell. The Company has not recorded an impairment of long-lived assets since inception.

Accrued Research and Development Costs

The Company records accrued liabilities for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical studies and clinical trials and contract manufacturing activities. These costs are a significant component of the Company's research and development expenses. The Company accrues for these costs based on factors such as estimates of the work completed and in accordance with agreements established with its third-party service providers under the service agreements. The Company makes significant judgments and estimates in determining the accrued liabilities balance in each reporting period. As actual costs become known, the Company adjusts its accrued liabilities. The Company has not experienced any material differences between accrued costs and actual costs incurred. However, the status and timing of actual services performed, number of patients enrolled and the rate of patient enrollments may vary from the Company's estimates, resulting in adjustments to expense in future periods. Changes in these estimates that result in material changes to the Company's accruals could materially affect the Company's results of operations.

Series 4 Preferred Stock

The Company issued 546,756 shares of Class A Convertible Preferred Stock – Series 4 (the Series 4 Preferred Stock) in connection with the completion of the APP Merger on October 31, 2016. The Series 4 Preferred Stock is classified as temporary equity in the balance sheet due to the requirement that the Company redeem the Series 4 Preferred Stock for cash upon certain events, including liquidation or sale of the Company or the 20th anniversary of the date of issuance of the Series 4 Preferred Stock. The carrying values of the Series 4 Preferred Stock were not adjusted to the cash redemption price of such shares because it is not considered probable that the shares will be redeemed for cash. The outstanding shares of Series 4 Preferred Stock automatically converted into shares of the Company's common stock effective July 31, 2017 as described in Note 11, Subsequent Events.

Recently Issued Accounting Pronouncement

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires deferred tax liabilities and assets to be classified as non-current in the consolidated balance sheet. Current accounting principles require an entity to separate deferred income tax liabilities and assets into current and non-current amounts in a classified statement of financial position. ASU 2015-17 will be effective for the Company beginning on October 1, 2017. Early adoption of the standard is permitted, and the Company adopted this standard during the quarter ended December 31, 2016 and applied it to all periods presented. Adoption of this standard resulted in presenting current and prior period deferred tax assets and liabilities as non-current and net of one another on the balance sheet. These non-current deferred tax assets and liabilities are netted by tax jurisdiction. Current deferred tax assets totaling $2,025,000 at September 30, 2016 were reclassified to non-current and presented net with non-current deferred tax liabilities.

Reclassifications

Certain items in the September 30, 2016 consolidated financial statements have been reclassified to conform to the June 30, 2017 presentation.

NOTE 2 – (Loss) Income per Share

Basic (loss) income per common share is computed by dividing net (loss) income by the weighted average number of common shares outstanding for the period. Diluted (loss) income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period after giving effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, and unvested shares granted to employees and directors.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Weighted average common shares outstanding - basic	30,991,247	28,655,970	30,983,271	28,647,275
Net effect of dilutive securities:				
Options	—	1,624	—	14,748
Unvested restricted shares	—	396,553	—	396,553
Total net effect of dilutive securities	—	398,177	—	411,301
Weighted average common shares outstanding - diluted	30,991,247	29,054,147	30,983,271	29,058,576
(Loss) income per common share – basic	$ (0.03)	$ 0.02	$ (0.13)	$ 0.07
(Loss) income per common share – diluted	$ (0.03)	$ 0.02	$ (0.13)	$ 0.07

Options to purchase 297,500 shares of common stock, warrants to purchase 2,585,379 shares of common stock, and 198,750 unvested restricted shares that were outstanding during the three and nine months ended June 30, 2017 were not included in the computation of diluted net loss per share because their effect was anti-dilutive. Series 4 Preferred Stock is convertible into common stock; however, there were not sufficient common shares for conversion during the three and nine months ended June 30, 2017, and therefore the Series 4 Preferred Stock is not included in the calculation. Options to purchase approximately 90,000 and 17,500 shares of common stock at exercise prices of $3.92 per share and $1.82 per share, respectively, that were both outstanding during the three and nine months ended June 30, 2016 were not included in the computation of diluted net income per share because their effect was anti-dilutive. All other outstanding stock options and unvested restricted shares were included in the computation of diluted net income per share for the three and nine months ended June 30, 2016.

Note 3 – APP Merger Transaction

On October 31, 2016, as part of the Company's strategy to diversify its product line to mitigate the risks of being a single product company, the Company completed its acquisition of APP through the APP Merger. APP is a company focused on the development and commercialization of pharmaceutical and consumer health products for men's and women's health and oncology. For men, product and product candidates are in the areas of benign prostatic hyperplasia, male infertility, amelioration of side effects of hormonal prostate cancer therapies, gout, sexual dysfunction, and prostate cancer. For women, product candidates are for advanced breast and ovarian cancers and for female sexual health.

The APP Merger was pursuant to an Amended and Restated Agreement and Plan of Merger, dated as of October 31, 2016, (the Amended Merger Agreement), among the Company, APP, and the Company's wholly owned subsidiary Blue Hen Acquisition, Inc. (APP Merger Sub). Pursuant to the Amended Merger Agreement, on October 31, 2016, APP became a wholly-owned subsidiary of the Company through the merger of APP Merger Sub with and into APP with APP continuing as the surviving corporation. Consummation of the APP Merger did not require the current approval of the Company's shareholders.

Under the terms of the Amended Merger Agreement, pursuant to the APP Merger, the outstanding shares of APP common stock and preferred stock were converted into the right to receive in the aggregate 2,000,000 shares of the Company's common stock and 546,756 shares of Series 4 Preferred Stock.

The terms of the Series 4 Preferred Stock include the following:

- Each share of Series 4 Preferred Stock will automatically convert into 40 shares of the Company's common stock upon receipt by the Company of approval by the affirmative vote of the Company's shareholders by the required vote under the Wisconsin Business Corporation Law and the NASDAQ listing rules, as applicable, of (i) an amendment to the Company's Amended and Restated Articles of Incorporation to increase the total number of authorized shares of the Company's common stock by a sufficient amount to permit such conversion and (ii) the conversion of the Series 4 Preferred Stock pursuant to applicable NASDAQ rules.
- Upon a Liquidation Event, the holders of the Series 4 Preferred Stock will be entitled to a liquidation preference equal to the greater of (a) $1.00 per share (or $546,756 in the aggregate for all of the shares of Series 4 Preferred Stock), or (b) the amount holders would have received if the Series 4 Preferred Stock had converted to the Company's common stock. A "Liquidation Event" includes any voluntary or involuntary liquidation, dissolution or winding up of the Company and certain transactions involving an acquisition of the Company (which are referred to as Fundamental Changes).
- The Series 4 Preferred Stock is redeemable on the first to occur of (i) the 20th anniversary of the date of original issuance or (ii) a Fundamental Change, at a price equal to $1.00 per share, unless converted into the Company's common stock prior to such redemption.
- The Series 4 Preferred Stock is senior to all existing and future classes of the Company's capital stock upon a Liquidation Event, and no senior or additional pari passu preferred stock may be issued without the consent of the holders of a majority of the outstanding shares of Series 4 Preferred Stock.
- The Series 4 Preferred Stock participates in dividends paid to holders of the Company's common stock on an as converted basis.
- The Series 4 Preferred Stock has one vote per share and will generally vote with the Company's common stock on a one share to one share basis.

The outstanding shares of Series 4 Preferred Stock automatically converted into shares of the Company's common stock effective July 31, 2017 as described in Note 11, Subsequent Events

Each of Harry Fisch, M.D., Karen Fisch, K&H Fisch Family Partners, LLC and Mitchell Steiner, M.D., has entered into an Amended and Restated Lock-Up Agreement (the Lock-Up Agreements) with the Company which generally prohibits each such holder from transferring 75% of the shares of the Company's common stock and Series 4 Preferred Stock the holder is entitled to receive in the APP Merger for a period of 18 months following the closing of the APP Merger.

The shares of the Company's common stock and Series 4 Preferred Stock that are subject to the Lock-Up Agreements are being held in escrow for a period of one-year following the closing of the APP Merger as the sole remedy for APP's indemnification obligations set forth in the Amended Merger Agreement pursuant to the terms of an Escrow Agreement. Seventy-five percent of the shares held in escrow are eligible for release from escrow six months after the closing of the APP Merger, although any shares released from escrow will remain subject to the Lock-Up Agreements until the end of their term.

In connection with the APP Merger, the Company entered into a Registration Rights Agreement (the RRA) with the former APP stockholders granting them certain "Demand" and "Piggyback" registration rights for a period of up to 5 years. The Company will pay for the expenses of registration and related costs but not the selling expenses related thereto. The Company is only required to use its best efforts and in the event the registration does not occur, the Company is not required to pay any compensation to the former APP stockholders. The Company has evaluated the RAA under ASC 825-20, Registration Payment Arrangements, and determined accounting recognition is not required.

The allocation of acquisition consideration for APP is based on estimates, assumptions, valuations and other studies which have not yet been finalized in order to make a definitive allocation.

A summary of the total purchase consideration on October 31, 2016 is as follows:

Common stock	$	1,826,097
Series 4 Preferred Stock		17,981,883
Total purchase consideration	$	19,807,980

The total estimated purchase price of approximately $19,807,980 is based on the issuance to the APP stockholders of a total of 2,000,000 shares of the Company's common stock and 546,756 shares of Series 4 Preferred Stock. The common stock issued was valued based on the share price of the Company's common stock on October 31, 2016 less an 8 percent discount on the shares subject to the Lock-Up Agreements, due to the lack of liquidity since the shares are not freely tradeable for a set time period. The Series 4 Preferred Stock were valued using an as-converted basis based on the share price of the Company's common stock on October 31, 2016 less a 12 percent discount since the shares are not registered and inherently difficult to sell prior to the conversion to common stock. A 5 percent discount was also applied in the valuation due to the probability that the Series 4 Preferred Stock will never be converted to common stock. After giving effect to the conversion of the Series 4 Preferred Stock to common stock, which is wholly dependent upon future shareholder approval, the former APP stockholders will own 23,870,240 shares of the Company's common stock in total, constituting approximately 45% of the outstanding shares of the Company's common stock as of October 31, 2016.

The results of operations and the provisional fair values of the acquired assets and liabilities assumed have been included in the accompanying consolidated financial statements since the acquisition date.

The Company incurred $1,396 and $935,781 in acquisition-related costs which were recorded within operating expenses for the three and nine months ended June 30, 2017, respectively, compared to $833,739 and $1,014,037 for the three and nine months ended June 30, 2016, respectively.

The following table summarizes the fair value of assets acquired and liabilities assumed on October 31, 2016:

Recognized amounts of identifiable assets acquired:		
Cash	$	43,118
Accounts receivable		6,975
Inventory		141,041
Prepaid expenses and other		339
Equipment, furniture, and fixtures		1,290
Intangible assets:		
In-process research and development		18,000,000
Developed technology - PREBOOST®		2,400,000
Covenants not-to-compete		500,000
Total intangible assets		20,900,000
		21,092,763
Recognized amounts of identifiable liabilities assumed:		
Accounts payable		(1,087,212)
Accrued expenses		(276,503)
Deferred tax liabilities		(6,800,000)
		(8,163,715)
Total identifiable net assets acquired		12,929,048
Goodwill		6,878,932
	$	19,807,980

APP has a developed technology in PREBOOST®. In-process research and development represents incomplete research and development projects at APP. The fair value of the developed technology and in-process research and development were determined using the income approach, which was prepared based on forecasts by management.

Purchase price in excess of assets acquired and liabilities assumed is recorded as goodwill. Goodwill is not deductible for tax purposes.

Pro Forma Financial Information

The amounts of pro forma, unaudited net revenues and net(loss) income of the combined entity had the acquisition date been October 1, 2015 are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Net revenues	$ 4,314,068	$ 5,565,805	$ 9,964,330	$ 18,577,061
Net (loss) income	$ (789,889)	$ (304,565)	$ (4,500,067)	$ 283,884

In connection with the APP Merger, a consolidated complaint has been filed against the Company and its directors alleging breach of fiduciary duty. The Company intends to vigorously defend this lawsuit.

NOTE 4 - Inventory

Inventory consists of the following components at June 30, 2017 and September 30, 2016:

	June 30, 2017	September 30, 2016
FC2		
Raw material	$ 439,104	$ 670,802
Work in process	69,164	—
Finished goods	2,437,165	1,834,958
Inventory, gross	2,945,433	2,505,760
Less: inventory reserves	(294,884)	(13,116)
FC2, net	2,650,549	2,492,644
PREBOOST®		
Finished goods	114,820	—
Inventory, net	$ 2,765,369	$ 2,492,644

NOTE 5 – Line of Credit

On December 29, 2015, the Company entered into a Credit Agreement (the Credit Agreement) with BMO Harris Bank N.A. (BMO Harris Bank). The Credit Agreement provides the Company with a revolving line of credit of up to $10 million with a term that extends to December 29, 2017. Borrowings under the Credit Agreement bear interest, at the Company's option, at a base rate or at LIBOR plus 2.25%. The Company is also required to pay a commitment fee at the rate of0.10% per annum on the average daily unused portion of the revolving line of credit. The Company's obligations under the Credit Agreement are secured by a lien against substantially all of the assets of the Company and a pledge of 65% of the outstanding shares of The Female Health Company Limited and all of the outstanding shares of APP. In addition to other customary representations, covenants and default provisions, the Company is required to maintain a minimum tangible net worth and to not exceed a maximum total leverage ratio. Among the non-financial covenants, the Company is restricted in its ability to pay dividends, buy back shares of its common stock, incur additional debt and make acquisitions above certain amounts.

The completion of the APP Merger (see Note 3, APP Merger Transaction) resulted in a default in the Company's compliance with certain covenants in the Credit Agreement and constituted an "event of default" under the Credit Agreement.

On November 28, 2016, the Company, Badger Acquisition Sub, Inc., wholly owned subsidiary of the Company, APP and BMO Harris Bank entered into a Third Amendment to the Credit Agreement (the Amendment). Pursuant to the Amendment, BMO Harris Bank waived the defaults in the Company's compliance with the covenants in the Credit Agreement as a result of the completion of the merger transaction with APP and APP became a co-borrower under the Credit Agreement. As a result, the revolving line of credit remains in effect under the terms of the Credit Agreement until the end of its term on December 29, 2017.

No amounts were outstanding under the Credit Agreement at either June 30, 2017 or September 30, 2016.

NOTE 6 – Share-Based Payments

In March 2008, the Company's shareholders approved the 2008 Stock Incentive Plan which is utilized to provide equity opportunities and performance–based incentives to attract, retain and motivate those persons who make (or are expected to make) important contributions to the Company. A total of 2 million shares are available for issuance under this plan. As of June 30, 2017, a total of 1,824,802 shares had been granted under the plan and not forfeited or are subject to outstanding commitments to issue shares under the plan, of which 297,500 shares were in the form of stock options and the remainder were in the form of restricted stock or other share grants. On July 28, 2017, the Company's shareholders approved the 2017 Equity Incentive Plan, which replaces the 2008 Stock Incentive Plan. No further awards will be made under the 2008 Stock Incentive Plan. A total of 4.7 million shares are available for issuance under the 2017 Equity Incentive Plan.

Stock Options

The Company granted 190,000 options at an exercise price of $0.95 to an outside director and an employee under the 2008 Stock Incentive Plan during the nine months ended June 30, 2017. The Company did not grant any options during the three months ended June 30, 2017. Options issued under this plan expire in 10 years with vesting over a one-year period from the grant date. The Company granted 17,500 options to certain employees under the 2008 Stock Incentive Plan during the three and nine months ended June 30, 2016. Options issued under this plan expire in 10 years with vesting over a two-year period with one-half vesting on the first anniversary of the grant date and one-half vesting on the second anniversary of the grant date. Based on the Company's history of prior forfeitures and future expectations it was determined that there would be no forfeiture rate used for these grants.

Compensation expense is recognized only for share-based payments expected to vest. Stock compensation expense related to options was approximately $20,509 and $58,356 for the three and nine months ended June 30, 2017, respectively. No stock compensation expense related to options was recognized for the three and nine months ended June 30, 2016.

During the nine months ended June 30, 2017, the Company used historical volatility of our common stock over a period equal to the expected life of the options to estimate their fair value. The dividend yield assumption is based on the Company's history and expectation of future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term.

The expected term of the options represents the estimated period of time until exercise and is based on the simplified method. To value options granted for actual stock-based compensation, the Company used the Black-Scholes option valuation model. When the measurement date is certain, the fair value of each option grant is estimated on the date of grant and is based on the assumptions used for the expected stock price volatility, expected term, risk-free interest rates and future dividend payments.

There were 90,000 stock options granted under the 1997 Stock Option Plan that expired during the nine months ended June 30, 2017. The 1997 Stock Option Plan expired on December 31, 2006, and no more options are outstanding under the plan.

No stock options were exercised during the three and nine months ended June 30, 2017 or 2016.

The following table summarizes the stock options outstanding and exercisable at June 30, 2017:

	Options Outstanding at June 30, 2017	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options Exercisable at June 30, 2017	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Total	297,500	7.06	$ 1.90	$ 19,000	90,000	1.92	$ 3.92	$ —

The aggregate intrinsic value in the table above is before income taxes, based on the closing price of the Company's common stock of $1.05 per share as of the last business day of the period ended June 30, 2017. As of June 30, 2017, the Company had unrecognized compensation expense of $29,085 related to unvested stock options. These expenses will be recognized over approximately 0.76 years.

Restricted Stock

The Company issues restricted stock to employees, directors and consultants. Such issuances may have vesting periods that range from one to three years. In addition, the Company has issued stock awards to certain employees that provide for future issuance contingent on continued employment for periods that range from one to three years.

During the nine months ended June 30, 2017, the Company granted a total of 190,000 shares of restricted stock or shares issuable pursuant to promises to issue shares of common stock. The fair value of the awards granted was approximately $181,000. All such shares of restricted stock vest and all such shares must be issued pursuant to the vesting period noted, provided the grantee has not voluntarily terminated service or been terminated for cause prior to the vesting or issuance. There were zero and 26,500 shares of restricted stock forfeited during the three and nine months ended June 30, 2017, respectively.

On October 31, 2016, vesting was accelerated in connection with the closing of the APP Merger as to 152,717 restricted shares and the right to receive 68,832 shares, or at the holder's election cash based on the fair market value of the shares, held by employees and directors. Holders elected to receive 42,332 shares in common stock and the value of 26,500 shares in cash based on the stock price at the time of vesting of $0.95 per share.

The Company granted a total of 101,250 shares of restricted stock or shares issuable pursuant to promises to issue shares of common stock during the nine months ended June 30, 2016. The stock granted during the nine months ended June 30, 2016 includes rights to receive a total of 13,498 shares, or at a holder's election cash based on the fair market value of the shares, contingent on continued employment or service. The fair value of the awards granted was approximately $153,000. All such shares of restricted stock vest and all such shares must be issued at the end of the applicable period, provided the grantee has not voluntarily terminated service or been terminated for cause prior to the vesting or issuance date. There were no shares of restricted stock forfeited during the three and nine months ended June 30, 2016.

The Company recognized share-based compensation expense for restricted stock or promises to issue shares of common stock of approximately $49,000 and $352,000 for the three and nine months ended June 30, 2017, respectively. Share-based compensation expense for restricted stock or promises to issue shares of common stock for the three and nine months ended June 30, 2016 was approximately $107,000 and $362,000, respectively, of which $81,000 was included in accrued expenses at June 30, 2016. This compensation expense was included in operating expenses on the accompanying Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2017 and 2016. As of June 30, 2017, there was approximately $72,000, representing approximately 71,000 unvested shares, of total unrecognized compensation cost related to non-vested restricted stock compensation arrangements granted under the Company's equity compensation plans. This unrecognized cost will be recognized over the weighted average period of the next 0.38 years.

Common Stock Purchase Warrants

In connection with the closing of the APP Merger, the Company issued a warrant to purchase up to 2,585,379 shares of the Company's common stock to Torreya Capital, the Company's financial advisor (the Financial Advisor Warrant). The Financial Advisor Warrant has a five-year term, a cashless exercise feature and a strike price equal to $1.93 per share, the average price of the Company's common stock for the ten-day period preceding the original announcement of the APP Merger on April 6, 2016. The fair value of the Financial Advisor Warrant is based on the closing price of the Company's common stock on October 31, 2016 of $0.95. The fair value of the Financial Advisor Warrant of $542,930 was estimated at the date of grant using the Black-Scholes option pricing model assuming expected volatility of 47.2 percent, risk-free interest rate of 1.31 percent, expected life of five years, and no dividend yield. The Financial Advisor Warrant vested upon issuance. Half of the shares subject to the Financial Advisor Warrant, or 1,292,690 shares, are locked-up for a period of 18 months from the issuance date. The Financial Advisor Warrant is recorded as a component of additional paid-in-capital and the Financial Advisor Warrant expense is included in operating expenses for the nine months ended June 30, 2017.

Restricted Stock Units

In connection with the closing of the APP Merger, the Company issued 50,000 and 140,000 restricted stock units to an employee and an outside director, respectively, that vest on October 31, 2018. The restricted stock units will be settled in the Company's common stock if, prior to the vesting date, the Company receives shareholder approval under NASDAQ Rule 5635(c) to increase the number of authorized shares under the 2008 Stock Incentive Plan sufficient to issue such shares or adopt a new plan under which such shares would be issued. With the approval of the 2017 Equity Incentive Plan by shareholders on July 28, 2017, such restricted stock units will be settled in common stock issued under the 2017 Equity Incentive Plan. The restricted stock units will be revalued monthly using the Company's current stock price on the last business day of the month during the vesting period of two years. Stock compensation expense related to the restricted stock units was approximately $26,415 and $66,318 for the three and nine months ended June 30, 2017, respectively, and is recorded as a component of accrued expenses and other current liabilities. The fair value of the restricted stock units isapproximately $199,500 as of June 30, 2017.

Stock Appreciation Rights

In connection with the closing of the APP Merger, the Company issued stock appreciation rights based on 50,000 and 140,000 shares of the Company's common stock to an employee and an outside director, respectively, that vest on October 31, 2018. The stock appreciations rights have a ten-year term. Exercise price per share was $0.95, which was the closing price of a share of the Company's common stock as quoted on NASDAQ on the trading day immediately preceding the date of the completion of the APP Merger. The stock appreciation rights will be settled in the Company's common stock if, prior to the exercise date, the Company receives shareholder approval under NASDAQ Rule 5635(c) to increase the number of authorized shares under the 2008 Stock Incentive Plan sufficient to issue such shares or adopt a new plan under which such shares would be issued. With the approval of the 2017 Equity Incentive Plan by shareholders on July 28, 2017, such stock appreciation rights will be settled in common stock issued under the 2017 Equity Incentive Plan. The stock appreciation rights will be measured using the option-pricing model (Black-Scholes) to estimate the fair value. The fair value will be updated monthly based on current information over the vesting period of two years. Stock compensation expense related to the stock appreciation rights was approximately $9,542 and $26,229 for the three and nine months ended June 30, 2017, respectively, and is recorded as a component of accrued expenses and other current liabilities. The fair value of the stock appreciation rights is approximately$78,900 as of June 30, 2017.

NOTE 7 - Industry Segments and Financial Information About Foreign and Domestic Operations

The Company currently operates in one industry segment which includes the development, manufacture and marketing of consumer health care products.

The Company operates in foreign and domestic regions. Information about the Company's operations by geographic area is as follows (in thousands):

	Net Revenues to External Customers for the Nine Months Ended June 30,		Long-Lived Asset As Of June 30,	September 30,
	2017	2016	2017	2016
Mozambique	$ 1,430 (1)	$ *	$ —	$ —
Zimbabwe	1,271 (1)	2,478 (1)	—	—
South Africa	955	*	—	—
Cameroon	891	*	—	—
United States	790	1,847	35,721	7,963
Nigeria	696	*	—	—
Brazil	*	6,008 (1)	—	—
Malaysia	*	*	567	796
United Kingdom	*	*	77	93
Other	3,930	8,231	—	—
Total	$ 9,963	$ 18,564	$ 36,365	$ 8,852

* Countries with less than 5 percent of total net revenues.
(1) Countries exceeding 10 percent of total net revenues.

At June 30, 2017 the Company had two customers whose current accounts receivable balance represented 25 percent and 15 percent of current assets, respectively. At September 30, 2016 the Company had one customer whose current accounts receivable balance represented 49 percent of current assets. No other single customer's current accounts receivable balance accounted for more than 10 percent of current assets as of June 30, 2017 or September 30, 2016. There was one customer whose accounts receivable and other long-term receivables balance represented 80 percent and 85 percent of accounts receivable and other long-term receivables at June 30, 2017 and September 30, 2016, respectively. There were two and three customers who each exceeded 10 percent of net revenues for the nine months ended June 30, 2017 and 2016, respectively.

NOTE 8 – Contingent Liabilities

The testing, manufacturing and marketing of consumer products by the Company entail an inherent risk that product liability claims will be asserted against the Company. The Company maintains product liability insurance coverage for claims arising from the use of its products. The coverage amount is currently $10 million for FC2 and PREBOOST®.

NOTE 9 – Income Taxes

The Company accounts for income taxes using the liability method, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of its assets and liabilities, and for net operating loss and tax credit carryforwards.

The Company completes a detailed analysis of its deferred income tax valuation allowances on an annual basis or more frequently if information comes to our attention that would indicate that a revision to our estimates is necessary. In evaluating the Company's ability to realize its deferred tax assets, management considers all available positive and negative evidence on a country-by-country basis, including past operating results, forecast of future taxable income, and the potential Section 382 limitation on the net operating loss carryforwards due to a change in control. In determining future taxable income, management makes assumptions to forecast U.S. federal and state, U.K. and Malaysia operating income, the reversal of temporary differences, and the implementation of any feasible and prudent tax planning strategies. These assumptions require significant judgment regarding the forecasts of the future taxable income in each tax jurisdiction, and are consistent with the forecasts used to manage the Company's business. It should be noted that the Company realized significant losses through 2005 on a consolidated basis. Since fiscal year 2006, the Company has annually generated taxable income on a consolidated basis, providing a reasonable future period in which the Company can reasonably expect to generate taxable income. In management's analysis to determine the amount of the deferred tax asset to recognize, management projected future taxable income for each tax jurisdiction.

As of June 30, 2017, the Company had U.S. federal and state net operating loss carryforwards of approximately $11,705,000 and $11,425,000, respectively, for income tax purposes expiring in years2021 to 2034. The Company's U.K. subsidiary has U.K. net operating loss carryforwards of approximately $60,863,000 as of June 30, 2017, which can be carried forward indefinitely to be used to offset future U.K. taxable income. With the demand for FC2, the Company expects utilization of its net operating losses in both the UK. and the U.S. will continue.

A reconciliation of income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Income tax (benefit) expense at statutory rates	$ (442,000)	$ 273,000	$ (1,971,000)	$ 1,064,000
State income tax (benefit) expense, net of federal benefits	(66,000)	46,000	(295,000)	165,000
Non-deductible business acquisition expenses	29,000	1,000	182,000	4,000
Non-deductible expenses - other	10,000	—	14,000	—
Effect of AMT expense	—	(7,000)	—	20,000
Effect of lower foreign income tax rates	(12,955)	(103,442)	189,422	(258,215)
Other	(27,758)	21,653	16,763	38,055
Income tax (benefit) expense	$ (509,713)	$ 231,211	$ (1,863,815)	$ 1,032,840

Significant components of the Company's deferred tax assets and liabilities are asfollows:

Deferred Tax Assets	June 30, 2017	September 30, 2016
Federal net operating loss carryforwards	$ 5,453,454	$ 2,756,000
State net operating loss carryforwards	594,777	400,000
AMT credit carryforward	489,000	489,000
Foreign net operating loss carryforwards – U.K.	11,213,096	10,955,000
Foreign capital allowance – U.K.	112,000	112,000
Other, net - Malaysia	9,850	9,850
Restricted stock – U.K.	1,000	1,000
Share-based compensation	127,402	101,000
Warrants	212,367	—
Deemed dividend - Malaysia	942,000	942,000
Other, net - U.S.	25,000	25,000
Gross deferred tax assets	19,179,946	15,790,850
Valuation allowance for deferred tax assets	(2,299,000)	(2,299,000)
Net deferred tax assets	16,880,946	13,491,850
Deferred Tax Liabilities:		
Intangible assets	(8,204,000)	—
Foreign capital allowance – Malaysia	(115,616)	(119,919)
Gross deferred tax liabilities	(8,319,616)	(119,919)
Net deferred tax assets	$ 8,561,330	$ 13,371,931

The deferred tax amounts have been classified in the accompanying consolidated balance sheets as follows:

	June 30, 2017	September 30, 2016
Long term deferred assets	$ 9,027,096	$ 13,482,000
Long term deferred liabilities	(465,766)	(110,069)
Total	$ 8,561,330	$ 13,371,931

Note 10 – Goodwill and Intangible Assets

Goodwill

The gross carrying amount of goodwill is as follows:

Balance at September 30, 2016	$	—
Goodwill arising from APP Merger		6,878,932
Balance at June 30, 2017	$	6,878,932

Intangible assets

The gross carrying amounts and net book value ofintangible assets are as follows at June 30, 2017:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intangible assets with finite lives:			
Developed technology - PREBOOST®	$ 2,400,000	$ 59,297	$ 2,340,703
Covenants not-to-compete	500,000	47,619	452,381
Total intangible assets with finite lives	2,900,000	106,916	2,793,084
Acquired in-process research and development assets	18,000,000	—	18,000,000
Total intangible assets	$ 20,900,000	$ 106,916	$ 20,793,084

Intangible assets are carried at cost less accumulated amortization. Amortization is overthe projected related revenue stream for the PREBOOST® developed technology over the next 10 years and 7 years for the covenants not-to-compete, and the amortization expense is recorded in operating expenses.

Amortization expense was $40,094 and $106,916 for the three and nine months ended June 30, 2017, respectively, and $0 for both the three and nine months ended June 30, 2016. Based on finite-lived intangible assets recorded as of June 30, 2017, the estimated future amortization expense is as follows:

Year Ending September 30,	Estimated Amortization Expense
2017	$ 40,093
2018	275,262
2019	309,234
2020	316,368
2021	323,706
Thereafter	1,528,421
Total	$ 2,793,084

Note 11 – Subsequent Events

On July 28, 2017, the Company held a Special Meeting at which the Company's stockholders approved, among other proposals, an increase in the number of authorized shares of common stock from38,500,000 to 77,000,000 and approval of the issuance of common stock upon conversion of the Series 4 Preferred Stock. As such, the Series 4 Preferred Stock will convert to common stock as described in Note 4. In addition, the Stock Appreciation Rights and Restricted Stock Units described in Note 6 will be reclassified to the equity section of the balance sheet, as the Company now has available authorized shares to settle these awards.

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

Overview

Veru Inc. is a biopharmaceutical company focused on urology and oncology. The Company does business as both "Veru Healthcare" and "The Female Health Company." On July 31, 2017, the Company changed its corporate name from The Female Health Company to Veru Inc.

Veru specifically focuses on the development and commercialization of pharmaceutical products that qualify for FDA's 505(b)(2) regulatory approval pathway, which is designed to allow for potentially expedited regulatory approval based on a previously established safety and efficacy profile of the product. The Company is developing products under the 505(b)(1) pathway as well, which is the traditional new drug application (NDA) pathway. The Company is currently developing prescription products for benign prostatic hyperplasia (BPH or enlarged prostate), hot flashes associated with prostate cancer hormone treatment, male infertility and novel oral chemotherapy for a variety of malignancies, including metastatic prostate, breast and ovarian cancers. In addition, the Company initiated selling the FC2 Female Condom® in the US via prescription in April 2017 through its own dedicated sales force. The Company also sells PREBOOST® (4% benzocaine medicated individual wipe), which is a male genital desensitizing drug for the prevention of premature ejaculation, direct to consumers.

The Company's division, The Female Health Company, manages the Global Public Health Division, which is focused on the global public health sector FC2 business. This division manufactures and markets the Company's Female Condom (FC2) to entities, including ministries of health, government health agencies, U.N. agencies, nonprofit organizations and commercial partners, that work to support and improve the lives, health and well-being of women around the world.

On October 31, 2016, as part of the Company's strategy to diversify its product line to mitigate the risks of being a single product company, the Company completed its acquisition of APP through the merger of a wholly owned subsidiary of the Company into APP (the APP Merger) with Aspen Park Pharmaceuticals, Inc. (APP). APP is a company focused on the development and commercialization of pharmaceutical and consumer health products for men's and women's health and oncology. For men, product and product candidates are in the areas of benign prostatic hyperplasia, male infertility, amelioration of side effects of hormonal prostate cancer therapies, gout, sexual dysfunction, and prostate cancer. For women, product candidates are for advanced breast and ovarian cancers and for female sexual health. APP was originally formed on June 9, 2014, has not had significant revenues and has incurred losses since inception.

On August 12, 2016, the FDA agreed that the Company's Tamsulosin DRS medication, a proprietary slow release granules formulation for the treatment of benign prostatic hyperplasia (BPH), a $3.5 billion market, qualifies for the accelerated 505(b)(2) regulatory approval pathway and with APP's plans to conduct a single bioequivalence study to support the filing of a new drug application (NDA). In March 2017, the Company initiated a bioequivalence clinical study for Tamsulosin DRS and in April 2017 announced the successful completion of Stage 1 of the bioe-quivalence clinical study, which selected the optimal formulation of our proprietary Tamsulosin DRS product. The selected Tamsulosin DRS formulation advances to the second and final stage of the bioequivalence clinical study. The Company plans to submit an NDA in early 2018 and, if approved, launch the approved product in late 2018 or early 2019.

On October 31, 2016, the Company completed an interim analysis of the double-blind, randomized placebo controlled clinical trial of its novel PREBOOST® product. The Company announced the launch of PREBOOST® in the United States on January 9, 2017.

The Company accepted an invitation from the FDA to present at the meeting of the Bone, Reproductive and Urologic Drugs (BRUD) Advisory Committee on December 6, 2016. The Company presented an overview of its drug candidate for male infertility,VERU-722. The FDA uses advisory committees to obtain independent expert advice on scientific, technical and policy matters. At the meeting, the committee discussed appropriate clinical trial design features, including acceptable endpoints for demonstrating clinical benefit, for drugs intended to treat secondary hypogonadism (low testosterone levels) while preserving or improving testicular function, including spermatogenesis. At the meeting, the FDA Advisory Committee provided guidance for clinical trial design and endpoints. The committee agreed with the intended patient population to treat, recommended a short-term study, and supported the use of improvement of semen quality for such clinical endpoints as avoidance of aggressive assisted reproductive procedures such as *in vitro* fertilization or pregnancy. Based on this advice, the Company plans to advance VERU-722 into Phase 2 clinical trial in men with testicular dysfunction [severe oligospermia (low sperm count) and secondary hypogonadism] as a cause of male factor infertility.

On May 24, 2017, the Company announced that following a Pre-Investigational New Drug Application meeting with the U.S. Food and Drug Administration (FDA). It plans to advance into Phase 2 clinical trial its proprietary drug candidate, VERU-944 (zuclomiphene), for the treatment of hot flashes in men receiving hormone therapy for prostate cancer utilizing the 505(b)(2) regulatory pathway. Initially VERU-944 will be developed as a oral agent for the treatment of hot flashes that are often associated with the use of androgen deprivation therapy (ADT) in men with advanced prostate cancer. Approximately 80% of men receiving one of the common forms of ADT, including Lupron®, Eligard® and Firmagon®, experience hot flashes. The IND is expected to be filed with FDA in Q1 2018.

Prior to the completion of the APP Merger, the Company had been a single product company, focused on manufacturing, marketing and selling the Female Condom (FC2). FC2 is the only currently available female-controlled product approved for market by the FDA and cleared by the World Health Organization (WHO) for purchase by U.N. agencies that provides dual protection against unintended pregnancy and sexually transmitted infections (STIs), including HIV/AIDS and the Zika virus. Nearly all of the Company's net revenues for the three and nine months ended June 30, 2017were derived from sales of FC2.

FC2's primary use is for disease prevention and family planning, and the public health sector is the Company's main marketfor FC2. Within the public health sector, various organizations supply critical products such as FC2, at no cost or low cost, to those who need but cannot afford to buy such products for themselves.

FC2 has been distributed in 144 countries. A significant number of countries with the highest demand potential are in the developing world. The incidence of HIV/AIDS, other STIs and unwanted pregnancy in these countries represents a remarkable potential for significant sales of a product that benefits some of the world's most underprivileged people. However, conditions in these countries can be volatile and result in unpredictable delays in program development, tender applications and processing orders.

FC2 has a relatively small customer base, with a limited number of customers who generally purchase in large quantities. Over the past few years, major customers have included large global agencies, such as the United Nations Population Fund (UNFPA) and the United States Agency for International Development (USAID). Other customers include ministries of health or other governmental agencies, which either purchase directly or via in-country distributors, and non-governmental organizations.

Purchasing patterns for FC2 vary significantly from one customer to another, and may reflect factors other than simple demand. For example, some governmental agencies purchase FC2 through a formal procurement process in which a tender (request for bid) is issued for either a specific or a maximum unit quantity. Tenders also define the other elements required for a qualified bid submission (such as product specifications, regulatory approvals, clearance by WHO, unit pricing and delivery timetable). Bidders have a limited period of time in which to submit bids. Bids are subjected to an evaluation process which is intended to conclude with a tender award to the successful bidder. The entire tender process, from publication to award, may take many months to complete. A tender award indicates acceptance of the bidder's price rather than an order or guarantee of the purchase of any minimum number of units. Many governmental tenders are stated to be "up to" the maximum number of units, which gives the applicable government agency discretion to purchase less than the full maximum tender amount. Orders are placed after the tender is awarded; there are often no set dates for orders in the tender and there are no guarantees as to the timing or amount of actual orders or shipments. Orders received may vary from the amount of the tender award based on a number of factors including vendor supply capacity, quality inspections and changes in demand. Administrative issues, politics, bureaucracy, process errors, changes in leadership, funding priorities and/or other pressures may delay or derail the process and affect the purchasing patterns of public sector customers. As a result, the Company may experience significant quarter-to-quarter sales variations due to the timing and shipment of large orders of FC2.

In October 2014, the Company announced that Semina Indústria e Comércio Ltda (Semina), the Company's distributor in Brazil, was awarded an exclusive contract under a public tender. The contract was valid through August 20, 2015, allowing the Brazil Ministry of Health to place orders against this tender at its discretion. Through the end of the contract, the Company received orders for 40 million units of FC2 in fulfillment of the tender, 11.5 million of which were shipped during the nine months ended June 30, 2016.

Details of the quarterly unit sales of FC2 for the last five fiscal years are listed below:

Period	2017	2016	2015	2014	2013
October 1 – December 31	6,389,320	15,380,240	12,154,570	11,832,666	17,114,630
January 1 – March 31	4,549,020	9,163,855	20,760,519	7,298,968	16,675,035
April 1 – June 30	8,466,004	10,749,860	14,413,032	13,693,652	12,583,460
July 1 - September 30		6,690,080	13,687,462	9,697,341	8,386,800
Total	19,404,344	41,984,035	61,015,583	42,522,627	54,759,925

Revenues. The Company's revenues have been derived from sales of FC2, and are recognized upon shipment of the product to its customers.

The Company is working to further develop a global market and distribution network for FC2 by maintaining relationships with public health sector groups and completing partnership arrangements with companies with the necessary marketing and financial resources and local market expertise.

The Company's most significant customers have been either global public health sector agencies or those who facilitate their purchases and/or distribution of FC2 for use in HIV/AIDS prevention and/or family planning. The Company's four largest customers currently are UNFPA, USAID, Sekunjalo Investments Corporation (PTY) Ltd and Semina. We sell to the Brazil Ministry of Health either through UNFPA or Semina. In the U.S., FC2 is sold to city and state public health clinics as well as to not-for-profit organizations such as Planned Parenthood.

Because the Company manufactures FC2 in a leased facility located in Malaysia, a portion of the Company's operating costs are denominated in foreign currencies. While a material portion of the Company's future sales are likely to be in foreign markets, all sales are denominated in the U.S. dollar. Effective October 1, 2009, the Company's U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency.

Expenses. The Company manufactures FC2 at its facility located in Selangor D.E., Malaysia. The Company's cost of sales consists primarily of direct material costs, direct labor costs and indirect production and distribution costs. Direct material costs include raw materials used to make FC2, principally a nitrile polymer. Indirect production costs include logistics, quality control and maintenance expenses, as well as costs for electricity and other utilities. All of the key components for the manufacture of FC2 are essentially available from either multiple sources or multiple locations within a source.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2017 COMPARED TO THREE MONTHS ENDED JUNE 30, 2016

The Company generated net revenues of $4,314,068 and net loss of $789,889, or $ (0.03) per basic and diluted common share, for the three months ended June 30, 2017, compared to net revenues of $5,560,776 and net income of $570,258, or $0.02 per basic and diluted common share, for the three months ended June 30, 2016.

Net revenues decreased $1,246,708 on a 21 percent decrease in unit sales for the three months ended June 30, 2017, compared with the same period last year. The principal factor in the decrease is the period to period impact of the timing of shipments for key customers. The FC2 average sales price per unit decreased 1.5 percent compared with the same period last year due to changes in sales mix and a unit price reduction for all major public sector purchases effective April 1, 2016.

Cost of sales decreased $308,429 to $2,019,154 in the three months ended June 30, 2017 from $2,327,583 for the same period last year. The reduction is due to lower unit sales and the reduction of certain costs.

Gross profit decreased $938,279, or 29 percent, to $2,294,914 for the three months ended June 30, 2017 from $3,233,193 for the three months ended June 30, 2016. Gross profit margin for the three months ended June 30, 2017 was 53 percent of net revenues versus 58 percent of net revenues for the same period last year. The reduction in gross profit margin was due to higher fixed overhead unit costs due to lower unit sales as compared to the prior year period.

Significant quarter-to-quarter variations in the Company's results have historically resulted from the timing and shipment of large orders rather than from any fundamental changes in the business or the underlying demand for female condoms. Two of the largest customers for FC2 operate in markets where the government health ministries are either still under a multi-year tender or have had a multi-year tender recently expire, and as a result significant orders from these customers during the remainder of fiscal 2017 are unlikely. The Company is also currently seeing pressure on spending for FC2 by large global agencies and donor governments in the developed world. As a result, the Company may continue to experience challenges for unit sales of FC2 in the global public sector for the remainder of fiscal 2017.

Selling, general and administrative expenses increased $772,288, or 33 percent, to $3,134,239 for the three months ended June 30, 2017 from $2,361,951 in the prior year period. The increase is primarily due to higher personnel costs associated with increased headcount for our launch of FC2 into the prescription market. This increase is partially offset by lower legal and consulting fees associated with the APP Merget in the prior year period.

Research and development expenses increased $404,088 to $426,811 for the three months ended June 30, 2017 from $22,723 in the prior year period. The increase is primarily due to increased research and development costs associated with the in-process research and development projects acquired from the APP Merger.

Operating loss for the three months ended June 30, 2017 was $1,266,136, compared to operating income of $848,519 in the second quarter of fiscal year 2016. The decrease was primarily a result of the factors discussed above.

Interest and other expense, net, for the three months ended June 30, 2017 was $13,323, compared to $7,399 for the same period in fiscal year 2016. The Company recorded a foreign currency transaction loss of $20,143 in the most recent quarter, compared to $39,651 for the same period last year.

The income tax benefit for the three months ended June 30, 2017 was $509,713, compared to income tax expense of $231,211 for the same period in fiscal year 2016.

The Company's net loss was $789,889 for the three months ended June 30, 2017, as compared to net income of $570,258 in the same period of the prior year, as a result of the factors discussed above.

NINE MONTHS ENDED JUNE 30, 2017 COMPARED TO NINE MONTHS ENDED JUNE 30, 2016

The Company generated net revenues of $9,963,186 and net loss of $3,932,712, or $ (0.13) per basic and diluted common share, for the nine months ended June 30, 2017, compared to net revenues of $18,564,236 and net income of $2,095,666, or $0.07 per basic and diluted common share, for the nine months ended June 30, 2016.

Net revenues decreased $8,601,050 on a 45 percent decrease in unit sales for the nine months ended June 30, 2017, compared with the same period last year. The principal factor in the decrease is the period to period impact of the tender shipments to Brazil in fiscal 2016. For the nine months ended June 30, 2016, there were 11.5 million units, or $6.0 million in net revenues, related to the Brazil tender. The FC2 average sales price per unit decreased 2.4 percent compared with the same period last year due to changes in sales mix and a unit price reduction for all major public sector purchases effective April 1, 2016.

Cost of sales decreased $2,344,978 to $4,738,333 in the nine months ended June 30, 2017 from $7,083,311 for the same period last year. The reduction is due to lower unit sales and the reduction of certain costs.

Gross profit decreased $6,256,072, or 54 percent, to $5,224,853 for the nine months ended June 30, 2017 from $11,480,925 for the nine months ended June 30, 2016. Gross profit margin for the nine months ended June 30, 2017 was 52 percent of net revenues versus 62 percent of net revenues for the same period last year. The reduction was due to the reduced unit price for all major public sectorsales effective April 1, 2016 and higher fixed overhead unit costs due to lower unit sales as compared to the prior year period. This reduction was partially offset by the favorable impact of currency exchange rates on material purchases in thenine months ended June 30, 2017as compared to the same period last year.

Significant quarter-to-quarter variations in the Company's results have historically resulted from the timing and shipment of large orders rather than from any fundamental changes in the business or the underlying demand for female condoms. Two of the largest customers for FC2 operate in markets where the government health ministries are either still under a multi-year tender or have had a multi-year tender recently expire, and as a result significant orders from these customers during the remainder of fiscal 2017 are unlikely. The Company is also currently seeing pressure on spending for FC2 by large global agencies and donor governments in the developed world. As a result, the Company may continue to experience challenges for unit sales of FC2 in the global public sector for the remainder of fiscal 2017.

Selling, general and administrative expenses increased $836,651, or 10 percent, to $8,909,939 for the nine months ended June 30, 2017 from $8,073,288 in the prior year period. The increase is primarily due to higher personnel costs associated with increased headcount for our launch of FC2 into the prescription market, and expenses recognized for the issuance of a warrant in connection with the APP Merger. These increases were partially offset by reduced marketing and management expenses due to our Brazilian distributor associated with units delivered for the 2014 tender, and lower legal and consulting fees associated with the APP Merger in the prior year period

Research and development expenses increased $1,938,835 to $2,034,973 for the nine months ended June 30, 2017 from $96,138 in the prior year period. The increase is primarily due to increased research and development costs associated with the in-process research and development projects acquired from the APP Merger.

Operating loss for the nine months ended June 30, 2017 was $5,720,059, compared to operating income of $3,311,499 for the same period last year. The decrease was primarily a result of the factors discussed above.

Interest and other expense, net, for the nine months ended June 30, 2017 was $35,630, compared to $54,551 for the same period in fiscal year 2016. The Company recorded a foreign currency transaction loss of $40,838 in the nine months ended June 30, 2017, compared to $128,442 for the same period last year.

The income tax benefit for the nine months ended June 30, 2017 was $1,863,815, compared to an income tax expense of $1,032,840 for the same period in fiscal year 2016. The effective tax rate was 32.2 percent and 33.0 percent for the nine months ended June 30, 2017 and 2016, respectively. The reduction in the effective tax rate is due to the non-deductible business acquisition expenses related to the APP Merger.

The Company's net loss was $3,932,712 for the nine months ended June 30, 2017, as compared to net income of $2,095,666 in the same period of the prior year, as a result of the factors discussed above.

Liquidity and Sources of Capital

The Company's operations provided cash of $405,452 in the nine months ended June 30, 2017, which included a positive impact of changes in operating assets and liabilities of $4.9 million, compared with using cash of $0.9 million in the nine months ended June 30, 2016, which included a negative impact of changes in operating assets and liabilities of $45 million.

Accounts receivable and long-term other receivables decreased from $18.6 million at September 30, 2016 to $13.6 million at June 30, 2017. The decrease is a result of payments totaling $5.0 million received from Semina for orders shipped in fiscal 2015. Semina's total accounts receivable and long-term other receivables balance represents 80 percent of the Company's accounts receivable and long-term other receivables balance at June 30, 2017. Semina normally pays upon payment from the Brazilian Government; however, due to economic issues in Brazil the government has been slower in paying vendors. The Company's credit terms vary from 30 to 120 days, depending on the class of trade and customary terms within a territory, so the accounts receivable balance is also impacted by the mix of purchasers within the quarter. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion. For the past twelve months, the Company's average days' sales outstanding has been approximately 429 days.

At June 30, 2017, the Company had working capital of $7.2 million and stockholders' equity of $32.8 million compared to working capital of $20.0 million and stockholders' equity of $35.5 million as of June 30, 2016.

The Company believes its current cash position is adequate to fund operations of the Company in the next 12 months, although no assurances can be made that such cash will be adequate. Depending on the timing of payment of the Company's outstanding accounts receivable and long-term other receivables balance due from Semina and the timing of development activities relating to the Company's drug candidates, the Company may decide to raise additional capital in the near term. If the Company needs additional cash, potential sources of such cash would include the sale of equity, convertible debt or other equity-linked securities.

On December 29, 2015, the Company entered into the Credit Agreement with BMO Harris Bank. The Credit Agreement provides the Company with a revolving line of credit of up to $10 million with a term that extends to December 29, 2017. Borrowings under the Credit Agreement bear interest, at the Company's option, at a base rate or at LIBOR plus 2.25%. The Company is also required to pay a commitment fee at the rate of 0.10% per annum on the average daily unused portion of the revolving line of credit. The Company's obligations under the Credit Agreement are secured by a lien against substantially all of the assets of the Company and a pledge of 65% of the outstanding shares of The Female Health Company Limited and all of the outstanding shares of APP. In addition to other customary representations, covenants and default provisions, the Company is required to maintain a minimum tangible net worth and to not to exceed a maximum total leverage ratio. Among the non-financial covenants, the Company is restricted in its ability to pay dividends, buy back shares of its common stock, incur additional debt and make acquisitions above certain amounts. No amounts are outstanding under the Credit Agreement at either June 30, 2017 or September 30, 2016.

As of June 30, 2017, based on the financial covenants in the Credit Agreement, there was no borrowing capacity under the BMO Harris Bank credit facility. The Company is currently in discussions with BMO Harris Bank regarding possible adjustments to the financial covenants to provide the Company with borrowing capacity.

The completion of the APP Merger resulted in a default inthe Company's compliance with certain covenants in the Credit Agreement and constituted an "event of default" under the Credit Agreement. On November 28, 2016,the Company, Badger Acquisition Sub, Inc., APP and BMO Harris Bank entered into a Third Amendment to the Credit Agreement (the "Amendment"). Pursuant to the Amendment, BMO Harris Bank waived the defaults in the Company's compliance with the covenants in the Credit Agreement as a result of the completion of the APP Merger and APP became a co-borrower under the Credit Agreement. As a result, the revolving line of credit remains in effect under the terms of the Credit Agreement until the end of its term on December 29, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk is limited to fluctuations in raw material commodity prices, particularly the nitrile polymer used to manufacture FC2, and foreign currency exchange rate risk associated with the Company's foreign operations. The Company does not utilize financial instruments for trading purposes or to hedge risk and holds no derivative financial instruments which would expose it to significant market risk. Effective October 1, 2009, the Company's U.K. subsidiary and Malaysia subsidiary each adopted the U.S. dollar as its functional currency. The consistent use of the U.S. dollar as the functional currency across the Company reduces its foreign currency risk and stabilizes its operating results. The Company's distributors are subject to exchange rate risk as their orders are denominated in U.S. dollars and they generally sell to their customers in the local country currency. If currency fluctuations have a material impact on a distributor it may ask the Company for pricing concessions or other financial accommodations. The Company currently has no significant exposure to interest rate risk. The Company has a line of credit with BMO Harris Bank, consisting of a revolving note for up to $10 million. Outstanding borrowings under the line of credit will incur interest, at the Company's option, at a base rate or at LIBOR plus 2.25%. As the Company has had no outstanding borrowings in the last five years, it currently has no significant exposure to market risk for changes in interest rates. Should the Company incur future borrowings under its line of credit, it would be subject to interest rate risk related to such borrowings.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving desired control objectives and, based on the evaluation described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at reaching that level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In connection with the APP Merger, two purported derivative and class action lawsuits were filed against the Company in the Circuit Court of Cook County, Illinois, which were captioned Glotzer v. The Female Health Company, et al., Case No. 2016-CH-13815, and Schartz v. Parrish, et al., Case No. 2016-CH-14488. On January 9, 2017 these two lawsuits were consolidated. On March 31, 2017, the plaintiffs filed a consolidated complaint. The consolidated complaint names as defendants the Company, the members of the Company's board of directors prior to the closing of the APP Merger and the members of the Company's board of directors after the closing of the APP Merger. The consolidated complaint alleges, among other things, that the Company's directors breached their fiduciary duties, or aided and abetted such breaches, by consummating the APP Merger in violation of the Wisconsin Business Corporation Law and NASDAQ voting requirements and by causing the Company to issue the shares of its common stock and Series 4 Preferred Stock to the former stockholders of APP pursuant to the APP Merger in order to evade the voting requirements of the Wisconsin Business Corporation Law. The consolidated complaint also alleges that Mitchell S. Steiner, a director and the President and Chief Executive Officer of the Company and a co-founder of APP, and Harry Fisch, a director of the Company and a co-founder of APP, were unjustly enriched in receiving shares of Common Stock and Series 4 Preferred Stock in the APP Merger. Based on these allegations, the consolidated complaint seeks equitable relief, including rescission of the APP Merger, money damages, disgorgement of the shares of the Company’s common stock and Series 4 Preferred Stock issued to Dr. Steiner and Dr. Fisch, and costs and expenses of the litigation, including attorneys' fees. On May 5, 2017, the defendants filed a motion to dismiss the consolidated complaint. That motion is fully briefed and set for ruling on or before August 18, 2017. On June 29, 2017, the plaintiffs filed a motion for a temporary restraining order to enjoin the Company from holding a stockholder vote on the proposals to be voted upon at a special meeting of stockholders scheduled for July 28, 2017. On July 24, 2017, the court entered an agreed order to permit the stockholder vote at the special meeting to proceed and for the Company to accept the vote and enact any proposal that satisfied a minimum required vote stipulated in the order. The parties entered into the stipulation set forth in the agreed order solely for purposes of resolving the motion for a temporary restraining order on an agreed basis. The parties otherwise reserved all of their legal and factual positions regarding the matters in dispute in the action. The special meeting and stockholder vote took place as scheduled and plaintiffs have not sought further relief as regards their motion for temporary restraining order. The Company believes that this action is without merit and is vigorously defending itself.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," of the Company's Form 10-K for the year ended September 30, 2016. Please refer to that section for disclosures regarding the risks and uncertainties relating to the Company's business.

Item 6. Exhibits

Exhibit Number	Description
2.1	Amended and Restated Agreement and Plan of Merger, dated as of October 31, 2016, among the Company, Blue Hen Acquisition, Inc. and Aspen Park Pharmaceuticals, Inc. (1)
3.1	Amended and Restated Articles of Incorporation. (2)
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 27,000,000 shares. (3)
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 35,500,000 shares. (4)
3.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 38,500,000 shares. (5)
3.5	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company designating the terms and preferences for the Class A Preferred Stock – Series 3. (6)
3.6	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company designating the terms and preferences for the Class A Preferred Stock – Series 4. (1)
3.7	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company changing the corporate name to Veru Inc. and increasing the number of authorized shares of common stock to 77,000,000 shares. (7)
3.8	Amended and Restated By-Laws. (8)
4.1	Amended and Restated Articles of Incorporation, as amended (same as Exhibits 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6).
4.2	Articles II, VII and XI of the Amended and Restated By-Laws (included in Exhibit 3.7).
10.1	Fourth Amendment to Credit Agreement, effective as of March 31, 2017, among the Company, Aspen Park Pharmaceuticals, Inc., Badger Acquisition Sub, Inc. and BMO Harris Bank N.A. (9)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002). (10)
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter endedJune 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (1) the Unaudited Condensed Consolidated Balance Sheets, (2) the Unaudited Condensed Consolidated Statements of Operations, (3) the Unaudited Condensed Consolidated Statement of Stockholders' Equity, (4) the Unaudited Condensed Consolidated Statements of Cash Flows and (5) the Notes to the Unaudited Condensed Consolidated Financial Statements.

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2016.

(2)	Incorporated herein by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on October 19, 1999.
(3)	Incorporated by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on September 21, 2000.
(4)	Incorporated by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on September 6, 2002.
(5)	Incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003.
(6)	Incorporated herein by reference to the Company’s March 31, 2004 Form 10-QSB.
(7)	Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 1, 2017.
(8)	Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 22, 2013.
(9)	Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 19, 2017.
(10)	This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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.

VERU INC.

DATE: August 9, 2017

/s/ Mitchell Steiner
Mitchell Steiner, President and
Chief Executive Officer

DATE: August 9, 2017

/s/ Daniel Haines
Daniel Haines, Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mitchell S. Steiner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veru Inc.;

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

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

4. The registrant's other certifying officer 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 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: August 9, 2017

/s/Mitchell S. Steiner
Mitchell S. Steiner
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Haines, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veru Inc.;

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

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

4. The registrant's other certifying officer 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 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: August 9, 2017

/s/Daniel Haines
Daniel Haines
Chief Financial Officer

Exhibit 32.1

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Veru Inc. (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2017 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2017

/s/Mitchell S. Steiner
Mitchell S. Steiner
Chief Executive Officer

Dated: August 9, 2017

/s/Daniel Haines
Daniel Haines
Chief Financial Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.