UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended June 30, 2018

or

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

For the transition period from to

Commission File Number 000-51122

EyePoint Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**26-2774444**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
480 Pleasant Street Watertown, MA	**02472**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 926-5000

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $.001 par value per share	**The Nasdaq Stock Market LLC (Nasdaq Global Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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	☒
		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 any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price of the common stock on the Nasdaq Global Market on December 31, 2017, the last trading day of the registrant's most recently completed second fiscal quarter, was approximately $48,816,000.

There were 74,512,048 shares of the registrant's common stock, $0.001 par value, outstanding as of September 13, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates certain information by reference from the registrant's proxy statement for the 2018 annual meeting of stockholders to be filed no later than 120 days after the end of the registrant's fiscal year ended June 30, 2018.

EyePoint Pharmaceuticals, Inc.

Form 10-K
For the Fiscal Year Ended June 30, 2018

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Preliminary Note Regarding Forward-Looking Statements

Various statements made in this Annual Report on Form 10-K are forward-looking and involve risks and uncertainties. All statements that address activities, events or developments that we intend, expect or believe may occur in the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements give our current expectations or forecasts of future events and are not statements of historical or current facts. These statements include, among others, statements about:

- the planned launch of DEXYCU™ and, if approved, YUTIQ™, in the first half of calendar year 2019;
- the potential advantages of DEXYCU, YUTIQ and our other product candidates;
- our ability to manufacture DEXYCU and, if approved, YUTIQ, or any future products or product candidates in sufficient quantities and quality;
- our ability to develop sales and marketing capabilities, whether alone or with potential future collaborators;
- the sufficiency of our cash and cash equivalents to fund our operations into the first quarter of calendar year 2019;
- our ability to obtain additional capital in sufficient amounts and on terms acceptable to us, and the consequences of failing to do so;
- future expenses and capital expenditures;
- our expectations regarding the timing and design of our clinical development plans;
- our ability to establish or maintain collaborations and obtain milestone, royalty and/or other payments from any such collaborators;
- the ability of Alimera Sciences, Inc., or Alimera, to obtain regulatory approval of and commercialize ILUVIEN® for the treatment of non-infectious posterior segment uveitis, in Europe, the Middle East and Africa;
- the implication of results from pre-clinical and clinical trials and our other research activities;
- our intentions regarding our research into other uses and applications of our Durasert™ and Verisome® technology platforms;
- our expectations regarding our ability to obtain and adequately maintain sufficient intellectual property protection for DEXYCU, YUTIQ and our other product candidates, and to avoid claims of infringement of third party intellectual property rights;
- our expectation that we will continue to incur significant expenses and that our operating losses and our net cash outflows to fund operations will continue for the foreseeable future;
- the scope and duration of intellectual property protection; and
- the effect of legal and regulatory developments.

Forward-looking statements also include statements other than statements of current or historical fact, including, without limitation, all statements related to any expectations of revenues, expenses, cash flows, earnings or losses from operations, cash required to maintain current and planned operations, capital or other financial items; any statements of the plans, strategies and objectives of management for future operations; any plans or expectations with respect to product research, development and commercialization, including regulatory approvals; any other statements of expectations, plans, intentions or beliefs; and any statements of assumptions underlying any of the foregoing. We often, although not always, identify forward-looking statements by using words or phrases such as “likely”, “expect”, “intend”, “anticipate”, “believe”, “estimate”, “plan”, “project”, “forecast” and “outlook”.

The following are some of the factors that could cause actual results to differ materially from the anticipated results or other expectations expressed, anticipated or implied in our forward-looking statements: uncertainties with respect to: our ability to achieve profitable operations and access to needed capital; fluctuations in our operating results; the number of clinical trials, including clinical trials conducted outside the United States, or U.S., and data required for marketing approval for YUTIQ in the U.S.; our ability to use data in promotion for YUTIQ; our ability to successfully produce commercial supply of DEXYCU and successfully commercialize DEXYCU in the U.S.; our ability to successfully build a commercial infrastructure and enter into and maintain commercial agreements for the launch of DEXYCU and, if approved, YUTIQ; our ability to successfully commercialize YUTIQ, if approved, in the U.S.; potential off-label sales of ILUVIEN for uveitis; consequences of fluocinolone acetonide side effects; successful commercialization of, and receipt of revenues from, ILUVIEN for diabetic macular edema, or DME, which depends on Alimera's ability to continue as a going concern; Alimera's ability to obtain additional marketing approvals and the effect of pricing and reimbursement decisions on sales of ILUVIEN for DME; Alimera's ability to obtain marketing approval for ILUVIEN in its licensed territories for non-infectious posterior segment uveitis; the development of our next-generation Durasert short-acting treatment for uveitis; potential declines in Retisert® royalties; our ability to market and sell products; the success of current and future license agreements, including our agreement with Alimera; termination or breach of current license agreements, including our agreement with Alimera; our dependence on contract research organizations, contract sales organizations, vendors and investigators; effects of competition and other developments affecting sales of products; market acceptance of products; effects of guidelines, recommendations and studies; protection of intellectual property and avoiding intellectual property infringement; retention of key personnel; product liability; industry consolidation; compliance with environmental laws; manufacturing risks; risks and costs of international business operations; effects of the potential exit of the United Kingdom from the European Union; legislative or regulatory changes; volatility of stock price; possible dilution; absence of dividends; and other factors described in our filings with the Securities and Exchange Commission. We cannot guarantee that the results and other expectations expressed, anticipated or implied in any forward-looking statement will be realized. The risks set forth under Item 1A of this Annual Report on Form 10-K describe major risks to our business, and you should read and interpret any forward-looking statements together with these risks. A variety of factors, including these risks, could cause our actual results and other expectations to differ materially from the anticipated results or other expectations expressed, anticipated or implied in our forward-looking statements. Should known or unknown risks materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected in the forward-looking statements. You should bear this in mind as you consider any forward-looking statements.

Our forward-looking statements speak only as of the dates on which they are made. We do not undertake any obligation to publicly update or revise our forward-looking statements even if experience or future changes makes it clear that any projected results expressed or implied in such statements will not be realized.

ITEM 1. BUSINESS

Introduction

Our Business

We are a specialty biopharmaceutical company committed to developing and commercializing innovative ophthalmic products for the treatment of eye diseases. Our lead product, DEXYCU™ (dexamethasone intraocular suspension) 9%, approved by the United States, or U.S., Food and Drug Administration, or FDA, in February 2018, is administered as a single dose at the end of ocular surgery and is the first long-acting intraocular product approved by the FDA for the treatment of post-operative ocular inflammation. DEXYCU utilizes our proprietary Verisome® drug-delivery platform, which allows for a single intraocular injection that releases dexamethasone, a corticosteroid, over time. There are approximately four million cataract surgeries performed annually in the U.S., and we plan to launch DEXYCU in the U.S. in the first half of calendar year 2019 with a primary focus on its use following cataract surgery. Our lead product candidate is YUTIQ™, a three-year non-erodible fluocinolone acetonide, or FA, insert for the treatment of non-infectious posterior segment uveitis,

or NIPU. Injected into the eye in an office visit, YUTIQ is a tiny micro-insert that delivers a micro-dose of a corticosteroid to the back of the eye on a sustained constant (zero order release) basis for approximately three years. On March 19, 2018, the FDA accepted our New Drug Application, or NDA, for YUTIQ and set an FDA Prescription Drug User Fee Act, or PDUFA, action date of November 5, 2018. YUTIQ is based on our proprietary Durasert™ sustained-release drug delivery technology platform, which can deliver drugs for predetermined periods of time ranging from months to years. Posterior segment uveitis is the third leading cause of blindness in the U.S. and affects between 55,000 to 120,000 people in the U.S. If approved in November 2018, we expect to launch YUTIQ in the U.S. in the first half of calendar year 2019.

The Unmet Need in the Treatment of Eye Disease

The human eye is an organ which reacts to light to provide sight. The eye has two principal anatomical segments: the anterior segment and the posterior segment. The anterior segment consists of the cornea, iris, pupil, lens and aqueous humor, while the posterior segment consists of the retina, choroid, vitreous humor and the optic nerve.

The tissues and structures in the anterior and posterior segment of the eye work in concert to produce sight. Light from an object or scene enters the eye through the anterior chamber, beginning with the cornea. The cornea bends the light such that it passes freely through the pupil, which is the opening in the center of the iris. The iris works like a shutter in a camera, enlarging or shrinking depending on how much light is entering the eye. After passing through the iris, the light rays pass through the eye's natural crystalline lens. This clear, flexible structure works like the lens in a camera, shortening and lengthening its width in order to focus light rays properly. Light rays then pass from the anterior segment into the posterior segment of the eye starting with a dense, transparent gel-like substance, called the vitreous. The vitreous fills the globe of the eyeball, which bathes the eye in nutrients and helps the eye hold its spherical shape. In a normal eye, the light rays come to a sharp focusing point on the retina. The retina functions much like the film in a camera, capturing the light rays, processing them into light impulses through millions of tiny nerve endings and then sending these light impulses through over a million nerve fibers to the optic nerve. Because the process of producing sight requires the precise coordination of the tissues and structures in both the anterior and posterior segments of the eye, if disease affects any one of these components, vision can be impaired or potentially blinded.

Diseases of the anterior chamber of the eye include ocular inflammation, cataracts, dry eye, infection, and refractive disorders. Glaucoma, which is a disease that damages the optic nerve, can also be caused by inflammation in the anterior chamber (inflammatory or uveitic glaucoma). Because the anterior segment is readily accessible, physicians typically treat these diseases with topically-applied eye drops. However, there are several limitations of eye drops. First, the eye often eliminates topically applied medications via tear elimination, limiting the penetration of drugs into the ocular tissue. Second, eye drops are often administered by patients themselves, which often leads to misuse or non-compliance by patients due to complicated and arduous eye drop regimens.

Diseases of the posterior segment of the eye include conditions such as age-related macular degeneration, or AMD, diabetic retinopathy, diabetic macular edema, or DME, and posterior segment uveitis. These diseases frequently result in damage to the vasculature of the eye, leading to poor visual function, and often to proliferation of new, abnormal and leaky blood vessels in the back of the eye. These conditions can lead to retinal damage, scarring and irreversible loss of vision. Because the posterior chamber is not readily accessible, physicians typically treat these diseases with intravitreal injections. However, there are several limitations of intravitreal injections. First, these injections can be painful to the eye and often cause swelling or bleeding. Second, intravitreal injections are not an effective means of delivering a steady state dose to the site of disease.

Drug delivery for treating ophthalmic diseases in both the anterior and posterior segments of the eye is a significant challenge. Due to the effectiveness of the blood-eye barrier, it is difficult for systemically (orally or

intravenously) administered drugs to reach the retina in sufficient quantities to have a beneficial effect without causing adverse side effects to other parts of the body. Injecting drugs in solution directly into the back of the eye can achieve effective, but often transient, dosage levels in the eye, requiring repeated injections. In addition to the issues of inconvenience, cost and noncompliance, repeated intravitreal injections have medical risks, including intraocular infection, perforated sclera and vitreous hemorrhage.

Ophthalmic drugs, whether drops, injections or oral dosage forms, are often not administered on the optimal schedule or at all, because patients do not self-administer as prescribed or do not get medical professional administration as required. The risk of patient non-compliance increases when treatment involves multiple products or complex or painful dosing regimens, as patients age or suffer cognitive impairment or serious illness, or when the treatment is lengthy or expensive.

Due to the drawbacks of traditional delivery, we believe the development of methods to deliver drugs to patients in a more precise, controlled fashion over sustained periods of time satisfies an unmet medical need by assuring compliance to the prescribed treatment regimen. Our products, DEXYCU and, if approved, YUTIQ are intended to address diseases of both the anterior and posterior segments of the eye, respectively, through long-acting and sustained delivery technologies.

Our Products and Product Candidates

The following table describes the stage of each of our programs:

Product	Disease	Approved Products	Partner
DEXYCU	Occular post-surgical inflammation	FDA-approved	None
ILUVIEN	DME	Approved in the U.S. and 17 EU countries; direct commercialization in the U.S., U.K., Germany, Portugal, Ireland and Austria; distribution through sublicense partners in Spain, Italy, France and various countries in the Middle East	Alimera
RETISERT	Posterior segment uveitis	FDA-approved; commercialized in the U.S. since 2005	Bausch & Lomb
VITRASERT	CMV retinitis	FDA-approved; commercialized from 1996 through 2012 (patent expiration)	Bausch & Lomb

Product Candidate	Disease	Stage of Development	Partner
YUTIQ	Posterior segment uveitis	NDA accepted with PDUFA action date of November 5, 2018	For U.S.: to commercialize directly pending NDA approval
		Type II variation accepted for review in the 17 EU countries previously approved for ILUVIEN for DME	For EMEA: regulatory, reimbursement and distribution licensed to Alimera under ILUVIEN
YUTIQ shorter-acting uveitis	Posterior segment uveitis	Bioequivalence and animal safety studies	None
Durasert TKI for Wet AMD	Wet AMD	Pre-clinical	None

DEXYCU

DEXYCU is the first long-acting intraocular product approved by the FDA for the treatment of post-operative ocular inflammation. Cataract surgery is one of the most frequent surgical procedures performed in the U.S., with approximately four million procedures performed annually. However, patients can experience post-operative ocular inflammation. Under the current standard of care for inflammation associated with cataract surgery, patients, many of whom are elderly, must self-administer medicated eye drops several times a day over a period of several weeks. DEXYCU, administered as a single intraocular injection at the conclusion of surgery, utilizes our Verisome technology to dispense a biodegradable extended-release formulation of dexamethasone, a corticosteroid, in the posterior chamber directly behind the iris. We believe that a single administration of a corticosteroid at the site of inflammation may benefit patients by eliminating non-compliance and dosing errors associated with the current practice of dispensing multiple daily self-administered eye drops following cataract surgery over a period of several weeks.

The efficacy of DEXYCU was demonstrated in a double-masked randomized Phase 3 clinical trial of 394 patients. In the clinical trial, patients received an intraocular dose of 517 micrograms, or mcg, of DEXYCU, 342 mcg of DEXYCU, or placebo administered by a physician at the end of cataract surgery. The primary efficacy outcome in the clinical trial was anterior chamber cell clearing in the study eye on the eighth day following surgery. The percentage of patients meeting the primary efficacy outcome was 20% in the placebo group while 57% and 60% met the primary efficacy outcome in the 342 and 517 mcg DEXYCU treatment groups, respectively. In addition, the percentage of patients receiving rescue medication of ocular steroid or a nonsteroidal anti-inflammatory drug was significantly lower at day one, three, eight, 15 and 30 in the 342 and 517 mcg treatment groups versus placebo. The most common adverse reactions (5 – 15%) reported with DEXYCU were increased intraocular pressure, or IOP, corneal edema and iritis. Other adverse reactions occurring in 1 – 5% of subjects included corneal endothelial cell loss, blepharitis, eye pain, cystoid macular edema, dry eye, ocular inflammation, posterior capsule opacification, blurred vision, reduced visual acuity, vitreous floaters, foreign body sensation, photophobia and vitreous detachment. Warnings and precautions included on the label for DEXYCU include increases in IOP, delayed healing, exacerbation of infection and cataract progression which are side effects generally associated with intraocular steroids.

The FDA-approved dosage of DEXYCU is 0.005 milliliters, or mL, of dexamethasone 9% (equivalent to 517 mcg), administered as a single dose intraocularly in the posterior chamber, directly behind the iris, at the end of surgery. DEXYCU will be available as a 9% intraocular suspension equivalent to dexamethasone 103.4 mg/mL in a single-dose vial provided in a kit. The drug is encapsulated in the fully bioerodible Verisome technology, which provides a steady release of dexamethasone for up to 22 days post-injection.

We acquired the rights to DEXYCU on March 28, 2018 through the acquisition of Icon Bioscience, Inc., or Icon. We paid Icon's security holders approximately $15 million at the closing of the transaction, and are obligated to pay certain post-closing contingent cash payments upon the achievement of specified milestones based upon certain net sales and partnering revenue standards, in each case subject to the terms and conditions set forth in that certain Agreement and Plan of Merger, dated March 28, 2018, by and among us, Oculus Merger Sub, Inc., or Merger Sub, Icon and Shareholder Representative Services LLC, solely in its capacity as the representative of Icon's securityholders, which we refer to as the Merger Agreement. These include, but are not limited to, (i) a one-time development milestone of $15.0 million payable in cash upon the first commercial sale of DEXYCU in the U.S., (ii) sales milestone payments totaling up to $95.0 million upon the achievement of certain sales thresholds and subject to certain Centers for Medicare & Medicaid Services, or CMS, reimbursement conditions set forth in the Merger Agreement, (iii) quarterly earn-out payments equal to 12% on net sales of DEXYCU in a given year, which earn-out payments will increase to 16% of net sales of DEXYCU in such year beginning in the calendar quarter for such year to the extent aggregate annual consideration of DEXYCU exceeds $200.0 million in such year, (iv) quarterly earn-out payments equal to 20% of partnering revenue received by us for DEXYCU sales outside of the U.S., and (v) single-digit percentage quarterly earn-out payments with respect to net sales and/or partnering income, if any, resulting from future clinical development,

regulatory approval and commercialization of any other product candidates we acquired in connection with the acquisition of Icon.

We plan to launch DEXYCU in the U.S. in the first half of calendar year 2019 following the successful scale up of commercial infrastructure and commercial supplies. We plan to commercialize DEXYCU ourselves in the U.S. through a contract sales organization, or CSO, whereby the sales leadership (National Sales Director and Regional Managers) are hired by us, and the key account managers, or KAMs, and sales representatives are hired by the CSO with the option for us to hire these sales reps after a period of time. We believe this flexible sales model provides less execution risk to us as CSOs can leverage costs across multiple clients, and thus are able to cost-effectively build the necessary infrastructure to support sales activities using varied, industry-wide experience to provide the most impactful solutions.

We believe that approximately four million cataract surgeries are performed annually in the U.S. The current standard of care in the U.S. for treating post-operative inflammation is primarily a combination of steroid, antibiotic and non-steroidal eye drops on a tapered treatment regimen that can last up to four weeks. This eye drop treatment regimen is complicated and can result in up to 100 eye drops being administered over time. Steroid eye drops are the most complicated medication to administer in this regimen, requiring up to 70 eye drops over 3-4 weeks on a tapered dosing schedule. Further, cataract surgery patients are often elderly and can have compromised cognitive function, osteoarthritis in their hands and poor eyesight due to the cataract surgery. These complexities can lead to poor compliance due to failing to administer eye drops according to the prescribed schedule, or administering an eye drop but failing to have it go into the eye, and/or not finishing the treatment regimen. In addition, patients often call their physician’s office multiple times to have them re-explain the treatment regimen. We believe DEXYCU addresses many of these issues and potentially eliminates the need for post-surgical steroid eye drops by providing one injection immediately post-surgery into the same incision site where the new intraocular lens has been placed. We believe physicians will react positively to this single injection because the full steroid dose will be placed at the surgical site where inflammation can occur post-surgery.

Approximately 40% of patients who undergo cataract surgery are covered by Medicare Part B. New drugs approved by the FDA that are part of cataract surgery performed in a hospital outpatient department or ambulatory surgical center may receive an additional transitional pass-through payment under Medicare provided it meets certain criteria, including a “not insignificant” cost criterion. This “pass-through payment” consists of Medicare reimbursement for the drug based on a defined formula for calculating the minimum fee that a manufacturer may charge for the drug.

DEXYCU qualified for Medicare transitional pass-through payment and we received a pass-through C-code from CMS, which will be effective on October 1, 2018. We have not yet determined final pricing, other than that it will be modestly higher than $485 to ensure we will continue to qualify for pass-through status after including normal industry discounts and rebates given to providers or commercial payors.

Under current CMS regulations, pass-through status applies for a period of three years, measured from the date Medicare makes its first pass-through payment for DEXYCU, following which DEXYCU would be incorporated into the cataract bundled payment system, which will significantly reduce the pricing for DEXYCU. We are working with outside consultants to potentially gain an extension to the transitional payment system, or to separate the drug payment from the bundled cataract surgery payment after the three-year transitional payment ends and continue to be reimbursed separately for a longer period of time, potentially through patent life.

Our DEXYCU U.S. patent portfolio includes two issued patents under an exclusive license from Ramscor, Inc. for all ophthalmic conditions. These two issued patents contain composition claims for delivering biologically active substances using citric acid esters. In addition, two more U.S. applications pertaining to DEXYCU have issued as patents. These patents, one with method of use claims and the other with device claims, will provide further protection for DEXYCU through May 2034.

The drug delivery technology used in DEXYCU is called Verisome. The basic technology can be formulated into numerous products, as a biodegradable solid, gel, or liquid substance that provides drug release in a controlled manner over a period of weeks to several months for ocular, systemic, or topical applications. Ophthalmic applications are focused on the ability of this system to create an injectable liquid or slightly viscous gel. Verisome-based products can be injected into the aqueous or vitreous humor as a liquid via a small gauge needle. When the drug is injected into an ocular chamber, it coalesces into a single spherical dose that settles in the lower portion of the chamber. The system is biodegradable and versatile for administering different drugs; furthermore, duration of use can be tailored. Shrinkage of the Verisome sphere over time reflects simultaneous degradation of the delivery system and release of the active agent. In ophthalmology, this mode of delivery offers advantages because the physician can easily assess the status of therapy by observing the drug-containing system within the eye. When the sphere is no longer visible, the entire drug has been released, and no inactive ingredient remains in the eye. Potential applications could include intraocular products to treat inflammation, ocular hypertension and glaucoma.

Durasert Technology Platform

Our Durasert technology platform uses proprietary sustained polymer technology to deliver drugs to treat chronic diseases, especially those affecting the hard to access posterior segment of the eye. To date, three products utilizing successive generations of the Durasert technology have been approved by the FDA. These products include ILUVIEN® (FA intravitreal implant) 0.19 mg, licensed to Alimera Sciences, Inc., or Alimera, and Retisert® (FA intravitreal implant) 0.59 mg and Vitrasert® (ganciclovir) 4.5 mg, both licensed to Bausch & Lomb. Currently, the Durasert technology platform utilizes a miniaturized, injectable, sustained-release insert for small molecules that can deliver a drug for up to three years. This insert is only 3.5 mm in length with an external diameter of just 0.37 mm. The insert can be administered in an office setting through a needle as small as 25-gauge.

Our Durasert technology platform is designed to address the issue of sustained delivery for ophthalmic and other product candidates. Specifically, our Durasert platform features:

- *Extended Delivery*. The delivery of drugs for predetermined periods of time ranging from months to years. We believe that uninterrupted, sustained delivery offers the opportunity to develop products that reduce the need for repeated applications, thereby reducing the risks of patient noncompliance and adverse effects from repeated administrations.
- *Controlled Release Rate*. The release of therapeutics at a controlled rate. We believe that this feature allows us to develop products that deliver optimal concentrations of therapeutics over time and eliminate excessive variability in dosing during treatment.
- *Localized Delivery*. The delivery of therapeutics directly to a target site. We believe this administration can allow the natural barriers of the body to isolate and assist in maintaining appropriate concentrations at the target site in an effort to achieve the maximum therapeutic effect while minimizing unwanted systemic effects.

Our Durasert technology platform provides sustained, localized delivery of small molecule drugs to the posterior segment of the eye and is utilized in three FDA-approved products and in our product candidates, including YUTIQ and other shorter duration product candidates. In these products and product candidates, a drug core is surrounded with one or more polymer layers, and the permeability of those layers and other design aspects of the product or product candidate control the rate and duration of drug release. By changing elements of the design, we can alter both the rate and duration of release to meet different therapeutic needs. Although the earlier ophthalmic products that utilize the Durasert technology, Retisert and Vitrasert, are surgically implanted, ILUVIEN, YUTIQ and our other ophthalmic product candidates are designed to be injected at the target site in an office visit.

YUTIQ

YUTIQ, our lead product candidate, is based on our Durasert technology platform and consists of an injectable, sustained-release micro-insert designed to treat chronic NIPU, intermediate uveitis and panuveitis affecting the posterior segment of the eye. YUTIQ is designed to provide sustained daily release of a total of 0.18 mg of the off-patent corticosteroid FA at a controlled rate directly to the back of the eye over approximately three years from a single administration performed in an office visit. It is injected with our proprietary inserter using a 25-gauge needle. We are developing YUTIQ independently and have licensed regulatory, reimbursement and distribution rights to Alimera for Europe, the Middle East and Africa, or the EMEA, under its ILUVIEN tradename. Subject to NDA approval by the FDA, we plan to independently commercialize YUTIQ in the U.S. Further, in conjunction with the commercialization of DEXYCU, we expect to spread our commercial, medical, legal, corporate and regulatory infrastructure over two products.

Posterior segment uveitis is a chronic, non-infectious inflammatory disease affecting the posterior segment of the eye, often involving the retina, and is a leading cause of blindness in developed countries. It afflicts people of all ages, producing swelling and destroying eye tissues, which can lead to severe vision loss and blindness. In the U.S., posterior segment uveitis is estimated to affect approximately 55,000-120,000 people in the U.S., resulting in approximately 30,000 cases of blindness and making it the third leading cause of blindness in the U.S. Patients with posterior segment uveitis are typically treated with ocular injected steroids and systemic steroids, but frequently develop serious side effects from systemic steroids over time that can limit effective dosing. Patients who do not tolerate systemic steroids then are offered—as the last line of treatment—therapy with systemic immunosuppressants or biologics, which themselves can cause severe side effects.

YUTIQ Phase 3 Trials

In our two Phase 3 trials to assess the safety and efficacy of YUTIQ, we achieved the primary efficacy endpoint of prevention of recurrence of uveitis through six months with statistical significance (p value of < 0.001 in each study). These studies are randomized, sham injection-controlled, double-masked trials with the primary endpoint of both trials defined as recurrence of uveitis at six months, with patients followed for three years. Our first Phase 3 trial enrolled 129 patients in 16 centers in the U.S. and 17 centers outside the U.S, with 87 eyes treated with YUTIQ and 42 eyes receiving sham injections. Our second Phase 3 trial enrolled 153 patients in 15 centers in India with 101 eyes treated with YUTIQ and 52 eyes receiving sham injections. The 36-month patient follow-up was recently completed in the first of the two Phase 3 trials.

Our first Phase 3 trial met its primary efficacy endpoint of prevention of recurrence of disease at 6 months with statistical significance ($p < 0.001$, intent to treat analysis; recurrence of 18.4% for YUTIQ versus 78.6% for control). The trial yielded similar efficacy through 12 months of follow up ($p < 0.0001$, intent to treat analysis; recurrence of 27.6% for YUTIQ versus 85.7% for control). YUTIQ was generally well tolerated through 12-months of follow-up. The incremental risk of elevated IOP for YUTIQ-treated eyes compared to control eyes was lower through 12 months than through six months for elevation over 21 mmHg (6.1% versus 10.9%) as well as for the more serious elevation over 25 mmHg (7.6% versus 11.3%). Elevated IOP was generally well treated with eye drops. Through 12 months, the percentage of eyes requiring filtration surgery was low and similar between YUTIQ-treated and control eyes (3.4% versus 2.4%). Of the 63 study eyes with a natural lens at baseline, 33.3% of YUTIQ-treated eyes compared to 4.8% of control eyes required cataract surgery through 12 months. Cataracts are both a side effect of treatment with steroids and a natural consequence of uveitis.

Our second Phase 3 trial also met its primary efficacy endpoint of prevention of recurrence of disease at 6 months with statistical significance ($p < 0.001$, intent to treat analysis; recurrence of 21.8% for YUTIQ versus 53.8% for control). As in the first Phase 3 trial, YUTIQ was generally well tolerated through 6 months, and 12-month follow-up efficacy and safety data was consistent with the 12-month data from our first Phase 3 trial. The 36-month patient follow-up is expected to be completed in October 2019.

We also conducted a multi-center, randomized, controlled, single-masked study of the safety and utilization of two different inserters for YUTIQ. We enrolled 26 subjects (38 eyes) in this study in 6 centers in the U.S. The utilization and safety results of this study have been included in our NDA filing for YUTIQ.

YUTIQ Regulatory Strategy

On March 19, 2018, the FDA accepted our NDA for YUTIQ and set a PDUFA action date of November 5, 2018. If approved, we plan to launch YUTIQ in the U.S. in the first half of calendar year 2019.

We have out-licensed the rights for YUTIQ for the treatment of NIPU to Alimera for the EMEA as an extension of our original license agreement with Alimera. Pursuant to the original agreement, we granted worldwide license rights to ILUVIEN for DME and other potential back-of-the-eye diseases (other than uveitis) utilizing a corticosteroid with our Durasert technology. In the European Economic Area, or EEA, Alimera has submitted our previously-filed YUTIQ data as a Type II variation in each of the 17 countries in which it previously obtained regulatory approval for ILUVIEN for DME. According to Alimera's public filings, Alimera plans to submit follow-up data supporting its Type II variation application in the fourth quarter of calendar year 2018 and expects it will obtain approval for its application in the first half of calendar 2019.

YUTIQ Marketing Strategy

Subject to approval by the FDA, we intend to commercialize YUTIQ ourselves in the U.S. We believe that the uveitis market in the U.S. is relatively modest in size, with an estimated patient prevalence for NIPU of approximately 55,000 to 120,000 patients. Consequently, the number of retinal physicians who treat the majority of this patient population is estimated to be fewer than 500. As a result, we believe the commercial footprint and cost to market for YUTIQ will be less than a typical pharmaceutical product launch with a larger physician call population. Members of our leadership team have extensive commercialization experience and we believe that commercializing YUTIQ ourselves in the U.S. will maximize the value of YUTIQ to us. Outside of the U.S., we expanded Alimera's license agreement to include uveitis, including NIPU, in the EMEA. This additional license right was part of the July 10, 2017 amended and restated collaboration agreement with Alimera, or the Amended Alimera Agreement. Alimera has reported that it plans to commercialize the NIPU EMEA indication under its ILUVIEN trademark. We plan to seek out-license partner arrangements in other territories.

Development Product: Shorter Duration YUTIQ

We are developing a next-generation, shorter-duration treatment for posterior segment uveitis, using the same Durasert technology and drug (FA) as in YUTIQ. This program is designed to offer a shorter delivery period, thus providing physicians with flexibility for multiple dosing intervals. Our market research has indicated a strong preference amongst those physicians surveyed for both a six to nine-month drug delivery product and a three-year drug delivery option. Although we believe many patients would likely opt for a longer-acting treatment option, some doctors may prefer to initially treat their uveitis patients over shorter time periods.

Development Product: Tyrosine Kinase Inhibitor Insert for Wet AMD

We are investigating the development of an injectable, bioerodible, sustained-release Durasert insert delivering a tyrosine kinase inhibitor, or TKI, for treatment of wet AMD. AMD, the leading cause of vision loss in people over 65, is most commonly treated with intravitreal injections of biologics that block vascular endothelial growth factor, or VEGF. FDA-approved Lucentis® and Eylea® and off-label use of anti-cancer drug Avastin® are the leading treatments for wet AMD. These biologics must be injected into the eye as frequently as monthly and typically can lose efficacy over time, resulting in vision loss and return of the disease.

In cancer therapy, TKIs are taken orally but their toxicity prevents their systemic use to treat AMD. Using our Durasert technology, we plan to develop an implant to deliver a TKI directly to the back of the eye with a total dose that is significantly lower than what is customarily used in a course of cancer therapy.

Our development goal is to provide sustained treatment of wet AMD for six months with a single injection of a TKI-based product, targeting VEGF while avoiding or reducing the toxic systemic side effects of TKIs and the frequent injections of current wet AMD anti-VEGF biologics. Using a model TKI (that is not patentable), we have generated pre-clinical data that demonstrate that a TKI delivered by a sustained release insert was comparably efficacious to a commercially available biologic indicated for wet AMD delivered by injection, both in preventing choroidal neovascularization and in reducing vascular leakage. On the basis of these data, we are currently evaluating other, potentially patentable TKIs for sustained release over several months and with comparable therapeutic effects.

Approved Durasert Technology Product: ILUVIEN for DME

ILUVIEN is an injectable, sustained-release micro-insert based on our Durasert technology platform and delivers 0.19 mg of FA to the back of the eye for treatment of DME. The ILUVIEN micro-insert is substantially the same micro-insert as YUTIQ. ILUVIEN is injected in an office visit using a 25-gauge inserter, and delivers approximately 36 months of continuous, low-dose corticosteroid therapy with a single injection. ILUVIEN is approved in the U.S. for the treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in IOP. In the 17 EU countries where ILUVIEN has been approved, it is indicated for the treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies. DME is a disease suffered by diabetics where leaking capillaries cause swelling in the macula, the most sensitive part of the retina. DME is a leading cause of blindness in the working-age population in most developed countries.

We originally licensed our Durasert proprietary insert technology to Alimera for use in ILUVIEN for the treatment of all ocular diseases (excluding uveitis). Alimera has sold ILUVIEN for DME in the U.K. and Germany since 2013, in Portugal and the U.S. since 2015 and in Austria and Ireland since 2017. ILUVIEN also has marketing approvals in 12 other European countries. In addition, Alimera has entered into various agreements under which distributors will provide regulatory, reimbursement and/or sales and marketing support for commercialization or future commercialization of ILUVIEN in several countries in the Middle East, as well as in France, Italy, Spain, Australia, New Zealand and Canada.

On July 10, 2017, we entered into the Amended Alimera Agreement, pursuant to which we (i) expanded the license to Alimera to our proprietary Durasert sustained-release drug delivery technology platform to include uveitis, including NIPU, in the EMEA and (ii) converted the net profit share arrangement for each licensed product (including ILUVIEN) under the original collaboration agreement with Alimera, or the Prior Alimera Agreement, to a sales-based royalty on a calendar quarter basis commencing July 1, 2017, with payments from Alimera due 60 days following the end of each calendar quarter.

Sales-based royalties start at the rate of 2%. Commencing January 1, 2019 (or earlier under certain circumstances), the sales-based royalty will increase to 6% on aggregate calendar year net sales up to $75 million and 8% in excess of $75 million. Alimera's share of contingently recoverable accumulated ILUVIEN commercialization losses under the Prior Alimera Agreement, capped at $25 million, are to be reduced as follows: (i) $10.0 million was cancelled in lieu of an upfront license fee on the effective date of the Amended Alimera Agreement; (ii) for calendar years 2019 and 2020, 50% of earned sales-based royalties in excess of 2% will be offset against the quarterly royalty payments otherwise due from Alimera; (iii) on January 1, 2020, another $5 million will be cancelled, provided, however, that such date of cancellation may be extended under certain circumstances related to Alimera's regulatory approval process for ILUVIEN for the treatment of NIPU, with such extension, if any, subject to mutual agreement by the parties; and (iv) commencing in calendar year 2021, 20% of earned sales-based royalties in excess of 2% will be offset against the quarterly royalty payments due from Alimera until such time as the balance of the original $25 million of recoverable commercialization losses has been fully recouped.

Following the completion of the Amended Alimera Agreement, we withdrew our previously filed EU marketing approval application and our EU orphan drug designation for YUTIQ, and Alimera was responsible

for filing a Type II variation for ILUVIEN for the treatment of NIPU. In January 2018, Alimera received validation of a Type II variation submitted in December 2017 in all seventeen European countries in which it previously received regulatory approval for ILUVIEN for DME. According to Alimera's public filings, Alimera plans to submit follow-up data supporting its Type II variation application in the fourth quarter of calendar year 2018 and expects it will obtain approval for its application in the first half of calendar 2019. If the variation is approved, Alimera has reported that it plans to commercialize the three-year uveitis indication under its ILUVIEN trademark.

Approved Durasert Technology Product: Retisert for Posterior Segment Uveitis

Retisert is a sustained-release implant based on our Durasert technology platform for the treatment of posterior segment uveitis. Surgically implanted, it delivers 0.59 mg of FA to the back of the eye for approximately 30 months. Retisert is licensed to Bausch & Lomb, with which we co-developed the product. Approved in the U.S., Bausch & Lomb sells the product and pays sales-based royalties to us.

Approved Durasert Technology Product: Vitrasert for CMV Retinitis

Vitrasert is a sustained-release implant based on our Durasert technology platform for the treatment of cytomegalovirus retinitis, a blinding eye disease that occurs in individuals with advanced acquired immune deficiency syndrome. Surgically implanted, Vitrasert provided sustained delivery of the anti-viral drug ganciclovir for six to eight months. Approved in the U.S. and EU, Vitrasert was licensed to Bausch & Lomb, which discontinued sales in fiscal 2013 following patent expiration.

Development Product: Severe Knee Osteoarthritis Implant

We have developed an implant for the treatment of pain associated with severe knee osteoarthritis, or OA, in collaboration with Hospital for Special Surgery pursuant to an Investigatory-Initiated Research Agreement. This implant was evaluated in an investigator-sponsored pilot study of six patients, which has been completed. The implant is composed of a specially manufactured surgical screw containing a Durasert system that delivers dexamethasone directly to the joint on a sustained basis. Dexamethasone is an off-patent corticosteroid that is frequently used for the treatment of OA. Implanted in the non-articulating area of the knee in an outpatient procedure, the implant is designed to provide long-term pain relief and thereby delay the need for knee replacement surgery. This implant represents the first use of our Durasert technology outside of ophthalmology. We believe this design, if successful, could be adapted for severe OA in other large joints. We plan to out-license our rights to this product.

Feasibility Study Agreements

From time to time we have entered into feasibility study agreements funded by third parties to evaluate our Durasert technology platform for the treatment of ophthalmic and other diseases. We presently are engaged in one such collaboration for a back of the eye disease. We intend to continue to identify other companies with compounds that could be successfully delivered with our Durasert and Verisome technology platforms and, through appropriate agreements, seek to generate non-dilutive operating capital from such agreements.

We have received Notices of Allowance from the U.S. Patent and Trademark Office, or the USPTO, for trademarks DEXYCU™, YUTIQ™, DELIVERING INNOVATION TO THE EYE™ and Durasert™ in the U.S. Retisert® and Vitrasert® are Bausch & Lomb's trademarks. ILUVIEN® is Alimera's trademark. The reports we file or furnish with the Securities and Exchange Commission, or the SEC, including this Annual Report on Form 10-K, also contain trademarks, trade names and service marks of other companies, which are the property of their respective owners.

Information with respect to ILUVIEN, including regulatory and marketing information, and Alimera's plans and intentions, reflects information publicly disclosed by Alimera.

Fiscal 2018, fiscal 2017 and fiscal 2016 mean the twelve months ended June 30, 2018, 2017 and 2016, respectively, and fiscal 2019 means the twelve months ending June 30, 2019.

Strategy

Our strategy is to market multiple drugs for use in diseases of the eye. In addition to DEXYCU and YUTIQ, we plan to (i) acquire or in-license ophthalmology approved products or product candidates developed by third parties, (ii) independently develop non-proprietary drugs in combination with our Durasert or Verisome technology platforms and (iii) continue to leverage our Durasert and Verisome technology platforms through collaborations and license agreements, as appropriate. We plan to execute our strategy as follows:

- **Launch and maximize the commercial potential of DEXYCU for post-operative inflammation.** In February 2018, the FDA approved DEXYCU for the treatment of postoperative inflammation following ocular surgery. DEXYCU is the first long-acting intraocular product approved by the FDA for the treatment of postoperative inflammation. We plan to launch DEXYCU in the U.S. in the first half of calendar year 2019 following the successful scale up of commercial infrastructure and supplies.
- **Obtain regulatory approval for, and maximize the commercial potential of, YUTIQ.** On March 19, 2018, the FDA accepted our NDA for YUTIQ and set a PDUFA action date of November 5, 2018. Posterior segment uveitis is a high unmet need area with limited treatment options and the third leading cause of blindness in the U.S. If approved, we expect to launch YUTIQ in the U.S. in the first half of calendar year 2019.
- **Acquire or in-license ophthalmology products or product candidates developed by third parties.** We plan to expand our commercial portfolio of treatments for eye disease by evaluating for acquisition and/or in-licensing approved products or product candidates in late stage clinical development.
- **Leverage our Durasert and Verisome technologies.** We plan to use our proprietary Durasert and Verisome drug delivery technology platforms to independently develop new drug delivery products that use already-approved drugs to treat ophthalmic and other diseases, while continuing to leverage our technology platforms through collaborations and licenses with other pharmaceutical and biopharmaceutical companies, institutions and other organizations. We believe our technologies can provide sustained, targeted delivery of therapeutic agents, resulting in improved therapeutic effectiveness, safer administration and better patient compliance and convenience, with reduced product development risk and cost. We believe that our proven track record of four approved products, all providing sustained release of previously approved drugs, reflects the benefits of this strategy.
- **Develop Sustained Delivery of Off-Patent Drugs.** Many drugs are now, or will soon be, off-patent. It is estimated that over the next several years, patent coverage will end on products with world-wide sales aggregating billions of dollars annually. We are using our technology platforms to evaluate potential product candidates that deliver off-patent and generic drugs, primarily focused on ocular diseases with significant market opportunities, where less frequent dosing through sustained delivery and/or targeted delivery at the treatment site would materially improve the effectiveness, safety or convenience of the original drug. By focusing on delivery of already-approved drugs, particularly those requiring potentially shorter clinical development programs, we believe we may be able to reduce the substantial risks and financial investment required for product approval.
- **Continue Partnering with Leading Biopharmaceutical and Pharmaceutical Companies.** We intend to continue to partner with leading biopharmaceutical and pharmaceutical companies, institutions and others, where patent protection, development and regulatory costs, expertise and/or other factors make it desirable for us to have a partner. For example, drugs that might be more effectively delivered by our technology platforms or may have extended patent protection could make collaborations with the patent holders attractive. We may also seek to partner the development of product candidates that could materially benefit from sustained delivery but would require expensive clinical trials or are in treatment areas outside of our technical expertise. We may also seek to partner

with companies with drugs coming off patent where our drug delivery technologies could offer an improved product and effectively extend patent protection.

Strategic Collaborations

We have entered into a number of collaboration/license agreements to develop and commercialize our product candidates and technologies. In all of these collaboration agreements, we have retained the right to use and develop the underlying technologies outside of the scope of the exclusive licenses granted.

Alimera

In February 2005, as amended and restated in March 2008, we granted Alimera an exclusive worldwide license to manufacture, develop, market and sell ILUVIEN for the treatment and prevention of human eye diseases other than uveitis pursuant to the Prior Alimera Agreement. We also granted Alimera a worldwide non-exclusive license to manufacture, develop, market and sell certain additional Durasert-based products (1) to deliver a corticosteroid and no other active ingredient by a direct delivery method to the back of the eye solely for the treatment and prevention of eye diseases in humans other than uveitis and (2) to treat DME in humans by delivering a compound by a direct delivery method through an incision no smaller than that required for a 25-gauge or larger needle. The non-exclusive license is limited to those products that, among other things, (i) have a drug core within a polymer layer (with certain limitations regarding chemically bonded combinations of active agents) and (ii) are approved, or designed to be approved, to deliver a corticosteroid and no other active ingredient by a direct delivery to the posterior portion of the eye, or to treat DME by delivering a compound by a direct delivery through an incision required for a 25-gauge or larger needle. We are not permitted to use or grant a license to any third party to use, the licensed technologies to make or sell any products that are or would be subject to the non-exclusive license granted to Alimera.

In October 2014, Alimera paid us a $25.0 million milestone upon FDA approval of ILUVIEN as provided in in the Prior Alimera Agreement.

In July 2017, we entered into the Amended Alimera Agreement to (i) expand the license to Alimera for our proprietary Durasert sustained-release drug delivery technology platform to include uveitis, including NIPU, in the EMEA and (ii) convert the previous net profit share arrangement on a country-by-country basis to sales-based royalties for ILUVIEN for DME, NIPU and any other ILUVIEN indications that obtain regulatory approval in various jurisdictions in the future, provided that certain amounts of Alimera's previous ILUVIEN net commercialization losses can be offset against earned sales-based royalties (as described below). We are entitled to receive a 2% sales-based royalty within 60 days following the end of each quarterly period through calendar year 2018. Commencing January 1, 2019 (or earlier under certain circumstances) the sales-based royalty will increase to 6% on aggregate calendar year net sales up to $75 million and 8% on any calendar year sales in excess of $75 million. Alimera's share of accumulated ILUVIEN commercialization losses under the original net profit share arrangement (as set forth in the Prior Alimera Agreement), is capped at $25 million. Under the Amended Alimera Agreement, these recoverable losses will be reduced as follows: (i) $10 million was cancelled in lieu of any upfront license fee on the effective date of the Amended Alimera Agreement; (ii) for calendar years 2019 and 2020, 50% of earned sales-based royalties in excess of 2% of net sales will be offset against the quarterly royalty payments due from Alimera; (iii) on January 1, 2020 (or earlier under certain circumstances), another $5 million of the accumulated commercialization losses will be cancelled, provided, however, that such date of cancellation may be extended further under certain circumstances related to Alimera's regulatory approval process for ILUVIEN for the treatment of NIPU, with such extension, if any, subject to mutual agreement by the parties; and (iv) commencing in calendar year 2021, 20% of earned sales-based royalties in excess of 2% of net sales will be offset against the quarterly royalty payments due from Alimera until such time as the remaining balance of the original $25 million of commercialization losses has been recouped by Alimera.

Bausch & Lomb

Under a 2003 amended license agreement, Bausch & Lomb has a worldwide exclusive license to make and sell Retisert and other first-generation products defined in the agreement in return for royalties based on sales. This agreement also covered Vitrasert prior to patent expiration. Bausch & Lomb can terminate its agreement with us without penalty at any time upon 90 days' written notice.

Pfizer

In June 2011, we entered into an Amended and Restated Collaborative Research and License Agreement with Pfizer, Inc., or Pfizer, which we refer to as the Restated Pfizer Agreement, to focus solely on the development of a sustained-release bioerodible micro-insert injected into the subconjunctiva designed to deliver latanoprost for human ophthalmic disease or conditions other than uveitis, or the Latanoprost Product. Pfizer made an upfront payment of $2.3 million and we agreed to provide Pfizer options under various circumstances for an exclusive, worldwide license to develop and commercialize the Latanoprost Product. On October 25, 2016, we notified Pfizer that we had discontinued development of the Latanoprost Product, which provided Pfizer a 60-day option to acquire a worldwide license in return for a $10.0 million payment and potential sales-based royalties and development, regulatory and sales performance milestone payments. Pfizer did not exercise its option and the Restated Pfizer Agreement automatically terminated on December 26, 2016. Per the terms of the Restated Pfizer Agreement, we retained the right thereafter to develop and commercialize the Latanoprost Product on our own or with a partner.

OncoSil Medical Ltd.

Our December 2012 license agreement, amended and restated in March 2013, with Enigma Therapeutics Limited, a wholly-owned subsidiary of OncoSil Medical Ltd, or OncoSil Medical, provides OncoSil Medical with an exclusive, worldwide, royalty-bearing license for the development of BrachySil (now named OncoSil™), a product candidate for the treatment of pancreatic and other cancers. We received an upfront fee of $100,000 and are entitled to an 8% sales-based royalty, 20% of sublicense consideration and milestones based on aggregate product sales. To date, OncoSil Medical has not received regulatory approval for OncoSil in any jurisdiction. OncoSil Medical is obligated to pay an annual license maintenance fee of $100,000, creditable during each ensuing twelve-month period against reimbursable patent maintenance costs and sales-based royalties. Annual license maintenance fees of $100,000 were paid in respect of each calendar year from 2013 through 2017. OncoSil Medical has the right to terminate this license upon 60 days' prior written notice.

Research and Development

Our clinical and pre-clinical research programs primarily focus on ophthalmic applications of our technology platforms. Our research and development expenses totaled $16.2 million in fiscal 2018, $14.9 million in fiscal 2017 and $14.4 million in fiscal 2016. Of these amounts, $13.9 million in fiscal 2018, $13.0 million in fiscal 2017 and $12.8 million in fiscal 2016 were incurred for costs of research and development personnel, clinical and pre-clinical studies, contract services, testing and laboratory facilities. The remaining expense of $2.3 million in fiscal 2018, $1.9 million in fiscal 2017 and $1.6 million in fiscal 2016 consisted of non-cash charges for amortization of intangible assets, depreciation of property and equipment and stock-based compensation expense specifically allocated to research and development personnel.

During the first quarter of fiscal 2017, we consolidated all of our research and development operations in our facility in Watertown, Massachusetts. We closed our research facility in Malvern, U.K. and terminated the employment of all our employees in that location.

Intellectual Property

We own or license patents in the U.S. and other countries. Our patents generally cover the design, formulation, manufacturing methods and use of our sustained release therapeutics, devices and technologies. Patents for individual products extend for varying periods according to the date of patent filing or grant and legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. Patent term extension may be available in various countries to compensate for a patent office delay or a regulatory delay in approval of the product.

The U.S. patent with which Retisert is marked expires in March 2019. The last expiring patent covering Retisert expires in April 2020. The latest expiring patent covering ILUVIEN and YUTIQ expires in August 2027 in the U.S. and in October 2024 in the EU, although extensions have been obtained or applied for through May 2027 in various EU countries. The last of the previously issued patents covering DEXYCU expire in July 2023, but two additional patents have issued in the U.S. that will cover DEXYCU until at least 2034.

The following table provides general details relating to our owned and licensed patents (including both patents that have been issued and applications that have been accepted for issuance) and patent applications as of August 31, 2018:

Technology	United States Patents	United States Applications	Foreign Patents	Foreign Applications	Patent Families
Durasert	11	7	72	12	12
Verisome	9	4	31	26	8
Other	15	11	39	47	15
Total	35	22	142	85	35

Employees

We had 44 employees as of August 31, 2018. None of our employees are covered by a collective bargaining agreement.

Manufacturing

We currently plan to use a contract manufacturer for commercial supplies of our DEXYCU approved product. Subject to FDA approval, we plan to source raw materials and components necessary to manufacture YUTIQ through third-party vendors and assemble commercial supplies of finished product ourselves in our Watertown, MA facility. All of our other pre-clinical study and clinical trial supplies for product candidates that utilize our Durasert technology platform have been, and will continue to be, manufactured ourselves. Raw materials and components are available from multiple sources. The manufacture of each of Retisert and ILUVIEN is the responsibility of our licensees.

Sales and Marketing

We currently are building out our U.S. marketing and sales staff. Members of our leadership team have extensive commercialization experience at previous companies. We plan to launch DEXYCU in the U.S. in the first half of calendar year 2019 following the successful scale up of commercial infrastructure and supplies and, if approved by FDA, we expect to also launch YUTIQ in the U.S. in the first half of calendar year 2019. We have invested substantially in our sales and marketing infrastructure since May 2018 and that will continue during the balance of calendar year 2018 in preparation for the aforementioned product launches. We have entered into an agreement with a CSO for the field-based sales representatives and key account managers to promote DEXYCU

and, if approved by the FDA, YUTIQ, to our defined audiences in the U.S. We plan to out-license DEXYCU for any territories outside the U.S. We have already out-licensed YUTIQ to Alimera for the EMEA and would expect to seek further out-licenses for other territories outside the U.S. and EMEA.

Competition

The market for products treating eye diseases is highly competitive and is characterized by extensive research efforts and rapid technological progress. We face substantial competition for our FDA-approved product and our product candidates. Pharmaceutical, drug delivery and biotechnology companies, as well as research organizations, governmental entities, universities, hospitals, other nonprofit organizations and individual scientists, have developed and are seeking to develop drugs, therapies and novel delivery methods to treat diseases targeted by our products and product candidates. Most of our competitors and potential competitors are larger, better established, more experienced and have substantially more resources than we or our partners have. Competitors may reach the market earlier, may have obtained or could obtain patent protection that dominates or adversely affects our products and potential products, and may offer products with greater efficacy, lesser or fewer side effects and/or other competitive advantages. We believe that competition for treatments of back-of-the-eye diseases is based upon the effectiveness of the treatment, side effects, time to market, reimbursement and price, reliability, ease of administration, dosing or injection frequency, patent position and other factors.

Many companies have or are pursuing products to treat eye diseases that are or would be competitive with DEXYCU, ILUVIEN for DME or, if approved, YUTIQ and ILUVIEN for NIPU. Some of these products and potential products include the following:

- *Inflammation following cataract surgery.* There is a high unmet medical need among patients who undergo cataract surgery as the current standard of care to treat the inflammation post-surgery includes a schedule of up to 70 eye drops over a period of 3- 4 weeks. In August 2018, Kala Pharmaceuticals, Inc. announced that the FDA approved INVELTYS™ (loteprednol etabonate ophthalmic suspension) 1% for the topical treatment of post-operative inflammation and pain following ocular surgery. INVELTYS is the first twice-daily ocular corticosteroid approved for this indication while all other available ocular steroid eyedrops are only approved for four-times-a-day dosing. This product is expected to improve compliance and allow for less burdensome self-dosing with eyedrops for patients. Ocular Therapeutix Inc. is developing DEXTENZA®, which is a corticosteroid intracanalicular insert placed through the punctum, a natural opening in the eye lid, into the canaliculus, and is designed to deliver dexamethasone to the ocular surface for up to 30 days. Following treatment, DEXTENZA is intended to resorb and exit the nasolacrimal system without the need for removal. DEXTENZA has completed a Phase 3 clinical trial in the U.S. and is currently limited by U.S. law to investigational use only because the product has not been approved by the FDA. On June 29, 2018, Ocular Therapeutix re-filed its NDA with the FDA, which approved its re-submission and set a PDUFA action date of December 28, 2018. Both INVELTYS and DEXTENZA deliver a steroid on the surface of the eye and therefore are dependent on penetration through the cornea to reach the intended target of the anti-inflammatory effect. On the other hand, since DEXYCU is delivered directly into the posterior chamber and bypasses that anatomical barrier, we believe that it can exert its anti-inflammatory effect upon dosing.
- *DME.* Genentech USA Inc.'s LUCENTIS® (ranibizumab) and Regeneron Pharmaceutical's EYLEA® (aflibercept) are approved in the U.S. and the EU for the treatment of DME. Roche's lower-cost AVASTIN® is approved to treat various cancers, but is used off-label for treatment of diabetic retinopathy. These products are VEGF inhibitors which are considered first line therapy for DME due to their ability to block the VEGF protein, which at high levels can cause abnormal blood vessels to grow in the eye and leak fluid. Genentech is a wholly-owned member of the Roche Group. Novartis AG, or Novartis, has the right to market and sell LUCENTIS outside of the U.S. Regeneron maintains exclusive rights to EYLEA in the U.S., and Bayer HealthCare Pharmaceuticals LLC owns the

exclusive marketing rights outside the U.S. LUCENTIS, EYLEA and AVASTIN are all injected into the back of the eye on a monthly or bi-monthly basis. Allergan, Inc.'s, or Allergan, OZURDEX® (dexamethasone intravitreal implant), a bioerodible intravitreal implant, has been approved for the treatment of DME, retinal vein occlusion and posterior segment uveitis, and has a therapeutic duration of several months. As with ILUVIEN, OZURDEX delivers a corticosteroid (dexamethasone) to the back of the eye through an intravitreal injection. However, it only lasts for up to several months, resulting in frequent injections compared to ILUVIEN lasting for up to three years. Other companies, including Roche, are working on the development of product candidates and extended delivery systems for the potential treatment of DME. RG7716, being developed by Roche, is a bispecific antibody that simultaneously binds to and inactivates vascular endothelial growth factor A, or VEGF-A, and angiopoietin-2. In a Phase 2 clinical trial, RG7716 demonstrated clinically meaningful visual acuity gains from baseline, and statistically significant improvements in visual acuity compared with ranibizumab. Roche's Phase 3 clinical trial of RG7716 in DME is expected to begin later in calendar year 2018.

- *Posterior Segment Uveitis.* Periocular steroid injections and systemic delivery of corticosteroids are routinely used to treat posterior segment uveitis, which is a chronic, inflammatory condition of the eye. It is treated both aggressively and frequently by physicians in order to minimize the disease "flares", which are the main cause of vision deterioration and potential blindness. OZURDEX, which is marketed by Allergan, is approved in the U.S. and EU for posterior segment uveitis through an intravitreal bioerodible implant that provides treatment which lasts for several months. As with DME, the several-month effectiveness of OZURDEX can result in frequent intravitreal injections of the implant. AbbVie, Inc. recently obtained FDA approval for HUMIRA® (adalimumab) for the treatment of all types of non-infectious uveitis (intermediate, posterior and panuveitis) and it is administered subcutaneously every other week for systemic delivery. HUMIRA is a biologic that blocks tumor necrosis factor alpha, a naturally occurring cytokine that is involved in normal inflammatory and immune responses. Humira's retail price in the U.S. is approximately $50,000 per year. Other companies have ongoing trials of posterior segment uveitis treatments, including Santen Pharmaceutical Co. Ltd., which recently received a Complete Response Letter, or CRL, from the FDA for their filed NDA for sirolimus, which is administered through intravitreal injection every two months. Sirolimus is a mammalian target of rapamycin inhibitor and modulator of the immune system, and is being developed for NIPU. Clearside's CLS-TA (triamcinolone acetonide, a steroid) for macular edema associated with non-infectious uveitis is in Phase 3 trials and it is administered through a suprachoroidal injection administered every 12 weeks. Preliminary clinical data indicated that the suprachoroidal route may reduce the risk of increased IOP that is typically associated with intraocular injection of steroids. The results of the Phase 3 trial, presented in September 2018, indicated that while about 50% of patients experienced significant improvements in visual acuity through 24 weeks, adverse events of IOP increase were reported in about 12% of patients.
- *Wet Age-Related Macular Degeneration*. Wet AMD, the leading cause of vision loss in people over 65, is most commonly treated with intravitreal injections of biologics that block VEGF. FDA-approved Lucentis and EYLEA and off-label use of the anti-cancer Avastin® are the leading treatments for wet AMD. These biologics must be injected into the eye frequently and typically can lose efficacy over time, resulting in vision loss and return of the disease. However, EYLEA was recently approved by the FDA for dosing every 12 weeks. Novartis is currently developing an antibody fragment, brolucizumab, with high affinity to all VEGF-A isoforms. In May 2018, Novartis announced that treatment with brolucizumab, which could be given every 12 weeks, showed non-inferior improvements in best corrected visual acuity (BCVA) when compared with EYLEA every 8 weeks in two Phase 3 trials. Novartis plans to apply for approval with the FDA by the end of calendar year 2018. Abicipar pegol is a monoDARPin (Designed Ankyrin Repeat Protein) that blocks all isoforms of VEGF-A and is currently being developed by Allergan. Smaller molecular size (34 kDa) may lead to longer duration (12 weeks) than the currently available anti-VEGF-A agents. Allergan is conducting Phase 3 trials to compare treatment arms of abicipar every 8 weeks, abicipar every 12 weeks and ranibizumab every

four weeks. In July 2018, Allergan announced the release of two positive clinical trials, SEQUOIA and CEDAR for abicipar, demonstrating that both the 8-week and 12-week treatment regimens met the pre-specified primary endpoint of non-inferiority to ranibizumab. The port delivery system with ranibizumab, or PDS, is a refillable reservoir system being developed by Genentech and it is designed to gradually release Lucentis (ranibizumab). The drug is released using a diffusion-control mechanism and the port is placed under the conjunctiva, fixed to the pars plana, and no sutures are needed. The port is then refilled as an in-office procedure with the help of a refill needle system that simultaneously introduces the drug into the reservoir and removes any remaining contents. In July 2018, Roche announced positive Phase 2 results: the majority of PDS patients went 6 months or longer between the implant of the device and first required refill, and patients in the high dose PDS group achieved similar vision outcomes as monthly ranibizumab eye injections. Phase 3 clinical trials are expected to begin later in calendar year 2018 to evaluate PDS in wet AMD. In cancer therapy, TKIs are taken orally, but their toxicity prevents their systemic use to treat AMD. Graybug Vision, Inc.'s, or Graybug Vision, lead product, GB-102, is an intravitreal injectable depot formulation of a tyrosine kinase inhibitor, sunitinib malate, that blocks multiple angiogenesis pathways. In 2017, Graybug Vision launched the first clinical trial of GB-102 given every 6 months in patients with wet AMD. This Phase 1/2 clinical trial is designed to evaluate patients being treated with available intravitreal anti-VEGF agents who are later switched over to just GB-102.

Revenues

We operate in one business segment. The following table summarizes our revenues by type and by geographical location. Revenue is allocated geographically by the location of the subsidiary that earns the revenue.

	Year Ended June 30,								
	2018			2017			2016		
	U.S.	U. K.	Total	U.S.	U. K.	Total	U.S.	U. K.	Total
	(In thousands)								
Revenues:									
Collaborative research and development	$1,243	$100	$1,343	$6,469	$100	$6,569	$ 298	$100	$ 398
Royalty income	1,618	—	1,618	970	—	970	1,222	—	1,222
	$2,861	$100	$2,961	$7,439	$100	$7,539	$1,520	$100	$ 1,620

Government Regulation

We are subject to extensive regulation by the FDA and other federal, state, and local regulatory agencies. The Federal Food, Drug and Cosmetic Act, or the FD&C Act, and FDA's implementing regulations set forth, among other things, requirements for the testing, development, manufacture, quality control, safety, effectiveness, approval, labeling, storage, record-keeping, reporting, distribution, import, export, advertising and promotion of our product candidates. Although the discussion below focuses on regulation in the U.S., we currently out-license certain of our products and may seek approval for, and market, other products in other countries in the future. Generally, our activities in other countries will be subject to regulation that is similar in nature and scope as that imposed in the U.S., although there can be important differences. Additionally, some significant aspects of regulation in the EU are addressed in a centralized way through the European Medicines Agency, or EMA, and the European Commission but country specific regulation remains essential in many respects. The process of obtaining regulatory marketing approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources and may not be successful.

Development and Approval

Under the FD&C Act, FDA approval of an NDA is required before any new drug can be marketed in the U.S. NDAs require extensive studies and submission of a large amount of data by the applicant.

Pre-clinical Testing. Before testing any compound in human patients in the U.S., a company must generate extensive pre-clinical data. Pre-clinical testing generally includes laboratory evaluation of product chemistry and formulation, as well as toxicological and pharmacological studies in several animal species to assess the quality and safety of the product. Certain animal studies must be performed in compliance with the FDA's Good Laboratory Practice, or GLP, regulations and the U.S. Department of Agriculture's Animal Welfare Act.

IND Application. Human clinical trials in the U.S. cannot commence until an investigational new drug, or IND, application is submitted and becomes effective. A company must submit pre-clinical testing results to the FDA as part of the IND, and the FDA must evaluate whether there is an adequate basis for testing the drug in initial clinical studies in human volunteers. Unless the FDA raises concerns, the IND becomes effective 30 days following its receipt by the FDA. Once human clinical trials have commenced, the FDA may stop a clinical trial by placing it on "clinical hold" because of concerns about the safety of the product being tested, or for other reasons.

Clinical Trials. Clinical trials involve the administration of a drug to healthy human volunteers or to patients under the supervision of a qualified investigator. The conduct of clinical trials is subject to extensive regulation, including compliance with the FDA's bioresearch monitoring regulations and Good Clinical Practice, or GCP, requirements, which establish standards for conducting, recording data from, and reporting the results of, clinical trials, and are intended to assure that the data and reported results are credible and accurate, and that the rights, safety, and well-being of study participants are protected. Clinical trials must be conducted under protocols that detail the study objectives, parameters for monitoring safety, and the efficacy criteria, if any, to be evaluated. Each protocol is reviewed by the FDA as part of the IND. In addition, each clinical trial must be reviewed and approved by, and conducted under the auspices of, an Institutional Review Board, or IRB. Companies sponsoring the clinical trials, investigators, and IRBs also must comply with, as applicable, regulations and guidelines for obtaining informed consent from the study patients, following the protocol and investigational plan, adequately monitoring the clinical trial, and timely reporting of adverse events, or AEs. Foreign studies conducted under an IND must meet the same requirements that apply to studies being conducted in the U.S. Data from a foreign study not conducted under an IND may be submitted in support of an NDA if the study was conducted in accordance with GCP and the FDA is able to validate the data.

A study sponsor is required to publicly post specified details about certain clinical trials and clinical trial results on government or independent websites (e.g., http://clinicaltrials.gov). Human clinical trials typically are conducted in three sequential phases, although the phases may overlap with one another:

- Phase 1 clinical trials involve the initial administration of the investigational drug to humans, typically to a small group of healthy human patients, but occasionally to a group of patients with the targeted disease or disorder. Phase 1 clinical trials generally are intended to determine the metabolism and pharmacologic actions of the drug, the side effects associated with increasing doses, and, if possible, to gain early evidence of effectiveness.
- Phase 2 clinical trials generally are controlled studies that involve a relatively small sample of the intended patient population and are designed to develop initial data regarding the product's effectiveness, to determine dose response and the optimal dose range, and to gather additional information relating to safety and potential AEs.
- Phase 3 clinical trials are conducted after preliminary evidence of effectiveness has been obtained and are intended to gather the additional information about safety and effectiveness necessary to evaluate the drug's overall risk-benefit profile, and to provide a basis for physician labeling. Generally, Phase 3 clinical development programs consist of expanded, large-scale studies of patients with the target

disease or disorder to obtain statistical evidence of the efficacy and safety of the drug at the proposed dosing regimen.

The sponsoring company, the FDA, or the IRB may suspend or terminate a clinical trial at any time on various grounds, including a finding that the patients are being exposed to an unacceptable health risk. Further, success in early-stage clinical trials does not assure success in later-stage clinical trials. Data obtained from clinical activities are not always conclusive and may be subject to alternative interpretations that could delay, limit or prevent regulatory approval.

NDA Submission and Review. The FD&C Act provides two pathways for the approval of new drugs through an NDA. An NDA under Section 505(b)(1) of the FD&C Act is a comprehensive application to support approval of a product candidate that includes, among other things, data and information to demonstrate that the proposed drug is safe and effective for its proposed uses, that production methods are adequate to ensure its identity, strength, quality, and purity of the drug, and that proposed labeling is appropriate and contains all necessary information. A 505(b)(1) NDA contains results of the full set of pre-clinical studies and clinical trials conducted by or on behalf of the applicant to characterize and evaluate the product candidate.

Section 505(b)(2) of the FD&C Act provides an alternate regulatory pathway to obtain FDA approval for new formulations or new uses of previously approved drug products. Specifically, Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The applicant may rely to some extent upon the FDA's findings of safety and effectiveness for an approved product that acts as the reference listed drug, or RLD, and submit its own product-specific data—which may include data from pre-clinical studies or clinical trials conducted by or on behalf of the applicant—to address differences between the product candidate and the RLD.

The submission of an NDA under either Section 505(b)(1) or Section 505(b)(2) generally requires payment of a substantial user fee to the FDA. The FDA reviews applications to determine, among other things, whether a product is safe and effective for its intended use and whether the manufacturing controls are adequate to assure and preserve the product's identity, strength, quality, and purity. For some NDAs, the FDA may convene an advisory committee to seek insights and recommendations on issues relevant to approval of the application. Although the FDA is not bound by the recommendation of an advisory committee, the agency usually has followed such recommendations.

The FDA may determine that a Risk Evaluation and Mitigation Strategy, or REMS, is necessary to ensure that the benefits of a new product outweigh its risks, and the product can therefore be approved. A REMS may include various elements, ranging from a medication guide or patient package insert to limitations on who may prescribe or dispense the drug, depending on what the FDA considers necessary for the safe use of the drug. Under the Pediatric Research Equity Act, or PREA, certain applications for approval must also include an assessment, generally based on clinical study data, of the safety and effectiveness of the subject drug in relevant pediatric populations. Before approving an NDA, the FDA will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with current Good Manufacturing Practice, or cGMP, requirements and adequate to assure consistent production of the product within required specifications.

Once the FDA accepts an NDA submission for filing—which occurs, if at all, within 60 days after submission of the NDA—the FDA's goal for a non-priority review of an NDA is ten months. The review process can be and often is significantly extended, however, by FDA requests for additional information, studies, or clarification. After review of an NDA, the FDA may decide to not approve the application or may issue a complete response letter, or CRL, outlining the deficiencies in the submission. The CRL also may request additional information, including additional pre-clinical or clinical data. Even if such additional information and data are submitted, the FDA may decide that the NDA still does not meet the standards for approval. Data from clinical trials are not always conclusive and the FDA may interpret data differently than the sponsor.

Obtaining regulatory approval often takes a number of years, involves the expenditure of substantial resources, and depends on a number of factors, including the severity of the disease in question, the availability of alternative treatments, and the risks and benefits demonstrated in clinical trials. Additionally, as a condition of approval, the FDA may impose restrictions that could affect the commercial success of a drug or require post-approval commitments, including the completion within a specified time period of additional clinical studies, which often are referred to as "Phase 4" or "post-marketing" studies.

Post-approval modifications to the drug, such as changes in indications, labeling, or manufacturing processes or facilities, may require a sponsor to develop additional data or conduct additional pre-clinical studies or clinical trials, to be submitted in a new or supplemental NDA, which would require FDA approval.

Post-Approval Regulation

Once approved, products are subject to continuing regulation by the FDA. If ongoing regulatory requirements are not met, or if safety problems occur after the product reaches the market, the FDA may at any time withdraw product approval or take actions that would limit or suspend marketing. Additionally, the FDA may require post-marketing studies or clinical trials if there are new safety information developments.

Good Manufacturing Practices. Companies engaged in manufacturing drug products or their components must comply with applicable cGMP requirements and product-specific regulations enforced by the FDA and other regulatory agencies. Compliance with cGMP includes adhering to requirements relating to organization and training of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, quality control and quality assurance, packaging and labeling controls, holding and distribution, laboratory controls, and records and reports. The FDA regulates and inspects equipment, facilities, and processes used in manufacturing pharmaceutical products prior to approval. If, after receiving approval, a company makes a material change in manufacturing equipment, location, or process (all of which are, to some degree, incorporated in the NDA), additional regulatory review and approval may be required. The FDA also conducts regular, periodic visits to re-inspect equipment, facilities, and processes following the initial approval of a product. Failure to comply with applicable cGMP requirements and conditions of product approval may lead the FDA to seek sanctions, including fines, civil penalties, injunctions, suspension of manufacturing operations, operating restrictions, withdrawal of FDA approval, seizure or recall of products, and criminal prosecution. Although we periodically monitor the FDA compliance of our third-party manufacturers, we cannot be certain that our present or future third-party manufacturers will consistently comply with cGMP and other applicable FDA regulatory requirements.

Advertising and Promotion. The FDA and other federal regulatory agencies closely regulate the marketing and promotion of drugs through, among other things, standards and regulations for direct-to-consumer advertising, advertising and promotion to healthcare professionals, communications regarding unapproved uses, industry-sponsored scientific and educational activities, and promotional activities involving the Internet. A product cannot be commercially promoted before it is approved. After approval, product promotion can include only those claims relating to safety and effectiveness that are consistent with the labeling approved by the FDA. Healthcare providers are permitted to prescribe drugs for "off-label" uses—that is, uses not approved by the FDA and not described in the product's labeling—because the FDA does not regulate the practice of medicine. However, FDA regulations impose restrictions on manufacturers' communications regarding off-label uses. Broadly speaking, a manufacturer may not promote a drug for off-label use, but under certain conditions may engage in non-promotional, balanced, scientific communication regarding off-label use. Failure to comply with applicable FDA requirements and restrictions in this area may subject a company to adverse publicity and enforcement action by the FDA, the Department of Justice, or the Office of the Inspector General of the Department of Health and Human Services, as well as state authorities. This could subject a company to a range of penalties that could have a significant commercial impact, including civil and criminal fines and agreements that materially restrict the manner in which a company promotes or distributes a drug.

Other Requirements. NDA holders must comply with other regulatory requirements, including submitting annual reports, reporting information about adverse drug experiences, and maintaining certain records.

Hatch-Waxman Act

The Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, establishes two abbreviated approval pathways for pharmaceutical products that are in some way follow-on versions of already approved products.

Generic Drugs. A generic version of an approved drug is approved by means of an abbreviated NDA, or ANDA, by which the sponsor demonstrates that the proposed product is the same as the approved, brand-name drug, which is referred to as the RLD. Generally, an ANDA must contain data and information showing that the proposed generic product and RLD (i) have the same active ingredient, in the same strength and dosage form, to be delivered via the same route of administration, (ii) are intended for the same uses, and (iii) are bioequivalent. This is instead of independently demonstrating the proposed product's safety and effectiveness, which are inferred from the fact that the product is the same as the RLD, which the FDA previously found to be safe and effective.

505(b)(2) NDAs. As discussed above, if a product is similar, but not identical, to an already approved product, it may be submitted for approval via an NDA under section 505(b)(2) of the FD&C Act. Unlike an ANDA, this does not excuse the sponsor from demonstrating the proposed product's safety and effectiveness. Rather, the sponsor is permitted to rely to some degree on the FDA's finding that the RLD is safe and effective, and must submit its own product-specific data of safety and effectiveness to an extent necessary because of the differences between the products. An NDA approved under 505(b)(2) may in turn serve as an RLD for subsequent applications from other sponsors.

RLD Patents. In an NDA, a sponsor must identify patents that claim the drug substance or drug product or a method of using the drug. When the drug is approved, those patents are among the information about the product that is listed in the FDA publication, *Approved Drug Products with Therapeutic Equivalence Evaluations*, which is referred to as the *Orange Book*. The sponsor of an ANDA or 505(b)(2) application seeking to rely on an approved product as the RLD must make one of several certifications regarding each listed patent. A "Paragraph III" certification is the sponsor's statement that it will wait for the patent to expire before obtaining approval for its product. A "Paragraph IV" certification is an assertion that the patent does not block approval of the later product, either because the patent is invalid or unenforceable or because the patent, even if valid, is not infringed by the new product.

Regulatory Exclusivities. The Hatch-Waxman Act provides periods of regulatory exclusivity for products that would serve as RLDs for an ANDA or 505(b)(2) application. If a product is a "new chemical entity," or NCE—generally meaning that the active moiety has never before been approved in any drug—there is a period of five years from the product's approval during which the FDA may not accept for filing any ANDA or 505(b)(2) application for a drug with the same active moiety. An ANDA or 505(b)(2) application may be submitted after four years, however, if the sponsor of the application makes a Paragraph IV certification.

A product that is not an NCE may qualify for a three-year period of exclusivity if the NDA contains new clinical data, derived from studies conducted by or for the sponsor, that were necessary for approval. In that instance, the exclusivity period does not preclude filing or review of an ANDA or 505(b)(2) application; rather, the FDA is precluded from granting final approval to the ANDA or 505(b)(2) application until three years after approval of the RLD. Additionally, the exclusivity applies only to the conditions of approval that required submission of the clinical data.

Once the FDA accepts for filing an ANDA or 505(b)(2) application containing a Paragraph IV certification, the applicant must within 20 days provide notice to the RLD NDA holder and patent owner that the application

has been submitted and provide the factual and legal basis for the applicant's assertion that the patent is invalid or not infringed. If the NDA holder or patent owner files suit against the ANDA or 505(b)(2) applicant for patent infringement within 45 days of receiving the Paragraph IV notice, the FDA is prohibited from approving the ANDA or 505(b)(2) application for a period of 30 months or the resolution of the underlying suit, whichever is earlier. If the RLD has NCE exclusivity and the notice is given and suit filed during the fifth year of exclusivity, the 30-month stay does not begin until five years after the RLD approval. The FDA may approve the proposed product before the expiration of the 30-month stay if a court finds the patent invalid or not infringed or if the court shortens the period because the parties have failed to cooperate in expediting the litigation.

Patent Term Restoration. A portion of the patent term lost during product development and FDA review of an NDA is restored if approval of the application is the first permitted commercial marketing of a drug containing the active ingredient. The patent term restoration period is generally one-half the time between the effective date of the IND or the date of patent grant (whichever is later) and the date of submission of the NDA, plus the time between the date of submission of the NDA and the date of FDA approval of the product. The maximum period of restoration is five years, and the patent cannot be extended to more than 14 years from the date of FDA approval of the product. Only one patent claiming each approved product is eligible for restoration and the patent holder must apply for restoration within 60 days of approval. The USPTO, in consultation with the FDA, reviews and approves the application for patent term restoration.

European and Other International Government Regulation

In addition to regulations in the U.S., we are subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales and distribution of our products. Whether or not we obtain FDA approval for a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of the product in those countries. Some countries outside of the U.S. have a similar process that requires the submission of a clinical trial application, or CTA, much like the IND prior to the commencement of human clinical trials. In the EU, for example, similar to the FDA a CTA must be submitted for authorization to the competent national authority of each EU Member State in which the clinical trial is to be conducted. Furthermore, the applicant may only start a clinical trial at a specific study site after the competent ethics committee, much like the IRB, has issued a favorable opinion. Once the CTA is approved in accordance with the EU Clinical Trials Directive 2001/20/EC and the related national implementing provisions of the relevant individual EU Member States' requirements, clinical trial development may proceed.

In April 2014, the new Clinical Trials Regulation, (EU) No 536/2014, or Clinical Trials Regulation, was adopted. The Regulation is anticipated to enter into force in 2020. The Clinical Trials Regulation will be directly applicable in all the EU Member States, repealing the current Clinical Trials Directive 2001/20/EC. Conduct of all clinical trials performed in the EU will continue to be bound by currently applicable provisions until the new Clinical Trials Regulation becomes applicable. The extent to which on-going clinical trials will be governed by the Clinical Trials Regulation will depend on when the Clinical Trials Regulation becomes applicable and on the duration of the individual clinical trial. If a clinical trial continues for more than three years from the day on which the Clinical Trials Regulation becomes applicable the Clinical Trials Regulation will at that time begin to apply to the clinical trial.

The new Clinical Trials Regulation is intended to simplify and streamline the approval of clinical trials in the EU. The main characteristics of the regulation include: a streamlined application procedure through a single entry point, the "EU portal"; a single set of documents to be prepared and submitted for the application as well as simplified reporting procedures for clinical trial sponsors; and a harmonized procedure for the assessment of applications for clinical trials, which is divided in two parts.

To obtain regulatory approval to commercialize a new drug under EU regulatory systems, we must submit a marketing authorization application, or MAA, to the competent regulatory authority. In the EU, marketing

authorization for a medicinal product can be obtained through a centralized, mutual recognition, decentralized procedure, or the national procedure of an individual EU Member State. A marketing authorization, irrespective of its route to authorization, may be granted only to an applicant established in the EU.

The centralized procedure provides for the grant of a single marketing authorization by the European Commission that is valid for all 28 EU Member States and three of the four European Free Trade Association, or EFTA States, Iceland, Liechtenstein and Norway. Under the centralized procedure, the Committee for Medicinal Products for Human Use, or the CHMP, established at the EMA is responsible for conducting the initial assessment of a product. The maximum timeframe for the evaluation of an MAA is 210 days. This period excludes clock stops during which additional information or written or oral explanation is to be provided by the applicant in response to questions posed by the CHMP. Accelerated evaluation might be granted by the CHMP in exceptional cases, when a medicinal product is expected to be of a major public health interest. A major public health interest defined by three cumulative criteria: (i) the seriousness of the disease (for example, heavy disabling or life-threatening diseases) to be treated, (ii) the absence or insufficiency of an appropriate alternative therapeutic approach, and (iii) anticipation of high therapeutic benefit. If the CHMP accepts to review a medicinal product as a major public health interest, the time limit of 210 days will be reduced to 150 days. It is, however, possible that the CHMP can revert to the standard time limit for the centralized procedure if it considers that it is no longer appropriate to conduct an accelerated assessment.

Irrespective of the related procedure, at the completion of the review period the CHMP will provide a scientific opinion concerning whether or not a marketing authorization should be granted in relation to a medicinal product. This opinion is based on a review of the quality, safety, and efficacy of the product. Within 15 days of the adoption, the EMA will forward its opinion to the European Commission for its decision. Following the opinion of the EMA, the European Commission makes a final decision to grant a centralized marketing authorization. The centralized procedure is mandatory for certain types of medicinal products, including orphan medicinal products, medicinal products derived from certain biotechnological processes, advanced therapy medicinal products and medicinal products containing a new active substance for the treatment of certain diseases. This route is optional for certain other products, including medicinal products that are of significant therapeutic, scientific or technical innovation, or whose authorization would be in the interest of public or animal health.

Unlike the centralized authorization procedure, the decentralized marketing authorization procedure requires a separate application to, and leads to separate approval by, the competent authorities of each EU Member State in which the product is to be marketed. This application process is identical to the application that would be submitted to the EMA for authorization through the centralized procedure. The reference EU Member State prepares a draft assessment and drafts of the related materials within 120 days after receipt of a valid application. The resulting assessment report is submitted to the concerned EU Member States who, within 90 days of receipt, must decide whether to approve the assessment report and related materials. If a concerned EU Member State cannot approve the assessment report and related materials due to concerns relating to a potential serious risk to public health, disputed elements may be referred to the European Commission, whose decision is binding on all EU Member States.

The mutual recognition procedure is similarly based on the acceptance by the competent authorities of the EU Member States of the marketing authorization of a medicinal product by the competent authorities of other EU Member States. The holder of a national marketing authorization may submit an application to the competent authority of an EU Member State requesting that this authority recognize the marketing authorization delivered by the competent authority of another EU Member State.

Marketing authorization holders are subject to comprehensive regulatory oversight by the EMA and the competent authorities of the individual EU Member States both before and after grant of marketing authorization. This includes control of compliance by the entities with EU cGMP rules, which govern quality control of the manufacturing process and require documentation policies and procedures.

For other countries outside of the EU, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. Internationally, clinical trials are generally required to be conducted in accordance with GCP, applicable regulatory requirements of each jurisdiction and the medical ethics principles that have their origin in the Declaration of Helsinki.

Compliance

During all phases of development (pre- and post-marketing), failure to comply with applicable regulatory requirements may result in administrative or judicial sanctions. These sanctions could include the FDA's imposition of a clinical hold on trials, refusal to approve pending applications, withdrawal of an approval, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, product detention or refusal to permit the import or export of products, injunctions, fines, civil penalties or criminal prosecution. Third country authorities can impose equivalent penalties. Any agency or judicial enforcement action could have a material adverse effect on us.

Other Exclusivities

Pediatric Exclusivity. Section 505A of the FD&C Act provides for six months of additional exclusivity or patent protection if an NDA sponsor submits pediatric data that fairly respond to a written request from the FDA for such data. The data does not need to show that the product is effective in the pediatric population studied; rather, if the clinical trial is deemed to fairly respond to the FDA's request, the additional protection is granted. If reports of requested pediatric studies are submitted to and accepted by FDA within the statutory time limits, whatever statutory or regulatory periods of exclusivity or *Orange Book* listed patent protection that cover the drug are extended by six months. This is not a patent term extension, but it effectively extends the regulatory period during which the FDA cannot approve an ANDA or 505(b)(2) application owing to regulatory exclusivity or listed patents. When any product is approved, we will evaluate seeking pediatric exclusivity as appropriate.

In the EU, Regulation No 1901/2006, or the Pediatric Regulation, requires that prior to obtaining a marketing authorization in the EU, applicants demonstrate compliance with all measures included in an European Medicines Agency, or EMA, approved Pediatric Investigation Plan, or PIP. This PIP covers all subsets in a pediatric population, unless the EMA has granted either, a product-specific waiver, a class waiver, or a deferral for one or more of the measures included in the PIP. Where all measures provided in the agreed PIP are completed a six months extension period of qualifying Supplementary Protection Certificates, or SPCs, is granted.

Orphan Drug Exclusivity. The Orphan Drug Act provides incentives for the development of drugs intended to treat rare diseases or conditions, which generally are diseases or conditions affecting less than 200,000 individuals in the U.S. If a sponsor demonstrates that a drug is intended to treat a rare disease or condition, the FDA may grant orphan drug designation to the product for that use. The benefits of orphan drug designation include research and development tax credits and exemption from user fees. A drug that is approved for the orphan drug designated indication generally is granted seven years of orphan drug exclusivity. During that period, the FDA generally may not approve any other application for the same product for the same indication, although there are exceptions, most notably when the later product is shown to be clinically superior to the product with exclusivity.

In the EU, medicinal products: (a) that are used to diagnose, treat or prevent life-threatening or chronically debilitating conditions that affect no more than five in 10,000 people in the EU; or (b) that are used to treat or prevent life-threatening or chronically debilitating conditions and that, for economic reasons, would be unlikely to be developed without incentives; and (c) where no satisfactory method of diagnosis, prevention or treatment of the condition concerned exists, or, if such a method exists, the medicinal product would be of significant benefit to those affected by the condition, may be granted an orphan designation in the EU. The application for orphan

designation must be submitted to the EMA's Committee for Orphan Medicinal Products and approved by the European Commission before an application is made for marketing authorization for the product. Once authorized, orphan medicinal product designation entitles an applicant to financial incentives such as reduction of fees or fee waivers. In addition, orphan medicinal products are entitled to ten years of market exclusivity following authorization. During this ten-year period, with a limited number of exceptions, neither the competent authorities of the EU Member States, the EMA, or the European Commission are permitted to accept applications or grant marketing authorization for other similar medicinal products with the same therapeutic indication. However, marketing authorization may be granted to a similar medicinal product with the same orphan indication during the ten-year period with the consent of the marketing authorization holder for the original orphan medicinal product or if the manufacturer of the original orphan medicinal product is unable to supply sufficient quantities. Marketing authorization may also be granted to a similar medicinal product with the same orphan indication if this latter product is safer, more effective or otherwise clinically superior to the original orphan medicinal product. The period of market exclusivity may, in addition, be reduced to six years if it can be demonstrated on the basis of available evidence that the original orphan medicinal product is sufficiently profitable not to justify maintenance of market exclusivity

Data Exclusivity. In the EU, if a marketing authorization is granted for a medicinal product containing a new active substance, that product benefits from eight years of data exclusivity, during which generic marketing authorization applications referring to the data of that product may not be accepted by the regulatory authorities. The product also benefits from 10 years' market exclusivity during which generic products, even if authorized, may not be placed on the market. The overall ten-year period will be extended to a maximum of 11 years if, during the first eight years of those ten years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies.

U.S. Healthcare Reform

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, which we refer to together as the Affordable Care Act, or ACA, is a sweeping measure intended to expand healthcare coverage within the U.S., primarily through the imposition of health insurance mandates on employers and individuals and expansion of the Medicaid program. This law substantially changes the way healthcare is financed by both governmental and private insurers and significantly impacts the pharmaceutical industry. Changes that may affect our business include those governing enrollment in federal healthcare programs, reimbursement changes, benefits for patients within a coverage gap in the Medicare Part D prescription drug program (commonly known as the "donut hole"), rules regarding prescription drug benefits under the health insurance exchanges, changes to the Medicaid Drug Rebate program, expansion of the Public Health Service's 340B drug pricing discount program, or 340B program, fraud and abuse, and enforcement. These changes impact existing government healthcare programs and are resulting in the development of new programs, including Medicare payment for performance initiatives and improvements to the physician quality reporting system and feedback program.

Some states have elected not to expand their Medicaid programs to individuals with an income of up to 133% of the federal poverty level, as is permitted under the Affordable Care Act. For each state that does not choose to expand its Medicaid program, there may be fewer insured patients overall, which could impact our sales of products for which we receive regulatory approval, business and financial condition. Where new patients receive insurance coverage under any of the new Medicaid options made available through the Affordable Care Act, the possibility exists that manufacturers may be required to pay Medicaid rebates on drugs used under these circumstances, a decision that could impact manufacturer revenues. In addition, the federal government has announced delays in the implementation of key provisions of the Affordable Care Act.

Moreover, legislative changes to or regulatory changes under the Affordable Care Act remain possible in the 115th U.S. Congress and under the Trump Administration. For example, on December 22, 2017, the U.S.

government signed into law comprehensive tax legislation, referred to as the Tax Cuts and Jobs Act, or the Tax Act, which includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the Affordable Care Act on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Additional legislative changes to and regulatory changes under the Affordable Care Act remain possible. We expect that the Affordable Care Act, as currently enacted or as it may be amended or replaced in the future, and other healthcare reform measures that may be adopted in the future could have a material adverse effect on our industry generally and on our ability to maintain or increase sales of products for which we receive regulatory approval or to successfully commercialize our product candidates, if approved.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any products for which we may obtain regulatory approval. Sales of any of our product candidates, if approved, will depend, in part, on the extent to which the costs of the products will be covered by third-party payors, including government healthcare programs such as Medicare and Medicaid, and private payors, such as commercial health insurers and managed care organizations. Third-party payors determine which drugs they will cover and the amount of reimbursement they will provide for a covered drug. In the U.S., there is no uniform system among payors for making coverage and reimbursement decisions. In addition, the process for determining whether a payor will provide coverage for a product may be separate from the process for setting the price or reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors may limit coverage to specific products on an approved list, or formulary, which might not include all of the FDA-approved products for a particular indication.

In order to secure coverage and reimbursement for our products, if approved for sale, we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product, in addition to the costly studies required to obtain FDA or other comparable regulatory approvals. Even if we conduct pharmacoeconomic studies, our product candidates may not be considered medically necessary or cost-effective by payors. Further, a payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved.

In the past, payors have implemented reimbursement metrics and periodically revised those metrics as well as the methodologies used as the basis for reimbursement rates, such as average sales price, or ASP, average manufacturer price, or AMP, and actual acquisition cost. The existing data for reimbursement based on these metrics is relatively limited, although certain states have begun to survey acquisition cost data for the purpose of setting Medicaid reimbursement rates. The CMS surveys and publishes retail pharmacy acquisition cost information in the form of National Average Drug Acquisition Cost files to provide state Medicaid agencies with a basis of comparison for their own reimbursement and pricing methodologies and rates.

We intend to participate in the Medicaid Drug Rebate program. This program would require us to pay a rebate for each unit of drug reimbursed by Medicaid. The amount of the "basic" portion of the rebate for each product is set by law as the larger of: (i) 23.1% of quarterly AMP, or (ii) the difference between quarterly AMP and the quarterly best price available from us to any commercial or non-governmental customer, or Best Price. AMP must be reported on a monthly and quarterly basis and Best Price is reported on a quarterly basis only. In addition, the rebate also includes the "additional" portion, which adjusts the overall rebate amount upward as an "inflation penalty" when the drug's latest quarter's AMP exceeds the drug's AMP from the first full quarter of sales after launch, adjusted for increases in the Consumer Price Index-Urban. The upward adjustment in the rebate amount per unit is equal to the excess amount of the current AMP over the inflation-adjusted AMP from the first full quarter of sales. The rebate amount is recomputed each quarter based on our report to CMS of current quarterly AMP and Best Price for our drug. The terms of our participation in the program would impose a requirement for us to report revisions to AMP or Best Price within a period not to exceed 12 quarters from the quarter in which the data was originally due. Any such revisions could have the impact of increasing or decreasing our rebate liability for prior quarters, depending on the direction of the revision.

Federal law requires that any manufacturer that participates in the Medicaid Drug Rebate program also participate in the Public Health Service's 340B drug pricing program in order for federal funds to be available for the manufacturer's drugs under Medicaid and Medicare Part B. The 340B program requires participating manufacturers to agree to charge statutorily defined covered entities no more than the 340B "ceiling price" for the manufacturer's covered outpatient drugs. These 340B covered entities include a variety of community health clinics and other entities that receive health services grants from the Public Health Service, as well as hospitals that serve a disproportionate share of low-income patients. The 340B ceiling price is calculated using a statutory formula, which is based on the AMP and rebate amount for the covered outpatient drug as calculated under the Medicaid Drug Rebate program. Any changes to the definition of AMP and the Medicaid rebate amount under the Affordable Care Act or other legislation could affect our 340B ceiling price calculations and negatively impact our results of operations.

In the U.S. Medicare program, outpatient prescription drugs may be covered under Medicare Part D. Medicare Part D is a voluntary prescription drug benefit, through which Medicare beneficiaries may enroll in prescription drug plans offered by private entities for coverage of outpatient prescription drugs. Part D plans include both stand-alone prescription drug benefit plans and prescription drug coverage as a supplement to Medicare Advantage plans provided for under Medicare Part C.

Coverage and reimbursement for covered outpatient drugs under Part D are not standardized. Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee. Although Part D prescription drug formularies must include drugs within each therapeutic category and class of covered Part D drugs, they have some flexibility to establish those categories and classes and are not required to cover all of the drugs in each category or class. Medicare Part D prescription drug plans may use formularies to limit the number of drugs that will be covered in any therapeutic class and/or impose differential cost sharing or other utilization management techniques.

The availability of coverage under Medicare Part D may increase demand for products for which we receive marketing approval. However, in order for the products that we market to be included on the formularies of Part D prescription drug plans, we likely will have to offer pricing that is lower than the prices we might otherwise obtain. Changes to Medicare Part D that give plans more freedom to limit coverage or manage utilization, and other cost reduction initiatives in the program, could decrease the coverage and price that we receive for any approved products and could seriously harm our business.

In order to be eligible to have our products paid for with federal funds under the Medicaid and Medicare Part B programs and purchased by certain federal agencies and grantees, we expect to participate in the U.S. Department of Veterans Affairs, or VA, Federal Supply Schedule, or FSS, pricing program. Under this program, we would be obligated to make our "innovator" drugs available for procurement on an FSS contract and charge a price to four federal agencies—the VA, U.S. Department of Defense, or DoD, Public Health Service and U.S. Coast Guard—that is no higher than the statutory Federal Ceiling Price, or FCP. The FCP is based on the non-federal average manufacturer price, or Non-FAMP, which we calculate and report to the VA on a quarterly and annual basis. We also expect to participate in the Tricare Retail Pharmacy program, under which we would pay quarterly rebates on utilization of innovator products that are dispensed through the Tricare Retail Pharmacy network to Tricare beneficiaries. The rebates are calculated as the difference between the annual Non-FAMP and FCP.

Federal law also requires that a company that participates in the Medicaid Drug Rebate program report ASP information each quarter to CMS for certain categories of drugs that are paid under the Medicare Part B program. Manufacturers calculate the average sales price based on a statutorily defined formula as well as regulations and interpretations of the statute by CMS. CMS uses these submissions to determine payment rates for drugs under Medicare Part B. For more information about Medicare Part B, refer to the risk factor entitled "Even if we are

able to commercialize our products, the products may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, which could harm our business" set forth under the section titled "Risk Factors" in this Annual Report on Form 10-K.

Pricing and rebate calculations vary across products and programs, are complex, and are often subject to interpretation by manufacturers, governmental or regulatory agencies, and the courts. Civil monetary penalties can be applied if a manufacturer is found to have knowingly submitted any false price information to the government or fails to submit the required price data on a timely basis. Such conduct also could be grounds for CMS to terminate the manufacturer's Medicaid drug rebate agreement, in which case federal payments may not be available under Medicaid or Medicare Part B for the manufacturer's covered outpatient drugs. In addition, claims submitted to federally-funded healthcare programs, such as Medicare and Medicaid, for drugs priced based on incorrect pricing data provided by a manufacturer can implicate the federal civil False Claims Act.

The containment of healthcare costs has become a priority of federal, state and foreign governments, and the prices of drugs have been a focus in this effort. The U.S. government, state legislatures, and foreign governments have shown significant interest in implementing cost-containment programs to limit the growth of government-paid healthcare costs, including price controls, restrictions on reimbursement, and requirements for substitution of generic products for branded prescription drugs. For example, there have been several recent U.S. Congressional inquiries and proposed federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs, and reform government program reimbursement methodologies for drug products.

Beginning April 1, 2013, Medicare payments for all items and services, including drugs, were reduced by 2% under the sequestration (i.e., automatic spending reductions) required by the Budget Control Act of 2011, as amended by the American Taxpayer Relief Act of 2012. Subsequent legislation extended the 2% reduction, on average, to 2027. If Congress does not take action in the future to modify these sequestrations, Medicare Part D plans could seek to reduce their negotiated prices for drugs. Other legislative or regulatory cost containment legislation could have a similar effect.

Further, the Affordable Care Act may reduce the profitability of drug products. It expanded manufacturers' rebate liability under the Medicaid program from fee-for-service Medicaid utilization to include the utilization of Medicaid managed care organizations as well, increased the minimum Medicaid rebate due for most innovator drugs, and capped the total rebate amount for innovator drugs at 100% of AMP. The Affordable Care Act and subsequent legislation also changed the definition of AMP. On February 1, 2016, CMS issued final regulations to implement the changes to the Medicaid drug rebate program under the Affordable Care Act. These regulations became effective on April 1, 2016.

The Affordable Care Act requires pharmaceutical manufacturers of branded prescription drugs to pay a branded prescription drug fee to the federal government. Each such manufacturer pays a prorated share of the branded prescription drug fee of $4.1 billion in 2018, based on the dollar value of its branded prescription drug sales to certain federal programs identified in the law. The Affordable Care Act also expanded the Public Health Service's 340B program to include additional types of covered entities. Substantial new provisions affecting compliance have also been enacted, which may affect our business practices with healthcare practitioners. It appears likely that the Affordable Care Act will continue the pressure on pharmaceutical pricing, especially under the Medicare and Medicaid programs, and may also increase our regulatory burdens and operating costs.

Legislative changes to and regulatory changes under the Affordable Care Act remain possible in the 115th U.S. Congress and under the Trump Administration, as discussed above under the heading "U.S. Healthcare Reform." In addition, there likely will continue to be proposals by legislators at both the federal and state levels, regulators, and third-party payors to contain healthcare costs. Thus, even if we obtain favorable coverage and reimbursement status for any products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Different pricing and reimbursement schemes exist in other countries. In the EU, each EU Member State can restrict the range of medicinal products for which its national health insurance system provides reimbursement and can control the prices of medicinal products for human use marketed on its territory. As a result, following receipt of marketing authorization in an EU Member State, through any application route, the applicant is required to engage in pricing discussions and negotiations with the competent pricing authority in the individual EU Member State. The governments of the EU Member States influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national healthcare systems that fund a large part of the cost of those products to consumers. Some EU Member States operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed upon. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other EU Member States allow companies to fix their own prices for medicines, but monitor and control company profits. Others adopt a system of reference pricing, basing the price or reimbursement level in their territories either on the pricing and reimbursement levels in other countries or on the pricing and reimbursement levels of medicinal products intended for the same therapeutic indication. Further, some EU Member States approve a specific price for the medicinal product or may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. The downward pressure on healthcare costs in general, particularly prescription drugs, has become more intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, we may face competition for our product candidates from lower-priced products in foreign countries that have placed price controls on pharmaceutical products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

Health Technology Assessment, or HTA, of medicinal products, however, is becoming an increasingly common part of the pricing and reimbursement procedures in some EU Member States. These EU Member States include the U.K., France, Germany, Ireland, Italy and Sweden. HTA is the procedure according to which the assessment of the public health impact, therapeutic impact and the economic and societal impact of use of a given medicinal product in the national healthcare systems of the individual country is conducted. HTA generally focuses on the clinical efficacy and effectiveness, safety, cost, and cost-effectiveness of individual medicinal products as well as their potential implications for the healthcare system. Those elements of medicinal products are compared with other treatment options available on the market.

The outcome of HTA regarding specific medicinal products will often influence the pricing and reimbursement status granted to these medicinal products by the competent authorities of individual EU Member States. The extent to which pricing and reimbursement decisions are influenced by the HTA of the specific medicinal product varies between EU Member States.

In addition, pursuant to Directive 2011/24/EU on the application of patients' rights in cross-border healthcare, a voluntary network of national authorities or bodies responsible for HTA in the individual EU Member States was established. The purpose of the network is to facilitate and support the exchange of scientific information concerning HTAs. This may lead to harmonization of the criteria taken into account in the conduct of HTAs between EU Member States and in pricing and reimbursement decisions and may negatively affect price in at least some EU Member States.

Healthcare Fraud and Abuse Laws

In addition to FDA restrictions on marketing of pharmaceutical products, our business is subject to healthcare fraud and abuse regulation and enforcement by both the federal government and the states in which we conduct our business. These laws include, but are not limited to the following:

The federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, in cash or in kind, to induce or in return for

purchasing, leasing, ordering or arranging for or recommending the purchase, lease or order of any healthcare item or service reimbursable, in whole or in part, under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. A violation of the Anti-Kickback Statute may be established without proving actual knowledge of the statute or specific intent to violate it. The Affordable Care Act amended federal law to provide that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act. Although there are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution, the exceptions and safe harbors are drawn narrowly and practices that involve remuneration to those who prescribe, purchase, or recommend pharmaceuticals, including certain discounts, or engaging such individuals as consultants, speakers or advisors, may be subject to scrutiny if they do not fit squarely within the exception or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability. Moreover, there are no safe harbors for many common practices, such as educational and research grants, charitable donations, product support and patient assistance programs. Arrangements that implicate the Anti-Kickback Statute and do not fit within an exception or safe harbor are reviewed on a case-by-case basis to determine whether, based on the facts and circumstances, they violate the statute.

The federal civil False Claims Act prohibits any person from, among other things, knowingly presenting, or causing to be presented, a false or fraudulent claim for payment of government funds, or knowingly making, using, or causing to be made or used, a false record or statement material to an obligation to pay money to the government or knowingly concealing or knowingly and improperly avoiding, decreasing, or concealing an obligation to pay money to the federal government. Actions under the False Claims Act may be brought by private individuals known as qui tam relators in the name of the government. In recent years, several pharmaceutical and other healthcare companies have faced enforcement actions under the False Claims Act for, among other things, providing free product to customers with the expectation that the customers would bill federal programs for the product, inflating prices reported to private price publication services which are used to set drug payment rates under government healthcare programs, and other interactions with prescribers and other customers including interactions that may have affected customers' billing or coding practices on claims submitted to the federal government. Other companies have faced enforcement actions for causing false claims to be submitted because of the company's marketing the product for unapproved, and thus non-reimbursable, uses. Federal enforcement agencies also have shown increased interest in pharmaceutical companies' product and patient assistance programs, including reimbursement and co-pay support services, and a number of investigations into these programs have resulted in significant civil and criminal settlements.

The Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, which we refer to collectively as HIPAA prohibits, among other things, knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third-party payors. HIPAA also prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of or payment for healthcare benefits, items or services.

The majority of states also have statutes or regulations similar to the federal anti-kickback and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Several states now require pharmaceutical companies to report expenses relating to the marketing and promotion of pharmaceutical products in those states and to report gifts and payments to individual health care providers in those states. Some of these states also prohibit certain marketing-related activities including the provision of gifts, meals, or other items to certain health care providers. Other states have laws requiring pharmaceutical sales representatives to be registered or licensed, and still others impose limits on co-pay assistance that pharmaceutical companies can offer to patients. In addition, several states require pharmaceutical companies to implement compliance programs or marketing codes.

The Physician Payments Sunshine Act, implemented as the Open Payments program, and its implementing regulations, require certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to CMS information related to certain payments made in the previous calendar year and other transfers of value to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members.

Compliance with such laws and regulations will require substantial resources. Because of the breadth of these various fraud and abuse laws, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Such a challenge could have material adverse effects on our business, financial condition and results of operations. In the event governmental authorities conclude that our business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations, they may impose sanctions under these laws, which are potentially significant and may include civil monetary penalties, damages, exclusion of an entity or individual from participation in government health care programs, criminal fines and imprisonment, additional reporting requirements if we become subject to a corporate integrity agreement or other settlement to resolve allegations of violations of these laws, as well as the potential curtailment or restructuring of our operations. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity.

Healthcare Privacy Laws

We may be subject to laws and regulations covering data privacy and the protection of health-related and other personal information. The legislative and regulatory landscape for privacy and data protection continues to evolve, and there has been an increasing focus on privacy and data protection issues which may affect our business. Numerous federal and state laws and regulations, including state security breach notification laws, state health information privacy laws and federal and state consumer protection laws, govern the collection, use, disclosure, and protection of personal information. Failure to comply with such laws and regulations could result in government enforcement actions and create liability for us (including the imposition of significant penalties), private litigation and/or adverse publicity that could negatively affect our business. In addition, healthcare providers who prescribe our products and research institutions we collaborate with are subject to privacy and security requirements under HIPAA.

Foreign Corrupt Practices Act

In addition, the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA, prohibits corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity. It is illegal to pay, offer to pay or authorize the payment of anything of value to any official of another country, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in that capacity.

Corporate Information

We were incorporated under the laws of the state of Delaware on March 19, 2008 under the name New pSivida, Inc.; our predecessor, pSivida Limited, was formed in December 2000 as an Australian company incorporated in Western Australia. We subsequently changed our name to pSivida Corp. in May 2008 and again to EyePoint Pharmaceuticals, Inc. in March 2018. Our principal executive office is located at 480 Pleasant Street, Suite B300, Watertown, Massachusetts 02472 and our telephone number is (617) 926-5000.

Additional Information

Our website address is http://www.eyepointpharma.com. Information contained on, or connected to, our website is not incorporated by reference into this Annual Report on Form 10-K. Copies of our annual reports on

Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available free of charge through our website under “Investors— Financial Information—SEC Filings” as soon as reasonably practicable after we electronically file these materials with, or otherwise furnish them to, the SEC. Further, a copy of this Annual Report on Form 10-K is located at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS

RISKS RELATED TO OUR FINANCIAL POSITION AND OUR CAPITAL RESOURCES

We will need additional capital to fund our operations and continue as a going concern. If we are unable to obtain sufficient capital, we will need to curtail and reduce our operations and costs, and modify our business strategy.

Our operations have consumed substantial amounts of cash. To date, we have financed our operations primarily through the sale and issuance of capital stock and debt and the receipt of license fees, milestone payments, research and development funding and royalty payments from our collaboration partners. As of June 30, 2018, our cash and cash equivalents totaled $38.8 million. These capital resources included the issuance on June 25, 2018 of $25.5 million of units, which we refer to individually each as an Unit and collectively as the Units, with each Unit consisting of (i) one share of our common stock and (ii) one warrant to purchase one share of our common stock, or the Second Tranche Warrants, and an additional $5.0 million draw down on June 26, 2018 under our existing term loan. We refer to the issuance of the Units pursuant to the Second Tranche Securities Purchase Agreement as the Second Tranche Transaction. We believe that our existing capital resources, together with expected amounts to be received from existing collaboration agreements, should enable us to fund our operations as currently planned into the first quarter of calendar year 2019. However, changing circumstances may cause us to consume capital faster than we currently anticipate, and we may need to spend more money than currently expected because of such circumstances. Our ability to fund our planned operations beyond that time, including obtaining regulatory approval for YUTIQ, commercializing DEXYCU and, if approved, YUTIQ, and continuing our research and development program for our other product candidates, will require additional capital. In addition, our current plan to commercialize DEXYCU and YUTIQ ourselves in the U.S. will require significant operating cost investment related to product manufacturing, marketing, sales, distribution and other commercialization costs.

To meet our further capital needs, we are considering multiple alternatives, including but not limited to, equity financings, additional debt financings, corporate collaborations, partnerships and other strategic transactions and funding opportunities. However, there can be no assurance that we will be able to complete any one or more of such other transactions on acceptable terms or otherwise. These factors raise substantial doubt about our ability to continue as a going concern. As a result, our independent registered public accounting firm has included an explanatory paragraph in its report on our audited consolidated financial statements for the fiscal year ended June 30, 2018 related to our ability to continue as a going concern.

If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we will need to curtail and reduce our operations and costs, and modify our business strategy which may require us to, among other things:

- significantly delay, scale back or discontinue the development or commercialization of one or more of our products or product candidates or one or more of our other research and development initiatives;
- seek partners or collaborators for one or more of our products or product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available;
- sell or license on unfavorable terms our rights to one or more of our technologies, products or product candidates that we otherwise would seek to develop or commercialize ourselves; or
- seek to sell our company at an earlier stage than would otherwise be desirable or on terms that are less favorable than might otherwise be available.

We have incurred significant losses since our inception and anticipate that we will continue to incur losses for the foreseeable future.

We have incurred significant losses since our inception, have not generated significant revenue from commercial sales of our products and, with the exception of fiscal year 2010 and fiscal year 2015, we have never been profitable. Investment in drug development is highly speculative because it entails substantial upfront

operating expenses and significant risk that a product candidate will fail to successfully complete clinical trials, gain regulatory approval or become commercially viable. We continue to incur significant research, development and other expenses related to our ongoing operations, including development of YUTIQ and other early stage and/or potential product candidates, and the planned commercialization of DEXYCU. For the fiscal year ended June 30, 2018, we had a loss from operations of $26.3 million and a net loss of $53.2 million, and we had a total accumulated deficit of $364.0 million at June 30, 2018.

We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will continue to be significant if, and as, we:

- begin to commercialize DEXYCU and, if approved, YUTIQ and further scale up our manufacturing and distribution capabilities to commercialize DEXYCU and, if approved, YUTIQ or any other product candidate for which we may obtain regulatory approval;
- adapt our regulatory compliance efforts to incorporate requirements applicable to marketed drugs;
- add operational, financial and management information systems and personnel, including personnel to support commercialization efforts;
- hire additional commercial, clinical, manufacturing and scientific personnel and engage third party commercial, clinical, manufacturing organizations;
- continue the research and pre-clinical and clinical development of our product candidates;
- initiate additional pre-clinical, clinical or other studies or trials for our product candidates;
- further develop the manufacturing process for our product candidates;
- change or add additional manufacturers or suppliers;
- seek regulatory approvals for our product candidates that successfully complete clinical trials;
- seek to identify and validate additional product candidates;
- acquire or in-license other product candidates and technologies;
- maintain, protect and expand our intellectual property portfolio;
- attract and retain skilled personnel;
- create additional infrastructure to support our product development and planned future commercialization efforts; and
- experience any delays or encounter issues with any of the above.

The net losses we incur may fluctuate significantly from quarter to quarter and year to year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. In any particular quarter or quarters, our operating results could be below the expectations of securities analysts or investors, which could cause our stock price to decline.

We may never achieve profitability from future operations.

Our ability to generate revenue and achieve profitability depends on our ability, alone or with strategic collaboration partners, to successfully complete the development of, and obtain the regulatory approvals necessary for, the manufacture and commercialization of our products and product candidates. Our operations have consumed substantial amounts of cash. To date, we have financed our operations primarily through the sale and issuance of capital stock and debt and the receipt of license fees, milestone payments, research and development funding and royalty income from our collaboration partners. To become and remain profitable, we and/or our licensees must succeed in developing and commercializing products that generate significant revenue.

This will require us and/or our licensees to be successful in a range of challenging activities, including completing pre-clinical testing and clinical trials of our product candidates, discovering additional product candidates, obtaining regulatory approval for these product candidates, manufacturing, marketing and selling any products for which we or our licensees may obtain regulatory approval, satisfying any post-marketing requirements and obtaining reimbursement for our products from private insurance or government payors. To date, none of our approved licensed products, including Vitrasert, Retisert and ILUVIEN, has generated significant revenues to us from sales. We have not yet commercialized DEXYCU and YUTIQ has not yet obtained regulatory approval. We do not know when DEXYCU or, if approved, YUTIQ, or any of our other product candidates, if approved, will generate revenue for us, if at all. We may never succeed in these activities and, even if we do, we may never generate revenues significant enough to achieve profitability. Because of the numerous risks and uncertainties associated with pharmaceutical product development and commercialization, we are unable to accurately project when or if we will be able to achieve profitability from operations. Even if we do so, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or even continue our operations. Our ability to generate revenue from our current or future products and product candidates will depend on a number of factors, including:

- our ability to successfully commercialize DEXYCU and, if approved, YUTIQ;
- our ability to complete and submit applications to, and obtain regulatory approval from, foreign regulatory authorities, if we choose to commercialize DEXYCU outside the U.S. and, if approved, YUTIQ, in unpartnered jurisdictions outside the U.S.;
- the size of the markets in the territories for which we gain regulatory approval;
- our ability to further develop our commercial organization capable of sales, marketing and distribution for DEXYCU and, if approved, YUTIQ, and any of our other product candidates for which we may obtain marketing approval;
- our ability to enter into and maintain commercially reasonable agreements with wholesalers, distributors and other third parties in our supply chain;
- our success in establishing a commercially viable price for our products;
- our ability to manufacture commercial quantities of our products at acceptable cost levels;
- our ability to obtain coverage and adequate reimbursement from third parties, including government payors; and
- our ability to successfully complete development activities, including the necessary clinical trials, with respect to our other product candidates.

We will need to raise additional funds in the future, which may not be available on favorable terms and may be dilutive to stockholders or impose operational restrictions.

We will need to raise additional capital in the future to help fund our commercialization of DEXYCU and, if approved, YUTIQ, and for the development and commercialization of our other product candidates. The amount of additional capital we will require will be influenced by many factors, including, but not limited to:

- the success of our commercialization of DEXYCU for the treatment of postoperative ocular inflammation including, among other things, patient and physician acceptance of DEXYCU and our ability to obtain adequate coverage and reimbursement for DEXYCU;
- the cost and timing of commercialization activities for DEXYCU, including product manufacturing, marketing, sales and distribution;
- the amount of revenues we earn from commercial sales of DEXYCU;

- the timing, cost and success of our clinical development, regulatory approval and planned direct U.S. commercialization of YUTIQ;
- the amount of future revenues we receive with respect to the commercialization of ILUVIEN for DME and, if approved in the EMEA, ILUVIEN for NIPU;
- whether and to what extent we internally fund, whether and when we initiate, and how we conduct other product development programs;
- the amount of Retisert royalties and other payments we receive under collaboration agreements;
- whether and when we are able to enter into strategic arrangements for our products or product candidates and the nature of those arrangements;
- timely and successful development, regulatory approval and commercialization of other potential product candidates;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing any patent claims;
- changes in our operating plan, resulting in increases or decreases in our need for capital;
- our views on the availability, timing and desirability of raising capital; and
- the costs of operating as a public company.

We do not know if additional capital will be available to us when needed or on terms favorable to us or our stockholders. Collaboration, licensing or other commercial agreements may not be available on favorable terms, or at all. We do not know the extent to which we will receive funds from the commercialization of DEXYCU, ILUVIEN, Retisert or, if approved, YUTIQ. If we seek to sell our equity securities under our at-the-market, or ATM, program or in another offering, we do not know whether and to what extent we will be able to do so, or on what terms. Further, the rules and regulations of the Nasdaq Stock Market LLC, or Nasdaq, require us to obtain stockholder approval for sales of our equity securities under certain circumstances, which could delay or prevent us from raising additional capital from such sales. Also, the state of the economy and financial and credit markets at the time or times we seek any additional financing may make it more difficult or more expensive to obtain. If available, additional equity financing may be dilutive to stockholders, debt financing may involve restrictive covenants or other unfavorable terms and dilute our existing stockholders' equity, and funding through collaboration, licensing or other commercial agreements may be on unfavorable terms, including requiring us to relinquish rights to certain of our technologies or products. If adequate financing is not available if and when needed, we may delay, reduce the scope of, or eliminate research or development programs, planned independent U.S. commercialization of DEXYCU, YUTIQ, if approved, or other new products, if any, postpone or cancel the pursuit of product candidates, including pre-clinical and clinical trials and new business opportunities, reduce staff and operating costs, or otherwise significantly curtail our operations to reduce our cash requirements and extend our capital.

The anticipated benefits of the Icon Acquisition may not be fully realized and may take longer to realize than expected.

On March 28, 2018, or the Closing Date, we and our wholly-owned subsidiary, Merger Sub, entered into the Merger Agreement with Icon and the other signatories thereto, pursuant to which we acquired Icon through a reverse triangular merger, which we refer to as the Icon Acquisition. The Icon Acquisition was consummated on the Closing Date. The anticipated benefits of the Icon Acquisition may not be fully realized and may take longer to realize than expected. We have devoted and will continue to devote significant management attention and resources to the commercialization of DEXYCU and potential further development of product candidates and other programs utilizing the Verisome technology platform we acquired in the Icon Acquisition. Delays or unexpected difficulties in the development or commercialization process could adversely affect our business,

financial results and financial condition. We also may not realize the full achievement of the benefits of the Icon Acquisition within a reasonable period of time. In addition, we may have not yet discovered during the due diligence process unknown factors regarding Icon that could produce unintended and unexpected consequences for us. Undiscovered factors could cause us to incur potentially material financial liabilities and prevent us from achieving the expected benefits from the Icon Acquisition within our desired time frames, if at all.

Our profitability will be impaired by our obligations to make royalty and milestone payments to the former securityholders of Icon and other third-party collaborators.

In connection with the Icon Acquisition, we made a $15.0 million cash payment upon the closing of the Icon Acquisition and are obligated to pay certain post-closing contingent cash payments upon the achievement of specified milestones and based upon certain net sales and partnering revenue standards, in each case subject to the terms and conditions set forth in the Merger Agreement. These include but are not limited to (i) a one-time cash payment of $15.0 million payable within 30 days following the first commercial sale of DEXYCU in the U.S., (ii) sales milestone payments totaling up to $95.0 million beginning no earlier than three years after the effectiveness of a pass-through reimbursement code by CMS and upon the achievement of certain sales thresholds and subject to certain CMS reimbursement conditions set forth in the Merger Agreement, (iii) quarterly earn-out payments equal to 12% on net sales of DEXYCU, which earn-out payments will increase to 16% of net sales of DEXYCU in a given year beginning in the calendar quarter for a given year to the extent aggregate annual consideration of DEXYCU exceeds $200.0 million in such year, (iv) quarterly earn-out payments equal to 20% of partnering revenue received by us for DEXYCU outside of the U.S., and (v) single-digit percentage quarterly earn-out payments with respect to net sales and/or partnering income, if any, resulting from future clinical development, regulatory approval and commercialization of any other product candidates we might develop utilizing the Verisome technology acquired in the Icon Acquisition.

Even if we are able to successfully launch DEXYCU, our profitability will be impacted by our obligations to make payments to the former securityholders of Icon. Although we believe, under such circumstances, that the increase in revenue will exceed the corresponding payments, our obligations to the former securityholders of Icon and other third-party collaborators could have a material adverse effect on our business, financial condition and results of operations if we are unable to manage our operating costs and expenses at profitable levels.

Our failure to comply with the covenants or other terms of the Credit Agreement, including as a result of events beyond our control, could result in a default under the Credit Agreement that could materially and adversely affect the ongoing viability of our business.

On the Closing Date, we entered into a Credit Agreement, or the Credit Agreement, with SWK Funding LLC, as agent, or SWK, and the lenders party thereto, collectively referred to herein as the Lenders, providing for a senior secured term loan of up to $20 million, or the Loan. On the Closing Date, $15 million of the Loan, or the Initial Advance, was advanced and the remaining $5 million, or the Additional Advance, was advanced on June 26, 2018 following the closing of the Second Tranche Transaction.

The Loan is due and payable on March 27, 2023. The proceeds of the Initial Advance were used to fund a portion of the Icon Acquisition and to pay fees and expenses related to the Credit Agreement and Icon Acquisition. We intend to use the net proceeds from the Additional Advance for working capital purposes and to fund the commercialization of DEXYCU and, if approved by the FDA, YUTIQ. The Loan bears interest at a per annum rate of the three-month London Interbank Offered Rate, or LIBOR, subject to a 1.5% floor, plus 10.50%. The Credit Agreement permits us to pay interest only on the principal amount loaned thereunder for the first eight payments (payments are due on a quarterly basis). Following the interest-only period, we will be required to make quarterly payments of interest, plus repayments of the principal amount under the Credit Agreement in an aggregate amount of up to $1,667,000 per quarter. Upon repayment of the Loan, we are also required to pay an exit fee equal to 6% of the aggregate principal amount advanced under the Credit Agreement.

In addition, the repayment of all unpaid principal and accrued interest under the Loan may be accelerated upon consummation of a specified change of control transaction or the occurrence of certain events of default (as specified in the Credit Agreement), including, among other things:

- our default in a payment obligation under the Credit Agreement;
- our default in a payment obligation under any of our other debt agreements evidencing indebtedness in an aggregate principal amount in excess of $250,000;
- our breach of the negative covenants or, subject to specified cure periods, other terms of the Credit Agreement;
- invalidity of the Loan documents, including SWK ceasing to have a first priority, perfected security interest on any material portion of the collateral;
- the occurrence of a material adverse effect (as specified in the Credit Agreement); and
- certain specified insolvency and bankruptcy-related events.

Subject to any applicable cure period set forth in the Credit Agreement, upon the occurrence of a bankruptcy-related event of default, all amounts outstanding with respect to the Loan (principal, accrued interest, exit fee and any prepayment fees) would become due and payable immediately and upon the occurrence of any other event of default, SWK may, and upon the written request of the majority Lenders shall, accelerate all or any amounts outstanding with respect to the Loan. Our assets or cash flow may not be sufficient to fully repay our obligations under the Credit Agreement if the obligations thereunder are accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our obligations under the Credit Agreement, the Lenders could proceed to protect and enforce their rights under the Credit Agreement by exercising such remedies as are available to the Lenders thereunder and in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in the Credit Agreement or in aid of the exercise of any power granted in the Credit Agreement. The foregoing would materially and adversely affect the ongoing viability of our business.

Our Credit Agreement contains restrictions that limit our flexibility in operating our business.

The Credit Agreement contains various covenants that limit our ability to engage in specified types of transactions without the Lenders' prior consent. These covenants limit our ability to, among other things:

- sell, transfer, lease or dispose of our assets;
- create, incur or assume additional indebtedness;
- encumber or permit liens on certain of our assets;
- make restricted payments, including paying dividends on, repurchasing or making distributions with respect to, our common stock;
- make specified investments (including loans and advances);
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates;
- permit our cash and cash equivalents held in certain deposit accounts to be less than $4,000,000 at any month end; and
- permit our aggregate revenue and earnings before interest, taxes, depreciation, and amortization to fall below certain agreed projection levels.

The covenants in our Credit Agreement may limit our ability to take certain actions that may be in our long-term best interests. In the event that we breach one or more covenants, the Lenders may choose to declare an

event of default and require that we immediately repay all amounts outstanding, plus penalties and interest, including the exit fee and any prepayment fees, terminate their commitments to extend further credit and foreclose on the collateral granted to them to secure such indebtedness. Such repayment could have a material adverse effect on our business, operating results and financial condition.

Certain potential payments to the Lenders could impede a sale of our company.

Subject to certain exceptions, we are required to make mandatory prepayments of the Loan with the proceeds derived from asset sales and insurance proceeds. In addition, we may make a voluntary prepayment of the Loan, in whole, but not in part, at any time on or after the first anniversary of the Closing Date. All mandatory and voluntary prepayments of the Loan are subject to the payment of prepayment premiums as follows: (i) in the case of mandatory prepayments, if prepayment occurs prior to the first anniversary of the Closing Date, a customary make-whole amount equal to the amount of interest that would have accrued on the principal amount so prepaid had it remained outstanding through the first anniversary of the Closing Date, (ii) if prepayment occurs on or after the first anniversary of the Closing Date but prior to the second anniversary of the Closing Date, 6% of the aggregate amount of the principal prepaid and (iii) if prepayment occurs on or after the second anniversary of the Closing Date but prior to the third anniversary of the Closing Date, an amount equal to 1% of the principal prepaid. No prepayment premium is due on any principal prepaid on or after the third anniversary of the Closing Date. These provisions may make it more costly for a potential acquirer to engage in a business combination transaction with us. Provisions that have the effect of discouraging, delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

To service our indebtedness, we will require a significant amount of cash and our ability to generate cash depends on many factors beyond our control.

Our ability to make cash payments on our indebtedness will depend on our ability to generate significant operating cash flow in the future. This ability is, to a significant extent, subject to general economic, financial, competitive, legislative, regulatory and other factors, that will be beyond our control. In addition, our business may not generate sufficient cash flow from operations to enable us to pay our indebtedness or to fund our other liquidity needs. In any such circumstance, we may need to refinance all or a portion of our indebtedness, on or before maturity. We may not be able to refinance any indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions and investments. Any such action, if necessary, may not be effected on commercially reasonable terms or at all. The instruments governing our indebtedness may restrict our ability to sell assets and our use of the proceeds from such sales.

Our ability to use our net operating loss carryforwards and other tax attributes may be limited.

As of June 30, 2018, including amounts related to the Icon acquisition, we had U.S. net operating loss, or NOL, carryforwards of approximately $165.1 million for U.S. federal income tax and approximately $123.5 million for state income tax purposes available to offset future taxable income and U.S. federal and state research and development tax credits of approximately $2.9 million, prior to consideration of annual limitations that may be imposed under Section 382 of the Internal Revenue Code of 1986, as amended, or Section 382. Our U.S. NOL carryforwards begin to expire in 2023 if not utilized.

Our U.S. NOL and tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under Section 382, and corresponding provisions of U.S. state law, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to use its pre-change U.S. NOLs and other pre-change tax attributes, such as research and development tax credits, to offset its post-change income may be limited. Our most recent analyses under Section 382 were performed through 2017, with a preliminary update through June 30, 2018, and

we cannot forecast or otherwise determine our ability to derive benefit from our various federal or state tax attribute carryforwards. As a result, if we earn net taxable income, our ability to use our pre-change U.S. NOL carryforwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liabilities to us. In addition, at the state level, there may be periods during which the use of U.S. NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, including through completed or contemplated financings, some of which may be outside of our control. If we determine that an ownership change has occurred and our ability to use our historical net operating loss and tax credit carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations. Our most recent Section 382 analysis, including a preliminary update through June 30, 2018, indicates that if the Second Tranche Warrants are exercised in full, this would result in an ownership change resulting in annual limitations, not yet determinable, on our ability to use our pre-change NOLs and other pre-change tax attributes.

Our operating results may fluctuate significantly from period to period.

Our operating results have fluctuated significantly from period to period in the past and may continue to do so in the future due to many factors, including:

- the costs of our commercialization efforts;
- costs of internally funded research and development, including contract research organizations, or CROs, and other costs related to clinical development and costs of pre-clinical studies and research;
- developments with respect to our products and product candidates, both licensed and independently developed, including pre-clinical and clinical trial data and results, regulatory developments and marketing and sales results;
- timing, receipt and amount of revenues, including receipt and recognition of collaborative research and development, licensing, milestone, royalty and other payments;
- announcement, execution, amendment and termination of collaboration and other commercial agreements;
- scope, duration and success of collaboration and other commercial agreements;
- general and industry-specific adverse economic conditions that may affect, among other things, our and our collaborators' operations and financial results; and
- changes in accounting estimates, policies or principles and intangible asset impairments.

Due to fluctuations in our operating results, quarterly comparisons of our financial results may not necessarily be meaningful, and investors should not rely upon such results as an indication of future performance. In addition, investors may react adversely if our reported operating results are less favorable than in a prior period or are less favorable than those anticipated by investors in the financial community, which may result in decreases in our stock price.

RISKS RELATED TO THE COMMERCIALIZATION OF OUR PRODUCTS AND PRODUCT CANDIDATES

We have no history of commercializing products, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

Our operations to date have been largely focused on raising capital and developing Retisert, ILUVIEN, YUTIQ and our other product candidates, including undertaking pre-clinical studies and conducting clinical

trials. Bausch & Lomb and Alimera were responsible for completing the clinical development of, obtaining regulatory approval for, and initiating the commercial launch of Retisert and ILUVIEN, respectively, under our license agreements with each of them. Icon completed the clinical development of, and obtained regulatory approval for, DEXYCU. To date, we have not yet demonstrated our ability to successfully complete clinical development through the submission and attainment of marketing approvals for any product candidate, manufacture at commercial scale, or, with the exception of Retisert and ILUVIEN, arrange for a third party to do so on our behalf, or conduct sales, marketing and distribution activities necessary for successful product commercialization. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer history of successfully developing and commercializing products.

Our current business strategy relies heavily on our ability to successfully commercialize DEXYCU and, if approved, YUTIQ, in the U.S. Our approved products may not achieve market acceptance or be commercially successful.

Our ability to successfully commercialize DEXYCU and, if approved, YUTIQ, in the U.S. is critical to the execution of our business strategy. Neither DEXYCU nor YUTIQ, if approved, may achieve market acceptance among retinal specialists and other doctors, patients, government health administration authorities and other third-party payors, and may not be commercially successful in the U.S. The degree of market acceptance and commercial success of our approved products will depend on a number of factors, including the following:

- the acceptance of our products by patients and the medical community and the availability, perceived advantages and relative cost, safety and efficacy of alternative and competing treatments;
- our ability to obtain reimbursement for our products from third party payors at levels sufficient to support commercial success;
- the cost effectiveness of our products;
- the effectiveness of our marketing, sales and distribution strategies and operations;
- our ability and the ability of our contract manufacturing organizations, or CMOs, as applicable, to manufacture commercial supplies of our products, to remain in good standing with regulatory agencies, and to develop, validate and maintain commercially viable manufacturing processes that are, to the extent required, compliant with cGMP regulations;
- the degree to which the approved labeling supports promotional initiatives for commercial success;
- a continued acceptable safety profile of our products;
- results from additional clinical trials of our products or further analysis of clinical data from completed clinical trials of our products by us or our competitors;
- our ability to enforce our intellectual property rights;
- our products' potential advantages over other therapies;
- our ability to avoid third-party patent interference or patent infringement claims; and
- maintaining compliance with all applicable regulatory requirements.

As many of these factors are beyond our control, we cannot assure you that we will ever be able to generate meaningful revenues through product sales. In particular, if governments, private insurers, governmental insurers and other third-party payors do not provide adequate and timely coverage and reimbursement levels for our products or limit the frequency of administration, the market acceptance of our products and product candidates will be limited. Governments, governmental insurers, private insurers and other third-party payors attempt to contain healthcare costs by limiting coverage and the level of reimbursement for products and, accordingly, they may challenge the price and cost-effectiveness of our products or refuse to provide coverage for our products. Any inability on our part to successfully commercialize DEXYCU and, if approved, YUTIQ, and our other

product candidates in the U.S. or any foreign territories where they may be approved, or any significant delay in such approvals, could have a material adverse impact on our ability to execute upon our business strategy and our future business prospects.

If we are unable to maintain agreements with third parties to market and sell DEXYCU and, if approved, YUTIQ, we may be unable to generate any revenue from these products.

We currently have limited sales, marketing or distribution capabilities, our approved products are commercialized by others and, as a company, we have no experience in commercializing products. We have contracted to use an outsourced CSO to commercialize DEXYCU and, if approved, YUTIQ. Any CSO that we may use may not dedicate sufficient resources to the commercialization of our products or may otherwise fail in its commercialization due to factors beyond our control. Additionally, any CSO that we may use may fail to comply with applicable legal or regulatory requirements or may enter into agreements with other parties that have products and services that could compete with our products.

In the event that we fail to successfully launch and commercialize DEXYCU or, if approved, YUTIQ, through a CSO, we may also enter into a strategic collaboration with a third party. We face significant competition in seeking appropriate strategic collaborators, and these strategic collaborations can be intricate and time-consuming to negotiate and document. We may not be able to negotiate strategic collaborations on acceptable terms, or at all. We are unable to predict when, if ever, we will enter into any strategic collaborations because of the numerous risks and uncertainties associated with establishing strategic partnerships.

We do not know if we will decide to directly commercialize any other product candidates ourselves, if approved. If we decide to commercialize a product in one or more countries, there is no assurance we will be able to hire and manage a successful sales and marketing capability or have the financial resources necessary to fund independent commercialization of any products in any country.

Even if the FDA were to grant approval of YUTIQ, the terms of the approval may limit its commercial potential.

Even if we were to successfully obtain approval from the FDA for YUTIQ, any such approval might significantly limit the indications for use or patient populations, require that black box warnings, contraindications or warnings and precautions be included on the product labeling, require expensive and time-consuming post-approval clinical trials, a Risk Evaluation and Mitigation Strategy, or REMS, or surveillance as conditions of approval, or otherwise through product labeling limit the claims that we may make, any of which may impede the successful commercialization of YUTIQ. Depending on the extent of any REMS requirements, our costs to commercialize YUTIQ may increase significantly and distribution restrictions could limit sales. Further, if the approval of YUTIQ contains other significant product label limitations, our ability to address our full target market will be reduced and our ability to realize the full market potential of YUTIQ will be harmed and we may have to limit our sales and marketing efforts.

Even if we are able to commercialize our products, the products may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, which could harm our business.

The regulations that govern marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Some countries require approval of the sale price of a product before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, which could negatively impact the revenues we are able to generate from the sale of the product in that particular country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more of our products.

Our ability to commercialize any products successfully will also depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, determine which medications they will cover and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Third-party payors also may seek additional clinical evidence, beyond the data required to obtain marketing approval, demonstrating clinical benefits and value in specific patient populations, before covering our products for those patients. We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any product candidate for which we obtain marketing approval. For example, under current Medicare policy, payment to hospital outpatient departments and ambulatory surgical centers for products furnished to patients during a procedure is typically packaged into the payment for the associated procedure and thus not paid separately. Products granted pass-through status are excluded from this payment packaging policy and receive separate payment from the associated procedure for a period of three years. While DEXYCU has been granted pass-through status and will receive separate payment in these settings from Medicare for a period of three years (measured from the date Medicare makes its first pass-through payment for DEXYCU), at the end of that three year period, or if such three-year period is shortened by a change in law, regulation or administrative interpretation, payment for DEXYCU may be packaged into the payment for the associated procedure and no longer be paid separately, which we expect would materially decrease our revenues from sales of DEXYCU and correspondingly have a material adverse effect on our results of operations and financial condition.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacturing, selling and distribution costs. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for products may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of products from countries where they may be sold at lower prices than in the U.S. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable reimbursement rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products, and our overall financial condition.

We intend to participate in the Medicaid Drug Rebate program. Participation is required for federal funds to be available for our covered outpatient drugs under Medicaid and Medicare Part B. Under the Medicaid Drug Rebate Program, we would be required to pay a rebate to each state Medicaid program for our covered outpatient drugs that are dispensed to Medicaid beneficiaries and paid for by a state Medicaid program as a condition of having federal funds being made available to the states for our drugs under Medicaid and Medicare Part B.

Federal law also requires that any company that participates in the Medicaid Drug Rebate Program also participate in the Public Health Service’s 340B drug pricing program in order for federal funds to be available for the manufacturer’s drugs under Medicaid and Medicare Part B. The 340B drug pricing program requires participating manufacturers to agree to charge statutorily-defined covered entities no more than the 340B “ceiling

price" for the manufacturer's covered outpatient drugs. These 340B covered entities include, but are not limited to, a variety of community health clinics and other entities that receive health services grants from the Public Health Service, as well as hospitals that serve a disproportionate share of low-income patients.

In addition, in order to be eligible to have its products paid for with federal funds under the Medicaid and Medicare Part B programs and purchased by certain federal agencies and grantees, a manufacturer also must participate in the U.S. Department of Veterans Affairs, or VA, Federal Supply Schedule, or FSS, pricing program. Under this program, the manufacturer is obligated to make its innovator and single source products available for procurement on an FSS contract and charge a price to four federal agencies—VA, U.S. Department of Defense, or DoD, Public Health Service and U.S. Coast Guard—that is no higher than the statutory Federal Ceiling Price. Moreover, pursuant to regulations issued by the DoD Defense Health Agency to implement Section 703 of the National Defense Authorization Act for Fiscal Year 2008, manufacturers are required to provide rebates on utilization of their innovator and single source products that are dispensed to TRICARE beneficiaries by TRICARE network retail pharmacies. The requirements under the 340B, FSS, and TRICARE programs will impact our gross-to-net revenue for any products that are commercialized in the future and could adversely affect our business and operating results.

We intend to ship YUTIQ, if approved, directly to physician offices or clinics to be administered to patients. YUTIQ will be shipped to physician offices or clinics primarily through specialty pharmacies and distributors and billed to doctors under a "buy and bill" model. Physicians may be unwilling to purchase our products, especially given the relatively high per unit price we expect to charge for YUTIQ. We also may not be able to obtain a permanent "J" code for YUTIQ, thereby limiting our ability to obtain reimbursement from Medicare and making it more difficult for us to obtain reimbursement from commercial or Medicare Advantage plans.

We intend to ship DEXYCU to ambulatory surgical centers, or ASCs, or to hospital outpatient surgical centers through specialty pharmacies. DEXYCU will initially be reimbursed for Medicare Part B patients in these settings through a transitional pass through payment utilizing a "C" code. After the initial 3-year period (measured from the date Medicare makes its first pass-through payment for DEXYCU), DEXYCU may not qualify for separate payment and therefore may be subject to cataract bundled payment rates, which would significantly limit our ability to gain utilization and subsequent revenues. In addition, ASCs and hospital outpatient surgical centers may find the administrative burden of submitting Medicare Part B claims for DEXYCU with a C-code too burdensome and may have their invoices rejected for payment due to billing errors, which may discourage them from utilizing DEXYCU. They may also be unable to efficiently delineate between patients who have Medicare Part B payment coverage, Medicare Advantage coverage and commercial coverage and thus no longer utilize DEXYCU due to the insurance payment differences between these different insurance types.

If we successfully commercialize any of our products and if we participate in the Medicaid drug rebate program or other governmental pricing programs, failure to comply with reporting and payment obligations under these programs could result in additional reimbursement requirements, penalties, sanctions, and fines which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The Medicaid Drug Rebate Program and other governmental pricing programs require participating manufacturers to report pricing data to various government agencies. Pricing calculations vary among products and programs and include average manufacturer price and best price for the Medicaid Drug Rebate Program, average sales price for certain categories of drugs that are paid under Part B of the Medicare program, and non-federal average manufacturer price for the VA FSS pricing program. Pricing and rebate calculations vary across products and programs, are complex, and are often subject to interpretation by the manufacturer, governmental or regulatory agencies and the courts. In the case of Medicaid pricing data we will report after joining the program, if we become aware that our reporting for a prior quarter was incorrect, or has changed as a result of recalculation of the pricing data, we will be obligated to resubmit the corrected data for up to three years

after those data originally were due. Such restatements and recalculations will increase our costs for complying with the laws and regulations governing the Medicaid Drug Rebate program and could result in an overage or underage in our rebate liability for past quarters. If we successfully commercialize any of our products and participate in such governmental pricing programs, we will be liable for errors associated with our submission of pricing data. That liability could be significant. For example, if we are found to have knowingly submitted false average manufacturer price, average sales price, best price, or non-federal average manufacturer price information to the government, or fail to timely submit such information, we may be liable for significant civil monetary penalties. The foregoing also could be grounds for other sanctions, such as termination from the Medicaid Drug Rebate Program.

Even though regulatory approval for DEXYCU has been obtained in the U.S., we will still face extensive FDA regulatory requirements and may face future regulatory difficulties.

Even though regulatory approval for DEXYCU has been obtained in the U.S., the FDA and state regulatory authorities may still impose significant restrictions on the indicated uses or marketing of DEXYCU, or impose ongoing requirements for potentially costly post-approval studies or post-marketing surveillance. For example, as part of its approval of DEXYCU for the treatment of postoperative inflammation, the FDA required under the Pediatric Research Equity Act, or PREA, that a Phase 3/4 prospective, randomized, active treatment-controlled, parallel-design multicenter trial be conducted to evaluate the safety of DEXYCU for the treatment of inflammation following ocular surgery for childhood cataract. This pediatric study may require us to undergo a costly and time-consuming development process. If we do not meet our obligations under the PREA for this pediatric study, the FDA may issue a non-compliance letter and may also consider DEXYCU to be misbranded and subject to potential enforcement action.

We are also subject to ongoing FDA requirements governing the labeling, packaging, storage, distribution, safety surveillance, advertising, promotion, record-keeping and reporting of safety and other post-marketing information. The holder of an approved NDA is obligated to monitor and report adverse events and any failure of a product to meet the specifications in the NDA. The holder of an approved NDA must also submit new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling or manufacturing process. Advertising and promotional materials must comply with FDA regulations and may be subject to other potentially applicable federal and state laws. The applicable regulations in countries outside the U.S. grant similar powers to the competent authorities and impose similar obligations on companies.

In addition, manufacturers of drug products and their facilities are subject to payment of substantial user fees and continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations and adherence to commitments made in the NDA. We will also need to comply with some of the FDA's manufacturing regulations for devices with respect to the micro-insert for YUTIQ. In addition to cGMP, the FDA requires that our micro-insert comply with the Quality System Regulation, or QSR, which sets forth the FDA's manufacturing quality standards for medical devices, and other applicable government regulations and corresponding foreign standards. If we, or a regulatory authority, discover previously unknown problems with DEXYCU, such as adverse events of unanticipated severity or frequency, or problems with a facility where the product is manufactured, a regulatory authority may impose restrictions relative to DEXYCU or the manufacturing facility, including requiring recall or withdrawal of the product from the market, suspension of manufacturing, or other FDA action or other action by foreign regulatory authorities.

If we fail to comply with applicable regulatory requirements for DEXYCU or, if approved, YUTIQ, a regulatory authority may:

- issue a warning letter asserting that we are in violation of the law;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend, modify or withdraw regulatory approval;

- suspend any ongoing clinical trials;
- refuse to approve a pending NDA or a pending application for marketing authorization or supplements to an NDA or to an application for marketing authorization submitted by us;
- seize our product; and/or
- refuse to allow us to enter into supply contracts, including government contracts.

Our relationships with physicians, patients and payors in the U.S. are subject to applicable anti-kickback, fraud and abuse laws and regulations. In addition, we will be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. Our failure to comply with these laws could expose us to criminal, civil and administrative sanctions, reputational harm, and could harm our results of operations and financial conditions.

Our current and future operations with respect to the commercialization of DEXYCU and, if approved, YUTIQ, are subject to various U.S. federal and state healthcare laws and regulations. These laws impact, among other things, our proposed sales, marketing, support and education programs and constrain our business and financial arrangements and relationships with third-party payors, healthcare professionals and others who may prescribe, recommend, purchase or provide our products, and other parties through which we market, sell and distribute our products. Finally, our current and future operations are subject to additional healthcare-related statutory and regulatory requirements and enforcement by foreign regulatory authorities in jurisdictions in which we conduct our business. The laws include, but are not limited to, the following:

- The U.S. federal Anti-Kickback Statute prohibits persons or entities from, among other things, knowingly and willfully soliciting, offering, receiving or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, lease, order, or arranging for or recommending the purchase, lease or order of, any good or service, for which payment may be made, in whole or in part, under federal healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. This statute has been interpreted to apply to arrangements between pharmaceutical companies on one hand and Medicare patients, prescribers, purchasers and formulary managers on the other. In addition, the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common manufacturer business arrangements and activities from prosecution and administrative sanction, the exemptions and safe harbors are drawn narrowly, and practices or arrangements that involve remuneration may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection, and therefore would be subject to a facts and circumstances analysis to determine potential Anti-Kickback statute liability.
- The federal civil False Claims Act (which can be enforced through “qui tam,” or whistleblower actions, by private citizens on behalf of the federal government) prohibits any person from, among other things, knowingly presenting, or causing to be presented false or fraudulent claims for payment of government funds or knowingly making, using or causing to be made or used, a false record or statement material to an obligation to pay money to the government or knowingly and improperly avoiding, decreasing or concealing an obligation to pay money to the U.S. federal government. Many pharmaceutical and other healthcare companies have been investigated or subject to lawsuits by whistleblowers and have reached substantial financial settlements with the federal government under the False Claims Act for a variety of alleged improper marketing activities, including providing free product to customers with the expectation that the customers would bill federal programs for the product; providing consulting fees, grants, free travel, and other benefits to physicians to induce them to prescribe the company’s products; and inflating

prices reported to private price publication services, which are used to set drug reimbursement rates under government healthcare programs. In addition, the government and private whistleblowers have pursued False Claims Act cases against pharmaceutical companies for causing false claims to be submitted as a result of the marketing of their products for unapproved uses. Pharmaceutical and other healthcare companies also are subject to other federal false claim laws, including federal criminal healthcare fraud and false statement statutes that extend to non-government health benefit programs.

- HIPAA imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for healthcare benefits, items or services by a healthcare benefit program, which includes both government and privately funded benefits programs; similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.
- HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH and its implementing regulations, impose certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information and impose notification obligations in the event of a breach of the privacy or security of individually identifiable health information.
- Numerous federal and state laws and regulations that address privacy and data security, including state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws (e.g., Section 5 of the Federal Trade Commission Act, or FTC Act), govern the collection, use, disclosure and protection of health-related and other personal information, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.
- The majority of states have adopted analogous laws and regulations, including state anti-kickback and false claims laws, that may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payer, including private insurers. Other states have adopted laws that, among other things, require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities. In addition, some states have laws requiring pharmaceutical sales representatives to be registered or licensed, and still others impose limits on co-pay assistance that pharmaceutical companies can offer to patients.
- The Physician Payments Sunshine Act, implemented as the Open Payments program, and its implementing regulations, require certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to the CMS information related to certain payments made in the preceding calendar year and other transfers of value to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members.

The shifting commercial compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance or reporting requirements in multiple jurisdictions increase the possibility that a healthcare or pharmaceutical company may fail to comply fully with one or more of these requirements. Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with applicable fraud and abuse or other healthcare laws and

regulations or guidance. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, additional oversight and reporting requirements if we become subject to a corporate integrity agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business is found not to be in compliance with applicable laws, they may be subject to the same criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our financial condition and divert resources and the attention of our management from operating our business.

The occurrence of any event or penalty described above may inhibit our ability to commercialize DEXYCU and, if approved, YUTIQ in the U.S. and generate revenues, which would have a material adverse effect on our business, financial condition and results of operations.

If the market opportunities for our products and product candidates are smaller than we believe they are, our results of operations may be adversely affected and our business may suffer.

We focus our research and product development primarily on treatments of eye diseases. Our projections of both the number of people who have these diseases, as well as the subset of people with these diseases who have the potential to benefit from treatment with our products and product candidates, are based on estimates. These estimates may prove to be incorrect and new studies or clinical trials may change the estimated incidence or prevalence of these diseases. The number of patients in the U.S. and elsewhere may turn out to be lower than expected, may not be otherwise amenable to treatment with our products, or new patients may become increasingly difficult to identify or gain access to, all of which would adversely affect our results of operations and our business.

If any of our products were to become the subject of problems related to their safety, our business would be seriously harmed.

All of our approved products will be subject to continued oversight by the FDA or other foreign regulatory bodies, and we cannot assure you that newly discovered or developed safety issues will not arise. Although we have seen no issues to date, we cannot rule out that issues may arise in the future. For example, with the use of any newly marketed drug by a wider patient population, serious adverse events may occur from time to time that initially do not appear to relate to the drug itself. If such events are subsequently associated with the drug, or if any other safety issues emerge, we or our collaboration partners may voluntarily, or FDA or other regulatory authorities may require that we suspend or cease marketing of our approved products or modify how we or they market our approved products. In addition, newly discovered safety issues may subject us to substantial potential liabilities, and adversely affect our financial condition and business.

The Affordable Care Act and any changes in healthcare laws may increase the difficulty and cost for us to commercialize DEXYCU and obtain marketing approval of and commercialize YUTIQ in the U.S., and affect the prices we may obtain.

The U.S. has enacted or proposed legislative and regulatory changes affecting the healthcare system that could prevent or delay marketing of DEXYCU and if approved, YUTIQ, in the U.S., restrict or regulate post-approval activities and affect our ability to profitably sell DEXYCU and, if approved, YUTIQ. The U.S. government and state legislatures also have shown significant interest in implementing cost-containment programs to limit the growth of government-paid healthcare costs, including price controls, restrictions on reimbursement and requirements for substitution of generic products for branded prescription products.

The Affordable Care Act was intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add transparency requirements for the

healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms.

Among the provisions of the Affordable Care Act that have been implemented since enactment and are of importance to the commercialization of DEXYCU and, if approved, YUTIQ, in the U.S. are the following:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs or biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- expansion of healthcare fraud and abuse laws, including the U.S. civil False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for a manufacturer's outpatient drugs to be covered under Medicare Part D (such manufacturer discounts will increase from 50% to 70% beginning in 2019 as required by the Bipartisan Budget Act of 2018);
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- price reporting requirements for drugs that are inhaled, infused, instilled, implanted, or injected;
- expansion of eligibility criteria for Medicaid programs;
- addition of entity types eligible for participation in the Public Health Service's 340B drug pricing program;
- a requirement to annually report certain information regarding drug samples that manufacturers and distributors provide to physicians; and
- a Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

Certain legislative changes to and regulatory changes under the Affordable Care Act have occurred in the 115th U.S. Congress and under the Trump Administration. For example, the Tax Act includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the Affordable Care Act on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Additional legislative changes to and regulatory changes under the Affordable Care Act remain possible. We expect that the Affordable Care Act, as currently enacted or as it may be amended in the future, and other healthcare reform measures that may be adopted in the future, could have a material adverse effect on our industry generally and on our ability to maintain or increase sales of DEXYCU and, if approved, YUTIQ, in the U.S. or to successfully commercialize either in the U.S.

We expect that the Affordable Care Act, as well as other healthcare reform measures that have and may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for DEXYCU and, if approved, YUTIQ, in the U.S., and could seriously harm our future revenues. Any reduction in reimbursement from Medicare, Medicaid, or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenues, attain profitability or commercialize DEXYCU and, if approved, YUTIQ in the U.S.

If competitive products receive regulatory approval or reach the market earlier, are more effective, have fewer side effects, are more effectively marketed and/or cost less than our products or product candidates, our products or product candidates may not be approved, our products or product candidates may not achieve the sales we anticipate and could be rendered noncompetitive or obsolete.

We believe that pharmaceutical, drug delivery and biotechnology companies, research organizations, governmental entities, universities, hospitals, other nonprofit organizations and individual scientists are seeking to develop drugs, therapies, products, approaches or methods to treat our targeted diseases or their underlying causes. For our targeted diseases, competitors have alternate therapies that are already commercialized or are in various stages of development, ranging from discovery to advanced clinical trials. Any of these drugs, therapies, products, approaches or methods may receive government approval or gain market acceptance more rapidly than our products and product candidates, may offer therapeutic or cost advantages, or may more effectively treat our targeted diseases or their underlying causes, which could result in our product candidates not being approved, reduce demand for our products and product candidates or render them noncompetitive or obsolete.

Many of our competitors and potential competitors have substantially greater financial, technological, research and development, marketing and personnel resources than we do. Our competitors may succeed in developing alternate technologies and products that, in comparison to the products or product candidates we have and are seeking to develop:

- are more effective and easier to use;
- are more economical;
- have fewer side effects;
- offer other benefits; or
- may otherwise render our products less competitive or obsolete.

Many of these competitors have greater experience in developing products, conducting clinical trials, obtaining regulatory approvals or clearances and manufacturing and marketing products than we do.

Guidelines, recommendations and studies published by various organizations could reduce the use of our products and potential use of product candidates.

Government agencies, professional societies, practice management groups, private health and science foundations and organizations focused on various diseases may publish guidelines, recommendations or studies that affect our or our competitors' products and product candidates. Any such guidelines, recommendations or studies that reflect negatively on our products or product candidates, either directly or relative to our competitive products, could result in current or potential decreased use, sales of, and revenues from one or more of our products and product candidates. Furthermore, our success depends in part on our and our partners' ability to educate healthcare providers and patients about our products and product candidates, and these education efforts could be rendered ineffective by, among other things, third-parties' guidelines, recommendations or studies.

The micro-insert for ILUVIEN and YUTIQ delivers FA, a corticosteroid that is associated with certain adverse side effects in the eye, which may affect the success of this micro-insert for treatment of DME and posterior segment uveitis.

The micro-insert for both ILUVIEN and YUTIQ delivers the non-proprietary corticosteroid FA, which is associated with cataract formation and elevated IOP and may increase the risk of glaucoma and related surgery to manage those side effects. These side effects shown in the Phase 3 trials for ILUVIEN resulted in limitations to the approved indications of ILUVIEN, and sales of ILUVIEN may be adversely affected by the potential side effects from FA relative to other treatments for DME. The extent of ILUVIEN's long-term side-effect profile beyond month 36 is not yet known. Alimera is conducting a five-year post-authorization, open label registry

study of the safety of ILUVIEN in 800 patients treated with the European labeled indication, which was a condition of European approval. In July 2017, Alimera announced that the Medicines and Healthcare Products Regulatory Agency gave final approval for Alimera to cap total enrollment at 550 patients, with the last three-year patient follow-up visit anticipated in January 2020. Data from this study or other commercial experience could result in the withdrawal of ILUVIEN's marketing approval in one or more jurisdictions. Further, delay in the commercial launch of ILUVIEN could result in the withdrawal of marketing or regulatory authorization for ILUVIEN in jurisdictions where ILUVIEN has already received marketing authorization. In addition, the perception by physicians of this benefit of efficacy versus the side-effect profile could adversely affect sales of ILUVIEN.

YUTIQ has achieved encouraging safety results through the last follow-up visit at month 12 in each of its two Phase 3 trials. However, there is no assurance that encouraging safety results will continue in these trials. There is also no assurance that the overall risk-benefit profile for YUTIQ will be favorable or that it will be determined to be safe for the treatment of posterior segment uveitis in light of potential side effects from FA. These side effects may limit the population for which marketing authorization is granted or for which reimbursement is provided in one or more jurisdictions and/or adversely affect sales of YUTIQ, if approved. In addition, because the micro-insert for ILUVIEN and YUTIQ are substantially the same, any safety issues that arise with respect to the ILUVIEN micro-insert could raise concerns about the YUTIQ micro-insert, which could result in delays in the approval process, prevent the FDA from approving YUTIQ and, even if approved, cause us to suspend marketing of YUTIQ or subject us to substantial liability, which would adversely affect our financial condition and business.

DEXYCU is an intraocular suspension that delivers dexamethasone, a corticosteroid that is associated with certain adverse side effects in the eye, which may affect the success of DEXYCU for the treatment of post-operative inflammation.

DEXYCU is an intraocular suspension that delivers dexamethasone, a corticosteroid, which is associated with certain adverse side effects in the eye. The safety analyses from DEXYCU's clinical trials revealed that the most commonly reported adverse reactions were increases in IOP, corneal edema and iritis, a type of uveitis affecting the front of the eye. These side effects may limit commercial use in the population for which marketing authorization was granted or for which reimbursement is provided in one or more jurisdictions and/or adversely affect sales of DEXYCU.

If the FDA or other applicable regulatory authorities approve generic products that compete with any of our products or product candidates, it could reduce our sales of those products or product candidates.

In the U.S., after an NDA is approved, the product generally becomes a "listed drug" which can, in turn, be relied upon by potential competitors in support of approval of an ANDA. The Federal Food, Drug, and Cosmetic Act, FDA regulations and other applicable regulations and policies provide incentives to manufacturers to create generic, non-infringing versions of a drug to facilitate the approval of an ANDA. These manufacturers might show that their product has the same active ingredients, dosage form, strength, route of administration, conditions of use, and labeling as our product candidate and to conduct a relatively inexpensive study to demonstrate that the generic product is absorbed in the body at the same rate and to the same extent as, or is bioequivalent to, our product. These generic equivalents would be significantly less costly than ours to bring to market and companies that produce generic equivalents are generally able to offer their products at lower prices. Thus, after the introduction of a generic competitor, a significant percentage of the sales of any branded product are typically lost to the generic product. Accordingly, competition from generic equivalents to our products would substantially limit our ability to generate revenues and therefore to obtain a return on the investments we have made in our products.

Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of DEXYCU and, if approved, YUTIQ, and any other product candidates that we may develop and commercialize.

We currently face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials, and this risk will increase significantly as we commercialize DEXYCU and, if approved, YUTIQ, and other product candidates that we may develop and commercialize. We may face product liability claims, regardless of FDA approval for commercial manufacturing and sale as product liability claims may be brought against us by patients who have used these products and product candidates in any of our clinical trials, future patients, healthcare providers or others using, administering or selling our products, if and when approved. If we cannot successfully defend ourselves against claims that our products or product candidates caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for our products;
- injury to our reputation and significant negative media attention;
- termination of clinical trial sites or entire trial programs that we conduct in the future relating to DEXYCU, YUTIQ or our other product candidates;
- withdrawal of clinical trial participants from any future clinical trial relating to DEXYCU, YUTIQ or our other product candidates;
- significant costs to defend the related litigation;
- substantial money awards to patients;
- loss of revenue;
- diversion of management and scientific resources from our business operations; and
- an increase in product liability insurance premiums or an inability to maintain product liability insurance coverage.

We currently carry product liability insurance with coverage up to $10.0 million in the aggregate, with a per incident limit of $10.0 million, which may not be adequate to cover all liabilities that we may incur. Further, we may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. Our inability to maintain sufficient product liability insurance at an acceptable cost could prevent or inhibit the commercialization of DEXYCU and, if approved, YUTIQ, or the development and commercialization of our other product candidates.

Additionally, any agreements we may enter into in the future with collaborators in connection with the development or commercialization of DEXYCU, YUTIQ or any of our other product candidates may entitle us to indemnification against product liability losses, but such indemnification may not be available or adequate should any claim arise. In addition, several of our agreements require us to indemnify third parties and these indemnifications obligations may exceed the coverage under our product liability insurance policy.

Regulatory approval for any approved product is limited by the FDA to those specific indications and conditions for which clinical safety and efficacy have been demonstrated.

Our promotional materials, statements and training methods must comply with applicable laws and regulations, including FDA's prohibition of the promotion of unapproved, or off-label, use. Physicians may use our products off-label, as the FDA does not restrict or regulate a physician's independent choice of treatment within the practice of medicine. If the FDA determines that our promotional materials, statements or activities constitute promotion of an off-label use, we could be required to modify our promotional materials, statements or training methods or subject us to regulatory or enforcement actions, such as the issuance of an untitled letter, a

warning letter, injunction, seizure, civil fine, disgorgement of money, operating restrictions or criminal penalties. We may also be subject to actions by other governmental entities or private parties, such as the U.S. civil False Claims Act, civil whistleblower or "qui tam" actions. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional, materials or activities to constitute promotion of an off-label use, which could result in significant fines or penalties under other statutory authorities. In that event, our reputation could be damaged and market adoption of our approved products could be impaired.

Even though FDA approval for DEXYCU has been obtained in the U.S., we may never obtain approval for or successfully commercialize it outside of the U.S., which would limit our ability to realize its full market potential.

In order to market DEXYCU outside of the U.S., we must obtain marketing authorizations and comply with numerous and varying regulatory requirements of other countries regarding quality, safety and efficacy. Clinical trials conducted in one country may not be accepted by foreign regulatory authorities, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval processes vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking foreign regulatory approval could result in difficulties and costs for us and require additional non-clinical studies or clinical trials, which could be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of DEXYCU in those countries. While our management team has experience in obtaining foreign regulatory approvals at other companies, we, as a company, do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, or if regulatory approval in international markets is delayed, we would not be able to realize the full market potential of DEXYCU.

RISKS RELATED TO THE REGULATORY APPROVAL AND CLINICAL DEVELOPMENT OF OUR PRODUCT CANDIDATES

We are substantially dependent on the success of our lead product candidate, YUTIQ, which is in a later stage of development than our other product candidates. To the extent regulatory approval of YUTIQ is delayed or not granted, our business, financial condition and results of operations may be materially adversely affected and the price of our common stock may decline.

We are focusing a significant portion of our activities and resources on our lead product candidate, YUTIQ, and we believe our prospects are highly dependent on, and a significant portion of the value of our company relates to, our ability to successfully develop, obtain regulatory approval for, and commercialize YUTIQ in the U.S. The U.S. regulatory approval of YUTIQ is subject to many risks, including the risks discussed in other risk factors set forth in this report, and YUTIQ may not receive marketing approval from the FDA or such marketing approval may be delayed. If the results or timing of the regulatory process, regulatory developments, any additional clinical trials or pre-clinical studies, or other activities, actions or decisions related to YUTIQ do not meet our or others' expectations, the market price of our common stock could decline significantly.

We submitted an NDA for YUTIQ in January 2018 and have a PDUFA action date of November 5, 2018. Although we have discussed our clinical development plans with the FDA, the agency may ultimately determine that our Phase 3 clinical trials or other aspects of our NDA are not sufficient for regulatory approval and may issue a CRL instead of approval. If we receive a CRL, the FDA would outline deficiencies in our NDA and may request the submission of additional information, including clinical data.

The facilities used by us to manufacture our products and any product candidates that we may develop are subject to inspections, including pre-approval inspections following our submission of any NDAs to the FDA for any product candidates that we may develop. For example, the FDA conducted a pre-approval inspection related to our NDA for YUTIQ from March 26, 2018 to April 4, 2018. Most inspections by the FDA, including the FDA

inspection related to our NDA for YUTIQ, result in an Establishment Inspection Report as well as a Summary of Observations immediately following the inspection. As required, the Company has responded to these observations in a timely manner. In any event, our commercialization of YUTIQ in the U.S. may be delayed and we may incur additional costs and be required to devote additional resources to address the FDA's concerns. If we are unable to timely address the FDA's summary of observations from such inspection or if the FDA requires us to conduct additional clinical trials or studies, or requires our manufacturers to improve or change their practices, our timeline for commercialization of YUTIQ in the U.S. will be delayed and we will incur additional costs. Further, there can be no assurance that we will complete such studies or clinical trials or address manufacturing issues in a manner that is acceptable to the FDA.

In addition, one of our collaborators, Alimera, holds an exclusive license to our proprietary Durasert insert for the treatment of uveitis, including NIPU, in the EMEA. Alimera was responsible for filing a Type II variation for ILUVIEN for the treatment of NIPU. In December 2017, Alimera submitted a Type II variation for ILUVIEN to add the indication of recurrent and persistent NIPU to the ILUVIEN label. In January 2018, Alimera received validation of this Type II variation submission in all 17 European countries in which Alimera had previously received regulatory approval for ILUVIEN for DME. According to Alimera's public filings, Alimera plans to submit follow-up data supporting its Type II variation application in the fourth quarter of calendar year 2018 and expects it will obtain approval for its application in the first half of calendar 2019. Obtaining regulatory approval for such a variation is uncertain and Alimera may fail to obtain the approval. The MAA variation review processes and the processes of other regulatory authorities, are extensive, lengthy, expensive, and uncertain, and such regulatory authorities may delay, limit, or deny approval of ILUVIEN for NIPU.

Any delay or setback in the development or regulatory approval of YUTIQ will adversely affect our business and could cause our stock price to decline.

The regulatory approval processes of the FDA or other foreign regulatory authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business may be substantially harmed.

The time required to obtain approval by the FDA or other foreign regulatory authorities is unpredictable, but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory agency. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development. It is possible that none of our existing product candidates or any product candidates we may seek to develop in the future will ever obtain regulatory approval.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the regulatory authority may not accept our application for filing;
- the regulatory authority may disagree with the design, scope or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the regulatory authority that a product candidate is safe and effective for its proposed indication and/or that its clinical and other benefits outweigh its safety risks;
- the regulatory authority may disagree with our interpretation of data from pre-clinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to support the approval of a drug application or marketing authorization application;
- the regulatory authority may fail to approve our or our third-party manufacturers' manufacturing processes or facilities for clinical and commercial supplies; and

- the approval policies or regulations of the regulatory authority may change in a manner rendering our clinical data insufficient for approval.

We cannot be certain that any of our current product candidates will receive regulatory approval. If we do not receive regulatory approval for our product candidates, our business may be substantially harmed.

Delays in clinical trials are common and have many causes, and any delay could result in increased costs to us and jeopardize or delay our ability to obtain regulatory approval and commence product sales.

Other than YUTIQ, all of our product development is at earlier stages. Product development at all stages involves a high degree of risk, and only a small proportion of research and development programs result in product candidates that advance to pivotal clinical trials or result in approved products. There is no assurance that any feasibility study agreements we have, or enter into, with third parties, or our own research and development programs and collaborations will result in any new product candidates, or that we or any licensees will commence clinical trials for any new product candidates or continue clinical trials once commenced. If clinical trials conducted by or for us or any licensees for any product candidates do not provide the necessary evidence of safety and efficacy, those product candidates will not receive the necessary regulatory approvals, cannot be sold, and will not generate revenues for us.

We may also experience delays in clinical trials of our product candidates or the time required to complete clinical trials for our product candidates may be longer than anticipated. Our future clinical trials may not begin on time, have an effective design, enroll a sufficient number of patients, or be completed on schedule, if at all. Our clinical trials can be delayed, or even terminated, for a variety of reasons, including, but not limited to:

- decisions not to pursue development of product candidates due to pre-clinical or clinical trial results or market factors;
- lack of sufficient funding;
- inability to attract clinical investigators for trials;
- inability to recruit patients in sufficient numbers or at the expected rate;
- decisions by licensees not to exercise options for products or not to pursue or promote products licensed to them;
- adverse side effects;
- failure of trials to demonstrate safety and efficacy;
- failure to meet FDA or other regulatory agency requirements for clinical trial design, or inadequate clinical trial design;
- inability to follow patients adequately after treatment;
- changes in the design or manufacture of a product candidate;
- failures by, changes in our (or our licensees') relationship with, or other issues at, CROs, vendors and investigators responsible for pre-clinical testing and clinical trials;
- imposition of a clinical hold following an inspection of our clinical trial operations or trial sites by the FDA or foreign regulatory authorities;
- inability to obtain supplies and/or to manufacture sufficient quantities of materials for use in clinical trials;
- stability issues with clinical materials;
- failure to comply with GLP, GCP, cGMP or similar foreign regulatory requirements that affect the conduct of pre-clinical and clinical studies and the manufacturing of product candidates;

- requests by regulatory authorities for additional data or clinical trials;
- governmental or regulatory agency assessments of pre-clinical or clinical testing that differ from our (or our licensees') interpretations or conclusions;
- governmental or regulatory delays, or changes in approval policies or regulations; and
- developments, clinical trial results and other factors with respect to competitive products and treatments.

If clinical trials for our product candidates are delayed or terminated for any of the above reasons or other reasons, our development costs may increase, our approval process could be delayed and our ability to commercialize our product candidates could be materially harmed.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we focus on research programs and product candidates for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products.

We have historically based our research and development efforts primarily on our Durasert technology platform to develop proprietary sustained-release pharmaceutical products for the treatment of posterior uveitis and other chronic eye diseases. As a result of pursuing the development of product candidates using our proprietary technologies, we may fail to develop product candidates or address indications based on other scientific approaches that may offer greater commercial potential or for which there is a greater likelihood of success. Research programs to identify new product candidates require substantial technical, financial and human resources. These research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development.

Initial results from a clinical trial do not ensure that the trial will be successful and success in early stage clinical trials does not ensure success in later-stage clinical trials.

Results from pre-clinical testing, early clinical trials, investigator-sponsored studies and other data and information often do not accurately predict final pivotal clinical trial results. In addition, data from one pivotal clinical trial may not be predictive of the results of other pivotal clinical trials for the same product candidate, even if the trial designs are the same or similar. Data obtained from pre-clinical studies and clinical trials are susceptible to varying interpretations, which may delay, limit or prevent regulatory approval. Adverse side effects may be observed in clinical trials that delay, limit or prevent the regulatory approval, and even after a product candidate has received marketing approval, the emergence of adverse side effects in more widespread clinical practice may cause the product's regulatory approval to be limited or even rescinded. Additional trials necessary for approval may not be undertaken or may ultimately fail to establish the safety and efficacy of our product candidates.

In addition, while the clinical trials of our product candidates are designed based on the available relevant information, in view of the uncertainties inherent in drug development, such clinical trials may not be designed with a focus on indications, patient populations, dosing regimens, safety or efficacy parameters or other variables that will provide the necessary safety and efficacy data to support regulatory approval to commercialize the product. In addition, the methods we select to assess particular safety or efficacy parameters may not yield

statistically significant results regarding our product candidates' effects on patients. Even if we believe the data collected from clinical trials of our product candidates are promising, these data may not be sufficient to support approval by the FDA or foreign regulatory authorities. Pre-clinical and clinical data can be interpreted in different ways. Accordingly, the FDA or foreign regulatory authorities could interpret these data in different ways from us or our partners, which could delay, limit or prevent regulatory approval.

Changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Amendments may require us to resubmit clinical trial protocols to institutional review boards or ethics committees for re-examination, which may impact the costs, timing or successful completion of a clinical trial.

The FDA's and other regulatory authorities' policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the U.S. or abroad. If we are required to conduct additional clinical trials or other studies with respect to our product candidates beyond those that we currently contemplate, or if we are unable to successfully complete our clinical trials or other studies, we may be delayed in obtaining regulatory approval of any of our product candidates, we may not be able to obtain regulatory approval at all or we may obtain approval of indications that are not as broad as intended. Our product development costs will also increase if we experience delays in testing or approvals, and we may not have sufficient funding to complete the testing and approval process for our product candidates. Significant clinical trial delays could allow our competitors to bring products to market before we do and impair our ability to commercialize our products if and when approved. If any of this occurs, our business would be harmed.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

If we are unable to protect our intellectual property rights or if our intellectual property rights are inadequate to protect our product candidates, our competitors could develop and commercialize technology and products similar to ours, and our competitive position could be harmed.

Our commercial success will depend in large part on our ability to obtain and maintain patent and other intellectual property protection in the U.S. and other countries with respect to our proprietary technology and products. We rely on trade secret, patent, copyright and trademark laws, and confidentiality and other agreements with employees and third parties, all of which offer only limited protection. We seek patent protection for many different aspects of our product candidates, including their compositions, their methods of use, processes for their manufacture, and any other aspects that we deem to be commercially important to the development of our business.

The patent prosecution process is expensive and time-consuming, and we and any licensors and licensees may not be able to apply for or prosecute patents on certain aspects of our product candidates or delivery technologies at a reasonable cost, in a timely fashion, or at all. For technology licensed to third parties, we may not have the right to control the preparation, filing and/or prosecution of the corresponding patent applications, or to maintain patent rights corresponding to such technology. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. It is also possible that we, or any licensors or licensees, will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, such as with respect to proper priority claims, inventorship, claim scope or patent term adjustments. If any licensors or licensees are not fully cooperative or disagree with us as to the prosecution, maintenance, or enforcement of any patent rights, such patent rights could be compromised, and we might not be able to prevent third parties from making, using, and selling competing products. If there are material defects in the form or preparation of our patents or patent applications, such patents or applications may be invalid or

unenforceable. Moreover, our competitors may independently develop equivalent knowledge, methods, and know-how. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business, financial condition, and operating results.

The patent positions of pharmaceutical companies generally are highly uncertain, involve complex legal and factual questions and have in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of any patents that issue, are highly uncertain. For example, recent changes to the patent laws of the U.S. provide additional procedures for third parties to challenge the validity of issued patents. Under the Leahy-Smith America Invents Act, or AIA, which was signed into law on September 16, 2011, patents issued from applications with an effective filing date after March 15, 2013 may be challenged by third parties using the post-grant review procedure which allows challenges for a number of reasons, including prior art, sufficiency of disclosure, and subject matter eligibility. Under the AIA, patents may also be challenged under the *inter partes* review procedure. *Inter partes* review provides a mechanism by which any third party may challenge the validity of any issued U.S. Patent in the USPTO on the basis of prior art. Because of a lower evidentiary standard necessary to invalidate a patent claim in USPTO proceedings as compared to the evidentiary standard relied on in U.S. federal court, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action.

With respect to foreign jurisdictions, the laws of foreign countries may not protect our rights to the same extent as the laws of the U.S. or vice versa. For example, European patent law restricts the patentability of methods of treatment of the human body more than U.S. law does. Also, patents granted by the European Patent Office may be opposed by any person within nine months from the publication of their grant.

Our patents and patent applications, even if unchallenged by a third party, may not adequately protect our intellectual property or prevent others from designing around our claims. The steps we have taken to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, both inside and outside the U.S. Further, the examination process may require us to narrow the claims of pending patent applications, which may limit the scope of patent protection that may be obtained if these applications issue. The rights that may be granted under future issued patents may not provide us with the proprietary protection or competitive advantages we are seeking. If we are unable to obtain and maintain patent protection for our technology and products, or if the scope of the patent protection obtained is not sufficient, our competitors could develop and commercialize technology and products similar or superior to ours, and our ability to successfully commercialize our technology and products may be impaired.

As of August 31, 2018, we had 177 patents or granted applications and 107 pending patent applications, including patents and pending applications covering our Durasert, DEXYCU, Verisome and other technologies. With respect to these patent rights, we do not know whether any of our patent applications will result in issued patents or, if any of our patent applications do issue, whether such patents will protect our technology in whole or in part, or whether such patents will effectively prevent others from commercializing competitive technologies and products. There is no guarantee that any of our issued or granted patents will not later be found invalid or unenforceable. Furthermore, since patent applications in the U.S. and most other countries are confidential for a period of time after filing, we cannot be certain that we were the first to either (i) file any patent application related to our product candidates or (ii) invent any of the inventions claimed in our patents or patent applications. For applications with an effective filing date before March 16, 2013, or patents issuing from such applications, an interference proceeding can be provoked by a third party, or instituted by the USPTO to determine who was the first to invent any of the subject matter covered by the patent claims of our applications and patents. As of March 16, 2013, the U.S. transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third

party that files a patent application in the USPTO before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application. The change to "first-to-file" from "first-to-invent" is one of the changes to the patent laws of the U.S. resulting from the AIA.

Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the U.S. and other jurisdictions are typically not published until 18 months after filing or in some cases not at all, until they are issued as a patent. Therefore, we cannot be certain that we were the first to make the inventions claimed in our pending patent applications, that we were the first to file for patent protection of such inventions, or that we have found all of the potentially relevant prior art relating to our patents and patent applications that could invalidate one or more of our patents or prevent one or more of our patent applications from issuing. Even if patents do successfully issue and even if such patents cover our product candidates, third parties may initiate oppositions, interferences, re-examinations, post-grant reviews, *inter partes* reviews, nullification or derivation actions in court or before patent offices or similar proceedings challenging the validity, enforceability, or scope of such patents, which may result in the patent claims being narrowed or invalidated. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property, provide exclusivity for our product candidates, or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties.

Furthermore, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in the U.S. and abroad. Such challenges may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We may become involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our patents or the patents of any party from whom we may license patents from in the future. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. In a patent litigation in the U.S., defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. A court may decide that a patent of ours or of any of our future licensors is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. In addition, to the extent that we have to file patent litigation in a federal court against a U.S. patent holder, we would be required to initiate the proceeding in the state of incorporation or residency of such entity. With respect to the validity question, for example, we cannot be certain that no invalidating prior art exists. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated, found unenforceable, or interpreted narrowly, and it could put our patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on one or more of our products. Such a loss of patent protection could compromise our ability to pursue our business strategy.

As noted above, interference proceedings brought by the USPTO for applications with an effective filing date before March 16, 2013, or for patents issuing from such applications may be necessary to determine the priority of inventions with respect to our patents and patent applications or those of our collaborators or licensors. An unfavorable outcome could require us to cease using the technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if a prevailing party does not offer us a license on terms that are acceptable to us. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction of our management and other employees. We may not be able to prevent, alone or with any of our future licensors, misappropriation of our proprietary rights, particularly in countries where the laws may not protect those rights as fully as in the U.S. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

Moreover, we may be subject to a third-party pre-issuance submission of prior art to the USPTO or other foreign patent offices, or become involved in opposition, derivation, reexamination, *inter partes* review, post-grant review or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could invalidate or reduce the scope of, our patent rights, allow third parties to commercialize our technology or drugs and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize drugs without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize current or future product candidates.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the U.S. may be less extensive than those in the U.S. In addition, the laws and practices of some foreign countries do not protect intellectual property rights, especially those relating to life sciences, to the same extent as federal and state laws in the U.S. For example, novel formulations of drugs and manufacturing processes may not be patentable in certain jurisdictions, and the requirements for patentability may differ in certain countries, particularly developing countries. Also, some foreign countries, including EU countries, India, Japan and China, have compulsory licensing laws under which a patent owner may be compelled under certain circumstances to grant licenses to third parties. Consequently, we may have limited remedies if patents are infringed or if we are compelled to grant a license to a third party, and we may not be able to prevent third parties from practicing our inventions in all countries outside the U.S., or from selling or importing products made using our inventions into or within the U.S. or other jurisdictions. This could limit our potential revenue opportunities. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, and may export otherwise infringing products to territories where we have patent protection, but where enforcement is not as strong as that in the U.S. These products may compete with our products in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from competing with us in these jurisdictions. Accordingly, our efforts to enforce intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from our intellectual property. We may not prevail in any lawsuits that we initiate in these foreign countries and the damages or other remedies awarded, if any, may not be commercially meaningful.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the USPTO and various governmental patent agencies outside of the U.S. in several stages over the lifetime of the patents and applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which could be uncertain and could harm our business.

Our commercial success depends upon our ability, and the ability of our partners and collaborators, to develop, manufacture, market and sell our products and product candidates, if approved, and use our proprietary technologies without infringing the proprietary rights of third parties. While many of our product candidates are in pre-clinical studies and clinical trials, we believe that the use of our product candidates in these pre-clinical studies and clinical trials falls within the scope of the exemptions provided by 35 U.S.C. Section 271(e) in the U.S., which exempts from patent infringement liability activities reasonably related to the development and submission of information to the FDA. As our other product candidates progress toward commercialization, the possibility of a patent infringement claim against us increases. Accordingly, we may invest significant time and expense in the development of our product candidates only to be subject to significant delay and expensive and time-consuming patent litigation before our product candidates may be commercialized. There can be no assurance that our products or product candidates do not infringe other parties' patents or other proprietary rights, and competitors or other parties may assert that we infringe their proprietary rights in any event.

There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our product candidates, including interference or derivation proceedings before the USPTO. Numerous U.S. and foreign issued patents and pending patent applications owned by third parties exist in the fields in which we are developing our product candidates. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future.

If we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue commercializing our products or product candidates. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if a license can be obtained on acceptable terms, the rights may be non-exclusive, which could give our competitors access to the same technology or intellectual property rights licensed to us. If we fail to obtain a required license, we may be unable to effectively market products or product candidates based on our technology, which could limit our ability to generate revenues or achieve profitability and possibly prevent us from generating revenues sufficient to sustain our operations. Alternatively, we may need to redesign our infringing products, which may be impossible or require substantial time and monetary expenditure. Under certain circumstances, we could be forced, including by court order, to cease commercializing our products or product candidates. In addition, in any such proceeding or litigation, we could be found liable for substantial monetary damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed. A finding of infringement could prevent us from commercializing our products or product candidates or force us to cease some of our business operations, which could harm our business. Any claims by third parties that we have misappropriated their confidential information or trade secrets could have a similar negative impact on our business.

The cost to us in defending or initiating any litigation or other proceeding relating to patent or other proprietary rights, even if resolved in our favor, could be substantial, and litigation would divert our

management's attention. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could compromise our commercialization efforts, delay our research and development efforts and limit our ability to continue our operations. There could also be public announcements of the results of the hearing, motions, or other interim proceedings or developments. If securities analysts or investors perceive those results to be negative, it could cause the price of shares of our common stock to decline.

Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Our competitors may seek approval to market their own products that are the same as, similar to or otherwise competitive with our products or product candidates. In these circumstances, we may need to defend or assert our patents by various means, including filing lawsuits alleging patent infringement requiring us to engage in complex, lengthy and costly litigation or other proceedings. In any of these types of proceedings, a court or government agency with jurisdiction may find our patents invalid, unenforceable or not infringed. We may also fail to identify patentable aspects of our research and development before it is too late to obtain patent protection. Even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives.

Changes in either U.S. or foreign patent law or interpretation of such laws could diminish the value of patents in general, thereby impairing our ability to protect our products or product candidates.

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involve both technological and legal complexity, and it therefore is costly, time-consuming and inherently uncertain. As noted above, the AIA has significantly changed U.S. patent law. In addition to transitioning from a "first-to-invent" to "first-to-file" system, the AIA also limits where a patentee may file a patent infringement suit and provides opportunities for third parties to challenge issued patents in the USPTO via post-grant review or *inter partes* review, for example. All of our U.S. patents, even those issued before March 16, 2013, may be challenged by a third party seeking to institute *inter partes* review.

Depending on decisions by the U.S. Congress, the federal courts, the USPTO, or similar authorities in foreign jurisdictions, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

We may be subject to claims asserting that our employees, consultants, independent contractors and advisors have wrongfully used or disclosed confidential information and/or alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Although we try to ensure that our employees, consultants, independent contractors and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have inadvertently or otherwise used or disclosed confidential information and/or intellectual property, including trade secrets or other proprietary information, of the companies that any such individual currently or formerly worked for or provided services to. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to our business.

In addition, while we require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be

unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property.

Intellectual property rights do not prevent all potential threats to competitive advantages we may have.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and intellectual property rights may not adequately protect our business or permit us to maintain our competitive advantage.

The following examples are illustrative:

- others may be able to make drug and device components that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;
- we or any of our licensors or collaborators might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed;
- we or any of our licensors or collaborators might not have been the first to file patent applications covering certain of our inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- the prosecution of our pending patent applications may not result in granted patents;
- granted patents that we own or have licensed may not cover our products or may be held not infringed, invalid or unenforceable, as a result of legal challenges by our competitors;
- with respect to granted patents that we own or have licensed, especially patents that we either acquire or in-license, if certain information was withheld from or misrepresented to the patent examiner, such patents might be held to be unenforceable;
- patent protection on our product candidates may expire before we are able to develop and commercialize the product, or before we are able to recover our investment in the product;
- our competitors might conduct research and development activities in the U.S. and other countries that provide a safe harbor from patent infringement claims for such activities, as well as in countries in which we do not have patent rights, and may then use the information learned from such activities to develop competitive products for sale in markets where we intend to market our product candidates;
- we may not develop additional proprietary technologies that are patentable;
- the patents of others may have an adverse effect on our business; and
- we may choose not to file a patent application for certain technologies, trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property.

Should any of these events occur, they could significantly harm our business, financial condition, results of operations and prospects.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to seeking patent protection for certain aspects of our product candidates and technologies, we also consider trade secrets, including confidential and unpatented know-how, important to the maintenance of our

competitive position. We protect trade secrets and confidential and unpatented know-how, in part, by customarily entering into non-disclosure and confidentiality agreements with parties who have access to such knowledge, such as our employees, outside scientific and commercial collaborators, CROs, CMOs, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants that obligate them to maintain confidentiality and assign their inventions to us. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. In addition, our trade secrets may otherwise become known, including through a potential cybersecurity breach, or may be independently developed by competitors.

Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts in the U.S. and certain foreign jurisdictions are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

If our trademarks are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We expect to rely on trademarks as one means to distinguish any of our approved products from the products of our competitors. We have received Notices of Allowance for DEXYCU™, YUTIQ™, DELIVERING INNOVATION TO THE EYE™ and Durasert™. ILUVIEN® is Alimera's trademark. Retisert® and Vitrasert® are Bausch & Lomb's trademarks. Our and our licensees' trademarks may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. For instance, Sun Pharma has filed an extension of time to file an opposition to our trademark application for Durasert. We have negotiated a co-existence agreement with Sun Pharma. If we are unable to establish name recognition based on our trademarks, we may not be able to compete effectively.

RISKS RELATED TO OUR RELIANCE ON THIRD PARTIES

We do not control the development or commercialization of YUTIQ in the EMEA, which is licensed to Alimera, and as a result we may not realize the full market potential of YUTIQ.

Under the Amended Alimera Agreement, we granted Alimera rights to use our proprietary drug delivery platform for the treatment of uveitis, including NIPU, in the EMEA (under the ILUVIEN trademark) and subsequently withdrew our YUTIQ MAA and orphan drug designation for posterior segment uveitis. Alimera is now responsible for obtaining all regulatory approvals in the EMEA. Under this agreement, we have no control over Alimera's regulatory activities in the EMEA (with the exception of the completion of our ongoing Phase 3 uveitis clinical trials), including regulatory approvals, and no direct control over commercialization efforts for YUTIQ in the EMEA. Alimera has only limited experience in filing and supporting the applications necessary to obtain marketing approvals for product candidates. Obtaining approval of an MAA by the EMA is uncertain and Alimera may fail to obtain the approval. The MAA review processes, and the processes of other regulatory authorities, are extensive, lengthy, expensive, and uncertain, and such regulatory authorities may delay, limit, or deny approval of YUTIQ. Further, Alimera may abandon further development of YUTIQ in the EMEA. Because the full market potential of YUTIQ is contingent upon the successful development and commercialization of YUTIQ in the EMEA, we will be dependent on Alimera to achieve the full market potential of YUTIQ. If Alimera does not succeed in obtaining regulatory approval of YUTIQ in the EMEA for any reason, or does not succeed in securing market acceptance of YUTIQ in the EMEA, or elects for any reason to discontinue development of YUTIQ, we will be unable to realize the full market potential of YUTIQ.

If our CROs, vendors and investigators do not successfully carry out their responsibilities or if we lose our relationships with them, our development efforts with respect to our product candidates could be delayed.

We are dependent on CROs, vendors and investigators for pre-clinical testing and clinical trials related to our product development programs. These parties are not our employees, and we cannot control the amount or timing of resources that they devote to our programs. If they do not timely fulfill their responsibilities or if their performance is inadequate, the development and commercialization of our product candidates could be delayed. The parties with which we contract for execution of clinical trials play a significant role in the conduct of the trials and the subsequent collection and analysis of data. Their failure to meet their obligations could adversely affect clinical development of our product candidates. In addition, if we or our CROs fail to comply with applicable current Good Clinical Practices, or cGCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA may require us to perform additional clinical trials before approving any marketing applications. Upon inspection, the FDA may determine that our clinical trials did not comply with cGCPs.

Switching or adding additional CROs involves additional cost and requires management time and focus. Identifying, qualifying and managing performance of third-party service providers can be difficult, time-consuming and cause delays in our development programs. In addition, there is a natural transition period when a new CRO commences work and the new CRO may not provide the same type or level of services as the original provider. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects. If any of our relationships with our CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. As a result, delays may occur, which can materially impact our ability to meet our desired clinical development timelines.

Because we have relied on third parties, our internal capacity to perform these functions is limited. Outsourcing these functions involves risks that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our ability to advance our product candidates through clinical trials will be compromised. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

If we encounter difficulties in negotiating commercial manufacturing and supply agreements with our third-party manufacturers and suppliers of DEXYCU, our ability to commercialize DEXYCU would be impaired.

We currently rely, and expect to continue to rely, on a limited number of CMOs and suppliers who assist in the production, assembly, test, supply, storage and distribution of DEXYCU in our FDA registration, and we control only some of the aspects of their activities. We may not be able to obtain terms that are favorable to us or enter into commercial manufacturing and supply agreements at all with each of the necessary third parties. If we are unable to enter into such agreements on commercially reasonable terms, our ability to commercialize DEXYCU would be impaired, and our business, financial condition and results of operations would be materially adversely affected.

If we encounter issues with our contract manufacturers or suppliers, we may need to qualify alternative manufacturers or suppliers, which could impair our ability to sufficiently and timely manufacture and supply DEXYCU.

We currently depend on contract manufacturers and suppliers for DEXYCU. We expect to obtain the drug product for commercial supply of DEXYCU from one CMO. Although we could obtain the drug product for

DEXYCU from other third-party suppliers, we would need to qualify and obtain FDA approval for another contract manufacturer or supplier as an alternative source for the drug product, which could be costly and cause significant delays. In addition, the manufacturer of the drug product in DEXYCU conducts its manufacturing operations for us at a single facility. Unless and until we qualify additional facilities, we may face limitations in our ability to respond to manufacturing and supply issues. For example, if regulatory, manufacturing or other problems require this manufacturer to discontinue production at its facility, or if the equipment used for the production of the drug product in this facility is significantly damaged or destroyed by fire, flood, earthquake, power loss or similar events, the ability of such manufacturer to manufacture DEXYCU may be significantly impaired. In the event that this party suffers a temporary or protracted loss of its materials, facility or equipment, we would still be required to obtain FDA approval to qualify a new manufacturer or supplier, as applicable, as an alternate manufacturer or source for the drug product before any drug product manufactured by such manufacturer or by such supplier could be sold or used.

Any production shortfall that impairs the supply of DEXYCU could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to satisfy demand for DEXYCU, which could adversely affect our product sales and operating results materially.

If we or our licensees encounter problems with product manufacturing, there could be delays in product development or commercialization, which would adversely affect our future profitability.

Our ability and that of our licensees to conduct timely pre-clinical and clinical research and development programs, obtain regulatory approvals, and develop and commercialize our product candidates will depend, in part, upon our and our licensees' ability to manufacture our products and product candidates, either directly or through third parties, in accordance with FDA and other regulatory requirements. The manufacture, packaging and testing of our products and product candidates are regulated by the FDA and similar foreign regulatory entities and must be conducted in accordance with applicable cGMP and comparable foreign requirements. Any change in a manufacturing process or procedure used for one of our products or product candidates, including a change in the location at which a product or product candidate is being manufactured or in the third-party manufacturer being used, may require the FDA's and similar foreign regulatory entities' prior review and/or approval in accordance with applicable cGMP or other regulations. Additionally, the FDA and similar foreign regulatory entities may implement new standards, or change their interpretation and enforcement of existing standards, for the manufacture, packaging and testing of products at any time.

There are a limited number of manufacturers that operate under cGMP and other foreign regulations that are both capable of manufacturing our products and product candidates and are willing to do so. Alimera has contracted with individual third-party manufacturers for the manufacture of ILUVIEN and its components. If any of Alimera's third-party manufacturers breach their agreements or are unable or unwilling to perform for any reason or fail to comply with cGMP and comparable foreign requirements, Alimera may not be able to locate alternative acceptable manufacturers, enter into favorable agreements with them or get them approved by the applicable regulatory authorities in a timely manner. Delays in the commercial production of ILUVIEN could delay or impair Alimera's marketing of ILUVIEN, which, in turn, could adversely affect Alimera's generation of sales-based royalties to us. Failure by us, our collaborative partners, or our or their third-party manufacturers, to comply with applicable manufacturing requirements could result in sanctions being imposed on us or our collaborative partners, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product, operating restrictions and criminal prosecutions. If we or our collaborative partners are unable to develop our own manufacturing facilities or to obtain or retain third-party manufacturing on acceptable terms, we may not be able to conduct certain future pre-clinical and clinical testing of our product candidates and our collaborative partners may not be able to conduct certain future pre-clinical and clinical testing or to supply commercial quantities of our products. We manufacture supplies in connection with pre-clinical or clinical studies conducted by us and our licensees. Our licensees have the exclusive rights to

manufacture commercial quantities of products, once approved for marketing. Our licensees' reliance on third-party manufacturers entails risks, including:

- failure of third parties to comply with cGMP and other applicable U.S. and foreign regulations and to employ adequate quality assurance practices;
- inability to obtain the materials necessary to produce a product or to formulate the active pharmaceutical ingredient on commercially reasonable terms, if at all;
- supply disruption, deterioration in product quality or breach of a manufacturing or license agreement by the third party because of factors beyond our or our licensees' control;
- termination or non-renewal of a manufacturing or licensing agreement with a third party at a time that is costly or difficult; and
- inability to identify or qualify an alternative manufacturer in a timely manner, even if contractually permitted to do so.

If third-party manufacturers, wholesalers and distributors fail to devote sufficient time and resources to DEXYCU or their performance is substandard, our product supply may be impacted.

Our reliance on a limited number of manufacturers, wholesalers and distributors exposes us to the following risks, any of which could limit commercial supply of our products, result in higher costs, or deprive us of potential product revenues:

- our CMOs, or other third parties we rely on, may encounter difficulties in achieving the volume of production needed to satisfy commercial demand, may experience technical issues that impact quality or compliance with applicable and strictly enforced regulations governing the manufacture of pharmaceutical products, and may experience shortages of qualified personnel to adequately staff production operations;
- our wholesalers and distributors could become unable to sell and deliver DEXYCU for regulatory, compliance and other reasons;
- our CMOs, wholesalers and distributors could default on their agreements with us to meet our requirements for commercial supply of DEXYCU;
- our CMOs, wholesalers and distributors may not perform as agreed or may not remain in business for the time required to successfully produce, store, sell and distribute DEXYCU and we may incur additional cost; and
- if our CMOs, wholesalers and distributors were to terminate our arrangements or fail to meet their contractual obligations, we may be forced to delay the commercialization of DEXYCU.

Our reliance on third parties reduces our control over our development and commercialization activities but does not relieve us of our responsibility to ensure compliance with all required legal, regulatory and scientific standards. For example, the FDA and other regulatory authorities require that our product candidates and any products that we may eventually commercialize be manufactured according to cGMP and similar foreign standards. Any failure by our third-party manufacturers to comply with cGMP or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of product candidates in a timely manner, could lead to a delay in, or failure to obtain, regulatory approval of any of our product candidates or supply our commercial volume of DEXYCU. In addition, such failure could be the basis for the FDA to issue a warning or untitled letter, withdraw approvals for products previously granted to us, or take other regulatory or legal action, including recall or seizure, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, detention or product, refusal to permit the import or export of products, injunction, imposing civil penalties or pursuing criminal prosecution.

Manufacturing issues may arise that could result in delays or suspension of the commercialization of DEXYCU.

As we further scale up manufacturing of DEXYCU and conduct required stability testing, issues may arise involving, among other things, the sensitivity of the tests to confirm product stability, the performance of production personnel, product-packaging or third-party equipment malfunctions. These issues may require refinement or resolution in order to initiate or continue the commercial marketing of DEXYCU. In addition, quality issues may arise during scale-up and of commercial manufacturing processes. By way of example, we are still in the process of validating the manufacturing process for the commercial supply of DEXYCU. Any issues in our product or delivery devices could result in delays in the commercialization of DEXYCU or the suspension of commercialization of DEXYCU.

We intend to use our own facility for the manufacturing of YUTIQ, which will require significant resources, which could adversely affect its commercial viability.

If approved by the FDA, we plan to manufacture commercial supplies of YUTIQ ourselves at our Watertown MA facility. We currently manufacture products only for clinical and testing purposes in this facility and we do not manufacture products for commercial use. We must obtain FDA approval of our manufacturing process before we can commercially manufacture YUTIQ in the U.S. In addition, we must pass a pre-approval inspection of our manufacturing facility before we can obtain marketing approval for YUTIQ. In order to obtain approval, all of our manufacturing methods, equipment and processes must comply with the FDA's cGMP requirements. We will also need to perform extensive audits of our suppliers, vendors and contract laboratories. The cGMP requirements govern, among other things, recordkeeping, production processes and controls, personnel and quality control. To ensure that we meet these requirements, we will expend significant time, money and effort. Due to the unique nature of our Durasert technology platform, we cannot predict the likelihood that the FDA will approve our facility as compliant with cGMP requirements even if we believe that we have taken the steps necessary to achieve compliance.

The FDA, in its regulatory discretion, may require us to undergo additional clinical trials with respect to any new or improved manufacturing process we may develop or utilize in the future. This could delay or prevent approval of YUTIQ or any of our other product candidates. If we fail to comply with cGMP requirements, pass an FDA pre-approval inspection or obtain FDA approval of our manufacturing process, we would not receive FDA approval and would be subject to possible regulatory action, including recall or withdrawal of the product from the market or suspension of manufacturing. The failure to successfully implement our manufacturing process may delay or prevent our ability to commercialize YUTIQ.

If we do obtain FDA approval for YUTIQ, including satisfying the FDA with regard to a validated manufacturing process, we may still be unable to commercially manufacture YUTIQ. The commercial manufacture of medical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of medical products often encounter difficulties in production, particularly in scaling out and validating initial production and ensuring the absence of contamination. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. We cannot assure you that any stability or other issues relating to the manufacture of YUTIQ, if approved, will not occur in the future.

The FDA also may, at any time following approval of a product for sale, audit our manufacturing facilities. If any such inspection or audit identifies a failure to comply with applicable regulations or if a violation of our product specifications or applicable regulation occurs independent of such an inspection or audit, FDA may issue a Form FDA-483 and/or an untitled or warning letter, or we or the FDA may require remedial measures that may be costly and/or time consuming for us to implement and that may include the temporary or permanent

suspension of commercial sales, recalls, market withdrawals, seizures or the temporary or permanent closure of a facility. Any such remedial measures imposed upon us could materially harm our business.

Our employees, collaborators, service providers, independent contractors, principal investigators, consultants, CSOs, vendors and CROs may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, collaborators, independent contractors, principal investigators, consultants, CSOs, vendors and CROs may engage in fraudulent or other illegal activity with respect to our business. Misconduct by these employees could include intentional, reckless and/or negligent conduct or unauthorized activity that violates:

- FDA regulations, including those laws requiring the reporting of true, complete and accurate information to the FDA;
- manufacturing standards;
- federal and state healthcare fraud and abuse laws and regulations; or
- laws that require the true, complete and accurate reporting of financial information or data.

In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Misconduct by these parties could also involve individually identifiable information, including, without limitation, the improper use of information obtained in the course of clinical trials, or illegal misappropriation of drug product, which could result in regulatory sanctions and serious harm to our reputation. Any incidents or any other conduct that leads to an employee receiving an FDA debarment could result in a loss of business from third parties and severe reputational harm.

Although we have adopted a Code of Business Conduct to govern and deter such behaviors, it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and curtailment of our operations.

The success of our current and possible future collaborative and licensing arrangements depends and will depend heavily on the experience, resources, efforts and activities of our licensees, and if they are not successful in developing and marketing our products or product candidates, as applicable, it will adversely affect our revenues, if any, from those products.

Our business strategy includes continuing to leverage our technology platform by entering into collaborative and licensing arrangements for the development and commercialization of our products and product candidates, where appropriate. The success of current and future collaborative and licensing arrangements do and will depend heavily on the experience, resources, skill, efforts and activities of our licensees. Our licensees have had, and are expected to have, significant discretion in making decisions related to the development of product

candidates and the commercialization of products under these collaboration agreements. Risks that we face in connection with our collaboration and licensing strategy include the following:

- our collaborative and licensing arrangements are, and are expected to be, subject to termination under various circumstances, including on short notice and without cause;
- we are required, and expect to be required, under our collaborative and licensing arrangements, not to conduct specified types of research and development in the field that is the subject of the arrangement or not to sell products in such field, limiting the areas of research, development and commercialization that we can pursue;
- our licensees may develop and commercialize, either alone or with others, products that are similar to or competitive with our products;
- our licensees may change the focus of their development and commercialization efforts or decrease or fail to increase spending related to our products or product candidates, thereby limiting the ability of these products to reach their potential;
- our licensees may lack the funding, personnel or experience to develop and commercialize our products successfully or may otherwise fail to do so; and
- our licensees may not perform their obligations, in whole or in part.

We currently have collaboration and licensing arrangements with various companies, most significantly Alimera and Bausch & Lomb. While Bausch & Lomb has significant experience in the ophthalmic field and substantial resources, there is no assurance whether, and to what extent, that experience and those resources will be devoted to Retisert, and we do not expect revenues from Retisert to increase, and they may decline further. Although we believe potential revenues from ILUVIEN are important to our future results of operations and financial condition, Alimera has limited experience and limited financial resources, and ILUVIEN for DME is currently Alimera's first and only commercial product. Alimera has reported that its negative cash flows from operations and accumulated deficit may raise substantial doubt about its ability to continue as a going concern. Further, due to the limited revenue generated by Alimera to date, Alimera may not be able to maintain compliance with covenants under its loan agreement and, in the event of a default, we do not know whether Alimera will be able to obtain amendments or waivers of those covenants. We do not know if Alimera will be able to raise additional financing if and when required.

If our current and future licensees are not successful in developing and marketing our products, it will adversely affect our revenues, if any, from those products.

Our current licensees may terminate their agreements with us at any time or fail to fulfill their obligations under those agreements, and, if they do, we will lose the benefits of those agreements.

Our licensees have rights of termination under our agreements with them and could terminate those agreements without cause on short notice. Further, our licensees may fail to fulfill their obligations under their agreements, or we may disagree with them over the rights and obligations under those agreements, which could result in breach of the agreements and/or termination. Exercise of termination rights by one or more of our licensees or by us may leave us without the financial benefits and development, marketing or sales resources provided under the terminated agreement. It could be necessary for us to replace, or seek to provide ourselves, the services provided by the licensee, and there is no assurance we would be successful in doing so. It could delay, impair or stop the development or commercialization of products or product candidates licensed to them or require significant additional capital investment by us, which we may not have the resources to fund. If any of our licensees do not perform their obligations under our agreements or if any of those agreements are terminated, it could have an adverse effect on our business, financial condition and results of operations.

Off-label sales of ILUVIEN to treat posterior segment uveitis may adversely affect sales of YUTIQ, if approved.

The micro-inserts that comprise ILUVIEN and YUTIQ have substantially the same design, polymers and release rate, and both deliver the corticosteroid FA. Although YUTIQ delivers a somewhat lower dose of FA than ILUVIEN, ILUVIEN is already approved and marketed. It is possible that physicians will prescribe ILUVIEN for the treatment of posterior segment uveitis on an off-label basis, which could adversely affect the sales of YUTIQ, if approved.

There is no assurance that Alimera will successfully commercialize ILUVIEN for DME or that we will receive significant revenues from the commercialization of ILUVIEN.

We are entitled to royalties on a country-by-country and quarter-by-quarter basis on net sales of ILUVIEN where Alimera markets ILUVIEN directly and to a percentage of product revenues, royalties and non-royalty consideration where Alimera sublicenses the marketing of ILUVIEN. The commercialization of ILUVIEN for DME is a significant undertaking by Alimera, and ILUVIEN for DME is Alimera's first and only commercial product. Alimera's sales of ILUVIEN have not been significant to date, Alimera has continued to incur operating losses, and it has violated, and in the future may violate, the financial covenants of its loan agreement. We do not know if, when, or to what extent Alimera's ILUVIEN net revenues will increase significantly, which would generate royalties to us from the commercialization of ILUVIEN for DME. The amount and timing of any revenues we receive will be affected by many factors including:

- Alimera's and its distributors' and sublicensees' ability to effectively market and sell ILUVIEN in each country where sold;
- the manner of sale, whether directly by Alimera or by sublicensees or distributors, and the terms of sublicensing and distribution agreements;
- the amount and timing of sales of ILUVIEN in each country;
- regulatory approvals, appropriate labeling, and desirable pricing, insurance coverage and reimbursement;
- competition;
- commencement of marketing in additional countries; and
- Alimera's ability to raise adequate capital as needed to fund its operations, to maintain compliance with its loan agreement and to achieve profitability from its operations.

If Alimera is not successful in commercializing ILUVIEN for DME, it would adversely affect our business, operating results and financial condition.

Alimera may need alternative financing to replace its $40.0 million debt facility or additional capital to maintain compliance with the financial covenants under its loan agreement, which Alimera may be unable to obtain, and Alimera's continued losses and financial condition may cast doubt on its ability to continue to operate as a going concern.

Although Alimera commercially markets ILUVIEN for DME in the U.S. and in certain countries in Europe, Alimera had a net loss from operations of $16.5 million for its fiscal year ended December 31, 2017, a net loss of $11.6 million for the interim six-month period ended June 30, 2018 and had an accumulated deficit of $410.8 million as of June 30, 2018. Alimera has not generated revenues that cover its actual or anticipated expenses and cannot project the extent of its future losses. Alimera may continue to incur operating losses, and as a result, it is uncertain when or if it will achieve or sustain profitability. Alimera's ability to generate royalty payments to us is dependent on its ability to successfully market and sell ILUVIEN for DME and, if approved, ILUVIEN for NIPU.

Alimera failed to meet a revenue threshold in January 2016 and a liquidity threshold as of June 30, 2016 under the financial covenants of its former loan agreement. While these failures were subsequently waived by its former lender, Alimera was required to pay substantial amounts and grant concessions in connection with these waivers. In January 2018, Alimera refinanced its debt with a $40 million loan agreement with a new lender. If Alimera defaults on its obligations under its new loan agreement, its new lender may call the loan, which could require Alimera to pay back the entire amount owed and pay an early termination fee, or if the lender does not call the loan, Alimera may have to pay an increased rate of interest, pay additional monetary amounts in exchange for a waiver or modification of the loan agreement, or grant equity or warrant coverage and agree to further restrictions on its operations that could hinder it in the future. Alimera's failure to comply with the covenants under its new loan agreement could create substantial doubt about Alimera's ability to continue as a going concern and to market and sell ILUVIEN. The termination provisions of our agreement with Alimera include various bankruptcy events.

Further, due to the limited revenue generated by ILUVIEN to date, even if Alimera is able to maintain compliance with its debt covenants, Alimera may need to raise additional capital to fund the continued commercialization of ILUVIEN. If Alimera is unable to raise sufficient additional financing, it may need to adjust its commercial plans, which likely would adversely affect Alimera's ability to market ILUVIEN and make any potential royalty payments to us.

There is no assurance our Retisert royalty income will continue at current levels or at all.

Our Retisert royalty income, which had ranged between $1.2 million and $1.4 million from fiscal 2012 through fiscal 2016, decreased to $970,000 for fiscal 2017 and totaled approximately $1.0 million for fiscal 2018. We do not expect Retisert royalty income to increase materially, if at all, and it may decline further or cease. Bausch & Lomb's obligation to pay a royalty terminates on a licensed product by licensed product basis and country by country basis upon the date that the last to expire patent expires. The patent with which Retisert is marketed expires in March 2019. The latest patent covering Retisert expires in April 2020, and we will not receive any Retisert royalty income after that time. Bausch & Lomb previously ceased selling Vitrasert, our product previously licensed to Bausch & Lomb, on its patent expiration.

Sales of ILUVIEN for DME may be materially adversely affected by pricing and reimbursement decisions of regulatory bodies, insurers and others.

Prices, coverage and reimbursement to consumers of ILUVIEN for DME, like other products, are generally regulated by third-party payors, such as government health administration authorities and plans, private health insurers and other organizations and affect ILUVIEN's sales. The timing and complexity of those reimbursements also affect sales. Prices in the EU are generally lower and coverage and access to products more limited than in the U.S. For example, in the U.K. and Scotland, National Health Service coverage is limited to the treatment of the eyes of chronic DME patients unresponsive to existing therapies that have undergone cataract surgery, subject to simple patient access schemes. Alimera may not achieve satisfactory agreements with statutory or other insurers. We do not know what levels of pricing will be approved or reimbursed for ILUVIEN, or what restrictions will be placed on its use or reuse in countries where ILUVIEN is not currently sold. In the U.S., Alimera has offered extended customer payment terms. Future net sales of ILUVIEN and, accordingly, the amount of royalties that we may receive from such net sales, may be adversely affected by pricing and reimbursement decisions, and such effects may be material.

If we or our licensees fail to comply with environmental laws and regulations, our or their ability to manufacture and commercialize products may be adversely affected.

Medical and biopharmaceutical research and development involves the controlled use of hazardous materials, such as radioactive compounds and chemical solvents. We and our licensees are subject to federal, state and local laws and regulations in the U.S. and abroad governing the use, manufacture, storage, handling and

disposal of such materials and waste products. We and they could be subject to both criminal liability and civil damages in the event of an improper or unauthorized release of, or exposure of individuals to, hazardous materials. In addition, claimants may sue us or them for resulting injury or contamination, and the liability may exceed our or their ability to pay. Compliance with environmental laws and regulations is expensive, and current or future environmental regulations may impair the research, development or production efforts of our company or our licensees and harm our operating results.

RISKS RELATED TO OUR INDUSTRY, STRATEGY AND OPERATIONS

If we fail to retain key personnel, our business could suffer.

We are dependent upon the principal members of our management and scientific staff. In addition, we believe that our future success in developing and marketing our products will depend on whether we can attract and retain additional qualified management and scientific personnel as well as a sales and marketing staff. There is strong competition for qualified personnel within the industry in which we operate, and we may not be able to attract and retain such personnel. As we have a small number of employees and we believe our products and product candidates are unique and highly specialized, the loss of the services of one or more of the principal members of our management or scientific staff, or the inability to attract and retain additional personnel and develop expertise as needed, could have a material adverse effect on our results of operations and financial condition.

We will need to grow the size of our organization, and we may experience difficulties in managing this growth.

Implementation of our development and commercialization strategies will require additional managerial, operational, sales, marketing, financial and other resources. Our current management, personnel and systems may not be adequate to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, employee turnover and reduced productivity. Future growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of our existing or future product candidates. Future growth would impose significant added responsibilities on members of management, including:

- managing the commercialization of DEXYCU and, if approved, YUTIQ;
- overseeing our pre-clinical studies and clinical trials effectively;
- identifying, recruiting, maintaining, motivating and integrating additional employees, including any sales and marketing personnel engaged in connection with the commercialization of DEXYCU and, if approved, YUTIQ;
- engaging and managing our relationship with any contract sales organizations; and
- managing our internal development efforts effectively while complying with our contractual obligations to licensors, licensees, contractors and other third parties; and improving our managerial, development, operational and financial systems and procedures.

As our operations expand, we will need to manage additional relationships with various strategic collaborators, suppliers and other third parties. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to manage our development efforts and clinical trials effectively and hire, train and integrate additional management, administrative and sales and marketing personnel. Failure to accomplish any of these activities could prevent us from successfully growing our company.

Consolidation in the pharmaceutical and biotechnology industries may adversely affect us.

There has been consolidation in the pharmaceutical and biotechnology industries. Consolidation could result in the remaining companies having greater financial resources and technological capabilities, thus intensifying

competition, and fewer potential collaboration partners or licensees for our product candidates. In addition, if a consolidating company is already doing business with any of our competitors, we could lose existing or potential future licensees or collaboration partners as a result of such consolidation.

Economic conditions and regulatory changes leading up to and following the U.K.'s likely exit from the EU could have a material adverse effect on our business and results of operations.

The U.K. held a referendum on June 23, 2016 in which a majority voted for the U.K.'s withdrawal from the EU, which we refer to as Brexit. As a result of this vote, negotiations have commenced to determine the terms of the U.K.'s withdrawal from the EU as well as its relationship with the EU going forward, including the terms of trade between the U.K. and the EU. The effects of Brexit have been and are expected to continue to be far-reaching. Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions in Europe and globally and could continue to contribute to instability in global financial and foreign exchange markets. Brexit could also have the effect of disrupting the free movement of goods, services and people between the U.K. and the EU; however, the full effects of Brexit are uncertain and will depend on any agreements the U.K. may make to retain access to EU markets.

In addition, we expect that Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which EU laws to replicate or replace. If the U.K. were to significantly alter its regulations affecting our industry, we could face significant new costs. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. Altered regulations could also add time and expense to the process by which our products or product candidates or those of our licensees or collaborators receive regulatory approval in the U.K. and EU. Similarly, it is unclear at this time what Brexit's impact will have on our intellectual property rights and the process for obtaining, maintaining and defending such rights. It is possible that certain intellectual property rights, such as trademarks, granted by the EU will cease being enforceable in the U.K. absent special arrangements to the contrary, and we are required to refile our trademarks and other intellectual property applications domestically in the U.K.

Lastly, as a result of the Brexit, other European countries may seek to conduct referenda with respect to their continuing membership in the EU. Given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, results of operations and financial condition could be adversely affected by Brexit is uncertain.

Our business and operations would suffer in the event of computer system failures, cyberattacks or a deficiency in our cybersecurity.

Despite the implementation of security measures, our internal computer systems and those of our contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures, cyberattacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Such an event could cause interruption of our operations. As part of our business, we and our vendors maintain large amounts of confidential information, including non-public personal information on patients and our employees Breaches in security could result in the loss or misuse of this information, which could, in turn, result in potential regulatory actions or litigation, including material claims for damages, interruption to our operations, damage to our reputation or otherwise have a material adverse effect on our business, financial condition and operating results. We expect to have appropriate information security policies and systems in place in order to prevent unauthorized use or disclosure of confidential information, including non-public personal information, there can be no assurance that such use or disclosure will not occur.

If we fail to comply with data protection laws and regulations, we could be subject to government enforcement actions, which could include civil or criminal penalties, as well as private litigation and/or adverse publicity, any of which could negatively affect our operating results and business.

We may be subject to laws and regulations that address privacy and data security of patients who use our products or product candidates in the U.S. and in states in which we conduct our business. In the U.S., numerous federal and state laws and regulations, including state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws (e.g., Section 5 of the FTC Act) govern the collection, use, disclosure, and protection of health-related and other personal information. For instance, HIPAA imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information and imposes notification obligations in the event of a breach of the privacy or security of individually identifiable health information on entities subject to HIPAA and their business associates that perform certain activities that involve the use or disclosure of protected health information on their behalf. Failure to comply with applicable data protection laws and regulations could result in government enforcement actions and create liability for us, which could include civil and/or criminal penalties, as well as private litigation and/or adverse publicity that could negatively affect our operating results and business.

We may be exposed to liabilities under the FCPA and other U.S. and foreign anti-corruption anti-money laundering, export control, sanctions, and other trade laws and regulations, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. We are also subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act 2010, the Proceeds of Crime Act 2002, and possibly other anti-bribery and anti-money laundering laws in countries outside of the U.S. in which we conduct our activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees and third-party intermediaries from authorizing, promising, offering, providing, soliciting, or accepting, directly or indirectly, improper payments or benefits to or from any person whether in the public or private sector. As we commercialize DEXYCU, if approved, YUTIQ, and any of other product candidates that we may develop, we may engage with third-party manufacturers and collaborators who operate abroad and are required to obtain certain necessary permits, licenses and other regulatory approvals with respect to our business. Our activities abroad create the risk of unauthorized payments or offers of payments by employees, consultants, sales agents or distributors, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees, consultants, sales agents and distributors. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents, or distributors of our company may engage in conduct for which we might be held responsible, even if we do not explicitly authorize such activities.

Noncompliance with anti-corruption, anti-money laundering, export control, sanctions, and other trade laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations and financial condition could be materially harmed. Responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense and compliance costs and other professional fees. In addition, the U.S. government may seek to hold us liable for successor liability FCPA violations committed by companies in which we invest or that we acquire. As a general matter, enforcement actions and sanctions could harm our business, results of operations, and financial condition.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

The trading price of the shares of our common stock has been highly volatile, and purchasers of our common stock could incur substantial losses.

The price of our common stock is highly volatile and may be affected by developments directly affecting our business, as well as by developments out of our control or not specific to us. The pharmaceutical and biotechnology industries, in particular, and the stock market generally, are vulnerable to abrupt changes in investor sentiment. Prices of securities and trading volumes of companies in the pharmaceutical and biotechnology industries, including ours, can swing dramatically in ways unrelated to, or that bear a disproportionate relationship to, our performance. The price of our common stock and their trading volumes may fluctuate based on a number of factors including, but not limited to:

- the timing, costs and progress of our commercialization efforts;
- clinical trials and their results, and other product and technological developments and innovations;
- FDA and other domestic and international governmental regulatory actions, receipt and timing of approvals of our product candidates, and any denials and withdrawal of approvals;
- competitive factors, including the commercialization of new products in our markets by our competitors;
- advancements with respect to treatment of the diseases targeted by our products or product candidates;
- developments relating to, and actions by, our collaborative partners, including execution, amendment and termination of agreements, achievement of milestones and receipt of payments;
- the success of our collaborative partners in marketing any approved products and the amount and timing of payments to us;
- availability and cost of capital and our financial and operating results;
- actions with respect to pricing, reimbursement and coverage, and changes in reimbursement policies or other practices relating to our products or the pharmaceutical or biotechnology industries generally;
- meeting, exceeding or failing to meet analysts' or investors' expectations, and changes in evaluations and recommendations by securities analysts;
- economic, industry and market conditions, changes or trends; and
- other factors unrelated to us or the pharmaceutical and biotechnology industries.

In addition, low trading volume in our common stock may increase their price volatility. Holders of our common stock may not be able to liquidate their positions at the desired time or price. Finally, we will need to continue to meet the listing requirements of Nasdaq including the minimum stock price, for our stock to continue to be traded on Nasdaq.

Additional shares that may be issued upon the exercise of currently outstanding options or warrants or upon the settlement of restricted, performance or deferred stock units would dilute the voting power of our currently outstanding common stock and could cause our stock price to decline.

As of August 31, 2018, we had outstanding options to acquire approximately 8.2 million shares of our common stock, outstanding restricted stock units to acquire 898,129 shares of our common stock, outstanding performance stock units to acquire approximately 1.2 million shares of our common stock, outstanding deferred stock units to acquire 35,001 shares of our common stock, lender warrants to acquire 409,091 and 77,721 shares of our common stock at exercise prices of $1.10 and $1.93, respectively, and the Second Tranche Warrants to acquire 20,184,224 shares of our common stock, or approximately 29.4% of our shares on a fully diluted basis. The issuance of shares of our common stock upon exercise of the stock options or warrants or settlement of the restricted, performance or deferred stock units could result in dilution to the interests of other holders of our common stock and could adversely affect our stock price.

EW Healthcare owns a substantial amount of our common stock and can exert significant control over matters subject to stockholder approval, which would prevent new investors from influencing significant corporate decisions.

Following the closing of the Second Tranche Transaction on June 25, 2018, EW Healthcare, our largest stockholder, beneficially owns approximately 34.2% of our outstanding common stock as of September 13, 2018. Based upon 74,512,048 outstanding shares of common stock at September 13, 2018 and assuming the exercise of the Second Tranche Warrants by EW Healthcare and the other Second Tranche Investors, EW Healthcare would beneficially own approximately 44.7% % of our common stock. Upon such exercise in full of the Second Tranche Warrants, EW Healthcare has the ability to significantly influence the outcome of matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, this concentration of voting power in EW Healthcare may: (i) delay, defer or prevent a change in control; (ii) entrench our management and Board; or (iii) delay or prevent a merger, consolidation, takeover or other business combination involving us on terms that other stockholders may desire.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

. The Tax Act, which was passed on December 22, 2017, introduced significant changes to the U.S. tax laws. The Tax Act, among other things, contains significant changes to corporate taxation, including but not limited to the reduction of the corporate tax rate from a top rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income in respect of losses arising in taxable years beginning after 2017 and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits (including reducing the business tax credit for certain clinical testing expenses incurred in the testing of certain drugs for rare diseases or conditions generally referred to as “orphan drugs”). Any federal net operating loss carryovers for taxable years beginning after 2017 will be carried forward indefinitely pursuant to the Tax Act. The Tax Act also limits deductions for compensation in excess of $1 million, which could impact our ability to deduct such corporate expenses. We continue to examine the impact the Tax Act may have on our business. Notwithstanding the reduction in the federal corporate income tax rate, the overall impact of the Tax Act is uncertain and our business and financial condition could be adversely affected.

Future sales of our common stock may depress our stock price.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or as a result of the perception that these sales could occur, which could occur if we issue a large number of shares of common stock (or securities convertible into our common stock) in connection with a future financing, as our common stock is trading at low levels. These factors could make it more difficult for us to raise funds through future offerings of common stock or other equity securities.

Provisions in our charter documents could prevent or delay stockholders’ attempts takeover our company.

Our board of directors is authorized to issue “blank check” preferred stock, with designations, rights and preferences as they may determine. Accordingly, our board of directors may in the future, without stockholder approval, issue shares of preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock. This type of preferred stock could also be issued to discourage, delay or prevent a change in our control. The ability to issue “blank check” preferred stock is a traditional anti-takeover measure. This provision in our charter documents makes it difficult for a majority stockholder to gain control of our company. Provisions like this may be beneficial to our management and our board of directors in a hostile tender offer and may have an adverse impact on stockholders who may want to participate in such a tender offer.

Provisions in our bylaws provide for indemnification of officers and directors, which could require us to direct funds away from our business and the development of our product candidates.

Our bylaws provide for the indemnification of our officers and directors. We may in the future be required to advance costs incurred by an officer or director and to pay judgments, fines and expenses incurred by an officer or director, including reasonable attorneys' fees, as a result of actions or proceedings in which our officers and directors are involved by reason of being or having been an officer or director of our company. Funds paid in satisfaction of judgments, fines and expenses may be funds we need for the operation of our business and the development of our product candidates, thereby affecting our ability to attain profitability.

We do not currently intend to pay dividends on our common stock, and any return to investors is expected to come, if at all, only from potential increases in the price of our common stock.

We have never declared or paid cash dividends on our capital stock, and you should not rely on an investment in our common stock to provide dividend income. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, the Credit Agreement contains certain covenants that limit our ability to pay or make any dividend and the terms of any future debt agreements may further preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

We may be subject to securities litigation, which is expensive and could divert our management's attention.

As we operate in the pharmaceutical and biotechnology industries, we may be especially vulnerable to volatility in the market price of our common stock, especially to the extent that various factors affect the common stock of companies in our industry. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any real property. On May 17, 2018, we amended our lease, dated November 1, 2013, to extend our Watertown, Massachusetts lease term from April 2019 through approximately April 2025 and to add an additional 6,590 square feet of rentable area for a resulting total of 20,240 square feet. Following build-out of the additional space, for which the landlord provided a construction allowance of $671,000, we took occupancy on September 10, 2018. We are entitled to base rent abatement for the aggregate space for the four months

ending December 31, 2018. The aggregate leased space consists of 1,750 square feet of laboratory space, 1,000 square feet of clean room space and 17,490 square feet of office space. We have an option to extend the term of the lease for one additional five-year period at market rates.

We lease 3,000 square feet of office space in Liberty Corner, New Jersey under a lease agreement that expires in June 2022. On June 11, 2018, we subleased an additional 1,381 square feet of office space in this building through May 2022.

We believe our leased facilities are adequate for our present and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

We are subject to various routine legal proceedings and claims incidental to our business, which management believes will not have a material effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders and Dividends

Our common stock is traded on the Nasdaq Global Market under the trading symbol "EYPT". The following table sets forth the high and low selling prices per share of our common stock as reported on the Nasdaq Global Market for the periods indicated:

	High	Low
Fiscal year ended June 30, 2018:		
First Quarter	$1.76	$1.03
Second Quarter	1.44	1.02
Third Quarter	1.35	0.93
Fourth Quarter	2.88	1.07
Fiscal year ended June 30, 2017:		
First Quarter	$4.25	$2.85
Second Quarter	3.22	1.50
Third Quarter	2.16	1.63
Fourth Quarter	2.45	1.57

On September 13, 2018, the last reported sale price of our common stock on the Nasdaq Global Market was $2.21. As of that date, we had approximately 114 holders of record of our common stock and, according to our estimates, approximately 8,500 beneficial owners of our common stock. Our shares of common stock previously traded in the form of CHESS Depositary Interests on the Australian Securities Exchange under the symbol "PVA" until our delisting from the ASX, which occurred effective as of May 7, 2018.

We have never paid cash dividends, and we do not anticipate paying cash dividends in the foreseeable future. In addition, the Credit Agreement contains negative covenants which limit our ability to pay cash dividends on our equity securities.

Equity Compensation Plan Information

The following table provides information about the securities authorized for issuance under the Company's equity compensation plans as of June 30, 2018:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column a) (c)
Equity Compensation plans approved by security holders	7,310,244(1)	$ 2.89	1,497,528
Equity Compensation plans not approved by security holders (2)	440,000(3)	1.95	—
Total	7,750,244	$ 2.89	1,497,528

(1) Consists of outstanding stock options, performance-based stock units, restricted stock units and deferred stock units to purchase 7,310,244 awards pursuant to our 2008 Equity Incentive Plan, as amended, and our 2016 Long Term Incentive Plan, as amended, or the 2016 LTIP.

(2) Our Board has not established any specific number of shares that could be issued without stockholder approval. Inducement grants to new key employees are determined on a case-by-case basis. Other than possible inducement grants, we expect all equity awards will be made under stockholder-approved plans.

(3) In May 2018, we issued 440,000 inducement equity awards outside of the 2016 LTIP in accordance with Nasdaq Listing Rule 5635(c)(4). The inducement equity awards were, upon the recommendation of the Compensation Committee of our Board, approved by our Board and were made as an inducement material to Leonard Blum's acceptance of employment with us in accordance with Nasdaq Listing Rule 5635(c)(4). Mr. Blum is our Executive Vice President and General Manager, U.S. Mr. Blum's inducement awards consist of two non-qualified stock option awards to purchase a total of 440,000 shares of common stock and performance stock units, or PSUs, entitling Mr. Blum to receive up to 225,000 shares of common stock based on the achievement of prescribed performance metrics determined by the Compensation Committee. The stock option to purchase 375,000 shares of common stock will vest ratably on each of the first, second and third anniversaries of the date of grant, subject to the terms of grant. The stock option to purchase 65,000 shares of common stock will vest on the first anniversary of the date of grant. The performance metrics associated with the PSU award will be subject to measurement following the 3-year period ending June 30, 2021. Effective September 26, 2018, Mr. Blum will cease to be employed by us. Per the terms of his employment agreement with us and the applicable stock option award agreements, upon the cessation of Mr. Blum's employment with us "without Cause" (as such term is defined in Mr. Blum's employment agreement), any unvested portion of his stock option awards that would have vested had Mr. Blum continued his employment through the first anniversary of his employment will vest immediately prior to his cessation of employment and will remain exercisable until 5:00 P.M. Eastern Time on the last day of the three-month period commencing on the date of Mr. Blum's cessation of employment. In addition, Mr. Blum's employment agreement and our form of performance stock unit award agreement provides that Mr. Blum will forfeit the unvested portion of his PSUs upon the cessation of his employment. Accordingly, (i) 125,000 shares of common stock underlying Mr. Blum's first non-qualified stock option award and (ii) all 65,000 shares of common stock underlying Mr. Blum's second non-qualified stock option award will vest immediately prior to Mr. Blum's cessation of employment, become immediately exercisable and remain exercisable until December 26, 2018. All of the shares of common stock underlying Mr. Blum's PSUs will be forfeited upon the cessation of his employment.

Recent Sales of Unregistered Securities

Other than as previously disclosed on our Current Reports on Form 8-K filed with the SEC, we did not issue any unregistered equity securities during the year ended June 30, 2018.

Issuer Repurchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data set forth below as of June 30, 2018, 2017, 2016, 2015 and 2014 and for each of the years then ended have been derived from our audited consolidated financial statements, of which the financial statements as of June 30, 2018 and 2017 and for the years ended June 30, 2018, 2017 and 2016 are included elsewhere in this Annual Report on Form 10-K.

The information set forth below should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and the audited Consolidated Financial Statements, and the Notes thereto, and other financial information included elsewhere herein. Our historical financial information may not be indicative of our future results of operations or financial position.

	Year Ended June 30,				
	2018	2017	2016	2015	2014
	(In thousands except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Collaborative research and development (1)	$ 1,343	$ 6,569	$ 398	$25,411	$ 2,155
Royalty income (2)	1,618	970	1,222	1,154	1,318
Total revenues	2,961	7,539	1,620	26,565	3,473
Operating expenses:					
Research and development	16,178	14,880	14,381	12,088	9,573
Sales and marketing	1,512	—	—	—	—
General and administrative	11,545	11,235	9,013	8,056	7,468
Gain on sale of property and equipment	—	—	—	—	(78)
Total operating expenses	29,235	26,115	23,394	20,144	16,963
Operating (loss) income	(26,274)	(18,576)	(21,774)	6,421	(13,490)
Interest and other income, net	101	91	72	22	5
Interest expense	(720)	—	—	—	—
Change in fair value of derivative liability	(26,278)	—	—	—	—
(Loss) income before income taxes	(53,171)	(18,485)	(21,702)	6,443	(13,485)
Income tax benefit (expense)	—	—	155	(96)	130
Net (loss) income	$(53,171)	$(18,485)	$(21,547)	$ 6,347	$(13,355)
Net (loss) income per share:					
Basic	$ (1.15)	$ (0.52)	$ (0.68)	$ 0.22	$ (0.49)
Diluted	$ (1.15)	$ (0.52)	$ (0.68)	$ 0.21	$ (0.49)
Weighted average common shares outstanding:					
Basic	46,226	35,344	31,623	29,378	27,444
Diluted	46,226	35,344	31,623	30,584	27,444

	As of June 30,				
	2018	2017	2016	2015	2014
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$38,776	$16,898	$15,313	$19,121	$15,334
Marketable securities	—	—	13,679	9,414	2,944
Intangible assets, net	31,358	364	1,102	1,925	2,765
Total assets	71,670	18,677	31,619	32,367	22,671
Long-term debt	17,309	—	—	—	—
Derivative liability	19,780	—	—	—	—
Total deferred revenue—current and long-term	—	50	5,732	5,629	5,722
Total stockholders’ equity	11,687	13,336	20,881	23,368	14,924

(1) Includes the following: from our Prior Alimera Agreement (including patent reimbursement costs): $148,000 in fiscal 2018, $659,000 in fiscal 2017, $233,000 in fiscal 2016, $25.1 million in fiscal 2015 and

$114,000 in fiscal 2014; from our Restated Pfizer Agreement: $5.6 million in fiscal 2017 and $7,000 in fiscal 2014; from feasibility study agreements: $1.1 million in fiscal 2018, $211,000 in fiscal 2017, $33,000 in fiscal 2016, $144,000 in fiscal 2015 and $1.9 million in fiscal 2014; from our license agreement with OncoSil Medical: $100,000 in fiscal 2018, $100,000 in fiscal 2017, $100,000 in fiscal 2016, $100,000 in fiscal 2015 and $102,000 in fiscal 2014. See Note 4 in the accompanying Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional information.

(2) Includes the following: from our Amended Alimera Agreement; $575,000 in fiscal 2018; from our license agreement with Bausch & Lomb: $1.0 million in fiscal 2018, $970,000 in fiscal 2017, $1.2 million in fiscal 2016, $1.2 million in fiscal 2015 and $1.3 million in fiscal 2014.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our audited Consolidated Financial Statements and related Notes beginning on page F-1 of this Annual Report on Form 10-K. This discussion contains forward-looking statements, based on current expectations and related to future events and our future financial performance, that involve risks and uncertainties. Our actual results may differ significantly from those anticipated or implied in these forward-looking statements as a result of many important factors, including, but not limited to, those set forth under Item 1A, "Risk Factors", and elsewhere in this report.

Overview

We are a specialty biopharmaceutical company committed to developing and commercializing innovative ophthalmic products for the treatment of eye diseases. Our lead product, DEXYCU (dexamethasone intraocular suspension) 9%, approved by the FDA in February 2018, is administered as a single dose at the end of ocular surgery and is the first long-acting intraocular product approved by the FDA for the treatment of post-operative inflammation. DEXYCU utilizes our proprietary Verisome drug-delivery platform, which allows for a single intraocular injection that releases dexamethasone, a corticosteroid, over time. There are approximately four million cataract surgeries performed annually in the U.S. and we plan to launch DEXYCU in the U.S. in the first half of calendar year 2019 with a primary focus on its use following cataract surgery. Our lead product candidate is YUTIQ, a three-year non-erodible FA insert for the treatment of NIPU. Injected into the eye in an office visit, YUTIQ is a tiny micro-insert that delivers a micro-dose of a corticosteroid to the back of the eye on a sustained constant (zero order release) basis for approximately three years. On March 19, 2018, the FDA accepted our NDA for YUTIQ and set a PDUFA action date of November 5, 2018. YUTIQ is based on our proprietary Durasert sustained-release drug delivery technology platform, which can deliver drugs for predetermined periods of time ranging from months to years. Posterior segment uveitis is the third leading cause of blindness in the U.S. and affects between 55,000 to 120,000 people in the U.S. If approved in November 2018, we expect to launch YUTIQ in the U.S. in the first half of calendar year 2019.

Both Phase 3 clinical trials investigating YUTIQ met their primary efficacy endpoint of prevention of recurrence of disease through six months with statistical significance ($p < 0.001$, intent to treat analysis) and with safety data consistent with the known effects of ocular corticosteroid use. Statistical significance for efficacy and encouraging safety results were maintained through 12 months of follow-up in both Phase 3 clinical trials. In Europe, we filed a MAA in June 2017 and subsequently withdrew the application after expanding the license for our proprietary Durasert sustained-release drug delivery technology platform to Alimera to include uveitis, including NIPU. In January 2018, Alimera received validation of a Type II variation submitted in all seventeen European countries in which it previously received regulatory approval for ILUVIEN for DME. According to Alimera's public filings, Alimera plans to submit follow-up data supporting its Type II variation application in the fourth quarter of calendar year 2018 and expects it will obtain approval for its application in the first half of calendar 2019. If the variation is approved, Alimera plans to commercialize the uveitis indication under its ILUVIEN trademark.

ILUVIEN is an injectable, sustained-release micro-insert that provides three years of treatment of DME from a single injection. ILUVIEN and YUTIQ are based on the same technology and deliver the same corticosteroid, FA. ILUVIEN was developed in collaboration with, and is licensed to and sold by Alimera. Pursuant the Prior Alimera Agreement, ILUVIEN has been sold directly in the U.K. and Germany since 2013, in the U.S. and Portugal since 2015 and in Austria and Ireland since 2017. ILUVIEN also has marketing approvals in 12 other European countries. In addition, Alimera has entered into various agreements under which distributors will provide regulatory, reimbursement or sales and marketing support for commercialization or future commercialization of ILUVIEN in several countries in the Middle East, as well as France, Italy, Spain, Australia, New Zealand and Canada. In July 2017, we entered into the Amended Alimera Agreement pursuant to

which we (i) expanded the license to Alimera for our proprietary Durasert drug delivery technology platform to include uveitis, including NIPU, in the EMEA and (ii) converted the net profit share arrangement for each licensed product (including ILUVIEN) under the Prior Alimera Agreement to a sales-based royalty on a calendar quarter basis commencing July 1, 2017, with payments from Alimera due 60 days following the end of each quarter.

Our development programs are focused primarily on developing sustained release drug products using our proven Durasert technology platform to deliver small molecule drugs to treat uveitis, wet age-related macular degeneration, glaucoma and other diseases.

Fiscal Year 2018 Overview

The fiscal year ended June 30, 2018 was highlighted by the following events:

- On January 5, 2018, we filed our NDA for YUTIQ. On March 19, 2018, the FDA accepted our NDA for YUTIQ and set a PDUFA action date of November 5, 2018;
- On March 28, 2018, we completed the Icon Acquisition pursuant to a merger agreement, dated March 28, 2018, by and among us, Merger Sub (our wholly-owned subsidiary), Icon and the other signatories thereto. Under the terms of the Merger Agreement, Merger Sub was merged with and into Icon, with Icon being the surviving corporation and our wholly-owned subsidiary
- On March 28, 2018, in connection with the Icon Acquisition, we entered into the Credit Agreement with SWK Funding, a wholly-owned subsidiary of SWK Holdings Corporation, pursuant to which the Lenders provided to us a non-dilutive term loan in the principal amount of $15.0 million, which was increased by an additional $5.0 million drawdown at our request on June 26, 2018 following the closing of the Second Tranche Transaction on June 25, 2018. We may draw down an additional $10.0 million Loan, subject to (i) SWK Funding obtaining additional loan commitments and (ii) the satisfaction of certain conditions (as set forth in the Credit Agreement);
- On March 28, 2018, in connection with the Initial Advance, we issued a warrant, or the SWK Warrant, to SWK Funding to purchase (i) 409,091 shares of our common stock, or the Initial Advance Warrant Shares, and (ii) 77,721 shares of our common stock equal to 3% of the Additional Advance, or the Additional Advance Warrant Shares. The SWK Warrant was exercisable with respect to the Initial Advance Warrant Shares upon issuance of the SWK Warrant at an exercise price of $1.10, which was the consolidated closing bid price of a share of our common stock on the Nasdaq Global Market immediately preceding the issuance of Initial Advance Warrant Shares. The SWK Warrant became exercisable with respect to the Additional Advance Warrant Shares on June 26, 2018 at an exercise price of $1.93 per share, which was the consolidated closing bid price of a share of our common stock on the Nasdaq Global Market immediately preceding the issuance of the Additional Advance Warrant Shares. The SWK Warrant will remain exercisable (x) until the close of business on March 28, 2025 with respect to the Initial Advance Warrant Shares and (y) until the close of business on June 26, 2025 with respect to the Additional Advance Warrant Shares;
- On March 28, 2018, in connection with the Icon Acquisition, we entered into a securities purchase agreement, or the First Tranche Securities Purchase Agreement, with EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P, collectively the First Tranche Investors, pursuant to which we sold an aggregate of 8,606,324 shares of our common stock at a purchase price of $1.10 per share, or the First Tranche Purchase Price, for gross proceeds of $9.5 million, which we refer to as the First Tranche Transaction; and
- On March 28, 2018, in connection with the Icon Acquisition and the execution of the First Tranche Securities Purchase Agreement, we entered into the Second Tranche Securities Purchase Agreement, with the First Tranche Investors and certain other accredited investors signatory thereto, or the Second Tranche Investors, pursuant to which we agreed to offer and sell, subject to the approval of our

stockholders, an aggregate of up to approximately $25.5 million of Units. Our stockholders approved the sale and issuance of the Units on June 22, 2018 and we sold 20,184,224 Units to the Second Tranche Investors upon the closing of the Second Tranche Transaction on June 25, 2018.

ILUVIEN, an injectable, sustained-release micro-insert delivering 0.19mg of FA to the back of the eye for the treatment of DME, was licensed to and developed with Alimera under the Prior Alimera Agreement. In July 2017, we entered into the Amended Alimera Agreement pursuant to which we (i) expanded the license to Alimera for our proprietary Durasert drug delivery technology platform to include uveitis, including NIPU, in the EMEA and (ii) converted the net profit share arrangement for each licensed product (including ILUVIEN) under the Prior Alimera Agreement to a sales-based royalty on a calendar quarter basis. Sales-based royalties start at the rate of 2% effective as of July 1, 2017. Commencing January 1, 2019 (or earlier under certain circumstances), the sales-based royalty will increase to 6% (8% on total ILUVIEN net sales in excess of $75 million on a calendar year basis). Alimera's share of contingently recoverable accumulated ILUVIEN commercialization losses under the original net profit share arrangement (as set forth in the Prior Alimera Agreement), was capped at $25 million. Under the Amended Alimera Agreement those recoverable losses will be reduced as follows: (i) $10.0 million was cancelled in lieu of an upfront license fee on the effective date of the Amended Alimera Agreement; (ii) for calendar years 2019 and 2020, 50% of earned sales-based royalties in excess of 2% of net sales will be offset against the quarterly royalty payments otherwise due from Alimera; (iii) on January 1, 2020 (or earlier under certain circumstances), another $5 million will be cancelled, provided, however, that such date of cancellation may be extended under certain circumstances related to Alimera's regulatory approval process for ILUVIEN for NIPU, with such extension, if any, subject to mutual agreement by the parties; and (iv) commencing in calendar year 2021, 20% of earned sales-based royalties in excess of 2% of net sales will be offset against the quarterly royalty payments due from Alimera until such time as the remaining balance of the original $25 million of recoverable commercialization losses has been fully recouped.

We believe that the terms of the Amended Alimera Agreement for ILUVIEN for DME have standardized and simplified the agreement and improved the potential total value of the agreement for us. ILUVIEN for DME has been sold by Alimera in the U.S. since 2015, where it is indicated for the treatment of DME in patients previously treated with a course of corticosteroids without a clinically significant rise in IOP. ILUVIEN for DME has been sold by Alimera in the U.K. and Germany since 2013, in Portugal since 2015 and in Austria and Ireland since 2017. ILUVIEN also has marketing approvals in 12 other European countries. In addition, Alimera has entered into various agreements under which distributors will provide regulatory, reimbursement or sales and marketing support for commercialization or future commercialization of ILUVIEN in several countries in the Middle East, as well as France, Italy, Spain, Australia, New Zealand and Canada. ILUVIEN for DME has marketing approvals in a total of 17 European countries, where it is indicated for the treatment of chronic DME considered insufficiently responsive to available therapies.

FDA-approved Retisert is an implant that provides sustained treatment of posterior segment uveitis for 30 months that was co-developed with and licensed to Bausch & Lomb. Implanted in a surgical procedure, Retisert delivers the same corticosteroid as Durasert but in a larger dose. We receive royalties from Retisert sales.

We are also using our Durasert technology platform to identify potential product candidates that provide sustained treatment of wet and dry AMD, glaucoma and other diseases. We are also conducting pre-clinical evaluations of various TKI candidates for wet AMD. We are also developing a next-generation short-duration treatment for posterior segment uveitis, using the same Durasert technology and drug (FA) as in YUTIQ.

Summary of Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires that we make certain

estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience, anticipated results and trends and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. By their nature, these estimates, judgments and assumptions are subject to an inherent degree of uncertainty, and management evaluates them on an ongoing basis for changes in facts and circumstances. Changes in estimates are recorded in the period in which they become known. Actual results may differ from our estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to the accompanying consolidated financial statements, we believe that the following accounting policies are critical to understanding the judgments and estimates used in the preparation of our financial statements. It is important that the discussion of our operating results that follows be read in conjunction with the critical accounting policies discussed below.

Revenue Recognition

Our business strategy includes entering into collaborative license and development agreements for the development and commercialization of product candidates utilizing our technology system. The terms of these arrangements typically include multiple deliverables by us (such as granting of license rights, providing research and development services, manufacturing of clinical materials and participating on joint research committees) in exchange for consideration to us of some combination of one or more of non-refundable license fees, funding of research and development activities, payments based upon achievement of clinical development, regulatory and sales milestones and/or royalties in the form of a designated percentage of product sales or participation in profits.

Revenue arrangements with multiple deliverables are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the collaborative partner and based on the selling price of the deliverables. When deliverables are separable, consideration received is allocated to the separate units of accounting based on the relative selling price method using management’s best estimate of the standalone selling price of deliverables when vendor-specific objective evidence or third-party evidence of selling price is not available. Allocated consideration is recognized as revenue upon application of the appropriate revenue recognition principles to each unit.

The assessment of multiple deliverable arrangements requires judgment in order to determine the appropriate units of accounting, the estimated selling price of each unit of accounting, and the points in time that, or periods over which, revenue should be recognized.

For the years ended June 30, 2018 and 2017, we reported $1.3 million and $6.6 million, respectively, of collaborative research and development revenue. Of the total for fiscal 2017, $5.6 million represented non-cash revenue recognized upon the termination of our Restated Pfizer Agreement (see Note 4 in the accompanying Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K for more information). Revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed and determinable and collection is reasonably assured.

Recognition of Expense in Outsourced Clinical Trial Agreements

We recognize research and development expense with respect to outsourced agreements for clinical trials with CROs as the services are provided, based on our assessment of the services performed. We make our assessments of the services performed based on various factors, including evaluation by the third-party CROs and our own internal review of the work performed during the period, measurements of progress by us or by the third-party CROs, data analysis with respect to work completed and our management’s judgment. We have

agreements with two CROs to conduct the Phase 3 clinical trial program for YUTIQ. Our financial obligations under the agreements are determined by the services that we request from time to time under the agreements. The actual amounts owed under the agreements and the timing of those obligations will depend on various factors, including changes to the protocols and/or services requested, the number of patients to be enrolled and the rate of patient enrollment, achievement of pre-defined direct cost milestone events and other factors relating to the clinical trials. As of June 30, 2018, our CRO agreements provided for two Phase 3 clinical trials at an aggregate remaining cost of approximately $4.5 million, excluding any potential remaining contract change orders. We can terminate the agreements at any time without penalty, and if terminated, we would be liable only for services through the termination date plus non-cancellable CRO obligations to third parties.

During fiscal 2018, we recognized approximately $4.6 million of research and development expense attributable to our YUTIQ Phase 3 clinical trial program. Changes in our estimates or differences between the actual level of services performed and our estimates may result in changes to our research and development expenses in future periods.

Results of Operations

Years Ended June 30, 2018 and 2017

	Year Ended June 30,		Change	
	2018	2017	Amounts	%
	(In thousands except percentages)			
Revenues:				
Collaborative research and development	$ 1,343	$ 6,569	$ (5,226)	(80)%
Royalty income	1,618	970	648	67%
Total revenues	2,961	7,539	(4,578)	(61)%
Operating expenses:				
Research and development	16,178	14,880	1,298	9%
Sales and marketing	1,512	—	1,512	na
General and administrative	11,545	11,235	310	3%
Total operating expenses	29,235	26,115	3,120	12%
Operating loss	(26,274)	(18,576)	(7,698)	(41)%
Interest income and other, net	101	91	10	11%
Interest expense	(720)	—	(720)	na
Change in fair value of derivative liability	(26,278)	—	(26,278)	na
Net loss	$(53,171)	$(18,485)	$(34,686)	(188)%

Revenues

Collaborative research and development revenue totaled $1.3 million in fiscal 2018, a decrease of $5.2 million, or 80%, compared to $6.6 million in fiscal 2017. This decrease was attributable primarily to $5.6 million of revenue recognized upon the termination of the Restated Pfizer Agreement in December 2016 and a $535,000 reduction of revenues attributable to the Prior Alimera Agreement, which included $136,000 of revenue recognized from a May 2017 arbitration settlement of Alimera's calendar year 2014 reporting of ILUVIEN net profits, partially offset by an $879,000 increase in revenues derived from feasibility study agreements.

In July 2017, we entered into the Amended Alimera Agreement, pursuant to which we (i) expanded the license to Alimera for our proprietary Durasert drug delivery technology platform to include uveitis, including NIPU, in the EMEA and (ii) converted the net profit share arrangement for each licensed product (including

ILUVIEN) under the Prior Alimera Agreement to a sales-based royalty on a calendar quarter basis. We expect this conversion to result in increased revenues from Alimera over time, as well as better predictability and consistency of revenues to be recognized from Alimera. Based on 60-day payment terms from Alimera following the end of each calendar quarter, sales-based royalties earned from Alimera are being recognized as revenues one quarter in arrears. Commencing in calendar 2019, the royalty rate on net sales of ILUVIEN will increase from 2% to 4% (which represents a 6% royalty rate less a 2% offset for Alimera's recovery of accumulated commercialization losses under the Prior Alimera Agreement). See Note 4 in the accompanying Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K for more information related to the Alimera collaboration agreement and to the settlement of a dispute relating to the computation of ILUVIEN net profits for calendar year 2014

Royalty income totaled $1.6 million for fiscal 2018, an increase of $648,000, or 67%, compared to $970,000 in fiscal 2017. Royalty income attributable to the Amended Alimera Agreement totaled $575,000 in fiscal 2018. Retisert royalty income increased by $73,000, or 8%, to approximately $1.0 million in fiscal 2018 compared to $970,000 in fiscal 2017. We expect Retisert royalty income to remain flat or to decline somewhat in the next fiscal year.

Research and Development

Research and development expenses totaled $16.2 million in fiscal 2018, an increase of $1.3 million, or 9%, compared to $14.9 million in fiscal 2017. This increase was attributable primarily to (i) a $1.8 million increase of professional services related primarily to our YUTIQ three-year uveitis Phase 3 clinical development program and regulatory filings, (ii) a $774,000 increase in U.S. personnel and related costs, including incentive compensation and (iii) a $404,000 increase in pre-clinical studies, related primarily to our short-acting YUTIQ product candidate, and other third-party research costs; (iv) a $257,000 increase in amortization of intangible assets, attributable primarily to $615,000 of amortization of the DEXYCU / Icon intangible asset offset by the completed amortization of our previous patent technology intangible assets as of December 2017; and (v) a $116,000 increase in U.S. stock-based compensation, partially offset by decreases of (i) $1.6 million of CRO costs for our YUTIQ three-year uveitis clinical development, (ii) $472,000 of direct U.K. restructuring costs in fiscal 2017. In anticipation of the commercial launch of DEXYCU and, if approved, YUTIQ in the first half of calendar 2019, we expect fiscal 2019 research and development expense to increase significantly compared to fiscal 2018, due primarily to increased personnel and third-party costs for medical and regulatory affairs, pharmacovigilance, quality assurance and operations and full year amortization of the DEXYCU intangible asset, partially offset by anticipated reductions in CRO costs for the YUTIQ Phase 3 clinical trials and regulatory professional services related to the YUTIQ NDA filing.

Sales and Marketing

In anticipation of the commercial launch of DEXYCU and, if approved by the FDA, YUTIQ, we commenced the build-out of our commercial infrastructure and marketing activities in the fourth quarter of fiscal 2018. Sales and marketing expense totaled $1.5 million in fiscal 2018 and consisted primarily of $1.0 million of marketing program and agency costs and approximately $450,000 of personnel and related costs, including travel and stock-based compensation. We expect major increases in sales and marketing costs in fiscal 2019, including additional headcount, implementation of our contract sales organization agreement, participation in numerous ophthalmology conferences and congresses and managed markets and sales operations activities.

General and Administrative

General and administrative expenses totaled $11.5 million in fiscal 2018, an increase of $310,000, or 3%, compared to $11.2 million in fiscal 2017. The increase was attributable primarily to (i) approximately $900,000 of consulting services, which included interim CFO services, business development and the effect of a $218,000 fiscal 2017 credit for audit costs in connection with the May 2017 Alimera arbitration settlement; (ii) approximately $204,000 of facility and office expense, which included our New Jersey office that opened in July 2017; and (iii) approximately $116,000 of stockholder meeting and stock exchange costs, including our delisting

from the Australian Securities Exchange, partially offset by net decreases of (i) approximately $813,000 for personnel and related costs largely due to the absence of $1.2 million of fiscal 2017 severance compensation to our former CEO and former Vice President, Corporate Affairs and General Counsel, and (ii) approximately $230,000 of legal, audit and other professional fees that resulted from a combination of lower patent legal fees and the absence of approximately $605,000 of legal fees associated with our CEO transition and the arbitration proceedings and the restructuring of our Alimera collaboration agreement, which were partially offset by fiscal 2018 legal fees associated with potential financing and business development transactions and our ASX delisting. In anticipation of the commercial launch of DEXYCU and, if approved, YUTIQ in the first half of calendar year 2019, we expect fiscal 2019 general and administrative expenses to increase significantly, primarily for headcount additions and associated personnel and related costs.

Interest (Expense) Income and Other

On March 28, 2018, we borrowed $15.0 million under a term loan facility in connection with the Icon Acquisition. Following consummation of the Second Tranche Transaction on June 25, 2018, we borrowed an additional $5.0 million under that term loan facility. For fiscal 2018 we incurred $511,000 of interest expense on the term loan and amortized $209,000 of deferred debt issue costs and debt discount. Assuming that the LIBOR rate remains constant at the current rate 2.34%, we expect to incur interest expense of approximately $2.6 million during fiscal 2019. In addition, non-cash amortization of the balance of debt discount at June 30, 2018 utilizing the effective interest method is expected to be approximately $652,000 during fiscal 2019.

Interest income and other increased to $101,000 in fiscal 2018 compared to $91,000 in fiscal 2017, due primarily to higher interest rates on amounts invested in an institutional money market fund.

Change in Fair Value of Derivative Liability

Change in fair value of derivative liability totaled $26.3 million in fiscal 2018, attributable to the classification of the Second Tranche transaction as a liability (see Notes 10 and 12 to the accompanying consolidated financial statements). The Units associated with the Second Tranche Transaction were settled to equity upon the Second Tranche Transaction closing on June 25, 2018. The Second Tranche Warrants were also liability classified and were revalued at June 30, 2018. The resulting $19.8 million derivative liability balance at June 30, 2018 will be revalued immediately prior to the exercise or the September 28, 2018 expiration of the Second Tranche Warrants.

Years Ended June 30, 2017 and 2016

	Year Ended June 30,		Change	
	2017	2016	Amounts	%
	(In thousands except percentages)			
Revenues:				
Collaborative research and development	$ 6,569	$ 398	$ 6,171	1,551%
Royalty income	970	1,222	(252)	(21)%
Total revenues	7,539	1,620	5,919	365%
Operating expenses:				
Research and development	14,880	14,381	499	3%
General and administrative	11,235	9,013	2,222	25%
Total operating expenses	26,115	23,394	2,721	12%
Operating loss	(18,576)	(21,774)	3,198	15%
Interest and other income, net	91	72	19	26%
Loss before income taxes	(18,485)	(21,702)	3,217	15%
Income tax benefit	—	155	(155)	(100)%
Net loss	$(18,485)	$(21,547)	$ 3,062	14%

Revenues

Collaborative research and development revenue totaled $6.6 million in fiscal 2017, an increase of $6.2 million, or 1,551%, compared to $398,000 in fiscal 2016. This increase was attributable primarily to $5.6 million of revenue recognized upon the termination of the Restated Pfizer Agreement in December 2016. In addition, revenues derived from our collaboration agreement with Alimera increased by $426,000, which included $136,000 of revenue recognized from a May 2017 arbitration settlement of Alimera's calendar year 2014 reporting of ILUVIEN net profits.

In July 2017, we restructured the Alimera collaboration agreement to (a) license Durasert three-year uveitis in the EMEA to Alimera and (b) to convert the net profit share arrangement to a sales-based royalty for all ILUVIEN licensed indications. See Notes 4 in the accompanying Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for more information related to the Alimera collaboration agreement and to the settlement of a dispute relating to the computation of ILUVIEN net profits for calendar year 2014.

Retisert royalty income decreased by $252,000, or 21%, to $970,000 in fiscal 2017 compared to $1.22 million in fiscal 2016.

Research and Development

Research and development expenses totaled $14.9 million in fiscal 2017, an increase of $499,000, or 3%, compared to $14.4 million in fiscal 2016. This increase was attributable primarily to (i) a $1.4 million increase of professional services related primarily to our Durasert three-year uveitis Phase 3 clinical development program and completed MAA filing and planned NDA filing, (ii) an $879,000 increase in U.S. personnel and related costs, including incentive compensation and the August 2016 hire of our Chief Medical Officer and (iii) a $596,000 increase in U.S. stock-based compensation, partially offset by decreases of (i) $1.1 million of CRO costs for our Durasert three-year uveitis clinical development, (ii) $1.0 million of U.K. costs primarily related to the effect of the U.K. restructuring, which included a $147,000 foreign exchange impact of a stronger US$ currency, and (iii) $268,000 of U.S. pre-clinical studies and other third-party research costs related primarily to prior year studies of potential TKI compounds and purchases of lab and clinical supplies for our Durasert three-year uveitis clinical development program.

General and Administrative

General and administrative expenses totaled $11.2 million in fiscal 2017, an increase of $2.2 million, or 24%, compared to $9.0 million in fiscal 2016. This increase was attributable primarily to (i) approximately $1.5 million of personnel and related costs, including annual incentive compensation, of which $1.2 million represented severance compensation to our former CEO and former Vice President, Corporate Affairs and General Counsel, (ii) approximately $1.3 million of legal fees, which included approximately $175,000 of legal fees associated with the CEO transition and severance arrangements, $430,000 of legal fees related to the Alimera arbitration proceedings and agreement restructuring and $253,000 of patent legal fees, partially offset by a $619,000 decrease in consulting services costs, which consisted primarily of prior year uveitis market assessment analyses and the $218,000 fiscal 2017 cancellation of previously accrued audit costs in connection with the Alimera arbitration settlement.

Interest and Other Income

Interest and other income increased to $91,000 in fiscal 2017, an increase of $19,000, or 23%, compared to $72,000 in fiscal 2016, due primarily to higher money market interest rates.

Income Tax Benefit

Income tax benefit was $0 in fiscal 2017 compared to an income tax benefit of $155,000 in fiscal 2016. We incurred $4,000 in fiscal 2016 of federal alternative minimum tax expense based on U.S. taxable income for

calendar year 2014 attributable primarily to the $25.0 million ILUVIEN FDA-approval milestone. Refundable foreign research and development tax credits were not available for fiscal 2017 as a result of the consolidation of our research and development activities in the U.S. during the quarter ended September 30, 2016.

Inflation and Seasonality

Our management believes inflation has not had a material impact on our operations or financial condition and that our operations are not currently subject to seasonal influences.

Recently Adopted and Recently Issued Accounting Pronouncements

New accounting pronouncements are issued periodically by the Financial Accounting Standards Board, or FASB, and are adopted by us as of the specified effective dates. Unless otherwise disclosed below, we believe that the impact of recently issued and adopted pronouncements will not have a material impact on our financial position, results of operations and cash flows or do not apply to our operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which we refer to as ASU 2014-09, which requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP. In August 2015, the FASB issued ASU 2015-14, which officially deferred the effective date of ASU 2014-09 by one year, while also permitting early adoption. As a result, ASU 2014-09 becomes effective on July 1, 2018. The Company has initiated an assessment of the potential changes from adopting ASU 2014-09 and two revenue streams are expected to be applicable under the standard. We have adopted the new standard effective July 1, 2018 using the modified retrospective method. The adoption did not have an impact on the recorded amounts in the current balance sheet and income statement based on our existing collaboration agreements. Additional disclosures will be made in future periods related to the recognition of amounts as a result of adopting the new standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use, or ROU, model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. As a result, ASU 2016-02 will become effective on July 1, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the impact of the pending adoption of the new standard on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*. The standard addresses the classification and presentation of restricted cash and restricted cash equivalents within the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We adopted this standard during the quarter ended June 30, 2018. As a result of the adoption of this standard, we combined restricted cash balances of $150,000 at each of June 30, 2018, 2017 and 2016 with cash and cash equivalents when reconciling the beginning and ending balances within the consolidated statements of cash flows for fiscal 2018, 2017 and 2016. As of June 30, 2018, cash, cash equivalents and restricted cash of $38.9 million, as reported within the consolidated statements of cash flows, included $38.8 million of cash and cash equivalents and $150,000 of restricted cash, as reported within the consolidated balance sheets.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which we refer to as ASU 2017-01, to clarify the definition of a business by adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or

disposals of assets versus businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We adopted this standard early to account for the Icon Acquisition (see Note 3 in the accompanying Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K).

In June 2018, the FASB issued ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. The standard aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. Under the new guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, but not before an entity adopts the new revenue guidance. We do not expect ASU 2018-07 to have a significant impact on our financial statements.

Liquidity and Capital Resources

Our fiscal 2018 operations were financed primarily from existing capital resources at June 30, 2017, gross proceeds of $7.3 million from sales of 5,900,000 shares of common stock under our existing ATM program and the First Tranche Transaction and the Loan that resulted in gross proceeds of $24.5 million, $15.0 million of which was used to fund the closing payment to acquire Icon and approximately $3.5 million was used to pay certain financing and transaction costs. Following approval of our stockholders at a special meeting held on June 22, 2018, we closed the Second Tranche Transaction resulting in the issuance of 20,184,224 Units, which consisted of (i) the sale of 20,184,224 shares of our common stock at a per share price of $1.265 for gross proceeds of $25.5 million and (ii) the issuance of 20,184,224 warrants, which we collectively refer to as the Second Tranche Warrants, to purchase shares of our common stock. The Second Tranche Warrants are exercisable at any time until the close of business on September 28, 2018. The exercise price of each Second Tranche Warrant will be an amount equal to the lower of (a) $1.43 (a 30% premium to the First Tranche Purchase Price) and (b) a 20% discount to the VWAP of the shares of the Company's common stock on Nasdaq for the 20 trading days immediately prior to the exercise of a Second Tranche Warrant; provided, however, that the exercise price cannot be lower than $0.88, which is a 20% discount to the First Tranche Purchase Price. In connection with the Second Tranche Transaction, a $5.0 million draw down of the Additional Advance was consummated on June 26, 2018. At June 30, 2018, our principal sources of liquidity were cash and cash equivalents that totaled $38.8 million.

As of June 30, 2018, our debt consists of $20.0 million, which amount represents the amount outstanding under the Loan pursuant to the Credit Agreement. The Loan is due and payable on March 27, 2023. The Loan bears interest at a per annum rate of the three-month LIBOR, subject to a 1.5% floor, plus 10.50%. The Credit Agreement permits us to pay interest only on the principal amount loaned thereunder for the first eight payments (payments are due on a quarterly basis). Following the interest-only period, we will be required to make quarterly payments of interest, plus repayments of the principal amount loaned under the Credit Agreement in an aggregate amount of up to $1,667,000 per quarter, or the Quarterly Principal Repayment Cap. Subject to the Quarterly Principal Repayment Cap, the amount of any quarterly principal payments during any fiscal year is based on (x) a percentage of our year-to-date net revenue through the end of such quarter less (y) any prior quarterly principal and interest payments made during such fiscal year. In addition, we paid an upfront fee of 1.5% of the aggregate principal amount of the Loan. We are also required to pay an exit fee equal to 6% of the aggregate principal amount advanced under the Credit Agreement.

Subject to certain exceptions, we are required to make mandatory prepayments of the Loan with the proceeds of assets sales and insurance proceeds. In addition, we may make a voluntary prepayment of the Loan, in whole, but not in part, at any time on or after the first anniversary of March 28, 2018. All mandatory and voluntary prepayments of the Loan are subject to the payment of prepayment premiums as follows: (i) in the case of mandatory prepayments, if prepayment occurs prior to the first anniversary of March 28, 2018, a customary make-whole amount equal to the amount of interest that would have accrued on the principal amount so prepaid

had it remained outstanding through the first anniversary of March 28, 2018, (ii) if prepayment occurs on or after the first anniversary of March 28, 2018 but prior to the second anniversary of March 28, 2018, 6% of the aggregate amount of the principal prepaid and (iii) if prepayment occurs on or after the second anniversary of March 28, 2018 but prior to the third anniversary of March 28, 2018, an amount equal to 1% of the principal prepaid. No prepayment premium is due on any principal prepaid on or after the third anniversary of March 28, 2018.

With the exception of net income for the fiscal year ended June 30, 2015 resulting from our receipt of the $25.0 million ILUVIEN FDA-approval milestone, we have predominantly incurred operating losses since inception, and at June 30, 2018 we had a total accumulated deficit of $364.0 million. We do not currently have any significant assured sources of future revenue, and our anticipated recurring use of cash to fund operations in combination with no probable source of additional capital raises substantial doubt about our ability to continue as a going concern for one year from the issuance of our financial statements included in this Annual Report on Form 10-K. We have historically financed our operations primarily from the proceeds of sales of our equity securities and receipt of license fees, milestone payments, research and development funding and royalty income from our collaboration partners. We believe that our cash and cash equivalents of $38.8 million at June 30, 2018 and expected cash inflows under existing collaboration agreements will enable us to fund our current and planned operations (including continuation of our two Phase 3 clinical trials for YUTIQ and plans for commercial launch of DEXYCU and, if approved, YUTIQ) into the first quarter of calendar year 2019. In order to extend our ability to fund our operations beyond then, including our planned U.S. commercial launch of DEXYCU and, if approved, YUTIQ, we may receive proceeds from the exercise of the Second Tranche Warrants. There is no assurance that we will receive significant revenues from the planned commercialization of DEXYCU or, if approved, YUTIQ, or from license revenues from ILUVIEN or be able to obtain financing from any other sources.

The additional capital we will require will be influenced by many factors, including, but not limited to:

- whether the Second Tranche Warrants are exercised;
- the success and timing of our commercialization efforts with respect to DEXYCU;
- whether we are required to make additional milestone and earn-out payments to the former security-holders of Icon;
- the amount of future revenues we receive with respect to our planned commercialization of DEXYCU and, if approved by the FDA, YUTIQ and license revenues from ILUVIEN for DME and, if and when approved in the EMEA, of ILUVIEN for NIPU;
- the timing, cost and success of our clinical development, regulatory approval and planned direct U.S. commercialization of YUTIQ;
- whether and to what extent we internally fund, whether and when we initiate, and how we conduct other product development programs;
- the amount of Retisert royalties and other payments we receive under collaboration agreements;
- whether and when we are able to enter into strategic arrangements for our products or product candidates and the nature of those arrangements;
- timely and successful development, regulatory approval and commercialization of our products and product candidates;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing any patent claims;
- changes in our operating plan, resulting in increases or decreases in our need for capital; and
- our views on the availability, timing and desirability of raising capital.

We do not know if additional capital will be available when needed or on terms favorable to us or our stockholders. Collaboration, licensing or other agreements may not be available on favorable terms, or at all. We do not know the extent to which we will be able to establish commercial and other capabilities to successfully launch DEXYCU or, if approved, YUTIQ. Although we expect that our restructured Alimera collaboration agreement will provide a more consistent flow of royalty income, we do not know the extent to which Alimera will achieve increasing revenues from its commercialization of ILUVIEN for DME and, if approved in the EMEA, for NIPU. If we seek to sell shares under our ATM program or in another offering, we do not know whether and to what extent we will be able to do so, or on what terms. Further, the rules and regulations of the Nasdaq Global Market require us to obtain stockholder approval for sales of our equity securities under certain circumstances, which could delay or prevent us from raising additional capital from such sales. Also, the state of the economy and financial and credit markets at the time or times we seek any additional financing may make it more difficult or expensive to obtain. If available, additional equity financing may be dilutive to stockholders, debt financing may involve restrictive covenants or other unfavorable terms and dilute our existing stockholders' equity, and funding through collaboration agreements may be on unfavorable terms, including requiring us to relinquish rights to certain of our technologies or products. If adequate financing is not available if and when needed, we may delay, reduce the scope of, or eliminate research or development programs, potential independent commercialization of DEXYCU and, if approved, YUTIQ or other new products, if any, and postpone or cancel the pursuit of product candidates, including pre-clinical and clinical trials and new business opportunities, reduce staff and operating costs, or otherwise significantly curtail our operations to reduce our cash requirements and extend our capital.

Our consolidated statements of historical cash flows are summarized as follows:

	Year Ended June 30,		
	2018	2017	2016
	(In thousands)		
Net loss:	$(53,171)	$(18,485)	$(21,547)
Changes in operating assets and liabilities	924	318	2,073
Other adjustments to reconcile net loss to cash flows from operating activities	30,340	(2,323)	3,158
Cash flows used in operating activities	$(21,907)	$(20,490)	$(16,316)
Cash flows (used in) provided by investing activities	$(16,888)	$ 13,577	$ (4,462)
Cash flows provided by financing activities	$ 60,671	$ 8,503	$ 16,990

Sources and uses of operating cash flows for the years ended June 30, 2018, 2017 and 2016 are summarized as follows:

	Year Ended June 30,		
	2018	2017	2016
	(In thousands)		
Operating cash inflows:			
License and collaboration agreements	$ 1,296	$ 891	$ 507
Royalty income	1,556	1,008	1,298
Foreign R&D tax credits	—	132	163
Investment interest received, net	106	120	176
	2,958	2,151	2,144
Operating cash outflows:			
Personnel costs	(7,220)	(7,229)	(5,133)
Professional fees	(8,013)	(6,074)	(3,610)
Clinical development and third-party R&D	(6,788)	(7,115)	(7,615)
Loan interest payments	(258)	—	—
All other operating cash outflows, net	(2,586)	(2,223)	(2,102)
	(24,865)	(22,641)	(18,460)
Cash flows used in operating activities	$(21,907)	$(20,490)	$(16,316)

Operating cash inflows for each year consisted primarily of payments received pursuant to license and collaboration agreements and royalty income. As a percentage of total license and collaboration and royalty income cash inflows, amounts attributable to Alimera represented 25.4% in fiscal 2018, 58.6% in fiscal 2017 and 72.4% in fiscal 2016, amounts attributable to Bausch & Lomb represented 34.7% in fiscal 2018, 54.1% in fiscal 2017 and 74.2% in fiscal 2016, amounts attributable to OncoSil Medical represented 3.5% in fiscal 2018, 5.3% in fiscal 2017, 5.4% in fiscal 2016 and amounts attributable to various feasibility study agreements represented 36.5% in fiscal 2018 and 13.2% in fiscal 2017.

Operating cash outflows increased by approximately $2.2 million, or 9.8%, from fiscal 2017 to fiscal 2018, as a result primarily of (a) a $1.9 million increase in professional fees, which consisted primarily of YUTIQ regulatory and clinical consulting fees and DEXYCU and YUTIQ marketing and managed markets consulting services, partially offset by lower patent legal fees; (b) $258,000 of term loan interest payments; (c) a $352,000 increase in third-party research and development costs; (d) a $135,000 increase in travel and facility costs; and (e) a $98,000 increase in stockholder meeting and statutory filing costs, partially offset by a $679,000 decrease in CRO costs for the YUTIQ Phase 3 development program. Personnel and related costs were flat on a year-over-year basis, reflecting a significant net increase in employee headcount and higher incentive compensation offset by $1.2 million of severance compensation in fiscal 2017. Operating cash outflows increased by $4.2 million, or 22.7%, from fiscal 2016 to fiscal 2017, as a result primarily of (a) $2.5 million of professional fees, which consisted primarily of YUTIQ three-year uveitis clinical and regulatory consulting fees and general legal fees associated with the CEO transition and costs of the Alimera arbitration and (b) $2.1 million of personnel and benefit costs, which included $1.2 million of severance compensation and in fiscal 2017, the additions of a Chief Medical Officer and EVP of Corporate and Commercial Development and an approximate $390,000 increase in fiscal 2016 incentive compensation awards (paid in fiscal 2017) compared to the prior year, partially offset by a $208,000 decrease in CRO costs for YUTIQ clinical development.

Cash flows from investing activities in fiscal 2018 consisted principally of $16.8 million of cash used, net of cash acquired plus transaction costs, for the Icon acquisition. Cash flows from investing activities in fiscal 2017 and 2016 were attributable primarily to maturities of marketable securities, net of purchases, of $13.7 million for fiscal 2017 and purchases of marketable securities, net of maturities, of $4.3 million for fiscal 2016. Purchases of property and equipment totaled $108,000 in fiscal 2018, $147,000 in fiscal 2017 and $113,000 in fiscal 2016.

Cash flows from financing activities in fiscal 2018 were related primarily to the Icon acquisition and to support investments in commercial infrastructure, sales, marketing and medical affairs in preparation for the launch of DEXYCU and, if approved by the FDA, YUTIQ. These financing cash flows included approximately (i) $35.0 million of aggregate gross proceeds from the sale of 8,606,324 shares of common stock in the First Tranche Transaction and the sale of 20,184,224 Units in the Second Tranche Transaction (see Note 10 of the accompanying Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K) and (ii) $20.0 million of gross proceeds from a term loan agreement (see Note 9 of the accompanying Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K). Share issue and debt issue costs totaled approximately $1.9 million in connection with these financing transactions. Cash flows from financing activities in fiscal 2018 also included the sale of 5,900,000 shares of common stock under our ATM program for gross proceeds of $7.3 million, net of $239,000 of share issue costs. Cash flows from financing activities in fiscal 2017 were related predominately to the sale of shares of our common stock under our ATM program for gross proceeds of $8.9 million, less $233,000 of program adoption costs and $244,000 of share issue costs. Cash flows from financing activities in fiscal 2016 were attributable primarily to an underwritten public offering in January 2016 for gross proceeds of $17.8 million, net of $1.3 million of share issue costs. In addition, cash flows from financing activities included proceeds from the exercise of stock options totaling $503,000 in fiscal 2018, $99,000 in fiscal 2017 and $490,000 in fiscal 2016.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

Tabular Disclosure of Contractual Obligations

The following table summarizes our minimum contractual obligations as of June 30, 2018:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(In thousands)		
Operating Lease Obligations	$5,520	$ 548	$ 1,756	$ 1,698	$ 1,518
Purchase Obligations	1,125	1,125	—	—	—
Total	$6,645	$ 1,673	$ 1,756	$ 1,698	$ 1,518

Our operating lease obligations consist predominantly of office and lab space in Watertown, Massachusetts and office space in Liberty Corner, New Jersey. Our purchase obligations consist of contractual agreements primarily for medical affairs and commercialization activities, as well as non-cancellable purchase orders for supplies and services.

We have agreements with two CROs to conduct the clinical development program for YUTIQ. Our financial obligations under the agreements are determined by the services that we request from time to time under the agreements. The actual amounts owed under the agreements and the timing of those obligations will depend on various factors, including the number of patients and rate of patient enrollment, any protocol amendments and other factors relating to the clinical trials. We can change the services requested and thereby increase or decrease our obligations under the agreements from time to time. As of June 30, 2018, our CRO agreements provided for two Phase 3 clinical trials at an aggregate remaining cost of approximately $4.5 million, excluding any potential additional contract change notifications. We can terminate the agreements at any time without penalty.

We also have employment agreements with four executive officers that would require us to make severance payments to them if we terminate their employment without cause or the executives resign for good cause. These

payments are contingent upon the occurrence of various future events, and the amounts payable under these provisions depend upon the level of compensation at the time of termination of employment, which are therefore not calculable at this time, and, as a result, we have not included any such amounts in the table above.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, which may result in potential losses arising from adverse changes in market rates, such as interest rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes and do not believe we are exposed to material market risk with respect to our cash and cash equivalents.

As of June 30, 2018, we had cash and cash equivalents of $38.8 million. We do not engage in any hedging activities against changes in interest rates. Because of the short-term maturities of our cash and cash equivalents, we do not believe that an immediate 10% increase in interest rates would have a significant impact on the realized value of our investments.

The interest rate on our Loan under the Credit Agreement is variable based on the three-month LIBOR, subject to a 1.5% floor, plus 10.50%. Accordingly, such interest rate is affected by changes in market interest rates. As of June 30, 2018, we had $20.0 million of aggregate principal amount outstanding under the Credit Agreement. As of June 30, 2018, the three-month LIBOR was 2.34%. A hypothetical 1% increase in the three-month LIBOR would result in $200,000 in incremental annual interest expense under the Loan.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item may be found on pages F-1 through F-36 of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. The term “disclosure controls and procedures”, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their desired objectives, and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2018, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(a) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act, as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel 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 in the U.S., and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on this assessment, our management concluded that, as of such date, our internal control over financial reporting was effective based on those criteria.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the last quarter of the fiscal year covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting**.**

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K and is incorporated herein by reference from our definitive proxy statement relating to our 2018 annual meeting of stockholders, pursuant to Regulation 14A of the Exchange Act of 1934, also referred to in this Annual Report on Form 10-K as our 2018 Proxy Statement, which we expect to file with the SEC no later than October 29, 2018.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Corporate Governance

We have adopted a written Code of Business Conduct that applies to all of our employees, officers and directors. This Code of Business Conduct is designed to ensure that our business is conducted with integrity and in compliance with SEC regulations and Nasdaq listing standards. The Code of Business Conduct covers adherence to laws and regulations as well as professional conduct, including employment policies, conflicts of interest and the protection of confidential information. The Code of Business Conduct is available under “Governance Overview” within the “Investors – Corporate Governance” section of our website at www.eyepointpharma.com.

We intend to disclose any future amendments to, or waivers from, the Code of Business Conduct that affect our directors or senior financial and executive officers within four business days of the amendment or waiver by posting such information on the website address and location specified above.

Other Information

The other information required to be disclosed in Item 10 is hereby incorporated by reference to our 2018 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be disclosed in Item 11 is hereby incorporated by reference to our 2018 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be disclosed in Item 12 is hereby incorporated by reference to our 2018 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be disclosed in Item 13 is hereby incorporated by reference to our 2018 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required to be disclosed in Item 14 is hereby incorporated by reference to our 2018 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS

(a)(1) Financial Statements

The financial statements filed as part of this report are listed on the Index to Consolidated Financial Statements on page F-1.

(a)(2) Financial Statement Schedules

Schedules have been omitted because of the absence of conditions under which they are required or because the required information is included in our Consolidated Financial Statements or Notes thereto.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

(a)(3) Exhibits.

Exhibit No.	Exhibit Description	Incorporated by Reference to SEC Filing		
		Form	SEC Filing Date	Exhibit No.
	Articles of Incorporation and By-Laws			
3.1	Certificate of Incorporation of pSivida Corp.	8-K12G3	06/19/08	3.1
3.2	Certificate of Amendment of the Certificate of Incorporation of pSivida Corp.	10-K	09/13/17	3.2
3.3	Certificate of Amendment of the Certificate of Incorporation of pSivida Corp.	8-K	04/02/18	3.1
3.4	Certificate of Amendment of Certificate of Incorporation, as amended of EyePoint Pharmaceuticals, Inc.	8-K	06/27/18	3.1
3.5(a)	By-Laws of EyePoint Pharmaceuticals, Inc.			
	Instruments Defining the Rights of Security Holders			
4.1	Form of Specimen Stock Certificate for Common Stock	8-K12G3	06/19/08	4.1
4.2	Warrant to Purchase Common Stock of pSivida Corp., issued March 28, 2018, to SWK Funding, LLC	8-K	03/29/18	4.1
4.3	Form of Warrant to Purchase Common Stock of EyePoint Pharmaceuticals, Inc.	8-K	06/27/18	4.1
4.4	Registration Rights Agreement, dated as of March 28, 2018, by and among pSivida Corp. and EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P.	8-K	03/29/18	10.3
4.5	Second Registration Rights Agreement, dated as of June 25, 2018, by and among EyePoint Pharmaceuticals, Inc. and EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P. and each other person identified on the signature pages thereto	8-K	06/27/18	10.1
	Material Contracts—Management Contracts and Compensatory Plans			
10.1	Employment Agreement between pSivida Corp. and Nancy Lurker, dated September 15, 2016	10-Q	11/08/16	10.1
10.2	Amended and Restated Performance-Based Restricted Stock Unit Award Agreement, dated December 21, 2016, by and between pSivida Corp. and Nancy Lurker	8-K	12/23/16	10.1
10.3	Nonstatutory Stock Option Inducement Award granted to Nancy Lurker, subject to shareholder approval, with effect from September 15, 2016	10-Q	11/08/16	10.3
10.4	Employment Agreement between pSivida Corp. and Deb Jorn, dated November 2, 2016	10-Q	11/08/16	10.4

Exhibit No.	Exhibit Description	Incorporated by Reference to SEC Filing		
		Form	SEC Filing Date	Exhibit No.
10.5	Amended and Restated Performance-Based Restricted Stock Unit Award Agreement, dated December 21, 2016, by and between pSivida Corp. and Deb Jorn	8-K	12/23/16	10.2
10.6	Nonstatutory Stock Option granted to Deb Jorn on November 2, 2016	10-Q	11/08/16	10.6
10.7	Employment Agreement, between pSivida Corp. and Leonard S. Ross, dated December 17, 2010	8-K	12/21/10	10.1
10.8	Option Amendment Agreement, between pSivida Corp. and Leonard S. Ross, dated December 17, 2010	8-K	12/21/10	10.2
10.9	Retention Bonus Letter, dated January 5, 2017, by and between pSivida Corp. and Leonard Ross	8-K	01/10/17	10.1
10.10	Employment Agreement, between EyePoint Pharmaceuticals, Inc. and Dario Paggiarino, dated March 27, 2018	10-Q	05/10/18	10.7
10.11	Employment Agreement, dated August 1, 2018, by and between EyePoint Pharmaceuticals, Inc. and David Price	8-K	08/03/18	10.1
10.12(a)	Employment Agreement, dated May 11, 2018, by and between EyePoint Pharmaceuticals, Inc. and Leonard Blum			
10.13 +	Form of Stock Option Certificate for grants to executive officers under the EyePoint Pharmaceuticals, Inc. 2016 Long Term Incentive Plan, as amended	10-Q	02/08/18	10.1
10.14 +	Form of Deferred Stock Unit Award for grants to non-executive directors under the EyePoint Pharmaceuticals, Inc. 2016 Long Term Incentive Plan, as amended	10-Q	02/08/18	10.2
10.15+(a)	Form of Stock Option Award Agreement for Inducement grants to executive officers			
	Material Contracts—Management Contracts and Compensatory Plans (continued)			
10.16	2008 Equity Incentive Plan, as amended on November 19, 2009	10-K	09/10/15	10.6
10.17 +	Form of Stock Option Certificate for grants to executive officers under the pSivida Corp. 2008 Incentive Plan	8-K	09/10/08	10.1
10.18	pSivida Corp. 2016 Long Term Incentive Plan, as amended	10-Q	02/09/17	4.1
10.19+(a)	Form of Indemnification Agreement between EyePoint Pharmaceuticals, Inc. and its officers and directors			
10.20(a)	EyePoint Pharmaceutical Short Term Incentive Plan			
10.21 +	Form of Restricted Stock Unit Award for grants to executive officers under the pSivida Corp. 2016 Long Term Incentive Plan, as amended	10-K	09/13/17	10.18

Exhibit No.	Exhibit Description	Incorporated by Reference to SEC Filing		
		Form	SEC Filing Date	Exhibit No.
10.22 +	Form of Performance-Based Stock Unit Award for grants under the pSivida Corp. 2016 Long Term Incentive Plan, as amended	10-K	09/13/17	10.19
	Material Contracts—Leases			
10.23	Lease Agreement between pSivida Corp. and Farley White Aetna Mills, LLC dated November 1, 2013	10-Q	11/13/13	10.1
10.24(a)	First Amendment of Lease, dated February 6, 2014, between Farley White Aetna Mills, LLC and pSivida Corp.			
10.25(a)	Second Amendment of Lease, dated May 14, 2018, between Whetstone Riverworks Holdings, LLC and EyePoint Pharmaceuticals, Inc.			
	Material Contracts—License and Collaboration Agreements			
10.26#	Amended and Restated License Agreement between Control Delivery Systems, Inc. and Bausch & Lomb Incorporated dated December 9, 2003, as amended on June 28, 2005	20-F	01/18/06	4.12
10.27#	Second Amendment to Amended and Restated License Agreement between pSivda US, Inc. and Bausch & Lomb dated August 1, 2009	10-K	09/25/09	10.13
10.28#	Second Amended and Restated Collaboration Agreement by and between pSivida US, Inc. and Alimera Sciences, Inc. dated July 10, 2017	10-K	09/13/17	10.23
10.29#	Amended and Restated Collaborative Research and License Agreement, dated as of June 14, 2011, by and among pSivida Corp, pSivida US, Inc., pSiMedica Limited and Pfizer, Inc.	10-K/A	12/27/11	10.13
10.30	Agreement, dated April 11, 2017, by and between pSivida Corp., pSiMedica Limited and Pfizer, Inc.	10-K	09/13/17	10.25
	Material Contracts—Other Agreements			
10.31	At Market Issuance Sales Agreement, dated February 8, 2017, by and between pSivida Corp. and FBR Capital Markets & Co.	8-K	02/08/17	10.1
10.32	Securities Purchase Agreement, dated as of March 28, 2018, by and among pSivida Corp. and EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P.	8-K	03/29/18	10.1
10.33	Second Securities Purchase Agreement, dated as of March 28, 2018, by and among pSivida Corp. and EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P. and each other person identified on the signature pages thereto	8-K	03/29/18	10.2

Exhibit No.	Exhibit Description	Incorporated by Reference to SEC Filing		
		Form	SEC Filing Date	Exhibit No.
10.34	Agreement and Plan of Merger, dated March 28, 2018, by and among pSivida Corp., Oculus Merger Sub, Inc., Icon Bioscience, Inc. and Shareholder Representative Services LLC	8-K	03/29/18	10.5
10.35	Credit Agreement, dated as of March 28, 2018, among pSivida Corp., SWK Funding LLC and the financial institutions party thereto from time to time as lenders	8-K	03/29/18	10.4
	Other Exhibits			
21.1(a)	Subsidiaries of EyePoint Pharmaceuticals, Inc.			
23.1(a)	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP			
31.1(a)	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended			
31.2(a)	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended			
32.1(a)	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
32.2(a)	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101	The following materials from EyePoint Pharmaceuticals' Annual Report on Form 10-K for the year ended June 30, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets at June 30, 2018 and 2017; (ii) Consolidated Statements of Comprehensive (Loss) Income for the years ended June 30, 2018, 2017 and 2016; (iii) Consolidated Statements of Stockholders' Equity for the years ended June 30, 2018, 2017 and 2016; (iv) Consolidated Statements of Cash Flows for the years ended June 30, 2018, 2017 and 2016; and (v) Notes to Consolidated Financial Statements.			

Confidential treatment has been granted for portions of this exhibit

† Confidential Treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the U.S. Securities and Exchange Commission.

+ The final versions of documents denoted as "form of" have been omitted pursuant to Rule 12b-31. Such final versions are substantially identical in all material respects to the filed versions of such documents, provided that the name of the investor, and the investor's and/or the Company's signatures are included in the final versions.

(a) Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

EYEPOINT PHARMACEUTICALS, INC.

By: /S/ NANCY LURKER
Nancy Lurker
President and Chief Executive Officer

Date: September 18, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Title	Date
/S/ GÖRAN ANDO **Göran Ando**	Chairman of the Board of Directors	September 18, 2018
/S/ NANCY LURKER **Nancy Lurker**	President, Chief Executive Officer and Director (Principal Executive Officer)	September 18, 2018
/S/ DAVID PRICE **David Price**	Chief Financial Officer (Principal Financial Officer)	September 18, 2018
/S/ LEONARD S. ROSS **Leonard S. Ross**	VP, Finance and Chief Accounting Officer (Principal Accounting Officer)	September 18, 2018
/S/ DAVID J. MAZZO **David J. Mazzo**	Director	September 18, 2018
/S/ MICHAEL ROGERS **Michael Rogers**	Director	September 18, 2018
/S/ DOUGLAS GODSHALL **Douglas Godshall**	Director	September 18, 2018
/S/ JAY DUKER **Jay Duker**	Director	September 18, 2018
/S/ KRISTINE PETERSON **Kristine Peterson**	Director	September 18, 2018
/S/ RONALD W. EASTMAN **Ronald W. Eastman**	Director	September 18, 2018

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of EyePoint Pharmaceuticals, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of EyePoint Pharmaceuticals, Inc. (formerly pSivida Corp.) and subsidiaries (the "Company") as of June 30, 2018 and 2017, the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows, for each of the three years in the period ended June 30, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's anticipated recurring use of cash to fund operations in combination with no probable source of additional capital raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
September 18, 2018

We have served as the Company's auditor since 2008.

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands except share amounts)

	June 30, 2018	June 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 38,776	$ 16,898
Accounts and other receivables	353	251
Prepaid expenses and other current assets	780	591
Total current assets	39,909	17,740
Property and equipment, net	253	313
Intangible assets, net	31,358	364
Other assets	—	110
Restricted cash	150	150
Total assets	$ 71,670	$ 18,677
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,940	$ 1,016
Accrued expenses	3,723	4,224
Accrued development milestone	15,000	—
Deferred revenue	—	50
Total current liabilities	21,663	5,290
Long-term debt	17,309	—
Derivative liability	19,780	—
Other long-term liabilities	1,231	51
Total liabilities	59,983	5,341
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $.001 par value, 150,000,000 and 120,000,000 shares authorized, 74,512,048 and 39,356,999 shares issued and outstanding, each at June 30, 2018 and 2017, respectively	74	39
Additional paid-in capital	374,766	323,284
Accumulated deficit	(363,991)	(310,820)
Accumulated other comprehensive income	838	833
Total stockholders' equity	11,687	13,336
Total liabilities and stockholders' equity	$ 71,670	$ 18,677

See notes to consolidated financial statements

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands except per share data)

	Year Ended June 30,		
	2018	2017	2016
Revenues:			
Collaborative research and development	$ 1,343	$ 6,569	$ 398
Royalty income	1,618	970	1,222
Total revenues	2,961	7,539	1,620
Operating expenses:			
Research and development	16,178	14,880	14,381
Sales and marketing	1,512	—	—
General and administrative	11,545	11,235	9,013
Total operating expenses	29,235	26,115	23,394
Operating loss	(26,274)	(18,576)	(21,774)
Interest and other income, net	101	91	72
Interest expense	(720)	—	—
Change in fair value of derivative liability	(26,278)	—	—
Loss before income taxes	(53,171)	(18,485)	(21,702)
Income tax benefit	—	—	155
Net loss	$(53,171)	$(18,485)	$(21,547)
Net loss per share:			
Basic and diluted	$ (1.15)	$ (0.52)	$ (0.68)
Weighted average common shares outstanding:			
Basic and diluted	46,226	35,344	31,623
Net loss	$(53,171)	$(18,485)	$(21,547)
Other comprehensive income (loss):			
Foreign currency translation adjustments	5	(21)	(96)
Net unrealized gain on marketable securities	—	2	3
Other comprehensive income (loss)	5	(19)	(93)
Comprehensive loss	$(53,166)	$(18,504)	$(21,640)

See notes to consolidated financial statements

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Number of Shares	Par Value Amount				
Balance at July 1, 2015	29,412,365	$ 29	$293,060	$ (270,666)	$ 945	$ 23,368
Net loss	—	—	—	(21,547)	—	(21,547)
Other comprehensive loss	—	—	—	—	(93)	(93)
Issuance of stock, net of issue costs	4,440,000	5	16,495	—	—	16,500
Exercise of stock options	320,554	—	490	—	—	490
Stock-based compensation	—	—	2,163	—	—	2,163
Balance at June 30, 2016	34,172,919	34	312,208	(292,213)	852	20,881
Cumulative effect of change in accounting principle (Note 2)	—	—	122	(122)	—	—
Net loss	—	—	—	(18,485)	—	(18,485)
Other comprehensive loss	—	—	—	—	(19)	(19)
Issuance of stock, net of issue costs	5,100,000	5	8,399	—	—	8,404
Exercise of stock options	84,080	—	99	—	—	99
Stock-based compensation	—	—	2,456	—	—	2,456
Balance at June 30, 2017	39,356,999	39	323,284	(310,820)	833	13,336
Net loss	—	—	—	(53,171)	—	(53,171)
Other comprehensive income	—	—	—	—	5	5
Issuance of stock, net of issue costs	34,690,548	35	47,947	—	—	47,982
Fair value of warrants issued	—	—	355	—	—	355
Exercise of stock options	310,900	—	503	—	—	503
Vesting of stock units	153,601	—	(27)	—	—	(27)
Stock-based compensation	—	—	2,704	—	—	2,704
Balance at June 30, 2018	74,512,048	$ 74	$374,766	$ (363,991)	$ 838	$ 11,687

See notes to consolidated financial statements

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended June 30,		
	2018	2017	2016
Cash flows from operating activities:			
Net loss	$(53,171)	$(18,485)	$(21,547)
Adjustments to reconcile net loss to cash flows used in operating activities:			
Amortization of intangible assets	981	724	756
Depreciation of property and equipment	167	91	152
Amortization of debt discount	209	—	—
Amortization of bond (discount) premium on marketable securities	—	(9)	87
Amortization of noncurrent portion of deferred revenue	—	(5,585)	—
Stock-based compensation	2,704	2,456	2,163
Change in fair value of derivative liability	26,278	—	—
Changes in operating assets and liabilities:			
Accounts and other receivables	7	219	116
Prepaid expenses and other current assets	(174)	(99)	187
Accounts payable	1,747	(346)	626
Accrued expenses	(585)	650	1,036
Deferred revenue	(50)	(97)	103
Deferred rent	(20)	(9)	5
Net cash used in operating activities	(21,907)	(20,490)	(16,316)
Cash flows from investing activities:			
Purchases of marketable securities	—	(5,052)	(17,517)
Maturities of marketable securities	—	18,743	13,168
Acquisition of Icon Bioscience Inc., net of cash acquired	(16,780)	—	—
Purchases of property and equipment	(108)	(147)	(113)
Proceeds from sale of property and equipment	—	33	—
Net cash (used in) provided by investing activities	(16,888)	13,577	(4,462)
Cash flows from financing activities:			
Proceeds from issuance of stock, net of issuance costs	41,515	8,404	16,500
Proceeds from issuance of long-term debt	20,000	—	—
Payment of debt issue costs	(1,347)	—	—
Proceeds from exercise of stock options	503	99	490
Net cash provided by financing activities	60,671	8,503	16,990
Effect of foreign exchange rate changes on cash and cash equivalents	2	(5)	(20)
Net increase (decrease) in cash, cash equivalents and restricted cash	21,878	1,585	(3,808)
Cash, cash equivalents and restricted cash at beginning of year	17,048	15,463	19,271
Cash, cash equivalents and restricted cash at end of year	$ 38,926	$ 17,048	$ 15,463
Supplemental cash flow information:			
Cash interest paid	$ 258	$ —	$ —
Supplemental disclosure of non-investing and financing activities:			
Accrued development milestone	15,000	—	—
Accrued term loan exit fee	1,200	—	—
Fair value of second tranche purchase liability	4,734	—	—
Fair value of warrants issued with debt	355	—	—
Fair value of second tranche warrants	18,165	—	—

See notes to consolidated financial statements

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Operations

EyePoint Pharmaceuticals, Inc. (together with its subsidiaries, the "Company"), incorporated in Delaware, is a specialty biopharmaceutical company committed to developing and commercializing innovative ophthalmic products for the treatment of eye diseases. The Company's lead product, DEXYCU™ (dexamethasone intraocular suspension) 9%, approved by the United States ("U.S.") Food and Drug Administration ("FDA") in February 2018 for the treatment of post-operative inflammation, is administered as a single dose at the end of ocular surgery and is the first long-acting intraocular product approved by the FDA for the treatment of post-operative inflammation. DEXYCU utilizes the Company's proprietary Verisome® drug-delivery platform, which allows for a single intraocular injection that releases dexamethasone, a corticosteroid, over time. There are approximately four million cataract surgeries performed annually in the U.S. and the Company plans to launch DEXYCU in the U.S. in the first half of calendar year 2019 with a primary focus on its use following cataract surgery. The Company acquired DEXYCU in connection with its acquisition of Icon Bioscience, Inc. ("Icon") in March 2018. The Company's lead product candidate is YUTIQ™, a three-year non-erodible fluocinolone acetonide insert for the treatment of non-infectious posterior uveitis ("NIPU"). Injected into the eye in an office visit, YUTIQ is a tiny micro-insert that delivers a micro-dose of a corticosteroid to the back of the eye on a sustained constant (zero order release) basis for approximately three years. On March 19, 2018, the FDA accepted the Company's New Drug Application ("NDA") for YUTIQ and set an FDA Prescription Drug User Fee Act ("PDUFA") action date of November 5, 2018. YUTIQ is based on the Company's proprietary Durasert™ sustained-release drug delivery technology platform, which can deliver drugs for predetermined periods of time ranging from months to years. Posterior segment uveitis is the third leading cause of blindness in the U.S. and affects between 55,000 to 120,000 people. If approved in November 2018, the Company expects to launch YUTIQ in the first half of calendar year 2019.

ILUVIEN® for diabetic macular edema ("DME"), the Company's lead licensed product, is sold directly in the U.S. and several European Union ("EU") countries by Alimera Sciences, Inc. ("Alimera"). Retisert®, one of the Company's earlier generation products, was approved in 2005 by the FDA for the treatment of posterior segment uveitis and is sold in the U.S. by Bausch & Lomb Incorporated ("Bausch & Lomb"). The Company's development programs are focused primarily on developing sustained release products that utilize its Durasert and Verisome technology platforms to deliver approved drugs to treat chronic diseases. The Company's strategy includes developing products independently while continuing to leverage its technology platforms through collaborations and license agreements.

The Company has financed its operations primarily from sales of equity securities, debt and the receipt of license fees, milestone payments, research and development funding and royalty income from its collaboration partners. The Company has a history of operating losses and, to date, has not had significant recurring cash inflows from revenue. The Company's anticipated recurring use of cash to fund operations, in combination with no probable source of additional capital, raises substantial doubt about its ability to continue as a going concern for one year from the issuance of its financial statements. During June 2018, the Company closed two financing transactions that consisted of (i) $25.3 million of net proceeds from the sale of 20,184,224 units (each a "Unit", and collectively, the "Units"), with each Unit consisting of one share of the Company's common stock ("Common Stock") and one warrant to purchase one share of Common Stock (each a "Second Tranche Warrant", and collectively, the "Second Tranche Warrants"), to certain accredited investors on June 25, 2018 (see Note 10) and (ii) $4.9 million of net proceeds from an additional advance under its term loan facility on June 26, 2018 (see Note 9). The Company had cash and cash equivalents of $38.8 million at June 30, 2018. The Company believes that its cash and cash equivalents at June 30, 2018 and expected proceeds from existing collaboration agreements will enable the Company to maintain its current and planned operations (including continuation of its two Phase 3 clinical trials for YUTIQ) into the first quarter of calendar year 2019. In order to extend the Company's ability to fund its operations beyond then, including its planned U.S. commercial launch of DEXYCU and, if approved,

YUTIQ, management's plans include obtaining additional equity financing from the potential exercise of the Warrants, from the sale of equity securities through an underwritten public offering or the sale of Common Stock through an at-the-market ("ATM") program or from other sources and/or additional debt financing and/or, as applicable, reducing or deferring operating expenses. The timing and extent of the Company's implementation of these plans is expected to depend on the amount and timing of cash receipts from existing or any future collaborations or other agreements and/or proceeds from any financing transactions. There is no assurance that the Company will receive significant revenues from its planned commercialization of DEXYCU or, if approved, YUTIQ, or from its product license revenues under existing collaboration agreements, or that it will receive proceeds from the exercise of the Warrants.

2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented in U.S. dollars in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP") and include the accounts of EyePoint Pharmaceuticals, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The Company's fiscal year ends on June 30 of each year. The years ended June 30, 2018, 2017 and 2016 may be referred to herein as fiscal 2018, fiscal 2017 and fiscal 2016, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts and disclosure of revenues and expenses during the reporting periods. Significant management estimates and assumptions include, among others, those related to revenue recognition for multiple-deliverable arrangements, recognition of expense in outsourced clinical trial agreements, realization of deferred tax assets and the valuation of stock option and other equity awards. Actual results could differ from these estimates.

Foreign Currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which each such entity operates - the U.S. dollar or the Pound Sterling.

Assets and liabilities of the Company's foreign subsidiary are translated at period-end exchange rates. Amounts included in the consolidated statements of comprehensive loss and cash flows are translated at the weighted average exchange rates for the period. Gains and losses from currency translation are included in accumulated other comprehensive income as a separate component of stockholders' equity in the consolidated balance sheets. The balance of accumulated other comprehensive income attributable to foreign currency translation was $838,000 at June 30, 2018 and $833,000 at June 30, 2017. Foreign currency gains or losses arising from transactions denominated in foreign currencies, whether realized or unrealized, are recorded in interest and other income, net in the consolidated statements of comprehensive loss and were not significant for all periods presented.

Cash Equivalents

Cash equivalents represent highly liquid investments with maturities of three months or less at the date of purchase, principally consisting of institutional money market funds.

Marketable Securities

Marketable securities consist of investments with an original or remaining maturity of greater than three months at the date of purchase. The Company has historically classified its marketable securities as

available-for-sale. Accordingly, the Company records these investments at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, in accumulated other comprehensive income, which is a component of stockholders' equity. If the Company determines that a decline of any investment is other-than-temporary, the investment is written down to fair value. As of June 30, 2018 and 2017, there were no investments in marketable securities. During fiscal 2017, $5.1 million of marketable securities were purchased and $18.7 million matured.

The fair value of marketable securities is determined based on quoted market prices at the balance sheet date of the same or similar instruments. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts through to the earlier of sale or maturity. Such amortization and accretion amounts are included in interest and other income, net in the consolidated statements of comprehensive loss. The cost of marketable securities sold is determined by the specific identification method.

Concentrations of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and marketable securities. At June 30, 2018, a total of $28.8 million, representing all of the Company's interest-bearing cash equivalent balances, were concentrated in one U.S. Government institutional money market fund that had investments consisting primarily of U.S. Government Agency debt, U.S. Treasury Repurchase Agreements and U.S. Government Agency Repurchase Agreements. Generally, these deposits may be redeemed upon demand and, therefore, the Company believes they have minimal risk. The Company had no investments in marketable securities at June 30, 2018 and 2017. The Company's investment policy, approved by the Company's Board of Directors, includes guidelines relative to diversification and maturities designed to preserve principal and liquidity.

Revenues from Alimera accounted for $723,000, or 24% of total revenues in fiscal 2018, $659,000, or 9% of total revenues in fiscal 2017 and $233,000, or 14% of total revenues in fiscal 2016. Revenues from Pfizer accounted for $5.6 million, or 74% of total revenues in fiscal 2017 and were inconsequential in fiscal 2018 and fiscal 2016. Revenues from Bausch & Lomb accounted for approximately $1.0 million, or 35% of total revenues in fiscal 2018, $984,000, or 13% of total revenues in fiscal 2017 and $1.3 million, or 77% of total revenues in fiscal 2016. Revenues from feasibility study agreements accounted for approximately $1.1 million, or 37% of total revenues in fiscal 2018, $211,000, or 3%, of total revenues in fiscal 2017 and were inconsequential in fiscal 2016.

Accounts receivable from Bausch & Lomb accounted for $306,000, or 87% of total accounts receivable at June 30, 2018 and $246,000, or 98%, of total accounts receivable at June 30, 2017.

Fair Value Measurements

The Company accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The Company categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 – Inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2 – Inputs are directly or indirectly observable in the marketplace, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities with insufficient volume or infrequent transaction (less active markets).
- Level 3 – Inputs are unobservable estimates that are supported by little or no market activity and require the Company to develop its own assumptions about how market participants would price the assets or liabilities.

The carrying amounts of cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of their short-term maturity.

Accounts and Other Receivables

Receivables consist primarily of quarterly royalties earned under a license agreement with Bausch & Lomb.

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Derivative Instruments

Derivative financial liabilities are recorded at fair value, with gains and losses arising from changes in fair value recognized in change in fair value of derivative liability within the consolidated statements of comprehensive loss at each period end while such instruments are outstanding. The derivative liabilities are being valued using Monte Carlo simulation models. Refer to Notes 10 and 12 for additional information.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives (generally three to five years) using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining non-cancellable lease term or their estimated useful lives. Repair and maintenance costs are expensed as incurred. When assets are retired or sold, the assets and accumulated depreciation are derecognized from the respective accounts and any gain or loss is recognized.

Leases

The Company leases real estate and office equipment under operating leases. Its primary real estate lease contains rent holiday and rent escalation clauses. The Company recognizes the rent holiday and scheduled rent increases on a straight-line basis over the lease term, with the excess of cumulative rent expense over cash payments recorded as a deferred rent liability.

Impairment of Intangible Assets

The Company’s finite life intangible assets, which have historically included its Durasert and Tethadur™ patented technologies, also include the DEXYCU product (utilizing the Verisome technology) following the March 2018 acquisition of Icon. The previous intangible assets were amortized on a straight-line basis over twelve years and were fully amortized as of December 31, 2017. The DEXYCU intangible asset is being amortized on a straight-line basis over its estimated useful life of thirteen years. The intangible asset lives were determined based upon the anticipated period that the Company would derive future cash flows from the intangible assets, considering the effects of legal, regulatory, contractual, competitive and other economic factors. The Company continually monitors whether events or circumstances have occurred that indicate that the remaining estimated useful life of its intangible assets may warrant revision. The Company assesses potential impairments to its intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the future undiscounted net cash flows expected to result from the use of an asset are less than its carrying value. If the Company considers an asset to be impaired, the impairment charge to be recognized is measured as the amount by which the carrying value of the asset exceeds its estimated fair value.

Revenue Recognition

Collaborative Research and Development and Multiple-Deliverable Arrangements

The Company enters into collaborative arrangements with strategic partners for the development and commercialization of products and product candidates utilizing the Company's technologies. The terms of these agreements have typically included multiple deliverables by the Company (for example, license rights, research and development services and manufacturing of clinical materials) in exchange for consideration to the Company of some combination of non-refundable license fees, research and development funding, payments based upon achievement of clinical development or other milestones and royalties in the form of a designated percentage of product sales.

Revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed and determinable, and collection is reasonably assured. Multiple-deliverable arrangements, such as license and development agreements, are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. When deliverables are separable, consideration received is allocated to the separate units of accounting based on the relative selling price method using management's best estimate of the standalone selling price of deliverables when vendor-specific objective evidence or third-party evidence of selling price is not available. Allocated consideration is recognized as revenue upon application of the appropriate revenue recognition principles to each unit. When the Company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations will be performed and revenue will be recognized.

The Company estimates its performance period used for revenue recognition based on the specific terms of each agreement, and adjusts the performance periods, if appropriate, based on the applicable facts and circumstances. Significant management judgment may be required to determine the level of effort required under an arrangement and the period over which the Company is expected to complete its performance obligations under the arrangement. If the Company cannot reasonably estimate when its performance obligations either are completed or become inconsequential, then revenue recognition is deferred until the Company can reasonably make such estimates. Revenue is then recognized over the remaining estimated period of performance using the cumulative catch-up method.

Royalties

Royalty income is recognized upon the sale of the related products, provided that the royalty amounts are fixed or determinable, collection of the related receivable is reasonably assured and the Company has no remaining performance obligations under the arrangement. Such revenues are included as royalty income.

If royalties are received when the Company has remaining performance obligations, the royalty payments would be attributed to the services being provided under the arrangement and therefore revenue would be recognized as such performance obligations are performed. Any such revenues are included as collaborative research and development revenues.

Reimbursement of Costs

The Company may provide research and development services and incur maintenance costs of licensed patents under collaboration arrangements to assist in advancing the development of licensed products. The Company acts primarily as a principal in these transactions and, accordingly, reimbursement amounts received are classified as a component of revenue to be recognized consistent with the revenue recognition policy summarized above. The Company records the expenses incurred and reimbursed on a gross basis.

Deferred Revenue

Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated balance sheets. Amounts not expected to be recognized within one year following the balance sheet date are classified as non-current deferred revenue.

Research and Development

Research and development costs are charged to operations as incurred. These costs include all direct costs, including cash compensation, stock-based compensation and benefits for research and development personnel, amortization of intangible assets, third-party costs and services for clinical trials, clinical materials, pre-clinical programs, regulatory and medical affairs, external consultants, and other operational costs related to the Company's research and development of its product candidates.

Stock-Based Compensation

The Company may award stock options and other equity-based instruments to its employees, directors and consultants pursuant to stockholder-approved plans. In the fourth quarter of fiscal 2017, the Company early adopted ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, pursuant to which it elected to account for forfeitures as they occur. As a result, the Company recorded an adjustment of $122,000 to accumulated deficit and additional paid-in capital as of July 1, 2016. Prior to the adoption of ASU 2016-09, the Company recognized compensation expense for only the portion of share-based payment awards that were expected to vest. Based on historical trends, the Company applied estimated forfeiture rates to determine the number of awards that were expected to vest. Additional expense was recorded if the actual forfeiture rate for each tranche of option grants was lower than estimated, and a recovery of prior expense was recorded if the actual forfeiture rate was higher than estimated.

Compensation cost related to such share-based payment awards is based on the fair value of the instrument on the grant date and is recognized on a graded vesting basis over the requisite service period for each separately vesting tranche of the awards.

The Company may also grant share-based payment awards that are subject to objectively measurable performance and service criteria. Compensation expense for performance-based awards begins at such time as it becomes probable that the respective performance conditions will be achieved. The Company continues to recognize the grant date fair value of performance-based awards through the vesting date of the respective awards so long as it remains probable that the related performance conditions will be satisfied.

The Company estimates the fair value of stock option awards using the Black-Scholes option valuation model and the fair value of restricted stock units based on the observed grant date fair value of the underlying Common Stock.

Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. For periods in which the Company reports net income, diluted net income per share is determined by adding to the weighted-average number of common shares outstanding the average number of dilutive common equivalent shares using the treasury stock method, unless the effect is anti-dilutive.

Potential Common Stock equivalents excluded from the calculation of diluted earnings per share because the effect would have been anti-dilutive were as follows:

	Year Ended June 30,		
	2018	2017	2016
Options outstanding	7,750,244	6,895,685	4,981,421
Warrants outstanding	20,671,036	623,605	623,605
Restricted stock units outstanding	1,398,129	948,500	—
Performance stock units outstanding	466,668	210,000	—
Deferred stock units	35,001	—	—
	30,321,078	8,677,790	5,605,026

Comprehensive Loss

Comprehensive loss is comprised of net loss, foreign currency translation adjustments and unrealized gains and losses on available-for-sale marketable securities.

Income Tax

The Company accounts for income taxes under the asset and liability method. Deferred income tax assets and liabilities are computed for the expected future impact of differences between the financial reporting and income tax bases of assets and liabilities and for the expected future benefit to be derived from tax credits and loss carry forwards. Such deferred income tax computations are measured based on enacted tax laws and rates applicable to the years in which these temporary differences are expected to be recovered or settled. A valuation allowance is provided against net deferred tax assets if, based on the available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, none of the benefit attributable to the position is recognized. The tax benefit to be recognized for any tax position that meets the more likely than not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the uncertainty. The Company accounts for interest and penalties related to uncertain tax positions as part of its income tax benefit.

Recently Adopted and Recently Issued Accounting Pronouncements

New accounting pronouncements are issued periodically by the Financial Accounting Standards Board (“FASB”) and are adopted by the Company as of the specified effective dates. Unless otherwise disclosed below, the Company believes that the impact of recently issued and adopted pronouncements will not have a material impact on the Company’s financial position, results of operations and cash flows or do not apply to the Company’s operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”), which requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP. In August 2015, the FASB issued ASU 2015-14, which officially deferred the effective date of ASU 2014-09 by one year, while also permitting early adoption. As a result, ASU 2014-09 became effective on July 1, 2018. The Company has initiated an assessment of the potential changes from adopting ASU 2014-09 and two revenue streams are expected to be applicable under the standard. The Company adopted the new standard effective July 1, 2018 using the modified retrospective method. The adoption did not have an impact on the recorded amounts in

the current balance sheet and income statement based on its existing collaboration agreements. Additional disclosures will be made in future periods related to the recognition of amounts as a result of adopting the new standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. As a result, ASU 2016-02 will become effective on July 1, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*. The standard addresses the classification and presentation of restricted cash and restricted cash equivalents within the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company adopted this standard during the quarter ended June 30, 2018. As a result of the adoption of this standard, the Company combined restricted cash balances of $150,000 at each of June 30, 2018, 2017 and 2016 with cash and cash equivalents when reconciling the beginning and ending balances within the consolidated statements of cash flows for fiscal 2018, 2017 and 2016. As of June 30, 2018, cash, cash equivalents and restricted cash of $38.9 million, as reported within the consolidated statements of cash flows, included $38.8 million of cash and cash equivalents and $150,000 of restricted cash, as reported within the consolidated balance sheets.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), to clarify the definition of a business by adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets versus businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company adopted this standard early to account for the acquisition of Icon (see Note 3).

In June 2018, the FASB issued ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. The standard aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. Under the new guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, but not before an entity adopts the new revenue guidance. The Company does not expect ASU 2018-07 to have a significant impact on its financial statements.

3. Acquisition of Icon Bioscience, Inc.

On March 28, 2018, the Company and its newly-created wholly-owned subsidiary, Oculus Merger Sub, Inc., acquired Icon, a specialty biopharmaceutical company, through a reverse triangular merger (the "Icon Acquisition") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among the Company, Icon, and Shareholder Representative Services LLC ("SRS"), solely in its capacity as representative of Icon's securityholders. The Icon Acquisition has been accounted for as an asset acquisition because substantially all of the fair value of the gross assets acquired were deemed to be concentrated in a group of similar identifiable assets related to Icon's lead product, DEXYCU. A portion of the Icon Acquisition was funded by an equity financing and a debt financing, both of which closed concurrently with the Icon Acquisition (see Notes 10 and 9, respectively).

Pursuant to the Merger Agreement, the Company made a closing payment of $15.0 million to SRS, net of an estimated $127,000 working capital adjustment, and is obligated to pay certain post-closing contingent cash payments upon the achievement of specified milestones and based upon certain net sales and partnering revenue standards, in each case subject to the terms and conditions set forth in the Merger Agreement. These include but are not limited to (i) a one-time development milestone of $15.0 million payable in cash upon the first commercial sale of DEXYCU in the U.S., (ii) sales milestone payments totaling up to $95.0 million upon the achievement of certain sales thresholds and subject to certain Centers for Medicare & Medicaid Services ("CMS") reimbursement conditions set forth in the Merger Agreement, (iii) quarterly earn-out payments equal to 12% on net sales of DEXYCU in a given year, which earn-out payments will increase to 16% of net sales of DEXYCU in such year beginning in the calendar quarter for such year to the extent aggregate annual consideration of DEXYCU exceeds $200.0 million in such year, (iv) quarterly earn-out payments equal to 20% of partnering revenue received by the Company for DEXYCU outside of the U.S., and (v) single-digit percentage quarterly earn-out payments with respect to net sales and/or partnering income, if any, resulting from future clinical development, regulatory approval and commercialization of any other product candidates the Company acquired in the Icon Acquisition.

The purchase price on the date of the Icon Acquisition was $32.0 million, comprised of the closing consideration of $15.0 million, including the assumption of an estimated $127,000 of net current liabilities of Icon, the contingent development milestone payment of $15.0 million and transaction costs of approximately $2.0 million. Through June 30, 2018, cash paid for the acquisition totaled $16.8 million, which consisted of $14.9 million at closing and approximately $1.9 million of transaction costs, net of $38,000 of cash acquired. Given the stage of development of DEXYCU, the Company has determined these payments do not represent research and development costs. The contingent consideration in the form of sales milestones will be capitalized as additional intangible assets when any such consideration becomes probable and can be reasonably estimated. Sales-based royalty payments will be expensed as incurred.

The $32.0 million purchase price was allocated to a single finite-lived intangible asset with an expected amortization life of approximately 13 years (see Note 5). The acquisition did not have a net tax impact due to a full valuation allowance against the acquired net deferred tax assets.

4. License and Collaboration Agreements

Alimera

Under a collaboration agreement with Alimera, as amended in March 2008 (the "Prior Alimera Agreement"), the Company licensed to Alimera the rights to develop, market and sell certain product candidates, including ILUVIEN for DME, and Alimera assumed all financial responsibility for the development of licensed products. In addition, the Company was entitled to receive 20% of any net profits (as defined) on sales of each licensed product (including ILUVIEN) by Alimera, measured on a quarter-by-quarter and country-by-country basis. Alimera was entitled to recover 20% of previously incurred and unapplied net losses (as defined) for commercialization of each product in a country, but only by an offset of up to 4% of the net profits earned in that country each quarter, reducing the Company's net profit share to 16% in each country until those net losses were recouped. In the event that Alimera sublicensed commercialization in any country, the Company was entitled to 20% of royalties and 33% of non-royalty consideration received by Alimera, less certain permitted deductions. The Company was also entitled to reimbursement of certain patent maintenance costs with respect to the patents licensed to Alimera.

Because the Company has no remaining performance obligations under the Prior Alimera Agreement, all amounts received from Alimera were generally recognized as revenue upon receipt or at such earlier date, if applicable, on which any such amounts were both fixed and determinable and reasonably assured of collectability. In instances when payments were received and subject to a contingency, revenue was deferred until such contingency was resolved.

Revenue under the Prior Alimera Agreement, including all patent reimbursements, totaled $148,000 for fiscal 2018, $659,000 for fiscal 2017 and $233,000 for fiscal 2016, which are included in collaborative research and development revenues in the accompanying consolidated statements of comprehensive loss. These revenues included (i) $50,000 and $585,000 of net profit share earned in fiscal 2018 and 2017, respectively, of which fiscal 2017 included $136,000 recognized in connection with an arbitration settlement related to calendar year 2014 reporting by Alimera; and (ii) $157,000 of non-royalty sublicense consideration earned in fiscal 2016. The remainder of Alimera revenues included in collaborative research and development for each year consisted principally of patent fee reimbursements.

On July 10, 2017, the Company entered into a further amended and restated collaboration agreement (the "Amended Alimera Agreement"), pursuant to which the Company (i) expanded the license to Alimera to the Company's proprietary Durasert sustained-release drug delivery technology platform to include uveitis, including NIPU, in Europe, the Middle East and Africa and (ii) converted the net profit share arrangement for each licensed product (including ILUVIEN) under the Prior Alimera Agreement to a sales-based royalty on a calendar quarter basis commencing July 1, 2017, with payments from Alimera due 60 days following the end of each quarter.

Sales-based royalties started at the rate of 2%. Commencing January 1, 2019 (or earlier under certain circumstances), the sales-based royalty will increase to 6% on aggregate calendar year net sales up to $75 million and to 8% on any calendar years sales in excess of $75 million. Alimera's share of contingently recoverable accumulated ILUVIEN commercialization losses under the original net profit share arrangement, capped at $25 million, are to be reduced as follows: (i) $10.0 million was cancelled in lieu of an upfront license fee on the effective date of the Amended Alimera Agreement; (ii) for calendar years 2019 and 2020, 50% of earned sales-based royalties in excess of 2% will be offset against the quarterly royalty payments otherwise due from Alimera; (iii) on January 1, 2020, another $5 million will be cancelled, provided, however, that such date of cancellation may be extended under certain circumstances related to Alimera's regulatory approval process for ILUVIEN for posterior uveitis, with such extension, if any, subject to mutual agreement by the parties; and (iv) commencing in calendar year 2021, 20% of earned sales-based royalties in excess of 2% will be offset against the quarterly royalty payments due from Alimera until such time as the balance of the original $25 million of recoverable commercialization losses has been fully recouped.

Revenue under the Amended Alimera Agreement totaled $575,000 in fiscal 2018 and was recorded as royalty income in the accompanying consolidated statements of comprehensive loss.

Following consummation of the Amended Alimera Agreement, the Company withdrew its previously filed EU marketing approval application ("MAA") and its orphan drug designation for posterior uveitis, and Alimera became responsible for filing a Type II variation for ILUVIEN for the treatment of NIPU in the 17 EU countries where ILUVIEN is currently approved for the treatment of DME. In January 2018, Alimera received validation of a Type II variation submitted in December 2017 in all seventeen European countries in which it previously received regulatory approval for ILUVIEN for DME. Alimera has reported that it expects to receive regulatory approval for the Type II variation in the first half of calendar year 2019. If the variation is approved, Alimera plans to commercialize the three-year NIPU indication under its ILUVIEN trademark.

Pfizer

In June 2011, the Company and Pfizer entered into an Amended and Restated Collaborative Research and License agreement (the "Restated Pfizer Agreement") to focus solely on the development of a sustained-release bioerodible micro-insert injected into the subconjunctiva designed to deliver latanoprost for human ophthalmic disease or conditions other than uveitis (the "Latanoprost Product"). Pfizer made an upfront payment of $2.3 million and the Company agreed to provide Pfizer options under various circumstances for an exclusive, worldwide license to develop and commercialize the Latanoprost Product.

The estimated selling price of the combined deliverables under the Restated Pfizer Agreement of $6.7 million was partially recognized as collaborative research and development revenue over the expected

performance period using the proportional performance method with costs associated with developing the Latanoprost Product reflected in operating expenses in the period in which they were incurred. No collaborative research and development revenue was recorded during each of fiscal 2017 and fiscal 2016.

On October 25, 2016, the Company notified Pfizer that it had discontinued development of the Latanoprost Product, which provided Pfizer a 60-day option to acquire a worldwide license in return for a $10.0 million payment and potential sales-based royalties and development, regulatory and sales performance milestone payments. Pfizer did not exercise its option and the Restated Pfizer Agreement automatically terminated on December 26, 2016. The remaining deferred revenue balance of $5.6 million was recognized as revenue in the three-month period ended December 31, 2016. Per the terms of the Restricted Pfizer Agreement, the Company has retained the right to develop and commercialize the Latanoprost Product on its own or with a partner.

Bausch & Lomb

Pursuant to a licensing and development agreement, as amended, Bausch & Lomb has a worldwide exclusive license to make and sell Retisert in return for royalties based on sales. Royalty income totaled approximately $1.0 million in fiscal 2018, $970,000 in fiscal 2017 and approximately $1.2 million in fiscal 2016. Accounts receivable from Bausch & Lomb totaled $306,000 at June 30, 2018 and $246,000 at June 30, 2017.

OncoSil Medical

The Company entered into an exclusive, worldwide royalty-bearing license agreement in December 2012, amended and restated in March 2013, with OncoSil Medical UK Limited (f/k/a Enigma Therapeutics Limited), a wholly-owned subsidiary of OncoSil Medical Ltd (“OncoSil”) for the development of BrachySil, the Company’s previously developed product candidate for the treatment of pancreatic and other types of cancer. The Company received an upfront fee of $100,000 and is entitled to 8% sales-based royalties, 20% of sublicense consideration and milestone payments based on aggregate product sales. OncoSil is obligated to pay an annual license maintenance fee of $100,000 by the end of each calendar year, the most recent of which was received in December 2017. For each calendar year commencing with 2014, the Company is entitled to receive reimbursement of any patent maintenance costs, sales-based royalties and sub-licensee sales-based royalties earned, but only to the extent such amounts, in the aggregate, exceed the $100,000 annual license maintenance fee. As of June 30, 2018, OncoSil has not received regulatory approval in any jurisdiction, although an application for CE Mark approval in Europe continues to be pending. The Company has no consequential performance obligations under the OncoSil license agreement, and, accordingly, any amounts to which the Company is entitled under the agreement are recognized as revenue on the earlier of receipt or when collectability is reasonably assured. Revenue related to the OncoSil agreement totaled $100,000 in each of fiscal 2018, fiscal 2017 and fiscal 2016. At June 30, 2018, no deferred revenue was recorded for this agreement.

Feasibility Study Agreements

The Company from time to time enters into funded agreements to evaluate the potential use of its technology systems for sustained release of third party drug candidates in the treatment of various diseases. Consideration received is generally recognized as revenue over the term of the feasibility study agreement. Revenue recognition for consideration, if any, related to a license option right is assessed based on the terms of any such future license agreement or is otherwise recognized at the completion of the feasibility study agreement. Revenues under feasibility study agreements totaled $1.1 million in fiscal 2018, $211,000 in fiscal 2017 and $33,000 in fiscal 2016.

5. Intangible Assets

The reconciliation of intangible assets for the years ended June 30, 2018 and 2017 was as follows (in thousands):

	June 30, 2018	June 30, 2017
Patented technologies		
Gross carrying amount at beginning of year	$ 35,610	$ 36,196
Acquisition of Icon Bioscience Inc.	31,973	—
Foreign currency translation adjustments	739	(586)
Gross carrying amount at end of year	68,322	35,610
Accumulated amortization at beginning of year	(35,246)	(35,094)
Amortization expense	(981)	(724)
Foreign currency translation adjustments	(737)	572
Accumulated amortization at end of year	(36,964)	(35,246)
Net book value at end of year	$ 31,358	$ 364

The net book value of the Company's intangible assets at June 30, 2018 and 2017 is summarized as follows (in thousands):

	June 30, 2018	June 30, 2017	Estimated Remaining Useful Life at June 30, 2018 (Years)
Patented technologies			
DEXYCU / Verisome	$31,358	—	12.75
Durasert	—	265	—
Tethadur	—	99	—
	$31,358	$364	

The Company amortizes its intangible assets with finite lives on a straight-line basis over their respective estimated useful lives. Amortization expense for intangible assets totaled $981,000 in fiscal 2018, $724,000 in fiscal 2017 and $756,000 in fiscal 2016.

In connection with the Icon Acquisition (see Note 3), the initial purchase price of $32.0 million was attributed to the DEXYCU product intangible asset. This finite-lived intangible asset is being amortized on a straight-line basis over its expected useful life estimated to be 13 years at the rate of approximately $2.5 million per year.

6. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	June 30, 2018	June 30, 2017
Property and equipment	$ 805	$ 698
Leasehold improvements	101	101
Gross property and equipment	906	799
Accumulated depreciation and amortization	(653)	(486)
	$ 253	$ 313

Depreciation expense totaled $167,000 in fiscal 2018, $91,000 in fiscal 2017 and $152,000 in fiscal 2016.

7. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	June 30, 2018	June 30, 2017
Clinical trial costs	$ 742	$1,984
Personnel costs	1,763	1,632
Professional fees	926	590
Interest	254	—
Other	38	18
	$3,723	$4,224

In January 2017, the Company entered into retention bonus agreements with five employees. Under these agreements (a) cash payments totaling $319,000 were made on December 22, 2017 and (b) subject to continuing employment, a total of 305,616 restricted stock units ("RSUs") of an equal value were granted at that date based on a closing share price of $1.045 per share with a one-year vesting period. Included in personnel costs in the above table is $160,000 at June 30, 2017, representing pro rata accrual of the cash bonus component.

8. Restructuring

In July 2016, the Company announced its plan to consolidate all research and development activities in its U.S. facility. Following employee consultations under local U.K. law, the Company determined to close its U.K. research facility and terminated the employment of its U.K. employees. The U.K. facility lease, set to expire on August 31, 2016, was extended through November 30, 2016 to facilitate an orderly transition and the required restoration of the premises. A summary reconciliation of the restructuring costs is as follows (in thousands):

	Balance at June 30, 2016	Charged to Expense	Payments	Balance at June 30, 2017
Termination benefits	$ 118	$ 273	$ (391)	$ —
Facility closure	40	73	(113)	—
Other	29	126	(155)	—
	$ 187	$ 472	$ (659)	$ —

The Company recorded approximately $472,000 of restructuring costs during fiscal 2017 to research and development expense. These costs consisted of (i) $273,000 of additional employee severance for discretionary termination benefits upon notification of the affected employees in accordance with ASC 420, *Exit or Disposal Cost Obligations*; and (ii) $199,000 of professional fees, travel and lease extension costs.

In addition, for the first quarter of fiscal 2017, the Company recorded $99,000 of non-cash stock-based compensation expense in connection with the extension, through June 30, 2017, of the exercise period for all vested stock options held by the U.K. employees at July 31, 2016 and a $133,000 credit to stock-based compensation expense to account for forfeitures of all non-vested stock options at that date.

The Company paid all of the restructuring costs associated with the plan of consolidation as of March 31, 2017.

9. Term Loan Agreement

On March 28, 2018 (the "Closing Date"), the Company entered into a Credit Agreement (the "Credit Agreement") among the Company, as borrower, SWK Funding LLC, as agent (the "Agent"), and the lenders party thereto from time to time (the "Lenders"), providing for a senior secured term loan of up to $20 million (the "Loan"). On the Closing Date, $15 million of the Loan was advanced (the "Initial Advance"). The remaining $5 million of the Loan was advanced on June 26, 2018 following satisfaction of the Minimum Capital Raise (as defined in the Credit Agreement) (the "Additional Advance"). The Loan may be increased by $10 million upon the request of the Company, subject to the Agent obtaining additional loan commitments and satisfaction of certain conditions in the Credit Agreement.

The Loan is due and payable on March 27, 2023 (the "Maturity Date"). The Loan bears interest at a per annum rate of the three-month LIBOR rate (subject to a 1.5% floor) plus 10.50%. The Credit Agreement permits the Company to pay interest only on the principal amount for the first eight payments (payments are due on a quarterly basis commencing May 15, 2018). Following the interest-only period, the Company will be required to make quarterly payments of interest, plus repayments of the principal in an aggregate amount of up to $1.67 million per quarter (the "Quarterly Principal Repayment Cap"). Subject to the Quarterly Principal Repayment Cap, the amount of any quarterly principal payments during any fiscal year of the Company is based on (x) a percentage of the year-to-date net revenue of the Company through the end of such quarter less (y) any prior quarterly principal and interest payments made during such fiscal year. In addition, the Company paid an upfront fee of 1.5% of the aggregate principal amount of the Loan. The Company is required to pay an exit fee equal to 6% of the aggregate principal amount advanced under the Credit Agreement (the "Exit Fee"), which amount is included in other long-term liabilities in the accompanying consolidated balance sheet.

Upon the occurrence of a bankruptcy-related event of default, all amounts outstanding with respect to the Loan become due and payable immediately and upon the occurrence of any other Event of Default (as defined in the Credit Agreement), all or any amounts outstanding with respect to the Loan may become due and payable upon request of the Agent or majority Lenders. Additionally, subject to certain exceptions, the Company is required to make mandatory prepayments of the Loan with the proceeds of asset sales and insurance proceeds. The Company may make a voluntary prepayment of the Loan, in whole, but not in part, at any time on or after the first anniversary of the Closing Date. All mandatory and voluntary prepayments of the Loan are subject to the payment of prepayment premiums as follows: (i) in the case of mandatory prepayments, if prepayment occurs prior to the first anniversary of the Closing Date, a customary make-whole amount equal to the amount of interest that would have accrued on the principal amount so prepaid had it remained outstanding through the first anniversary of the Closing Date, (ii) if prepayment occurs on or after the first anniversary of the Closing Date, but prior to the second anniversary of the Closing Date, 6% of the aggregate amount of the principal prepaid and (iii) if prepayment occurs on or after the second anniversary of the Closing Date, but prior to the third anniversary of the Closing Date, an amount equal to 1% of the principal prepaid. No prepayment premium is due on any principal prepaid on or after the third anniversary of the Closing Date.

In connection with the Loan, the Company issued a warrant (the "SWK Warrant") to the Agent to purchase (a) 409,091 shares of Common Stock (the "Initial Advance Warrant Shares") at an exercise price equal of $1.10 per share and (b) 77,721 shares of Common Stock (the "Additional Advance Warrant Shares") at an exercise price of $1.93 per share. The SWK Warrant is exercisable (i) with respect to the Initial Advance Warrant Shares, any time on or after the Closing Date until the close of business on the 7-year anniversary of the Initial Advance and (ii) with respect to the Additional Advance Warrant Shares, any time on or after the closing of the Additional Advance until the close of business on the 7-year anniversary of the Additional Advance. The Agent may exercise the SWK Warrant on a cashless basis at any time. In the event the Agent exercises the SWK Warrant on a cashless basis the Company will not receive any proceeds.

The Additional Advance Warrant Shares were recorded as a liability at the Closing Date and were remeasured at fair value at each reporting period until the date of the Additional Advance. The aggregate fair

value of the Additional Advance Warrant Shares at the Closing Date was $69,000. The Initial Advance Warrant Shares were recorded as equity on the Company's balance sheet at their relative fair value of $284,000. The remaining $14.6 million of the proceeds received were allocated to the Initial Advance term loan. Upon the closing of the Additional Advance, the Additional Advance Warrant Shares were re-valued at $87,000 and reclassified to equity.

The total debt discount related to the Initial Advance was $2.1 million and was comprised of (1) $1.8 million which included the 1.5% upfront fee, the Exit Fee and legal and other transaction costs, which were ratably allocated to each of the two tranches of the Loan based upon the total principal amount available to the Company under each tranche and (2) $353,000 related to the aggregate fair value of the Initial Advance Warrant Shares and the Additional Advance Warrant Shares. This amount is being amortized as additional interest expense over the term of the Loan using the effective interest method.

The total debt issue costs related to the Additional Advance was $299,000 and was comprised of the allocated portions of the 1.5% upfront fee and the Exit Fee. This amount was recorded as a prepaid expense to be amortized ratably from the Closing Date through December 31, 2018. Through the date of the Additional Advance, $97,000 was amortized and the remaining balance of $202,000 was reclassified to debt discount. Together with the 6% Exit Fee on the Additional Advance and other transaction costs, total debt discount of $652,000 associated with the Additional Advance will be amortized over the remaining life of the Additional Advance portion of the Loan using the effective interest method.

10. Stockholders' Equity

2018 Equity Financing

On the Closing Date, the Company entered into a Securities Purchase Agreement (the "First Tranche Securities Purchase Agreement") with EW Healthcare Partners, L.P. and EW Healthcare Partners-A, L.P. (collectively, the "First Tranche Investors"), pursuant to which the Company offered and sold to the First Tranche Investors an aggregate of 8,606,324 shares of Common Stock at a purchase price of $1.10 per share (the "First Tranche Purchase Price") for aggregate gross proceeds of approximately $9.5 million (the "First Tranche Transaction").

On the Closing Date, the Company entered into a Second Securities Purchase Agreement (the "Second Tranche Securities Purchase Agreement" and together with the First Tranche Securities Purchase Agreement, the "Securities Purchase Agreements") with the First Tranche Investors and certain other accredited investors (collectively, the "Second Tranche Investors"), pursuant to which the Company, subject to the approval of the Company's stockholders, would offer and sell to the Second Tranche Investors an aggregate of approximately $25.5 million of Units, subject to a maximum of 27,250,000 Units, with each Unit consisting of (a) one share of Common Stock and (b) one warrant to purchase a share of Common Stock (the "Second Tranche Transaction" and together with the First Tranche Transaction, the "Equity Transactions").

The purchase price for each share of Common Stock issuable in the Second Tranche Transaction was defined as the lower of (a) $1.265 (which is a 15% premium to the First Tranche Purchase Price) and (b) a 20% discount to the volume weighted average price ("VWAP") of the shares of Common Stock on the Nasdaq Stock Market for the 20 trading days immediately prior to the closing of the Second Tranche Transaction; provided, however, that the purchase price could not be lower than $0.88, which is a 20% discount to the First Tranche Purchase Price.

At a special meeting of stockholders held on June 22, 2018, the Company's stockholders approved the Second Tranche Transaction, following which, on June 25, 2018, the Company sold to the Second Tranche Investors an aggregate of 20,184,224 Units at a purchase price of $1.265 per Unit for gross proceeds of

approximately $25.5 million, not including any proceeds that would be received from an exercise of the warrants. In addition, the stockholders approved the adoption of an amendment to the Company's Certificate of Incorporation, as amended, to increase the number of authorized shares of Common Stock from 120,000,000 shares to 150,000,000 shares.

The Second Tranche Warrants are exercisable any time until on or prior to the close of business on the 15th business day following the date on which the holders of the Second Tranche Warrants receive written notice from the Company that CMS has announced that a new C-Code has been established for DEXYCU and will be effective at the start of the first calendar quarter after such notice. CMS has approved transitional pass-through status and reimbursement through a C-code with an effective date of October 1, 2018. Following written notice of such approval to the holders of the Second Tranche Warrants on September 7, 2018, the Second Tranche Warrants are exercisable until the close of business on September 28, 2018. The exercise price of each Second Tranche Warrant issued in the Second Tranche Transaction is an amount equal to the lower of (a) $1.43 (a 30% premium to the First Tranche Purchase Price) and (b) a 20% discount to the VWAP of the shares of Common Stock on the Nasdaq Stock Market for the 20 trading days immediately prior to the exercise of a Second Tranche Warrant; provided, however, that the exercise price cannot be lower than $0.88, which is a 20% discount to the First Tranche Purchase Price.

The Company determined that the shares of Common Stock issued in the First Tranche Transaction and the future obligation to issue Units in the Second Tranche Transaction were freestanding instruments. The Common Stock issued in the First Tranche Transaction was recorded as equity on the Company's Balance Sheet. The future obligation to issue Units in the Second Tranche Transaction was recorded as a liability on the Company's Balance Sheet, subject to remeasurement at fair value at each reporting period until settled.

The Company determined that the First Tranche Transaction and the Second Tranche Transaction should be accounted for as a single transaction. Accordingly, the total consideration received on the Closing Date of $9.5 million was first allocated to the future obligation to issue Units in the Second Tranche Transaction at fair value as of the Closing Date, with the residual amount allocated to the Common Stock issued in the First Tranche Transaction. Further, issuance costs of $343,000 were allocated to each of the freestanding instruments on the basis of relative fair value. A net amount of approximately $4.6 million was allocated to the Common Stock issued in the First Tranche Transaction and the future obligation to issue Units in the Second Tranche Transaction, respectively, as of the Closing Date. As of March 31, 2018, the fair value of the Second Tranche Transaction liability was approximately $6.9 million and the Company recorded the $2.2 million change in fair value for the quarter ended March 31, 2018.

The future obligation to issue Units in the second tranche transaction was revalued immediately prior to the Second Tranche Transaction and resulted in a change in fair value of approximately $22.2 million. Upon consummation of the Second Tranche Transaction, the resulting derivative liability balance of approximately $29.1 million was reclassified to equity.

The Company determined that the Second Tranche Warrants are considered puttable warrants that represent an obligation that is indexed to repurchasing the Company's shares and may require a transfer of assets that require classification as liabilities. The initial valuation of the Second Tranche Warrants on June 25, 2018 of approximately $18.2 million was re-measured at the balance sheet date, resulting in a change in fair value of derivative of approximately $1.6 million and a derivative liability balance of $19.8 million at June 30, 2018.

ATM Facility

In February 2017, the Company entered into an ATM program pursuant to which, under its Form S-3 shelf registration statement, the Company may, at its option, offer and sell shares of its Common Stock from time to time for an aggregate offering price of up to $20.0 million. The Company pays the sales agent a commission

of up to 3.0% of the gross proceeds from the sale of such shares. The Company incurred approximately $223,000 of legal, accounting and other costs to establish and activate the ATM program. Prior to the Company's delisting from the Australian Securities Exchange ("ASX") in May 2018, the Company's ability to sell shares under the ATM program was subject to ASX listing rules, as defined, limiting the number of shares the Company could issue in any 12-month period without stockholder approval, as well as other applicable rules and regulations of the ASX and Nasdaq Stock Market.

During fiscal 2017 (from March 2017 through May 9, 2017), the Company sold 5,100,000 shares of Common Stock under the ATM program ("ATM Shares Sold") at a weighted average price of $1.74 per share for gross proceeds of approximately $8.9 million. Share issue costs, including sales agent commissions, totaled $244,000 during fiscal 2017. At a special meeting of stockholders held on June 27, 2017, the Company's stockholders ratified the ATM Shares Sold, thereby refreshing the Company's capacity to issue shares of Common Stock without prior stockholder approval under the ASX listing rules. In addition, the stockholders approved the adoption of an amendment to the Company's Certificate of Incorporation, as amended, to increase the number of authorized shares of Common Stock from 60,000,000 shares to 120,000,000 shares.

During fiscal 2018 (from July 2017 through November 7, 2017), the Company sold 5,900,000 shares of Common Stock under the ATM program at a weighted average price of $1.23 per share for gross proceeds of approximately $7.3 million. Share issue costs, including sales agent commissions, totaled $239,000 during fiscal 2018.

Share Offering

In January 2016, the Company sold 4,440,000 shares of Common Stock in an underwritten public offering at a price of $4.00 per share for gross proceeds of $17.8 million. Underwriter discounts and commissions and other share issue costs totaled approximately $1.3 million.

Warrants to Purchase Common Shares

In connection with the sale of the Units in the Second Tranche Transaction, the Company issued the Second Tranche Warrants on June 25, 2018 to the Second Tranche Investors. The Second Tranche Warrants are exercisable at any time until on or prior to the close of business on the 15th business day following the date on which the holders of the Second Tranche Warrants receive written notice from the Company that CMS has announced that a new C-code has been established for DEXYCU and will be effective at the start of the first calendar quarter after such notice. CMS has approved transitional pass-through status and reimbursement through a C-code with an effective date of October 1, 2018. Following written notice of such approval to the holders of the Second Tranche Warrants on September 7, 2018, the Second Tranche Warrants are exercisable until the close of business on September 28, 2018. The exercise price of each Second Tranche Warrant to be issued in the Second Tranche Transaction will be an amount equal to the lower of (a) $1.43 (a 30% premium to the First Tranche Purchase Price) and (b) a 20% discount to the VWAP of the shares of the Common Stock on Nasdaq for the 20 trading days immediately prior to the exercise of a Second Tranche Warrant; provided, however, that the exercise price cannot be lower than $0.88, which is a 20% discount to the First Tranche Purchase Price.

Based on the above price formula, if exercised in full the aggregate gross proceeds from the Second Tranche Warrants will range from a minimum of approximately $17.8 million to a maximum of approximately $28.9 million.

The following table provides a reconciliation of fixed price warrants to purchase Common Stock for the years ended June 30, 2018 and 2017, which excludes the Second Tranche Warrants that are subject to a variable exercise price:

	Year Ended June 30,			
	2018		2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance at beginning of year	623,605	$ 2.50	623,605	$ 2.50
Issued	486,812	1.23	—	—
Expired	(623,605)	2.50	—	—
Balance and exercisable at end of year	486,812	$ 1.23	623,605	$ 2.50

In connection with the Loan (see Note 9), the Company issued warrants (i) to purchase 409,091 shares of Common Stock on March 28, 2018 at an exercise price of $1.10 per share with a seven-year term and (ii) to purchase 77,721 shares of Common Stock on June 26, 2018 at an exercise price of $1.93 per share with a seven-year term.

On August 7, 2017, previously issued 5-year investor warrants expired unexercised.

11. Share-Based Payment Awards

Equity Incentive Plans

The 2016 Long-Term Incentive Plan (the “2016 Plan”), approved by the Company’s stockholders on December 12, 2016 (the “Adoption Date”), provides for the issuance of up to 3,000,000 shares of Common Stock reserved for issuance under the 2016 Plan plus any additional shares of Common Stock that were available for grant under the 2008 Incentive Plan (the “2008 Plan”) at the Adoption Date or would otherwise become available for grant under the 2008 Plan as a result of subsequent termination or forfeiture of awards under the 2008 Plan. At June 30, 2018, a total of 1,497,528 shares were available for new awards.

Stock Options

The following table provides a reconciliation of stock option activity under the Company’s equity incentive plans for the year ended June 30, 2018:

	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at July 1, 2017	6,045,685	$ 3.34		
Granted	2,609,814	1.90		
Exercised	(310,900)	1.62		
Forefeited	(1,884,355)	3.54		
Outstanding at June 30, 2018	6,460,244	$ 2.79	7.28	$ 700
Exercisable at June 30, 2018	2,906,334	$ 3.23	4.91	$ 321

During the year ended June 30, 2018, the Company granted 2,109,813 options to employees with ratable annual vesting over 3 years, 240,001 options to non-executive directors with 1-year cliff vesting, 120,000 options

to two newly appointed non-executive directors with ratable annual vesting over 3 years, 40,000 additional options to one non-executive director appointed the previous year in connection with such director's offer letter with ratable annual vesting over 2 years and 100,000 options to an external consultant with 6.5 months cliff vesting at June 30, 2018. In accordance with ASX Listing Rules, all equity awards authorized by the Compensation Committee of the Board to the Company's executive and non-executive directors were subject to stockholder approval prior to the Company's delisting from ASX, with the grant date fair value measured at the stockholder approval date and vesting measured from the Compensation Committee authorization date. All option grants have a 10-year term.

In determining the grant date fair value of option awards under the equity incentive plans, the Company applied the Black-Scholes option pricing model. Based upon limited option exercise history, the Company has generally used the "simplified" method outlined in SEC Staff Accounting Bulletin No. 110 to estimate the expected life of stock option grants. Management believes that the historical volatility of the Company's stock price on Nasdaq best represents the expected volatility over the estimated life of the option. The risk-free interest rate is based upon published U.S. Treasury yield curve rates at the date of grant corresponding to the expected life of the stock option. An assumed dividend yield of zero reflects the fact that the Company has never paid cash dividends and has no intentions to pay dividends in the foreseeable future.

The key assumptions used to apply the option pricing model for options granted under the 2016 Plan during the years ended June 30, 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Option life (in years)	5.50 - 6.00	5.50 - 6.25	5.50 - 6.25
Stock volatility	59% - 64%	70% - 72%	76% - 80%
Risk-free interest rate	2.18% - 2.89%	1.23% - 2.08%	1.47% - 1.97%
Expected dividends	0.0%	0.0%	0.0%

The following table summarizes information about employee and director stock options under the Company's equity incentive plans for the years ended June 30, 2018, 2017 and 2016 (in thousands except per share amounts):

	2018	2017	2016
Weighted-average grant date fair value per share	$1.06	$1.95	$2.74
Total cash received from exercise of stock options	503	99	490
Total intrinsic value of stock options exercised	152	53	967

Time-Vested Restricted Stock Units

Time-vested RSUs issued to date under the 2016 Plan generally vest on a ratable annual basis over 3 years. The related stock-based compensation expense is recorded over the requisite service period, which is the vesting period. The fair value of all time-vested RSUs is based on the closing share price of the Common Stock on the date of grant.

In connection with retention bonus agreements entered into in January 2017 (see Note 7), a total of 305,616 RSUs were issued on December 22, 2017 subject to one-year cliff vesting.

The following table provides a reconciliation of RSU activity under the 2016 Plan for the year ended June 30, 2018:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested at July 1, 2017	248,500	$ 1.77
Granted	802,459	1.52
Vested	(107,830)	1.53
Forfeited	(45,000)	1.77
Nonvested at June 30, 2018	898,129	$ 1.58

The weighted-average remaining vesting term of the RSUs at June 30, 2018 was 1.34 years.

Performance-Based Stock Units

Performance Stock Units (“PSUs”) have been awarded to certain employees. The performance conditions associated with the PSU awards are as follows: (a) for one third of the PSUs, upon an FDA acceptance of the Company’s NDA submission of YUTIQ for review on or before March 31, 2018 and (b) for two-thirds of the PSUs, upon an FDA approval of YUTIQ on or before March 31, 2019. For each performance criteria that is achieved, 50% of the PSUs that are associated with that performance condition vest at the achievement date and 50% vest on the first anniversary of such date, in each case subject to continued employment through such date. As a result of the achievement of the first performance condition on March 19, 2018, 48,332 PSUs vested at that date and the other 48,332 PSUs became subject to a service-based condition with a vesting date of March 19, 2019. As of June 30, 2018, the second performance condition associated with the PSUs was not yet deemed probable of achievement and, accordingly, stock-based compensation has not been recorded for that portion of the PSUs during the year ended June 30, 2018.

The following table provides a reconciliation of PSU activity under the 2016 Plan for the year ended June 30, 2018:

	Number of Performance Stock Units	Weighted Average Grant Date Fair Value
Outstanding at July 1, 2017	210,000	$ 1.77
Granted	115,000	1.13
Vested	(48,332)	1.52
Forfeited	(35,000)	1.77
Outstanding at June 30, 2018	241,668	$ 1.52

The weighted-average remaining vesting term of the PSUs associated with the first performance condition at June 30, 2018 was approximately 8.6 months.

Deferred Stock Units

A total of 67,500 deferred stock units (“DSUs”) were issued to incumbent non-executive directors and ratified at the December 15, 2017 annual meeting of stockholders with a vesting date of June 27, 2018 and a grant date fair value of $1.13 per share. A total of 35,001 DSUs were issued to incumbent directors on June 21, 2018 with one-year cliff vesting and a grant date fair value of $1.95 per share. Subsequent to vesting, the DSUs will be settled in shares of Common Stock upon the earliest to occur of (i) each director’s termination of service

on the Company's Board of Directors and (ii) the occurrence of a change of control as defined in the award agreement. Upon Dr. James Barry's termination of service on the Company's Board of Directors on May 7, 2018, all of Dr. Barry's 12,500 DSUs vested in full and were settled in shares.

The following table provides a reconciliation of DSU activity under the 2016 Plan for the year ended June 30, 2018:

	Number of Deferred Stock Units	Weighted Average Grant Date Fair Value
Outstanding at July 1, 2017	—	$ —
Granted	102,501	1.41
Vested	(67,500)	1.13
Outstanding at June 30, 2018	35,001	$ 1.95

At June 30, 2018, the weighted-average remaining vesting term of the DSUs was approximately 11.7 months.

Market-Based Restricted Stock Units

The following table provides a reconciliation of market-based restricted stock units for the year ended June 30, 2018:

	Number of Market-Based Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at July 1, 2017	700,000	$ 1.35
Forfeited	(200,000)	1.09
Outstanding at June 30, 2018	500,000	$ 1.45

At June 30, 2017, there were 700,000 market-based Restricted Stock Units ("market-based RSUs") outstanding, which included 500,000 issued as an inducement award to the Company's President and CEO and 200,000 issued to another employee under the 2008 Plan. At June 30, 2018, there were 500,000 market-based RSUs outstanding due to a forfeiture of 200,000 market-based RSUs upon the other employee's resignation. Subject to a service condition, the number of shares underlying the one remaining market-based RSU vests based upon a relative percentile rank of the 3-year change in the closing price of the Company's Common Stock compared to that of the companies that make up the Nasdaq Biotechnology Index through September 15, 2019. The Company estimated the fair value of the market-based RSUs using a Monte Carlo valuation model on the respective dates of grant.

Other Inducement Award Grants

In connection with the September 15, 2016 hire of the Company's President and CEO, the Company granted 850,000 options to purchase Common Stock with ratable annual vesting over 4 years, an exercise price of $3.63 per share and a 10-year term. Although the stock options were not awarded under the 2008 Plan, the stock options are subject to and governed by the terms and conditions of the 2008 Plan.

In connection with the May 14, 2018 hire of the Company's Executive Vice President and General Manager, US, the Company granted 375,000 options to purchase Common Stock with ratable annual vesting over 3 years, 65,000 options with 1-year cliff vesting and 225,000 PSUs. The options have an exercise price of

$1.95 per share and a 10-year term and, although not awarded under the 2016 Plan, are subject to and governed by the terms and conditions of the 2016 Plan. The PSUs are subject to proportional vesting based on cumulative measurement for the 3-year period ending June 30, 2021, with two-thirds of the award based upon defined amounts of the Company's product revenues and one-third upon measurement of the net present value of certain business development transactions that are consummated by the Company.

The following table provides a reconciliation of the Company's inducement stock option awards for the year ended June 30, 2018:

	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at July 1, 2017	850,000	$ 3.63		
Granted	440,000	1.95		
Outstanding at June 30, 2018	1,290,000	$ 3.06	8.78	$ 57
Exercisable at June 30, 2018	212,500	$ 3.63	8.22	$ —

Stock-Based Compensation Expense

The Company's statements of comprehensive loss included total compensation expense from stock-based payment awards as follows (in thousands):

	Year Ended June 30,		
	2018	2017	2016
Compensation expense included in:			
Research and development	$1,252	$1,109	$ 702
Sales and marketing	50	—	—
General and administrative	1,402	1,347	1,461
	$2,704	$2,456	$2,163

In connection with termination benefits provided to the Company's former Chief Executive Officer, the vesting of certain options was accelerated in accordance with the terms of the options, the exercise period for all vested options was extended through September 14, 2017, and all remaining non-vested options were forfeited. Additionally, in connection with the U.K. restructuring, the exercise period of all vested options held by the former U.K. employees was extended through June 30, 2017 and all non-vested options were forfeited. These option modifications and forfeitures were accounted for in the quarter ended September 30, 2016, the net effect of which resulted in an approximate $274,000 increase of stock-based compensation expense included in general and administrative expense and an approximate $35,000 reduction of stock-based compensation expense included in research and development expense for the year ended June 30, 2017 in the table above.

In connection with termination benefits provided to the Company's former Vice President, Corporate Affairs and General Counsel, the vesting of certain options was accelerated in accordance with the terms of the options, the exercise period for all vested options was extended through June 26, 2018 and all remaining non-vested options were forfeited. The option modification and forfeitures were accounted for in the quarter ended December 31, 2016, the net effect of which resulted in an approximate $104,000 reduction of stock-based compensation expense included in general and administrative expense for the year ended June 30, 2017 in the table above.

At June 30, 2018, there was approximately $5.4 million of unrecognized compensation expense related to outstanding equity awards under the 2016 Plan, the 2008 Plan and inducement awards that is expected to be recognized as expense over a weighted-average period of approximately 1.7 years.

12. Fair Value Measurements

The following tables summarize the Company's assets and liabilities carried at fair value measured on a recurring basis at June 30, 2018 and 2017 by valuation hierarchy (in thousands):

	June 30, 2018			
Description	Total Carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash equivalents	$ 28,826	$ 28,826	$ —	$ —
	$ 28,826	$ 28,826	$ —	$ —
Liabilities:				
Derivative liabilities	$ 19,780	$ —	$ —	$ 19,780
	$ 19,780	$ —	$ —	$ 19,780

	June 30, 2017			
Description	Total Carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash equivalents	$ 13,521	$ 13,521	$ —	$ —
	$ 13,521	$ 13,521	$ —	$ —

Financial instruments that potentially subject the Company to concentrations of credit risk have historically consisted principally of cash and cash equivalents. At June 30, 2018 and June 30, 2017, substantially all of the Company's interest-bearing cash equivalent balances were concentrated in one U.S. Government money market fund that has investments consisting primarily of U.S. Government Agency debt, U.S. Treasury Repurchase Agreements and U.S. Government Agency Repurchase Agreements. These deposits may be redeemed upon demand and, therefore, generally have minimal risk. The Company's cash equivalents are classified within Level 1 on the basis of valuations using quoted market prices.

The Second Tranche Transaction was determined to be liability classified (see Note 10), which required that the liability be measured at fair value each period with changes in fair value recorded as a component of non-operating expense in the consolidated statement of comprehensive loss. This valuation was determined to be a level 3 valuation because it includes unobservable inputs. The Second Tranche Transaction liability was valued using a Monte Carlo simulation valuation model. This model incorporated several inputs, including the Common Stock price on the date of valuation, the historical volatility of the price of Common Stock, the risk-free interest rate and management's assessment of the probability and timing of the issuance of the Units occurring. A significant fluctuation in the Company's stock price or the Company's estimate of the number of Units to be issued could result in a material increase or decrease in the fair value of the Second Tranche liability. The Second Tranche Transaction liability was settled upon the closing of the Second Tranche Transaction in June 2018. The Company remeasured the Second Tranche Transaction liability to fair value immediately prior to settlement. This valuation at settlement was calculated as the excess of the sum of (i) the fair value of the Second Tranche Warrants and (ii) the fair value of the shares of Common Stock issued to settle the liability over the cash proceeds received by the Company for the Units. Significant assumptions used to value this liability were as follows:

	March 28, 2018 (Date of Issuance)	June 25, 2018 (Date of Settlement)
Volatility	54.20%	N/A
Risk free interest rate	1.70%	N/A
Estimated date of stockholder approval	June 2018	N/A
Estimated number of units issuable	26,900,000	20,184,224
Valuation date stock price	$ 1.07	$ 1.93

The Additional Advance Warrants were initially determined to be liability classified (see Note 9), which required that the liability be measured at fair value each period with changes in fair value being recorded as a component of non-operating expense in the consolidated statement of comprehensive loss. This valuation was determined to be a level 3 valuation because it includes unobservable inputs. The Additional Advance Warrant liability was valued using a Monte Carlo simulation valuation model. This model incorporated several inputs including the Common Stock price on the date of valuation, the historical volatility of the price of the Common Stock, the risk-free interest rate and management's assessments of the probability of the Additional Advance being drawn upon. Upon the closing of the Second Tranche Transaction in June 2018, the Additional Advance Warrants no longer met the criteria to be classified as a liability. The Company remeasured the Additional Advance Warrants immediately prior to the close of the Second Tranche Transaction and reclassified the liability balance to equity. Significant assumptions used to value this liability were as follows:

	March 28, 2018 (Date of Issuance)	June 25, 2018 (Date of Reclassification to Equity)
Volatility	55.20%	55.10%
Risk free interest rate	1.70%	2.80%
Term (in years)	7	7
Dividend rate	0%	0%
Valuation date stock price	$ 1.07	$ 1.93
Probability of issuance	80%	100%

Upon the closing of the Second Tranche Transaction, the Company issued the Second Tranche Warrants, which were determined to be liability classified, which requires that the liability be measured at fair value each period with changes in fair value being recorded as a component of non-operating expense in the consolidated statement of comprehensive loss. This valuation was determined to be a level 3 valuation because it includes unobservable inputs. The Second Tranche Warrants were valued using a Monte Carlo simulation valuation model. This model incorporated several inputs, including the Common Stock price on the date of valuation, the historical volatility of the price of the Common Stock and the risk-free interest rate. Significant assumptions used to value this liability are as follows:

	June 25, 2018 (Date of issuance)	June 30, 2018
Volatility	81.00%	85.40%
Risk free interest rate	2.10%	2.10%
Term (in years)	0.5	0.5
Dividend rate	0%	0%
Valuation date stock price	$ 2.00	$ 2.08
Probability of issuance	100%	100%

The following table sets forth a summary of changes in the fair value of the Company's derivative liabilities for which fair value is determined by Level 3 inputs (in thousands):

	Second Tranche Liability	Additional Advance Warrant Liability	Second Tranche Warrants	Total
Balance at June 30, 2017	$ —	$ —	$ —	$ —
Initial fair value of derivative liability	4,734	69	18,165	22,968
Change in fair value	24,319	18	1,615	25,952
Reclassification to equity	—	(87)	—	(87)
Settlement	(29,053)	—	—	(29,053)
Balance at June 30, 2018	$ —	$ —	$19,780	$ 19,780

Also included in the change in fair value was $326,000 of transaction costs that were expensed in connection with the issuance of the derivative liabilities.

13. Retirement Plans

The Company operates a defined contribution plan intended to qualify under Section 401(k) of the U.S. Internal Revenue Code. Participating U.S. employees may contribute a portion of their pre-tax compensation, as defined, subject to statutory maximums. The Company matches employee contributions up to 5% of eligible compensation, subject to a stated calendar year Internal Revenue Service maximum.

The Company operated a defined contribution pension plan for U.K. employees pursuant to which the Company made contributions on behalf of employees plus a matching percentage of elective employee contributions. This pension plan was terminated in the quarter ending September 30, 2016 following termination of employment of all U.K. employees.

The Company contributed a total of $220,000 for fiscal 2018, $193,000 for fiscal 2017 and $209,000 for fiscal 2016 in connection with these retirement plans.

14. Income Taxes

The components of income tax benefit are as follows (in thousands):

	Year Ended June 30,		
	2018	2017	2016
U.S. operations:			
Current income tax expense	$—	$—	$ 4
Deferred income tax benefit	—	—	—
	—	—	4
Non-U.S. operations:			
Current income tax benefit	—	—	(159)
Deferred income tax benefit	—	—	—
	—	—	(159)
Income tax benefit	$—	$—	$(155)

During the fiscal year ended June 30, 2016, the Company recognized a current income tax benefit of $159,000 related to foreign research and development tax credits earned by its U.K. subsidiary.

The components of loss before income taxes are as follows (in thousands):

	Year Ended June 30,		
	2018	2017	2016
U.S. operations	$(53,000)	$(17,566)	$(19,780)
Non-U.S. operations	(171)	(919)	(1,922)
Loss before income taxes	$(53,171)	$(18,485)	$(21,702)

On December 22, 2017, the *Tax Cuts and Jobs Act* (the "Tax Act") was signed into law, making significant changes to the federal tax law. Amongst other things, the Tax Act reduces the federal corporate tax rate from 34% to 21% effective for tax years beginning after December 31, 2017 and has resulted in a remeasurement of the Company's deferred tax assets included in the Company's fiscal 2018 rate reconciliation. The difference between the Company's expected income tax benefit, as computed by applying the blended statutory U.S. federal tax rate of 27.5% for fiscal 2018 and 34% for each of fiscal 2017 and fiscal 2016 to loss before income taxes, and actual income tax benefit is reconciled in the following table (in thousands):

	Year Ended June 30,		
	2018	2017	2016
Income tax benefit at statutory rate	$(14,622)	$(6,284)	$(7,379)
State income taxes, net of federal benefit	(1,552)	(928)	(1,044)
Non-U.S. income tax rate differential	(66)	(121)	778
Change in fair value of derivative	7,227	—	—
Change in federal tax rate	14,673	—	—
Research and development tax credits	(284)	(242)	(397)
Permanent items	(15)	(9)	216
Changes in valuation allowance	(5,385)	7,489	6,789
Other, net	24	95	882
Income tax benefit	$ —	$ —	$ (155)

In addition to the $5.4 million change in valuation allowance in the above table, the Company recorded a deferred tax asset of $6.2 million and a valuation allowance of the same amount in connection with the Icon acquisition.

The significant components of deferred income taxes are as follows (in thousands):

	June 30,	
	2018	2017
Deferred tax assets:		
Net operating loss carryforwards	$47,774	$39,439
Deferred revenue	—	20
Stock-based compensation	4,241	5,107
Tax credits	3,463	1,727
Other	185	186
Total deferred tax assets	55,663	46,479
Deferred tax liabilities:		
Intangible assets	8,542	123
Deferred tax assets, net	47,121	46,356
Valuation allowance	47,121	46,356
Total deferred tax liability	$ —	$ —

The valuation allowance generally reflects limitations on the Company's ability to use the tax attributes and reduces the value of such attributes to the more-likely-than-not realizable amount. Management assessed the available positive and negative evidence to estimate if sufficient taxable income will be generated to use the existing net deferred tax assets. Based on a weighting of the objectively verifiable negative evidence in the form of cumulative operating losses over the three-year period ended June 30, 2018, management believes that it is not more likely than not that the deferred tax assets will be realized and, accordingly, a full valuation allowance has been established. The valuation allowance increased $765,000, $7.5 million and $6.8 million during the fiscal years ended June 30, 2018, 2017 and 2016, respectively, with such increases attributed to the re-measurement of the net deferred tax assets at the year-end dates. The valuation allowance decreased by $5.4 million from current year activity, including the impact of the 2017 Tax Act, offset by an increase of $6.2 million related to the Icon acquisition.

The Company has tax net operating loss and tax credit carry forwards in its individual tax jurisdictions. Including approximately $49.3 million related to the Icon acquisition, at June 30, 2018 the Company had U.S. federal net operating loss carry forwards of approximately $165.1 million, which expire at various dates between calendar years 2023 and 2038. The utilization of certain of these loss and tax credit carry forwards may be limited by Sections 382 and 383 of the Internal Revenue Code as a result of historical or future changes in the Company's ownership. At June 30, 2018, the Company had state net operating loss carry forwards of approximately $123.5 million, which expire between 2033 and 2038, as well as U.S. federal and state research and development tax credit carry forwards of approximately $2.9 million, which expire at various dates between calendar years 2018 and 2038. In addition, at June 30, 2018 the Company had net operating loss carry forwards in the U.K. of £21.1 million (approximately $27.9 million), which are not subject to any expiration dates.

The Company's U.S. federal income tax returns for calendar years 2003 through 2017 remain subject to examination by the Internal Revenue Service. The Company's U.K. tax returns for fiscal years 2006 through 2017 remain subject to examination.

Through June 30, 2018, the Company had no unrecognized tax benefits in its consolidated statements of comprehensive loss and no unrecognized tax benefits in its consolidated balance sheets as of June 30, 2018 or 2017.

As of June 30, 2018 and 2017, the Company had no accrued penalties or interest related to uncertain tax positions.

15. Commitments and Contingencies

Operating Leases

On May 17, 2018, the Company entered into a Second Amendment (the "Second Amendment") to its Lease, dated November 1, 2013, as amended (the "Lease"), with Whetstone Riverworks Holdings, LLC (as successor-in-interest to Farley White Aetna Mills, LLC) (the "Landlord"). The Lease was initially for approximately 13,650 square feet of rentable area (the "Existing Space") of the building located at 480 Pleasant Street, Watertown, MA 02472 (the "Premises") and was set to expire in April 2019. Under the Second Amendment, the Company will lease an additional 6,590 square feet of rentable area (the "Additional Space", and together with the Existing Space, the "Total Space") on the Premises, commencing on September 10, 2018 (the "Additional Space Effective Time"). The Landlord has agreed to provide the Company a construction allowance of up to $670,750 to be applied toward the aggregate work to be conducted on the Total Space. The Second Amendment also extended the term of the Lease, which will now expire 80 calendar months after the Additional Space Effective Time; provided, however, that the base rent for the Total Space will be abated during the first four months following the Additional Space Effective Time. The Company also has an option to extend the term of the Lease for one additional five-year period. The Company will also be required to pay its proportionate share of certain operating costs and property taxes applicable to the leased premises.

Commencing July 1, 2017, the Company leases approximately 3,000 square feet of office space in Liberty Corner, New Jersey under a lease term extending through June 2022, with two five-year renewal options at 95% of the then-prevailing market rates. In addition to base rent, the Company is obligated to pay its proportionate share of building operating expenses and real estate taxes in excess of base year amounts. In June 2018, the Company subleased an additional 1,381 square feet of adjoining space from Caladrius Biosciences, Inc. ("Caladrius") through May 2022. The Chief Executive Officer of Caladrius is a director of the Company.

At June 30, 2018, the Company's total future minimum lease payments under non-cancellable operating leases were as follows (in thousands):

Fiscal Year:	
2019	$ 548
2020	870
2021	886
2022	892
2023 and beyond	2,324
	$5,520

Rent expense related to the Company's real estate and other operating leases charged to operations was approximately $508,000 for fiscal 2018, $442,000 for fiscal 2017 and $485,000 for fiscal 2016.

Legal Proceedings

The Company is subject to various other routine legal proceedings and claims incidental to its business, which management believes will not have a material effect on the Company's financial position, results of operations or cash flows.

16. Segment and Geographic Area Information

Business Segment

The Company operates in only one business segment, being the biotechnology sector. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. The chief operating decision maker made such decisions and assessed performance at the company level, as one segment.

Geographic Area Information

The following table summarizes the Company's revenues and long-lived assets, net by geographic area (in thousands):

	Revenues			Long-lived assets, net	
	2018	2017	2016	2018	2017
U.S.	$2,861	$7,439	$1,520	$ 253	$ 313
U.K.	100	100	100	—	—
Consolidated	$2,961	$7,539	$1,620	$ 253	$ 313

17. Quarterly Financial Data (unaudited)

The following table summarizes the quarterly results of operations for the years ended June 30, 2018 and 2017 (in thousands except per share amounts):

	Fiscal Year 2018				
	First Quarter Ended September 30, 2017	Second Quarter Ended December 31, 2017	Third Quarter Ended March 31, 2018 (1)	Fourth Quarter Ended June 30, 2018 (1)	Year Ended June 30, 2018
Total revenues	$ 385	$ 933	$ 928	$ 715	$ 2,961
Operating loss	(6,006)	(5,808)	(4,678)	(9,782)	(26,274)
Net loss	(5,983)	(5,782)	(6,978)	(34,428)	(53,171)
Net loss per share—basic and diluted	$ (0.15)	$ (0.13)	$ (0.15)	$ (0.62)	$ (1.15)
Weighted average common shares—basic and diluted	39,430	44,530	45,644	55,387	46,226

	Fiscal Year 2017				
	First Quarter Ended September 30, 2016	Second Quarter Ended December 31, 2016 (2)	Third Quarter Ended March 31, 2017	Fourth Quarter Ended June 30, 2017	Year Ended June 30, 2017
Total revenues	$ 277	$ 5,971	$ 590	$ 701	$ 7,539
Operating loss	(7,186)	(94)	(5,160)	(6,136)	(18,576)
Net loss	(7,162)	(67)	(5,140)	(6,116)	(18,485)
Net loss per share—basic and diluted	$ (0.21)	$ —	$ (0.15)	$ (0.16)	$ (0.52)
Weighted average common shares—basic and diluted	34,175	34,177	34,366	38,673	35,344

(1) Results for the third and fourth quarters of fiscal 2018 included $2.3 million and $24.0 million, respectively, of change in fair value of derivative liability in connection with the Second Tranche Transaction (see Notes 10 and 12). The fourth quarter of fiscal 2018 includes an out-of-period expense of $1.2 million reflecting the increase in the fair value of the Company's derivative liability which occurred, but was not recorded, in the third quarter of fiscal 2018.

(2) Results for the second quarter of fiscal 2017 included $5.6 million of revenue recognized as a result of the December 2016 termination of the Company's Restated Pfizer Agreement (see Note 4).

Exhibit 3.5

BY-LAWS

OF

EYEPOINT PHARMACEUTICALS, INC.

Section 1. LAW, CERTIFICATE OF INCORPORATION AND BY-LAWS

1.1. These by-laws are subject to the certificate of incorporation of the corporation. In these by-laws, references to law, the certificate of incorporation and by-laws mean the law, the provisions of the certificate of incorporation and the by-laws as from time to time in effect.

Section 2. STOCKHOLDERS

2.1. Annual Meetings. The annual meeting of stockholders shall be held at such location within or without the state of Delaware as may be determined from time to time by the board of directors on the second Thursday in November in each year, unless that day be a legal holiday at the place where the meeting is to be held, in which case the meeting shall be held at the same hour on the next succeeding day not a legal holiday, or at such other date and time as may be determined from time to time by the board of directors and stated in the notice of the meeting. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting as (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) otherwise properly brought before the meeting by a stockholder by the stockholder giving timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be received at the principal executive offices of the corporation: (1) not less than 60 days in advance of such meeting if such meeting is to be held on a day which is within 30 days preceding the anniversary of the previous year's annual meeting or 90 days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (2) with respect to any other annual meeting of stockholders, on or before the close of business on the 15th day following the earliest date of public disclosure of the date of such meeting. For purposes of this section, the date of public disclosure of a meeting shall include, but not be limited to, the date on which disclosure of the date of the meeting is made in a press release reported by the Dow Jones News Services, Associated Press or a comparable national news service, or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) (or the rules and regulations thereunder) of the Securities Exchange Act of 1934, as amended. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name, age and

business and residential address, as they appear on the corporation's records, of the stockholder proposing such business, (c) the class and number of shares of the corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Notwithstanding anything in the by-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth herein. The chairperson of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions hereof and if the chairperson should so determine, the chairperson shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

2.2. Nominations. Subject to the rights of any class or series of stock having a preference over the common stock as to dividends or upon liquidation to elect directors under specified circumstances, nominations for the election of directors may be made by the board of directors or a committee appointed by the board of directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as director at a meeting only if timely written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation. To be timely, a stockholder's notice must be received at the principal executive offices of the corporation: (1) not less than 60 days in advance of such meeting if such meeting is to be held on a day which is within 30 days preceding the anniversary of the previous year's annual meeting or 90 days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (2) with respect to any other annual meeting of stockholders, on or before the close of business on the 15th day following the earliest date of public disclosure of the date of such meeting. For purposes of this section, the date of public disclosure of a meeting shall include, but not be limited to, the date on which disclosure of the date of the meeting is made in a press release reported by the Dow Jones News Services, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) (or the rules and regulations thereunder) of the Securities Exchange Act of 1934, as amended. Each such notice shall set forth: (a) the name, age and business and residential address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (c) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the board of directors; and (e) the written consent of each nominee to serve as a director of the corporation if so elected. The chairperson of the meeting shall refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures.

2.3. Special Meetings. A special meeting of the stockholders may be called at any time by the chairperson of the board, if any, the president, if any, or the board of directors. A special meeting of the stockholders shall be called by the secretary, or in the case of the death, absence, incapacity or refusal of the secretary, by an assistant secretary or some other officer, upon application of a majority of the directors. Any such application shall state the purpose or purposes of the proposed meeting. Any such call shall state the place, date, hour, and purposes of the meeting.

2.4. Place of Meeting. All meetings of the stockholders for the election of directors or for any other purpose shall be held at such place within or without the State of Delaware as may be determined from time to time by the chairperson of the board, if any, the president, if any, or the board of directors. Any adjourned session of any meeting of the stockholders shall be held at the place designated in the vote of adjournment.

2.5. Notice of Meetings. Except as otherwise provided by law, a written notice of each meeting of stockholders stating the place, if any, date and hour thereof, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purposes for which the meeting is called, shall be given not less then ten nor more than sixty days before the meeting, to each stockholder entitled to vote thereat, and to each stockholder who, by law, by the certificate of incorporation or by these by-laws, is entitled to notice. If mailed, notice to stockholders shall be deemed given when deposited in the United States mail, postage prepaid, and addressed to such stockholder at such stockholder's address as it appears in the records of the corporation. Such notice to stockholders may be given by electronic transmission in the manner provided by Delaware law. Such notice shall be given by the secretary, or by an officer or person designated by the board of directors, or in the case of a special meeting, by the officer calling the meeting. As to any adjourned session of any meeting of stockholders, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment was taken, except that if the adjournment is for more than thirty days or if after the adjournment a new record date is set for the adjourned session, notice of any such adjourned session of the meeting shall be given in the manner heretofore described. A written waiver of any notice, signed by a stockholder, or a waiver by electronic transmission by a stockholder, whether given before or after the time of the meeting, shall be deemed equivalent to the notice required to be given to such person. Attendance at any meeting shall constitute waiver of notice, except attendance for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the stockholders or any adjourned session thereof need be specified in any written waiver of notice.

2.6. Quorum of Stockholders. At any meeting of the stockholders, a quorum as to any matter shall consist of one-third of the votes entitled to be cast on the matter, except where a larger quorum is required by law, by the certificate of incorporation or by these by-laws. Any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, whether or not a quorum is present. If a quorum is present at an original meeting, a

quorum need not be present at an adjourned session of that meeting. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

2.7. Action by Vote. When a quorum is present at any meeting, a plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than an election to an office shall decide the question, except when a larger vote is required by law, by the certificate of incorporation or by these by-laws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

2.8. Proxy Representation. Every stockholder may authorize another person or persons to act for such stockholder by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, objecting to or voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by such stockholder's attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. The authorization of a proxy may but need not be limited to specified action, provided, however, that if a proxy limits its authorization to a meeting or meetings of stockholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof.

2.9. Inspectors. The directors or the person presiding at the meeting may, and shall if required by applicable law, appoint one or more inspectors of election and any substitute inspectors to act at the meeting or any adjournment thereof. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of such inspector's ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them.

2.10. List of Stockholders. The secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in such stockholder's name. The stock ledger shall be the only evidence as to who are stockholders entitled to examine such list or to vote in person or by proxy at such meeting.

Section 3. BOARD OF DIRECTORS

3.1. Number. The corporation shall have one or more directors, the number of directors to be determined from time to time by vote of a majority of the directors then in office. Except in connection with the election of directors at the annual meeting of stockholders, the number of directors may be decreased only to eliminate vacancies by reason of death, resignation or removal of one or more directors. No director need be a stockholder.

3.2. Tenure. Except as otherwise provided by law, by the certificate of incorporation or by these by-laws, each director shall hold office until the next annual meeting and until such director's successor is elected and qualified, or until he sooner dies, resigns, is removed or becomes disqualified.

3.3. Powers. The business and affairs of the corporation shall be managed by or under the direction of the board of directors who shall have and may exercise all the powers of the corporation and do all such lawful acts and things as are not by law, the certificate of incorporation or these by-laws directed or required to be exercised or done by the stockholders.

3.4. Vacancies. Vacancies and any newly created directorships resulting from any increase in the number of directors may be filled by vote of the holders of the particular class or series of stock entitled to elect such director at a meeting called for the purpose, or by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, in each case elected by the particular class or series of stock entitled to elect such directors. When one or more directors shall resign from the board, effective at a future date, a majority of the directors then in office, including those who have resigned, who were elected by the particular class or series of stock entitled to elect such resigning director or directors shall have power to fill such vacancy or vacancies, the vote or action by writing thereon to take effect when such resignation or resignations shall become effective. The directors shall have and may exercise all their powers notwithstanding the existence of one or more vacancies in their number, subject to any requirements of law or of the certificate of incorporation or of these by-laws as to the number of directors required for a quorum or for any vote or other actions.

3.5. Committees. The board of directors may, by vote of a majority of the whole board, (a) designate, change the membership of or terminate the existence of any committee or committees, each committee to consist of one or more of the directors; (b) designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member at any meeting of the committee; and (c) determine the extent to which each

such committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, including the power to authorize the seal of the corporation to be affixed to all papers which require it and the power and authority to declare dividends or to authorize the issuance of stock; excepting, however, such powers which by law, by the certificate of incorporation or by these by-laws they are prohibited from so delegating. In the absence or disqualification of any member of such committee and such member's alternate, if any, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Except as the board of directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the board or such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these by-laws for the conduct of business by the board of directors.

3.6. Regular Meetings. Regular meetings of the board of directors may be held without call or notice at such places within or without the State of Delaware and at such times as the board may from time to time determine, provided that notice of the first regular meeting following any such determination shall be given to absent directors. A regular meeting of the directors may be held without call or notice immediately after and at the same place as the annual meeting of stockholders.

3.7. Special Meetings. Special meetings of the board of directors may be held at any time and at any place within or without the State of Delaware designated in the notice of the meeting, when called by the chairperson of the board, if any, the president, if any, or by one-third or more in number of the directors, notice thereof being given to each director by the secretary or by the chairperson of the board, if any, the president, if any, or any one of the directors calling the meeting.

3.8. Notice. It shall be reasonable and sufficient notice to a director to send notice by mail at least forty-eight hours or by delivery service at least twenty-four hours before the meeting addressed to such director at such director's usual or last known business or residence address or to give notice to such director in person or by telephone, facsimile telecommunication or electronic mail at least twenty-four hours before the meeting. A written waiver of any notice, signed by a director, or a waiver by electronic transmission by a director, whether given before or after the time of the meeting, shall be deemed equivalent to the notice required to be given to such person. Attendance at any meeting shall constitute waiver of notice. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

3.9. Quorum. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, at any meeting of the directors a majority of the directors then in office shall constitute a quorum; a quorum shall not in any case be less than one-third of the total number of directors constituting the whole board. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

3.10. Action by Vote. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, when a quorum is present at any meeting, the vote of a majority of the directors present shall be the act of the board of directors.

3.11. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the board of directors or a committee thereof may be taken without a meeting if all the members of the board or of such committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the records of the meetings of the board or of such committee. Such consent shall be treated for all purposes as the act of the board or of such committee, as the case may be.

3.12. Participation in Meetings by Conference Telephone. Members of the board of directors, or any committee designated by such board, may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other or by any other means permitted by law. Such participation shall constitute presence in person at such meeting.

3.13. Compensation. In the discretion of the board of directors, each director may be paid such fees for such director's services as director and be reimbursed for such director's reasonable expenses incurred in the performance of such director's duties as director as the board of directors from time to time may determine. Nothing contained in this section shall be construed to preclude any director from serving the corporation in any other capacity and receiving reasonable compensation therefor.

3.14. Interested Directors and Officers.

(a) No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of the corporation's directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because the votes of such director or officer are counted for such purpose, if:

(1) The material facts as to such director's or such officer's relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to such director's or such officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors, a committee thereof, or the stockholders.

(b) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

Section 4. OFFICERS AND AGENTS

4.1. Enumeration; Qualification. The corporation shall have such officers as the board of directors from time to time may in its discretion elect or appoint. The corporation may also have such agents, if any, as the board of directors from time to time may in its discretion choose. Any officer may be but none need be a director or stockholder. Any two or more offices may be held by the same person. Any officer may be required by the board of directors to secure the faithful performance of such officer's duties to the corporation by giving bond in such amount and with sureties or otherwise as the board of directors may determine.

4.2. Powers. Subject to law, to the certificate of incorporation and to the other provisions of these by-laws, each officer shall have, in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to such officer's office and such additional duties and powers as the board of directors may from time to time designate.

4.3. Election. The officers may be elected by the board of directors at their first meeting following the annual meeting of the stockholders or at any other time. At any time or from time to time the directors may delegate to any officer their power to elect or appoint any other officer or any agents.

4.4. Tenure. Each officer shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders and until such officer's respective successor is chosen and qualified, unless a shorter period shall have been specified by the terms of such officer's election or appointment, or in each case until he sooner dies, resigns, is removed or becomes disqualified. Each agent shall retain such agent's authority at the pleasure of the directors, or the officer by whom such agent was appointed or by the officer who then holds agent appointive power.

Section 5. RESIGNATIONS AND REMOVALS

5.1. Any director or officer may resign at any time by delivering his or her resignation in writing to the chairperson of the board, if any, the president, if any, or the secretary or to a meeting of the board of directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time, and without in either case the necessity of its being accepted unless the resignation shall so state. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, a director (including persons elected by stockholders or directors to fill vacancies in the board) may be removed from office with or

without cause by the vote of the holders of a majority of the issued and outstanding shares of the particular class or series entitled to vote in the election of such directors. The board of directors may at any time remove any officer either with or without cause. The board of directors may at any time terminate or modify the authority of any agent.

Section 6. VACANCIES

6.1. If the office of any officer becomes vacant, any person or body empowered to elect or appoint that officer may choose a successor. Each such successor shall hold office for the unexpired term, and until his or her successor is chosen and qualified or in each case until he or she sooner dies, resigns, is removed or becomes disqualified. Any vacancy of a directorship shall be filled as specified in Section 3.4 of these by-laws.

Section 7. CAPITAL STOCK

7.1. Stock Certificates and Uncertificated Shares. Shares shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered. Every holder of stock represented by certificates shall be entitled to have a certificate, in such form, as shall, in conformity to law, the certificate of incorporation and the by-laws, be prescribed from time to time by the board of directors and signed by, or in the name of the corporation by the chairperson or vice-chairperson of the board of directors, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

7.2. Loss of Certificates. In the case of the alleged theft, loss, destruction or mutilation of a certificate of stock, a duplicate certificate or uncertificated shares may be issued in place thereof, upon such terms, including receipt of a bond sufficient to indemnify the corporation against any claim on account thereof, as the board of directors may prescribe.

Section 8. TRANSFER OF SHARES OF STOCK

8.1. Transfer on Books. Subject to the restrictions, if any, stated or noted on a stock certificate or, in the case of uncertificated shares, contained in the notice or notices sent pursuant to Delaware law, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with necessary transfer stamps affixed, and with such proof of the authenticity of signature as the board of

directors or the transfer agent of the corporation may reasonably require, or in such manner as shall be determined by the board of directors from time to time with respect to uncertificated shares. Except as may be otherwise required by law, by the certificate of incorporation or by these by-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to receive notice and to vote or to give any consent with respect thereto and to be held liable for such calls and assessments, if any, as may lawfully be made thereon, regardless of any transfer, pledge or other disposition of such stock until the shares have been properly transferred on the books of the corporation.

It shall be the duty of each stockholder to notify the corporation of such stockholder's post office address.

8.2. Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no such record date is fixed by the board of directors, the record date for determining the stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such payment, exercise or other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 9. CORPORATE SEAL

9.1. Subject to alteration by the directors, the seal of the corporation shall consist of a flat-faced circular die with the word "Delaware" and the name of the corporation cut or engraved thereon, together with such other words, dates or images as may be approved from time to time by the directors.

Section 10. EXECUTION OF PAPERS

10.1. Except as the board of directors may generally or in particular cases authorize the execution thereof in some other manner, all deeds, leases, transfers, contracts, bonds, notes, checks, drafts or other obligations made, accepted or endorsed by the corporation shall be signed by such officers as are designated by the board of directors.

Section 11. FISCAL YEAR

11.1. The fiscal year of the corporation shall end on June 30.

Section 12. AMENDMENTS

12.1. These by-laws may be adopted, amended or repealed by vote of a majority of the directors then in office or by vote of a majority of the voting power of the stock outstanding and entitled to vote. Any by-law, whether adopted, amended or repealed by the stockholders or directors, may be amended or reinstated by the stockholders or the directors.

Exhibit 10.12

May 11, 2018

Leonard Blum
6210 76th Drive SE
Snohomish WA 98290

Dear Leonard:

This letter (the "Agreement") sets forth the terms and conditions under which EyePoint Pharmaceuticals, Inc. ("EyePoint" or the "Company") agrees to employ you and you agree to be employed by the Company.

1. Position and Duties.

(a) You will commence employment on May 21, 2018 or such other date as the Company and you may agree, (the "Start Date") on a full-time basis, as Executive Vice President and General Manager, US, reporting to the Chief Executive Officer of the Company. This is an exempt position. During your employment, you may be asked from time to time to serve as a director or officer of one or more of the Company's subsidiaries, in each case, without further compensation. If your employment with the Company terminates for any reason, then concurrently with such termination, you will be deemed to have resigned from any director, officer, trustee, or other positions you may hold with the Company, the Company's subsidiaries, or any of their respective related committees, trusts, or other similar entities, in each case unless otherwise agreed in writing by the Company and you.

(b) You agree to perform the duties of your position and such other duties as may reasonably be assigned to you consistent therewith from time to time. You also agree that, while employed by the Company, you will devote your full business time and your best efforts, business judgment, skill and knowledge exclusively to the advancement of the business interests of the Company and its subsidiaries and to the discharge of your duties and responsibilities for them. Notwithstanding this provision, you will be permitted to serve on one (1) corporate board of directors, subject to advance written approval of the Company's Chief Executive Officer.

(c) You agree that, while employed by the Company, you will comply with all Company policies, practices and procedures and all codes of ethics or business conduct applicable to your position, as in effect from time to time.

2. Compensation and Benefits. During your employment, as compensation for all services performed by you for the Company and its subsidiaries and subject to your full performance of your obligations hereunder, the Company will provide you the following pay and benefits:

(a) Base Salary. The Company will pay you a base salary at the rate of $400,000 per year, payable in accordance with the regular payroll practices of the Company (as may be adjusted, from time to time, the "Base Salary").

(b) Bonus Compensation. For each fiscal year completed during your employment under this Agreement, you will be eligible for an annual cash bonus. Your target bonus will be 40.0% of the Base Salary (the "Target Bonus"), with the actual amount of any such bonus being determined by the Board of Directors of the Company (the "Board") in its discretion, based on your performance and that of the Company against goals established by the Board and consistent with any applicable plan or program documents and generally applicable Company policies. Except as otherwise expressly provided in Section 5 hereof, you must be employed through the date a bonus is paid in order to earn the bonus. If your employment terminates, for any reason, prior to payout of the bonus, the bonus is not earned.

(c) Participation in Employee Benefit Plans. You will be entitled to participate in all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided you under this Agreement (e.g., a severance pay plan). Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies, as the same may be in effect from time to time, and any other restrictions or limitations imposed by law.

(d) Vacations. You will be entitled to four (4) weeks of vacation per year, in addition to holidays observed by the Company. Vacation will accrue monthly on a pro-rated basis. Vacation may be taken at such times and intervals as you shall determine, subject to the business needs of the Company. Vacation shall otherwise be subject to the policies of the Company, as in effect from time to time.

(e) Business Expenses. The Company will pay or reimburse you for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company, subject to any maximum annual limit and other restrictions on such expenses set by the Company and to such reasonable substantiation and documentation as may be specified from time to time. The Company will pay for all transportation and overnight accommodations related to business travel between your home in Minnesota and the Basking Ridge, NJ and Watertown, MA office locations. The Company will also reimburse you for one-time costs related to the shipment of one vehicle from the state of Washington to New Jersey. Your right to payment or reimbursement for business expenses hereunder shall be subject to the following additional rules: (i) the amount of expenses eligible for payment or reimbursement

during any calendar year shall not affect the expenses eligible for payment or reimbursement in any other calendar year, (ii) payment or reimbursement shall be made not later than December 31 of the calendar year following the calendar year in which the expense or payment was incurred, and (iii) the right to payment or reimbursement is not subject to liquidation or exchange for any other benefit.

3. Confidential Information and Restricted Activities.

(a) Confidential Information. During the course of your employment with the Company, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company and its subsidiaries. You agree that you will not use or disclose to any Person (except as required by applicable law or for the proper performance of your regular duties and responsibilities for the Company) any Confidential Information obtained by you incident to your employment or any other association with the Company or any of its subsidiaries. You agree that this restriction shall continue to apply after your employment terminates, regardless of the reason for such termination. Nothing in this Agreement limits, restricts or in any other way affects your communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to the governmental agency or entity or as otherwise required by law. This provision does prohibit your disclosing a trade secret (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed under seal in a lawsuit or other proceeding. However, you may be held liable if you unlawfully access trade secrets by unauthorized means.

(b) Protection of Documents. All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its subsidiaries, and any copies, in whole or in part, thereof, other than your rolodex (or electronic equivalent), which we agree is your property, (the "Documents"), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to safeguard all Documents and to surrender to the Company, at the time your employment terminates or at such earlier time or unless as the Board or its designee may specify, all Documents then in your possession or control. You also agree to disclose to the Company, at the time your employment terminates or at such earlier time or times as the Board or its designee may specify, all passwords necessary or desirable to obtain access to, or that would assist in obtaining access to, any information which you have password-protected on any computer equipment, network or system of the Company or any of its subsidiaries.

(c) Assignment of Rights to Intellectual Property. You shall promptly and fully disclose all Intellectual Property to the Company. You hereby assign and agree to assign to the Company (or as otherwise directed by the Company) your full right, title and interest in and to all Intellectual Property. You agree to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company (or as otherwise directed by the Company) and to permit the Company to enforce any patents, copyrights or other

proprietary rights to the Intellectual Property. You will not charge the Company for time spent in complying with these obligations. All copyrightable works that you create during your employment shall be considered "work made for hire" and shall, upon creation, be owned exclusively by the Company.

(d) Restricted Activities. You agree that the following restrictions on your activities during and after your employment are necessary to protect the good will, Confidential Information, trade secrets and other legitimate interests of the Company and its subsidiaries:

(i) While you are employed by the Company and during the twelve (12)-month period immediately following termination of your employment, regardless of the reason therefor (the "Restricted Period"), you shall not, directly or indirectly, whether as owner, partner, investor, consultant, agent, employee, co-venturer or otherwise, compete with the Company or any of its subsidiaries in any geographic area in which the Company does business or is actively planning to do business during your employment or, at the time your employment terminates (the "Restricted Area") or undertake any planning for any business competitive with the Company or any of its subsidiaries in the Restricted Area. Specifically, but without limiting the foregoing, you agree not to work or provide services, in any capacity, anywhere in the Restricted Area, whether as an employee, independent contractor or otherwise, whether with or without compensation, to any Person that is engaged in any business that engaged in a competitive business, including but not limited to, drug delivery ophthalmology for delivery in the anterior or posterior segment, or, with respect to the portion of the Restricted Period that follows the termination of your employment, at the time your employment terminates. Notwithstanding the foregoing, in the event of any termination of your employment pursuant to Section 4(b) or Section 4(c) below that occurs prior to the first anniversary of the Start Date, the Restricted Period shall mean the period that commences on the Start Date and ends on the date that is six (6) months following the date that your employment terminates.

(ii) During the Restricted Period, you will not directly or indirectly (a) solicit or encourage any customer, vendor, supplier or other business partner of the Company or any of its subsidiaries to terminate or diminish its relationship with them; or (b) seek to persuade any such customer, vendor, supplier or other business partner or prospective customer, vendor, supplier or other business partner of the Company or any of its subsidiaries to conduct with anyone else any business or activity which such customer, vendor, supplier or other business partner or prospective customer, vendor, supplier or other business partner conducts or could conduct with the Company or any of its subsidiaries; provided, however, that these restrictions shall apply (a) only with respect to those Persons who are or have been a business partner of the Company or any of its subsidiaries at any time within the immediately preceding two (2)-year period or whose business has been solicited on behalf of the Company or any of the subsidiaries by any of their officers, employees or agents within such two (2) year period, other than by form letter, blanket mailing or published advertisement, and (b) only if you have performed work for such Person during your employment with the Company or one of its subsidiaries or been introduced to, or otherwise had contact with, such Person as a result of your employment or other associations with the Company or one of its subsidiaries or have had access to Confidential Information which would assist in your solicitation of such Person.

(iii) During the Restricted Period, you will not, and will not assist any other Person to, (a) hire or engage, or solicit for hiring or engagement, any employee of the Company or any of its subsidiaries or seek to persuade any employee of the Company or any of its subsidiaries to discontinue employment or (b) solicit or encourage any independent contractor providing services to the Company or any of its subsidiaries to terminate or diminish his, her or its relationship with them. For the purposes of this Agreement, an "employee" or an "independent contractor" of the Company or any of its subsidiaries is any person who was such at any time within the preceding eighteen (18) months.

(e) In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under this Section 3. You agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its subsidiaries, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. You further agree that, were you to breach any of the covenants contained in this Section 3, the damage to the Company and its subsidiaries would be irreparable. You therefore agree that the Company, in addition and not in the alternative to any other remedies available to it, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond, together with an award of its reasonable attorney's fees incurred in enforcing its rights hereunder. So that the Company may enjoy the full benefit of the covenants contained in this Section 3, you further agree that the Restricted Period shall be tolled, and shall not run, during the period of any breach by you of any of the covenants contained in this Section 3. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. It is also agreed that each of the Company's subsidiaries, assigns and successors shall have the right to enforce all of your obligations under this Agreement, including without limitation pursuant to this Section 3. Finally, no claimed breach of this Agreement or other violation of law attributed to the Company, or change in the nature or scope of your employment or other relationship with the Company or any of its subsidiaries, shall operate to excuse you from the performance of your obligations under this Section 3.

(f) You understand and acknowledge that the terms of Section 3 and its enforceability shall continue to apply and be valid notwithstanding any change in your duties, responsibilities, position or title.

4. Termination of Employment. Your employment under this Agreement shall continue until terminated pursuant to this Section 4.

(a) By the Company for Cause. The Company may terminate your employment for Cause upon notice to you setting forth in reasonable detail the nature of the Cause. The following, as determined by the Board in its reasonable, good faith judgment, shall constitute "Cause" for termination: (i) your substantial failure to perform (other than by reason of disability), or willful misconduct or gross negligence in the performance of, your

duties and responsibilities to the Company or any of its subsidiaries; (ii) your material breach of this Agreement or any other agreement between you and the Company or any of its subsidiaries; (iii) your commission of, or plea of nolo contendere to, a felony or other crime involving moral turpitude; (iv) commission of fraudulent or illegal act in commission of your duties or otherwise with respect to the Company; (v) failure to adhere to moral and ethical business principles consistent with the Company's Code of Business Conduct and/or policies in effect from time to time; or (vi) other conduct by you that is or could reasonably be expected to be harmful to the interests or reputation of the Company or any of its subsidiaries, in each such case, you shall have a one-time 30-day period to cure such Cause.

(b) By the Company Without Cause. The Company may terminate your employment at any time other than for Cause upon two weeks' notice to you.

(c) By You for Good Cause. You may terminate your employment for Good Cause by (A) providing notice to the Company specifying in reasonable detail the condition giving rise to the Good Cause no later than the thirtieth (30th) day following your first becoming aware of such event or condition; (B) providing the Company a period of (30) days to remedy the event or condition; and (C) terminating your employment for Good Cause within fifteen (15) days following the expiration of the period to remedy if the Company fails to remedy the condition. The following, if occurring without your consent, shall constitute "Good Cause" for termination by you: (i) a material diminution in the nature or scope of your position, duties, or authority (other than temporarily while you are physically or mentally incapacitated to such a degree that you would be eligible for disability benefits under the Company's disability income plan or as required by applicable law); (ii) a material reduction in the Base Salary or the Target Bonus opportunity; (iii) a material breach by the Company of this Agreement; (iv) a requirement by the Company that you relocate to a location more than thirty (30) miles from Basking Ridge, New Jersey.

(d) By You Without Good Cause. You may terminate your employment at any time without Good Cause upon thirty (30) days' notice to the Company. The Board may elect to waive such notice period or any portion thereof; but in that event, the Company shall pay you the Base Salary for that portion of the notice period so waived.

(e) Death and Disability. Your employment hereunder shall automatically terminate in the event of your death during employment. In the event you become disabled during employment and, as a result, are unable to continue to perform substantially all of your duties and responsibilities under this Agreement, either with or without reasonable accommodation, the Company will continue to pay you the Base Salary and to provide you benefits in accordance with Section 2(c) above, to the extent permitted by plan terms, for up to twelve (12) weeks of disability during any period of three hundred sixty-five (365) consecutive calendar days.

5. Other Matters Related to Termination.

(a) Final Compensation. In the event of termination of your employment with the Company, howsoever occurring, the Company shall pay you (i) the Base Salary for the final payroll period of your employment, pro-rated through the date that your employment terminates; (ii) compensation at the rate of the Base Salary for any accrued, unused vacation time; and (iii) reimbursement, in accordance with Section 2(e) hereof, for business expenses incurred by you but not yet paid to you as of the date your employment terminates; provided you submit all expenses and supporting documentation required within sixty (60) days of the date your employment terminates, and provided further that such expenses are reimbursable under Company policies as then in effect (all of the foregoing, "Final Compensation"). Except as otherwise provided in Section 5(a)(iii), Final Compensation will be paid to you within thirty (30) days following the date of termination (or such shorter period required by law).

(b) Severance Payments. In the event of any termination of your employment pursuant to Section 4(b) or Section 4(c) above, the Company will pay you, in addition to Final Compensation, (i) the Base Salary for the period of twelve (12) months from the date of termination, provided, however, that if such termination occurs within twelve (12) months following the Start Date (a "Year One Termination"), the Company will instead pay you, in addition to Final Compensation, the Base Salary for the period of six (6) months from the date of termination; (ii) one times the Target Bonus, or 0.5 times the Target Bonus in the event of a Year One Termination, in either case, payable in equal installments during the period of Base Salary continuation under clause (i). Provided you timely elect continuation coverage for yourself and your eligible dependents under the federal law known as "COBRA" or similar state law, the Company will pay the monthly amount that equals the portion of the monthly health premiums paid by the Company on your behalf and that of your eligible dependents immediately preceding the date that your employment terminates until the earlier of (A) the last day of the period of Base Salary continuation under clause (i) and (B) the date that you and your eligible dependents become ineligible for COBRA coverage to the extent permissible by law or plan terms. The severance payments described in clauses (i) through (iii) above are referred to as the "Severance Payments". Upon a Change of Control, any options to purchase Stock or shares of restricted Stock held by you that are not fully vested at the time of the Change of Control shall immediately accelerate and vest in full, provided that you are employed by the Company on the date of the Change in Control.

(c) Conditions to and Timing of Severance Payments. Any obligation of the Company to provide you the Severance Payments and the Equity Acceleration is conditioned, however, on your cooperation in the transition of your duties and your execution and return to the Company of a Severance Agreement and General Release acceptable to the Company which shall include a release of all claims against the Company, all affiliated and related entities, and/or persons deemed necessary by the Company. The Release may also include Confidentiality, Non-Disparagement, No-Reapply, Tax Indemnification, and/or other appropriate terms. Except as otherwise provided by this Agreement, any Severance Payments to which you are entitled will be provided in the form of salary continuation, payable in accordance with the normal payroll practices of the Company. Unless otherwise provided by this Agreement, the first payment will

be made on the Company's next regular payday following the effective date of the Separation Agreement; but that first payment shall include all amounts accrued retroactive to the day following the date your employment terminated.

(d) Benefits Termination. Except as provided in Section 5(b) above or under COBRA, your participation in all employee benefit plans shall terminate in accordance with the terms of the applicable benefit plans based on the date of termination of your employment, without regard to any continuation of the Base Salary or other payment to you following termination and you shall not be eligible to earn vacation or other paid time off following the termination of your employment.

(e) Assistance in Litigation. You agree to reasonably cooperate with the Company in the defense or prosecution of any claims or actions that relate to events or occurrences that transpired while are or were employed by the Company. Your cooperation includes, but is not limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company as requested at mutually convenient times. Your cooperation also includes fully cooperating with the Company in connection with any investigation or review by any federal, state, or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while you are or were employed by the Company.

(f) Survival. Provisions of this Agreement shall survive any termination of employment if so provided in this Agreement or if necessary or desirable to accomplish the purposes of other surviving provisions, including without limitation your obligations under Section 3. The obligation of the Company to make payments to you under Section 5(b), and your right to retain the same, are expressly conditioned upon your continued full performance of your obligations under Section 3 hereof. Upon termination by either you or the Company, all rights, duties and obligations of you and the Company to each other shall cease, except as otherwise expressly provided in this Agreement.

6. Timing of Payments and Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, if at the time your employment terminates, you are a "specified employee," as defined below, any and all amounts payable under this Agreement on account of such separation from service that would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon your death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section l.409A-1(b) (including without limitation by reason of a short-term deferral or the safe harbor set forth in Section l.409A-l (b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section l.409A- l(a)(5); or (C) other amounts or benefits that are not subject to the requirements of, or satisfy an exception from treatment as deferred compensation under, Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). For purposes of this Agreement, all references to

"termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section l.409A-l(h) of the Treasury regulations after giving effect to the presumptions contained therein), and the term "specified employee" means an individual determined by the Company to be a specified employee under Treasury regulation Section l.409A-l(i).

(b) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments.

(c) In no event shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A.

7. Definitions. For purposes of this Agreement, the following definitions apply:

"Change of Control" means

(a) The acquisition by any Person (defined for purposes of this definition as any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act"))) of beneficial ownership (within the meaning of *Rule* 13d-3 promulgated under the Exchange Act) of 35% or more of the common stock of the Company; provided, however, that for purposes of this subsection (A), an acquisition shall not constitute a Change of Control if it is: (i) either by or directly from the Company, or by an entity controlled by the Company, (ii) by any employee benefit plan, including any related trust, sponsored or maintained by the Company or an entity controlled by the Company ("Benefit Plan"), or (iii) by an entity pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection (b) below; or Individuals who, as of the effective date of this Agreement, constitute the Board (together with the individuals identified in the proviso to this subsection (B), the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of this agreement whose election, or nomination for election by the Company's stockholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be treated as a member of the Incumbent Board unless he or she assumed office as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(b) Consummation of a reorganization, merger or consolidation involving the Company, or a sale or other disposition of all or substantially all of the assets of the Company (a "Transaction"), in each case unless, following such Transaction, (i) all or substantially all of the Persons who were the beneficial owners of the common stock of the Company outstanding immediately prior to such Transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the entity resulting from such Transaction (including, without limitation, an entity that as a result of such Transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Transaction, of the outstanding common stock of the Company, (ii) no Person (excluding any

entity or wholly-owned subsidiary of any entity resulting from such Transaction or any Benefit Plan of the Company or such entity or wholly-owned subsidiary of such entity resulting from such Transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the transaction and (iii) at least a majority of the members of the board of directors or similar board of the entity resulting from such Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Transaction; or

(c) Approval by the stockholders of the Company of a liquidation or dissolution of the Company.

"Confidential Information" means any and all information of the Company and its subsidiaries that is not generally available to the public. Confidential Information also includes any information received by the Company or any of its subsidiaries from any Person with any understanding, express or implied, that it will not be disclosed. Confidential Information does not include information that enters the public domain, other than through your breach of your obligations under this Agreement.

"Intellectual Property" means inventions, discoveries, developments, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by you (whether alone or with others, whether or not during normal business hours or on or off Company premises) during your employment and during the period of twelve (12) months immediately following termination of your employment that relate either to the business of the Company or any of its subsidiaries or to any prospective activity of the Company or any of its subsidiaries or that result from any work performed by you for the Company or any of its subsidiaries or that make use of Confidential Information or any of the equipment or facilities of the Company or any of its subsidiaries.

"Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its subsidiaries.

9. Conflicting Agreements. You hereby represent and warrant that your signing of this Agreement and the performance of your obligations under it will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you are not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of your obligations under this Agreement. You agree that you will not disclose to or use on behalf of the Company any confidential or proprietary information of a third party without that party's consent.

10. Withholding. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

11. Assignment. Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, the Company may assign its rights and obligations under this Agreement without your consent to one of its subsidiaries or to any Person with whom the Company shall hereafter effect a reorganization, consolidate or merge, or to whom the Company shall hereafter transfer all or substantially all of its properties or assets. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of our respective successors, executors, administrators, heirs and permitted assigns.

12. Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

13. Miscellaneous. This Agreement sets forth the entire agreement between you and the Company, and replaces all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to the terms and conditions of your employment, other than the Compensation provisions of the Offer Letter dated May 11, 2018 and the Noncompete Indemnification Letter dated May 11, 2018, to the extent not inconsistent with the terms of this Agreement, which are attached hereto as Exhibits A and B. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and an expressly authorized representative of the Board. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. This Agreement shall be governed and construed in accordance with the laws of the State of New Jersey, without regard to any conflict of laws principles that would result in the application of the laws of any other jurisdiction. You agree to submit to the exclusive jurisdiction of the courts in the State of New Jersey.

14. Notices. Any notices provided for in this Agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Chairman of the Board, or to such other address as either party may specify by notice to the other actually received.

15. Indemnification. During your employment or service as a member of the Board, and for all periods thereafter for which you may be subject to liability for your acts or omissions to act with respect to your duties to the Company as an officer or director, the Company shall indemnify you and provide advancement of expenses in accordance with the terms of the Company’s Certificate of Incorporation or other corporate governance documents, as may be amended from time to time.

If the terms of this Agreement are acceptable to you, please sign this letter in the space provided indicating your acceptance of and understanding of the terms of this Agreement and return it to me. At the time you sign and return this Agreement, it will become a binding Agreement between you and the Company.

Sincerely yours,

/s/ Nancy Lurker
Nancy Lurker
President & Chief Executive Officer

Accepted and Agreed:

/s/ Leonard M. Blum
Leonard Blum

Date: May 14, 2018

Nonstatutory Stock Option

Form of Executive Officer Inducement Award

1. Grant of Option.

This certificate evidences a nonstatutory stock option (this "Stock Option") granted by EyePoint Pharmaceuticals, Inc., a Delaware corporation (the "Company"), on [ ] (the "Date of Grant") to [ ] (the "Participant"). This Stock Option is granted to the Participant in connection with his entering into employment with the Company and is regarded by the parties as an inducement material to the Participant's entering into employment within the meaning of Nasdaq Listing Rule 5635(c). Under this Stock Option, the Participant may purchase, in whole or in part, on the terms herein provided, a total of [ ] shares of common stock of the Company (the "Shares") at $[ ] per Share, which is not less than the fair market value of a Share on the Date of Grant. The latest date on which this Stock Option, or any part thereof, may be exercised is 5:00 P.M. Eastern Time on [ ] (the "Final Exercise Date"). The Stock Option evidenced by this certificate is intended to be, and is hereby designated, a nonstatutory option, meaning an option that does *not* qualify as an incentive stock option as defined in section 422 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). This Stock Option shall be subject to and governed by, and shall be construed and administered in accordance with, the terms and conditions of the Company's 2016 Long-Term Incentive Plan (as from time to time in effect, the "Plan"), which terms and conditions are incorporated herein by reference. A copy of the Plan has been made available to the Participant. Notwithstanding the foregoing, this Stock Option is not awarded under the Plan and the grant of this Stock Option shall not reduce the number of shares of Stock available for issuance under awards issued pursuant to the Plan.

2. Vesting.

(a) During Employment. This Stock Option will vest and become exercisable with respect to [ ] of the Shares on each of the [ ] anniversaries of the Grant Date; provided that, and subject to Section 2(c) below, upon a cessation of the Participant's Employment by reason of an involuntary termination without Cause (as defined in the Employment Agreement between the Company and the Participant dated [ ] ("Employment Agreement") ("Cause")) or a voluntary termination for Good Cause (as defined in the Employment Agreement ("Good Cause")) any unvested portion of this Stock Option that would have vested as of the first anniversary of the cessation of the Participant's Employment had the Participant continued in Employment through such first anniversary will vest immediately prior to such cessation of Employment.

(b) Termination of Employment. Notwithstanding the foregoing, and subject to Section 2(c) below, the following rules will apply if a Participant's Employment ceases regardless of the circumstances: automatically and immediately upon the cessation of Employment, this Stock Option will cease to be exercisable and will terminate, except that:

(I) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the cessation of the Participant's Employment for any reason other than for Cause or as a result of Participant's death and as is then exercisable (after giving effect to any accelerated vesting owing to a cessation of Employment by reason of an involuntary termination without Cause or a voluntary termination for Good Cause pursuant to Section 2(a) above), will remain exercisable until (i) 5:00 P.M. Eastern Time on the last day of the three-month period commencing on the date of such cessation of Employment or (ii) the Final Exercise Date, if earlier, and will thereupon terminate;

(II) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the Participant's death and as is then exercisable, will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the Participant's death or (ii) the Final Exercise Date, if earlier, and will thereupon terminate; and

(III) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the cessation of the Participant's Employment for Cause will immediately terminate.

(c) Change of Control. Notwithstanding any other provision of this Section 2 to the contrary, if a Change of Control occurs, whether or not the Change of Control also constitutes a Covered Transaction, and within the 24 months thereafter there is a cessation of the Participant's Employment by reason of an involuntary termination without Cause or a voluntary termination for Good Cause, the provisions of this Section 2(c) shall apply:

(I) This Stock Option, if it survives the Change of Control, including any stock option granted in substitution for this Stock Option in connection with the Change of Control, shall automatically vest and become exercisable immediately prior to such cessation of Employment and will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the date of such cessation of Employment or (ii) the Final Exercise Date, if earlier, and will thereupon terminate; provided that, in the event of the Participant's death during such extended exercise period following a Change of Control, any portion of this Stock Option as is held by the Participant immediately prior to the Participant's death will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the Participant's death or (ii) the Final Exercise Date, if earlier, and will thereupon terminate.

(II) Any and all performance or other vesting conditions imposed pursuant to Section 7(a)(5) of the Plan with respect to any stock, cash or other property delivered in exchange for this Stock Option in connection with the Change of Control shall automatically be deemed to have been satisfied immediately prior to such cessation of Employment.

(III) For purposes of this Section 2(c), "Employment" shall be deemed to include employment with any successor to the Company's business or assets in connection with a Change of Control.

(IV) For purposes of this Stock Option, "Change of Control" shall mean:

(A) the acquisition by any Person (defined as any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act"))) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the common stock of the Company; provided, however, that for purposes of this subsection (a), an acquisition shall not constitute a Change of Control if it is: (i) either by or directly from the Company, or by an entity controlled by the Company, (ii) by any employee benefit plan, including any related trust, sponsored or maintained by the Company or an entity controlled by the Company ("Benefit Plan"), or (iii) by an entity pursuant to a transaction that complies with the clauses (i), (ii) and (iii) of subsection (C) below; or

(B) individuals who, as of the Date of Grant, constitute the Board (together with the individuals identified in the proviso to this Section 2(c)(IV)(B), the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Date of Grant whose election, or nomination for election by the Company's stockholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be treated as a member of the Incumbent Board unless he or she assumed office as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) consummation of a reorganization, merger or consolidation involving the Company, or a sale or other disposition of all or substantially all of the assets of the Company, (a "transaction") in each case unless, following such transaction, (i) all or substantially all of the Persons who were the beneficial owners of the common stock of the Company outstanding immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the outstanding common stock of the Company, (ii) no Person (excluding any entity or wholly owned subsidiary of any entity resulting from such transaction or any Benefit Plan of the Company or such entity or wholly owned subsidiary of such entity resulting from such transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the transaction and (iii) at least a majority of the members of the board of directors or similar board of the entity

resulting from such transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such transaction; or

(D) approval by the stockholders of the Company of a liquidation or dissolution of the Company.

(d) Notwithstanding the foregoing provisions of this Section 2, this Stock Option shall not vest or become eligible to vest on any date specified above unless the Participant has continuously been, since the Grant Date until the date immediately prior to such termination of Employment, Employed by the Company, its Affiliates, its subsidiaries, or, following a Change of Control, any successor to the Company's business or assets in connection with the Change of Control.

3. Exercise of Stock Option.

Each election to exercise this Stock Option shall be in writing, signed by the Participant or the Participant's executor, administrator, or legally appointed representative (in the event of the Participant's incapacity) or the person or persons to whom this Stock Option is transferred by will or the applicable laws of descent and distribution (collectively, the "Option Holder"), and received by the Company at its principal office, accompanied by this certificate and payment in full as provided in the Plan. Subject to the further terms and conditions provided in the Plan, the purchase price may be paid as follows: (i) by delivery of cash or check acceptable to the Administrator; or (ii) through a broker-assisted exercise program acceptable to the Administrator; or (iii) by any other means acceptable to the Administrator, or (iv) by any combination of the foregoing means of exercise. In the event that this Stock Option is exercised by an Option Holder other than the Participant, the Company will be under no obligation to deliver Shares hereunder unless and until it is satisfied as to the authority of the Option Holder to exercise this Stock Option.

4. Withholding.

Except as otherwise determined by the Administrator, this Stock Option may not be exercised unless the person exercising this Stock Option timely remits to the Company, in cash, all amounts required to be withheld upon exercise (all as determined by the Administrator) or makes other arrangements satisfactory to the Administrator for the payment of such taxes.

5. Nontransferability of Stock Option.

This Stock Option is not transferable by the Participant otherwise than by will or the laws of descent and distribution, and is exercisable during the Participant's lifetime only by the Participant (or in the event of the Participant's incapacity, the person or persons legally appointed to act on the Participant's behalf).

6. Provisions of the Plan.

This Stock Option is subject to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the date of the grant of this Stock Option has been furnished to the Participant. By accepting this Stock Option, the Participant agrees to be bound by the terms of the Plan and this certificate. All initially capitalized terms used herein will have the meaning specified in the Plan, unless another meaning is specified herein.

7. Other Agreements.

The Company and Participant agree, in consideration of the grant of this Stock Option, and other good and valuable consideration, the receipt of which is mutually acknowledged, that the provisions of Section 2 shall supersede the provisions of any other agreement between the Company and Participant regarding the vesting and exercise of this Stock Option following a cessation of the Participant's Employment by reason of an involuntary termination without Cause or a voluntary termination for Good Cause.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer.

EyePoint Pharmaceuticals, Inc.

By _____
[Name of Authorized Officer]

Dated: [ ]

Acknowledged and agreed:

_____
[Name of Participant]

Dated: [ ]

Exhibit 10.19

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of , 20 by and between EyePoint Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and ("Indemnitee"). This Agreement supersedes and replaces any and all previous agreements between the Company and Indemnitee covering the subject matter of this Agreement.

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") believes that highly competent persons have become more reluctant to serve publicly-held corporations as directors, officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Certificate of Incorporation of the Company (as amended, the "Certificate of Incorporation") requires indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification may increase the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve or continue to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director or officer, as applicable, of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director or officer of the Company, by the Certificate of Incorporation, the Company's By-laws (the "By-laws"), and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as an officer or director of the Company, as provided in Section 16 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer, or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company.

(b) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities unless the change in relative Beneficial Ownership of the Company's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity) more than 50% of the combined voting power of the voting securities of the Surviving Entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such Surviving Entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, including by license; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided,

however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(d) "Surviving Entity" shall mean the surviving entity in a merger or consolidation or any entity that controls, directly or indirectly, such surviving entity.

(c) "Corporate Status" describes the status of a person who is or was a director, officer, employee or agent of the Company or of any other corporation, limited liability company, partnership or joint venture, trust or other enterprise which such person is or was serving at the request of the Company.

(d) "Disinterested Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee, agent or fiduciary.

(f) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses shall also include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 14(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being reasonable in the good faith judgment of such counsel shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the

Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) The term "Proceeding" shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of Indemnitee's Corporate Status, by reason of any action taken by Indemnitee (or a failure to take action by Indemnitee) or of any action (or failure to act) on Indemnitee's part while acting pursuant to Indemnitee's Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnitee's conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the By-laws, vote of its stockholders or disinterested directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court (as hereinafter defined) or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a witness or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) by reason of Indemnitee's Corporate Status.

(b) For purposes of Section 8(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim involving Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act) or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

(c) except as provided in Section 14(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 14(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee or any Proceeding initiated by Indemnitee with the prior approval of the Board as provided in Section 9(c), and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. In accordance with Section 14(d), advances shall include any and all Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 10 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

Section 11. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to

Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom all objections are so resolved

or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) of this Agreement and if **(**A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise (as defined below) in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser, financial advisor or other expert selected with reasonable care by or on behalf of the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the second to last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a). The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee

may at any time be entitled under applicable law, the Certificate of Incorporation, the By-laws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment made by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other corporation, limited liability company, partnership, joint venture, trust or other enterprise.

Section 16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company and (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement relating thereto. The indemnification and advancement of expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the By-laws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission or email, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to

EyePoint Pharmaceuticals, Inc.
480 Pleasant Street
Watertown, MA 02472
Attention: Corporate Counsel
Facsimile: (617) 926-5050
Email: jmercer@eyepointpharma.com

or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with,

the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Court of Chancery of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably RL&F Service Corp., 920 North King Street, 2nd Floor, Wilmington, New Castle County, Delaware 19801 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

EYEPOINT PHARMACEUTICALS, INC.

By: _____

_____

Name:
Office:

INDEMNITEE

_____

Name:
Address: _____

_____

_____

_____

_____

Schedule of Material Differences to Exhibit 10.19

The following directors and executive officers are parties to an Indemnification Agreement with the Company, each of which are substantially identical in all material respects to the representative Indemnification Agreement filed herewith as Exhibit 10.19 except as to the name of the signatory and the date of each signatory's Indemnification Agreement, which are listed below. The actual Indemnification Agreements are omitted pursuant to Instruction 2 to Item 601 of Regulation S-K.

Indemnitee	Effective Date
Nancy S. Lurker	September 15, 2016
David Price	August 1, 2018
Leonard S. Ross	September 26, 2016
Dario Paggiarino	September 26, 2016
David J. Mazzo	July 7, 2008
Douglas Godshall	March 5, 2012
Michael W. Rogers	July 7, 2008
Ronald W. Eastman	March 28, 2018
Jay S. Duker, M.D.	September 27, 2016
Kristine Peterson	June 27, 2017
Göran Ando, M.D.	June 14, 2018

EyePoint Pharmaceutical Short-Term Incentive Plan

Purpose

EyePoint Pharmaceuticals ("the Company") Short-Term Incentive (STI) Plan (the "Plan") is designed to drive the achievement of Corporate Performance by providing employees the opportunity to receive annual cash awards at the discretion of the Compensation Committee. These awards are based upon achievement of pre-defined Corporate Goals, Performance as well as Individual Performance for each budget/performance year. This Plan replaces the "pSivida Short Term Incentive Plan." The Plan runs concurrent with the 2016 pSivida Long Term Incentive Plan.

Effective Date

The Plan is effective July 1, 2018, unless otherwise terminated or amended as set forth below.

Eligibility

Active Regular, Full Time EyePoint Pharmaceutical US, Inc employees are eligible to participate in the Plan. Regular, Full Time employees are defined as continuously scheduled for thirty (30) or more hours per week. New Hires with 90 days or more of continuous service through the end of each budget/performance year are eligible to participate. For Employees with less than one full year of service the award will be pro-rated based on hire date. Employees must be in good standing and maintain satisfactory performance.

Corporate Goal Setting

EyePoint CEO proposes annual Corporate Goals, subject to review and approval by the Board's Compensation Committee for the upcoming budget/performance year.

The Corporate Goals focus on both short-term and long-term strategic growth and development priorities to best yield results for the Company and its various stakeholder groups, in accordance with EyePoint's Values.

Each Corporate Goal is assigned a weighted factor, reflective of the perceived relative importance of each Corporate Goal to the Company, with the total to equal 100%.

Corporate Performance Score

At the end of the budget/performance year, the CEO will recommend to the Compensation Committee a Corporate Performance Score for each Corporate Goal, using the following scale 1 – 5 (low – high) to describe Achievement of the Corporate Goal:

Achievement Level	Minimum Achievement	Target Achievement	Exceeds Achievement
Achievement Score	1	3	5

The Compensation Committee reviews and approves the Overall Corporate Performance Score. The Compensation Committee has the authority to exercise discretion and consider mitigating circumstances which may result in an adjustment of the scores. The Committee will finalize the Corporate Performance Score for each Corporate Goal. The Overall Corporate Performance Score is the sum of weighted Achievement Scores for each Corporate Goal.

The Overall Corporate Performance Score is one of the factors used to calculate corporate the pool for STI Incentive Awards for the annual compensation cycle.

Individual Performance Score

In FY 2017, EyePoint implemented a Performance Management Process including Individual Goal Setting and Performance Scores based on results and behaviors in alignment with the Company values. At the beginning of each budget/performance year, the CEO communicates EyePoint's weighted Corporate Goals to all employees. Employees work with their management to determine their Individual Goals. Once the Goals are approved, they are used to track Individual Performance and guide periodic one-on-one meetings between manager and employee.

At the end of the budget /performance year, each employee receives an Individual Performance Results Summary Score of 1 – 5 (low to high). This score is inclusive of both results against goals and behaviors in alignment with Company values. This Individual Performance Score is a factor used to calculate the Short-Term Incentive Award.

Short-Term Incentive Award Weighting and Governance

Short-Term Incentive Awards are "at-risk" variable compensation for each budget/performance year and are reflective of both Corporate Performance and Individual Performance. They are earned each year, and are not a permanent component of any employee's direct compensation. The weighting of Corporate and Individual Performance, and the governance decisions for STI Awards, are as follows:

Organization Level/Title	**% Corporate Performance Score Weighting**	**% Individual Performance Score Weighting**	**Determined by:**
President and CEO	100	0	Compensation Committee
Direct report of CEO (independent of title, but excluding administrative assistant) [defined as 'executives' in the context of this document]	75	25	Compensation Committee & CEO
VP	60	40	Senior Staff & CEO
Exec./Sr./Director	50	50	Senior Staff & CEO
Assoc. Director/Sr./Manager	40	60	Senior Staff & CEO
Associate Manager/Supervisor	35	65	Manager
All Others	25	75	Manager

Target Short-Term Incentive Percentage

The Short-Term Incentive Targets are based on factors outlined above, as well as each employee's role and its relative impact based on job responsibilities and accountabilities. As such, the Target STI Percentage range by role is as follows:

Director/Senior Director = 20-25%

Manager/Senior Manager = 10-20%

Individual Contributor = 6-10%

Overview of EyePoint's Short-Term Incentive Plan Factors

To best illustrate how the STI Plan works, below is a snapshot of how awards are calculated:

Corporate Goals	**% Weighting**	**Corporate Performance Score**	**Overall Individual Performance Score**	**Target Short-Term Incentive Percentage**	**Payout Level (Percent of Target Amount)**
Set annually with CC approval	Variable based on approved goals	1 – 5 (Low to High) Weighting per Level/Title	1 – 5 (Low to High) Sum Weighted Total Average of Each Individual Goal Achievement Score Weighting per Level/Title	Variable based on position level in organization	0 = 0% 1 = 0% 2 = 50% 3 = 100% 4 = 125% 5 = 150%

STI Award Payouts

Short-Term Incentive Awards are calculated using the factors described above. The STI Award value is paid as a cash lump sum award, subject to the discretion of the Compensation Committee.

The cash lump sum award is generally paid (less applicable withholding and payroll taxes) within 90 days following the close of the budget/performance year, provided all eligibility requirements are met.

Changes in Employment

Employees who change roles within the budget /performance year, and have a change in STI target, will receive a pro-rated portion of their STI Target Percentage reflective to their time in the role.

Employees on paid Leave of Absence are eligible to participate in the STI plan only upon their Return to Work. STI Awards will be pro-rated to reflect Corporate and Individual Performance achieved during active status. The award will be paid according to the same payroll processing schedule as active eligible employees.

Changes in Control

In the event of a Change in Control, assuming the above, Bonus will be paid out at 100% of Target.

Administration

The Compensation Committee and assigned Management Liaison to the Compensation Committee are collectively responsible for the administration and compliance of the Plan.

Exhibit 10.24

FIRST AMENDMENT OF LEASE

This FIRST AMENDMENT OF LEASE is entered into this 6th day of February, 2014, by and between **Farley White Aetna Mills, LLC,** having a mailing address at c/o Farley White Management Company, 155 Federal Street, Suite 1800, Boston, MA 02110 (hereinafter called **"Landlord"**) and **pSivida Corp.** having a mailing address at 400 Pleasant Street, Watertown, MA 02472 (hereinafter called "Tenant")

Witnesseth:

A. Landlord and Tenant entered into a certain lease dated November 1, 2013 (the "Lease") consisting of approximately 13,650 rentable square feet on the third floor of 480 Pleasant Street (the "Premises"), all as more particularly described therein.

B. Landlord and Tenant wish to expand the Premises by approximately 229 rentable square feet on the first floor of the Building (the "Storage Space"), as shown on the plan attached hereto.

C. Landlord and Tenant desire to amend the Lease in the manner set forth below.

1. The Expansion Date shall be the later of February 1, 2014 or the date the Storage Space is made available for Tenant's use. From and after the Expansion Date (except if Tenant terminates its occupancy of the Storage Space pursuant to Section 1 below), the Premises shall total 13,879 rentable square feet.
2. The Tenant accepts the Storage Space in broom-clean, "as-is" condition. Any improvements must be approved by the Landlord and shall be at the sole cost of the Tenant.
3. The permitted use of the Storage Space shall be for storage of office supplies, equipment, files and other general storage as may be permitted by Landlord, and for no other purpose or purposes. Storage of any hazardous substance, volatile material, or any other item requiring supplemental insurance by Landlord shall not be permitted.
4. The Tenant agrees to use and occupy the Storage Space and to use such other portions of the Building and the Property as Tenant is herein given the right to use at Tenants sole risk; and Landlord shall have no responsibility or liability for any loss or damage, however caused, to furnishings, fixtures, inventory, equipment, or other property of Tenant or of any persons claiming by, and through, or under Tenant unless such damage is the result of willful negligence on the part of the Landlord.
5. Commencing on the Expansion Date, Tenant shall pay to Landlord each month, in advance and on the first day of the month, additional Base Rent of $5,100.00 per annum, payable in equal monthly installments of $425.00 ("Storage Rent"). Storage Rent shall be prorated for any partial calendar months. After the first 12-month period, Tenant may terminate its occupancy of the Storage Space upon one month's written notice, and Landlord shall refund the prorated portion of any prepaid annual rent to Tenant after the expiration of such notice period.

Except as specifically amended by the terms of this First Amendment of Lease, all of the terms, conditions and provisions of the Lease shall remain in full effect throughout the Term of the Lease. From and after the date hereof, the terms of the Lease and this First Amendment of Lease shall collectively be referred to as the "Lease."

As of this date, the parties acknowledge that neither has a claim for damage or liability of any kind pursuant to this Lease, as amended, at law or in equity, and the parties hereby agree to release and hold each other harmless from and against all suits, liabilities, obligations or claims of any kind or any matters arising prior to this date.

WITNESS THE EXECUTION HEREOF, under seal, as of the date set forth above, in any number of counterpart copies, each of which counterpart copies shall be deemed an original for all purposes.

LANDLORD:

FARLEY WHITE AETNA MILLS, LLC

/s/ Roger W. Altreuter

By: Roger W. Altreuter
Its: Manager

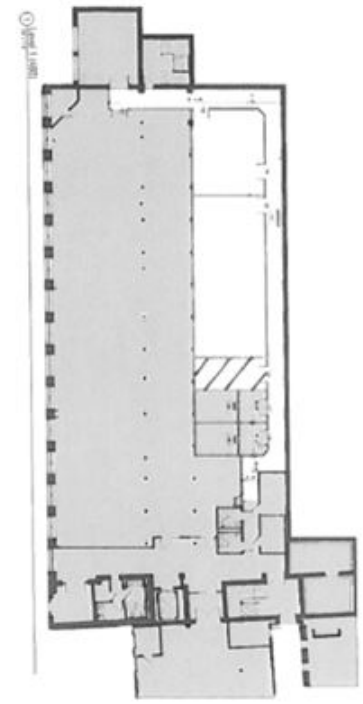
TENANT:

PSIVIDA CORP.

/s/ Lori Freedman

By: Lori Freedman
Its: Vice President, Corporate Affairs, General Counsel & Secretary

“Storage Space”



Riverworks

Exhibit 10.25

SECOND AMENDMENT OF LEASE

This Second Amendment of Lease (this "**Amendment**") is executed as of May 17, 2018, between **WHETSTONE RIVERWORKS HOLDINGS, LLC**, a Delaware limited liability company ("**Landlord**"), and **EYEPOINT PHARMACEUTICALS, INC.**, a Delaware corporation, formerly known as pSivida Corp., as amended pursuant to the Certificate of Amendment of Certificate of Incorporation filed with the Delaware Secretary of State on March 28, 2018 as file number 4515023 ("**Tenant**"), for the purpose of amending the Lease between Landlord's predecessor-in-interest with respect to the Lease (defined below) and Tenant dated November 1, 2013 (the "**Original Lease**"). The Original Lease, as amended by the First Amendment of Lease dated February 6, 2014 (the "**First Amendment**") and the Commencement Date Agreement dated March 27, 2014, is referred to herein as the "**Lease**". Capitalized terms used but not defined herein shall have the meanings assigned to them in the Original Lease.

RECITALS:

Pursuant to the terms of the Lease, Tenant is currently leasing Suite B300, consisting of 13,650 rentable square feet of space (the "**Existing Premises**"), and Tenant formerly leased the Storage Space, as defined in the First Amendment, in the Building located at 480 Pleasant Street, Watertown, MA 02472. Tenant desires to extend the Term and lease the space depicted on Exhibit A hereto, containing approximately 6,590 rentable square feet and commonly known as Suite A-210 (the "**Suite A-210 Premises**"), and Landlord has agreed to extend the Term and lease such space to Tenant on the terms and conditions contained herein.

AGREEMENTS:

For valuable consideration, whose receipt and sufficiency are acknowledged, Landlord and Tenant agree as follows:

1. **Extension of Term**. The Term is hereby extended such that it expires at 5:00 p.m., local time, on the last day of the 80th full calendar month following the Suite A-210 Effective Date, as defined below (the "**Expiration Date**") on the terms and conditions of the Lease, as modified hereby. Except as provided in Exhibit F attached hereto, Tenant shall have no further rights to extend or renew the Term; accordingly, Section 10.23 of the Original Lease is deleted. By way of clarification, Tenant no longer leases the Storage Space. Therefore, all references to the Storage Space in the First Amendment are hereby deleted.

2. **Suite A-210 Premises; Tenant's Percentage; Acceptance**. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Suite A-210 Premises on the terms and conditions of the Lease, as modified hereby; accordingly, from and after the Suite A-210 Effective Date (defined below), the term "Premises" shall refer collectively to the Existing Premises and the Suite A-210 Premises, and, except as otherwise provided herein, Tenant's Percentage shall be increased to 10.36%, which is the percentage obtained by dividing the number of rentable square feet in the Premises (20,240) by the number of rentable square feet in the Building (195,423). Tenant accepts the Suite A-210 Premises delivered with all the Building's Systems in good working order and the Premises delivered in a broom clean condition and Landlord shall not be required to perform any demolition work or tenant finish-work therein or to provide any allowances therefor, except as expressly set forth in Section 7 below. Landlord and Tenant stipulate that the number of rentable square feet in the Existing Premises, the Suite A-210 Premises and the Building are correct.

3. **Term for Suite A-210 Premises**. The Term for the Suite A-210 Premises shall begin on the Suite A-210 Effective Date and shall expire on the Expiration Date, unless sooner terminated as a result of a casualty, condemnation or default by Tenant as provided in the Lease. As used herein, the "**Suite A-210 Effective Date**" means the earliest of (a) the date on which Tenant occupies any portion of the Suite A-210 Premises and begins conducting business therein, (b) the date on which the Work (as defined in Exhibit C hereto) in the Suite A-210 Premises is Substantially Completed (as defined in Exhibit C hereto), or (c) the date on which the Work in the Suite A-210 Premises would have been Substantially Completed but for the occurrence of any Tenant Delay Days (as defined in Exhibit C hereto). Prior to occupying the Suite A-210 Premises, Tenant shall execute and deliver to Landlord a letter substantially in the form of Exhibit D hereto confirming (1) the Suite A-210 Effective Date, (2) that Tenant has accepted the Suite A-210 Premises, and (3) that Landlord has performed all of its obligations with respect to the Suite A-210 Premises (except for punch-list items specified in such letter); however, the failure of the parties to execute such letter shall not defer the Suite A-210 Effective Date or otherwise invalidate the Lease or this Amendment.

4. **Base Rent for the Premises.** For clarity, the monthly installments of Base Rent under the Lease for the Existing Premises shall remain as provided in the Original Lease until April 30, 2019. The monthly installments of Base Rent under the Lease for the **"Entire Premise"** (i.e., both the Existing Premises and the Suite A-2 I0 Premises) shall be the following amounts for the following periods of time:

Lease Month	Annual Base Rent Rate Per Rentable Square Foot	Monthly Installments of Base Rent for the Premises
Suite A-210 Effective Date—04.30.19	$31.50 (for the Existing Premises) $36.00 (for the Suite A-210 Premises)	$55,601.25
05.01.19-12	$36.00	$60,720.00
13-24	$37.00	$62,406.67
25-36	$38.00	$64,093.33
37-48	$39.00	$65,780.00
49-60	$40.00	$67,466.67
61-80	$41.00	$69,153.33

As used herein, the term **"Lease Month"** means each calendar month during the Term from and after the Suite A-210 Effective Date (and if the Suite A-210 Effective Date does not occuron the first day ofa calendar month, the period from the Suite A-210 Effective Date to the first day of the next calendar month shall be included in the first Lease Month for purposes of determining the duration of the Term and the monthly Base Rent rate applicable for such partial month}.

Base Rent and additional rent (other than Tenant's Electricity [defined below]) for the Entire Premises shall be conditionally abated during the first four months following the Suite A-210 Effective Date, e.g., if the Suite A-210 Effective Date is August 25, 2018, Base Rent and additional rent (other than Tenant's Electricity) for the Entire Premises shall be abated until December 24, 2018. However, if Tenant delivers this Amendment fully signed by Tenant to Landlord after May 14, 2018, the abatement as provided above shall be for three months rather than four months. Beginning on the first day following the expiration of the abatement period, Tenant shall make Base Rent and additional rent payments for the Premises as otherwise provided in the Lease, as amended by this Amendment. Notwithstanding such abatement of Base Rent and additional rent (other than Tenant's Electricity) for the Premises (a) all other sums due under the Lease, as amended by this Amendment, including Tenant's Electricity, shall be payable as provided in the Lease, as amended by this Amendment, and (b) any increases in Base Rent for the Premises set forth in the Lease, as amended by this Amendment, shall occur on the dates scheduled therefor.

The abatement of Base Rent for the Entire Premises provided for herein is conditioned upon Tenant's full and timely performance of all of its obligations under the Lease, as amended by this Amendment. If at any time following the date hereof an Event of Default by Tenant occurs, the abatement of Base Rent for the Entire Premises provided for herein shall immediately become void, and Tenant shall promptly pay to Landlord, in addition to all other amounts due to Landlord under the Lease, as amended by this Amendment, the full amount of all Base Rent for the Entire Premises herein abated multiplied by a fraction, the numerator of which is the number of full calendar months remaining in the Term as of the date of the Event of Default and the denominator of which is the number of months in the Term.

5. **Operating Expenses; Taxes; Tenant's Electricity**. Tenant shall pay Tenant's Electricity and increases in Tenant's Share of Operating Expenses and Taxes with respect to the Entire Premises in the manner provided in the Lease, except that:

5.1 for clarity, through April 30, 2019, the Operating Expense Base and the Real Estate Tax Base for the Existing Premises shall remain 2014;

5.2 from and after May 1, 2019 with respect to the Existing Premises, and from and after the Suite A-210 Effective Date with respect to the Suite A-210 Premises, the Operating Expense Base shall be the calendar year 2019 (as adjusted to reflect 95% occupancy of the Building as provided in the Lease); provided that Operating Expenses for the Operating Expense Base only shall not include costs incurred due to extraordinary circumstances or other non-recurring charges, including market-wide labor rate increases due to boycotts and strikes; utility rate increases due to extraordinary circumstances or other non-recurring charges, including conservation surcharges, boycotts, embargos or other shortages; insurance deductibles; or amortized costs relating to capital improvements;

5.3 from and after May 1, 2019 with respect to the Existing Premises, and from and after the Suite A-210 Effective Date with respect to the Suite A-210 Premises, the Real Estate Tax Base shall be the fiscal year 2020 (i.e., July 1, 2019 through June 30, 2020).

5.4 Tenant shall continue to pay the cost of all submetered electricity for the Premises ("Tenant's Electricity") as provided in Section 3.3 of the Original Lease. To the extent not already existing, as part of the Work (as defined in Exhibit C attached hereto) in the Suite A-210 Premises, Landlord shall ensure that all electricity used in the Suite A-210 Premises is separately submetered or otherwise included in Tenant's existing submeter for the Existing Premises. Tenant's obligation to commence paying Tenant's Electricity for the Suite A-210 Premises shall commence on the Suite A-210 Effective Date.

6. **Letter of Credit**. Within 30 days following the Suite A-210 Effective Date, Tenant shall deliver to Landlord, at Tenant's expense, a letter of credit in a form reasonably acceptable to Landlord with an expiration date that is 120 days following the Expiration Date. However, the total amount of the Letter of Credit shall remain the same as, not in addition to, the Letter of Credit existing prior to the Suite A-210 Effective Date.

7. **Tenant Finish-Work**. Landlord shall construct tenant improvements in the Suite A-210 Premises in accordance with Exhibit C hereto. Subject to the terms and conditions of Exhibit C attached hereto, Landlord shall be responsible for the completion of all such work, and all costs, permits and approvals (to the extent such permits and approvals may be obtained by Landlord) associated with said work that may be necessary for the permanent use and occupancy of the Entire Premises by Tenant.

8. **Parking**. From and after the Suite A-210 Effective Date, Tenant shall have those parking rights set forth on Exhibit E of this Amendment and no further parking rights. Accordingly, Section 2.1(c) of the Original Lease is deleted.

9. **Confidentiality**. Tenant acknowledges the terms and conditions of the Lease (as amended hereby) are to remain confidential for Landlord's benefit, and may not be disclosed by Tenant to anyone, by any manner or means, directly or indirectly, without Landlord's prior written consent; however, Tenant may disclose the terms and conditions of the Lease to its attorneys, accountants, employees and existing or prospective financial partners, or if required by law or court order, provided all parties to whom Tenant is permitted hereunder to disclose such terms and conditions are advised by Tenant of the confidential nature of such terms and conditions and agree to maintain the confidentiality thereof (in each case, prior to disclosure). Tenant shall be liable for any disclosures made in violation of this Section by Tenant or by any entity or individual to whom the terms of and conditions of the Lease were disclosed or made available by Tenant. The consent by Landlord to any disclosures shall not be deemed to be a waiver on the part of Landlord of any prohibition against any future disclosure.

10. **Estoppel Certificates**. Pursuant to the terms of the Lease, Tenant is obligated to execute and deliver to Landlord from time to time estoppel certificates confirming and containing such factual certifications and representations as to the Lease as Landlord may reasonably request. Unless otherwise required by Landlord's mortgagee or a prospective purchaser or mortgagee of the Building, the form of estoppel certificate to be signed by Tenant is attached hereto as Exhibit B.

11. **Financial Statements**. If Tenant is an entity that is domiciled in the United States of America, and whose securities are funded through a public securities exchange subject to regulation by the United States of America publicly traded over exchanges based in the United States and whose financial statements are readily available at no cost to Landlord, the terms of this Section 11 shall not apply. Otherwise, within 15 days after Landlord's request, Tenant will furnish Tenant's most recent audited financial statements (including any notes to them) to Landlord, or, if no such audited statements have been prepared, such other financial statements (and notes to them) as may have been prepared by an independent certified public accountant or, failing those, Tenant's internally prepared financial statements. Tenant will discuss its financial statements with Landlord and, following the occurrence of an Event of Default under the Lease, as amended from time to time, will give Landlord access to Tenant's books and records in order to enable Landlord to verify the financial statements. Landlord will not disclose any aspect of Tenant's financial statements that Tenant designates to Landlord as confidential except (a) to Landlord's mortgagee or prospective mortgagees or purchasers of the Building, (b) in litigation between Landlord and Tenant, and/or (c) if required by law or court order. Tenant shall not be required to deliver the financial statements required under this Section 11 more than once in any 12-month period unless requested by Landlord's mortgagee or a prospective buyer or lender of the Building or an Event of Default occurs.

12. **Landlord's Notice Address**. The addresses for Landlord's notice set forth below shall supersede and replace any addresses for notice to Landlord set forth in the Lease.

Landlord:	Whetstone Riverworks Holdings, LLC One Market Plaza, Spear Tower, Suite 4125 San Francisco, CA 94105 Attention: Asset Manager – Riverworks
with a copy to	Whetstone Riverworks Holdings, LLC c/o Spear Street Capital, LLC 450 Lexington Avenue, 39th Floor New York, NY 10017 Attention: Asset Manager – Riverworks

13. **Brokerage**. Landlord and Tenant each warrant to the other that it has not dealt with any broker or agent in connection with the negotiation or execution of this Amendment other than Colliers International and Newmark Knight Frank, whose commission shall be paid by Landlord pursuant to a separate written agreement. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.

14. **UBTI and REIT Qualification**. Landlord and Tenant agree that all Rent payable by Tenant to Landlord shall qualify as "rents from real property" within the meaning of both Sections 512(b)(3) and 856(d) of the Internal Revenue Code of 1986, as amended (the "**Code**") and the U.S. Department of Treasury Regulations promulgated thereunder (the "**Regulations**"). In the event that Landlord, in its sole and absolute discretion, determines that there is any risk that all or part of any rent shall not qualify as "rents from real property" for the purposes of Sections 512(b)(3) or 856(d) of the Code and the Regulations promulgated thereunder, Tenant agrees (1) to cooperate with Landlord by entering into such amendment or amendments as Landlord deems necessary to qualify all rents as "rents from real property," and (2) to permit an assignment of the Lease; provided, however, that any adjustments required pursuant to this Section shall be made so as to produce the equivalent Rent (in economic terms) payable prior to such adjustment.

15. **Prohibited Persons and Transactions**. Tenant represents and warrants that neither it nor any of Tenant's respective partners, members, shareholders or other equity owners is, nor will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Assets Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute, executive order (including the September 24, 2001,

Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not assign or otherwise transfer the Lease to such persons or entities.

16. **Waiver of Jury Trial**. TO THE MAXIMUM EXTENT PERMITTED BY LAW, TENANT (ON BEHALF OF ITSELF AND ITS RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS) AND LANDLORD EACH, AFTER CONSULTATION WITH COUNSEL, KNOWINGLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE ARISING OUT OF OR WITH RESPECT TO THE LEASE, AS AMENDED BY THIS AMENDMENT, OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO.

17. **Ratification**. Tenant hereby ratifies and confirms its obligations under the Lease, and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant, and (c) except as expressly provided for in this Amendment, all allowances provided to Tenant under the Lease, if any, and all construction to be performed by Landlord or its agents under the Lease, if any, have been paid and performed in full by Landlord, and Landlord has no further obligations with respect thereto. Landlord hereby ratifies and confirms its obligations under the Lease and represents and warrants to Tenant that, as of the date hereof, (1) monthly Base Rent is not more than 30 days past due, (2) the Lease is and remains in good standing and in full force and effect and Landlord has no defenses thereto, and (3) to Landlord's knowledge, Landlord has no non-monetary claims, counterclaims, set-offs or defenses against Tenant arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant.

18. **Binding Effect; Arms'-Length Negotiation; Governing Law; No Reliance**. Except as modified hereby, the Lease shall remain in full effect and this Amendment shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall prevail. This Amendment shall be governed by the laws of the State in which the Premises are located. Except for those set forth in this Amendment, no representations, warranties, or agreements have been made by Landlord or Tenant to the other with respect to this Amendment or the obligations of Landlord or Tenant in connection therewith. Further, Tenant disclaims any reliance upon any and all representations, warranties or agreements not expressly set forth in the Lease, as amended by this Amendment. Landlord and Tenant agree that they have both had the opportunity to retain legal counsel to review, revise, and negotiate this Amendment on their individual behalf. Landlord and Tenant stipulate that this Amendment has been reviewed and revised by both Landlord and Tenant and their respective legal counsel and that the Lease, as amended hereby, is the result of an arms'-length negotiation and compromise. Landlord and Tenant further stipulate that they are both sophisticated individuals or business entities capable of understanding and negotiating the terms of the Lease, as amended hereby.

19. **Counterparts**. This Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one document. To facilitate execution of this Amendment, the parties hereto may execute and exchange, by telephone facsimile or electronic mail PDF, counterparts of the signature pages. Signature pages may be detached from the counterparts and attached to a single copy of this Amendment to physically form one document.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Executed as of the date first written above.

LANDLORD:

WHETSTONE RIVERWORKS HOLDINGS, LLC, a Delaware limited liability company

By: /s/ Rajiv S. Patel
Name: Rajiv S. Patel
Title: President

TENANT:

EYEPOINT PHARMACEUTICALS, INC., a Delaware corporation

By: /s/ Nancy Lurker
Name: Nancy Lurker
Title: President & CEO
Executed on: May 14, 2018

EXHIBIT A

DEPICTION OF SUITE A-210 PREMISES

2nd Floor

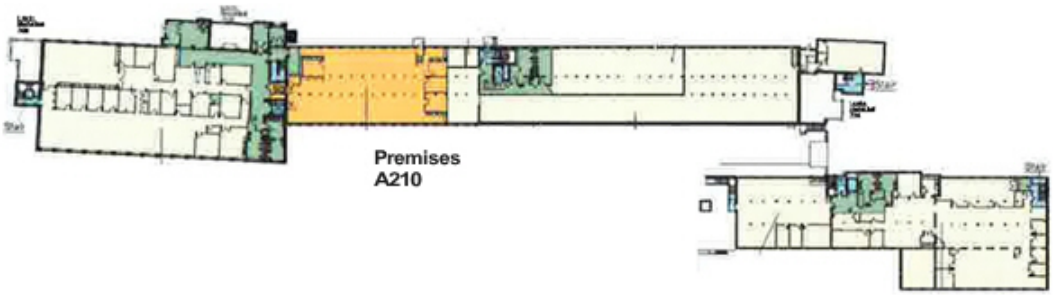


EXHIBIT B

FORM OF TENANT ESTOPPEL CERTIFICATE

The undersigned is the Tenant under the Lease (defined below) between , a as Landlord, and the undersigned as Tenant, for the Premises on the floor(s) of the office building located at and commonly known as and hereby certifies as follows:

1. The Lease consists of the original Lease Agreement dated as of , between Tenant and Landlord[‘s *predecessor-in-interest)* and the following amendments or modifications thereto (if none, please state “none”):

The documents listed above are herein collectively referred to as the **“Lease”** and represent the entire agreement between the parties with respect to the Premises. All capitalized terms used herein but not defined shall be given the meaning assigned to them in the Lease.

2. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Section 1 above.

3. The Term commenced on and the Term expires, excluding any renewal options, on , 20 , and Tenant has no option to purchase all or any part of the Premises or the Building or, except as expressly set forth in the Lease, any option to terminate or cancel the Lease.

4. Tenant currently occupies the Premises described in the Lease and Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows (if none, please state “none”):

5. All monthly installments of Base Rent, all additional Rent and all monthly installments of estimated additional Rent have been paid when due through . The current monthly installment of Base Rent is $.

6. All conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder. In addition, Tenant has not delivered any notice to Landlord regarding a default by Landlord thereunder.

7. As of the date hereof, there are no existing defenses or offsets, or, to Tenant’s knowledge, claims or any basis for a claim, that Tenant has against Landlord and no event has occurred and no condition exists, which, with the giving of notice or the passage of time, or both, will constitute a default under the Lease .

8. No rental has been paid more than 30 days in advance and no security deposit has been delivered to Landlord except as provided in the Lease.

9. If Tenant is a corporation, partnership or other business entity, each individual executing this

Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the state in which the Premises is located and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

10. There are no actions pending against Tenant under any bankruptcy or similar laws of the United States or any state.

11. Other than in compliance with all applicable laws and incidental to the ordinary course of the use of the Premises, Tenant has not used or stored any hazardous substances in the Premises.

12. All tenant improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by Tenant and all reimbursements and allowances due to Tenant under the Lease in connection with any tenant improvement work have been paid in full.

Tenant acknowledges that this Estoppel Certificate may be delivered to Landlord, Landlord's mortgagee or to a prospective mortgagee or prospective purchaser, and their respective successors and assigns, and acknowledges that Landlord, Landlord's mortgagee and/or such prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in disbursing loan advances or making a new loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate is a condition of disbursing loan advances or making such loan or acquiring such property.

Executed as of , 20 .

TENANT: ,. a

By: _____
Name:
Title:

EXHIBIT C

TENANT FINISH-WORK: ALLOWANCE
(Landlord Performs the Work)

1. **Acceptance of Suite A-210 Premises**. Except as set forth in this Exhibit, Tenant accepts the Suite A-210 Premises delivered with all the Building's Systems in good working order and the Premises delivered in a broom clean condition on the date this Amendment is entered into.

2. **Space Plans**.

2.1 **Preparation and Delivery**. Within seven business days after Tenant's execution of this Amendment, Tenant shall meet with a design consultant selected by Landlord (the "**Architect**") to discuss the nature and extent of all improvements that Tenant proposes to install in the Premises and, at such meeting, provide the Architect with all necessary data and information needed by the Architect to prepare initial space plans therefor as required by this paragraph. On or before the tenth day following the date that Tenant meets with Architect, Landlord shall deliver to Tenant a space plan prepared by the Architect depicting improvements to be installed in the Premises (the "**Space Plans**").

2.2 **Approval Process**. Tenant shall notify Landlord whether it approves of the submitted Space Plans within five business days after Landlord's submission thereof. If Tenant disapproves of such Space Plans, then Tenant shall notify Landlord thereof specifying in reasonable detail the reasons for such disapproval, in which case Landlord shall, within three business days after such notice, revise such Space Plans in accordance with Tenant's objections and submit to Tenant for its review and approval. Tenant shall notify Landlord in writing whether it approves of the resubmitted Space Plans within three business days after its receipt thereof. This process shall be repeated until the Space Plans have been finally approved by Tenant and Landlord. If Tenant fails to notify Landlord that it disapproves of the initial Space Plans within five business days (or, in the case of resubmitted Space Plans, within three business days) after the submission thereof, then Tenant shall be deemed to have approved the Space Plans in question.

3. **Working Drawings**.

3.1 **Preparation and Delivery**. On or before the date which is 15 days following the date on which the Space Plans are approved (or deemed approved) by Tenant and Landlord, Landlord shall cause to be prepared final working drawings of all improvements to be installed in the Premises and deliver the same to Tenant for its review and approval (which approval shall not be unreasonably withheld, delayed or conditioned). Such working drawings shall be prepared by a design consultant selected by Landlord (whose fee shall be included in the Total Construction Costs [defined below]).

3.2 **Approval Process**. Tenant shall notify Landlord whether it approves of the submitted working drawings within five business days after Landlord's submission thereof. If Tenant disapproves of such working drawings, then Tenant shall notify Landlord thereof specifying in reasonable detail the reasons for such disapproval, in which case Landlord shall, within five business days after such notice, revise such working drawings in accordance with Tenant's objections and submit the revised working drawings to Tenant for its review and approval. Tenant shall notify Landlord in writing whether it approves of the resubmitted working drawings within three business days after its receipt thereof. This process shall be repeated until the working drawings have been finally approved by Landlord and Tenant. If Tenant fails to notify Landlord that it disapproves of the initial working drawings within five business days (or, in the case of resubmitted working drawings, within three business days) after the submission thereof, then Tenant shall be deemed to have approved the working drawings in question. Any delay caused by Tenant's unreasonable withholding of its consent or delay in giving its written approval as to such working drawings shall constitute a Tenant Delay Day (defined below). If the working drawings are not fully approved (or deemed approved) by both Landlord and Tenant by the 15th business day after the delivery of the initial draft thereof to Tenant, then each day after such time period that such working drawings are not fully approved (or deemed approved) by both Landlord and Tenant shall constitute a Tenant Delay Day.

3.3 **Landlord's Approval; Performance of Work**. If any of Tenant's proposed construction work will affect the Building's Structure or the Building's Systems, then the working drawings pertaining thereto must be approved by the Building's engineer of record. Landlord's approval of such working drawings shall not be unreasonably withheld, provided that (a) they comply with all Laws, (b) the improvements depicted thereon do not (1) adversely affect (in the reasonable discretion of Landlord) the Building's Structure or the Building's Systems (including the Building's restrooms or mechanical rooms), or (2) affect in a negative manner (in the sole discretion of Landlord) (A) the exterior appearance of the Building, (B) the appearance of the Building's common areas or elevator lobby areas or (C) the provision of services to other occupants of the Building, (c) such working drawings are sufficiently detailed to allow construction of the improvements and associated work in a good and workmanlike manner, and (d) the improvements depicted thereon conform to the rules and regulations promulgated from time to time by Landlord for the construction of tenant improvements (a copy of which has been delivered to Tenant). As used herein, "**Working Drawings**" means the final working drawings approved by Landlord, as amended from time to time by any approved changes thereto, and "**Work**" means all improvements to be constructed in accordance with and as indicated on the Working Drawings, together with any work required by governmental authorities to be made to other areas of the Building as a result of the improvements indicated by the Working Drawings. The Work also includes obtaining all necessary permits and approvals for permanent occupancy by Tenant to the extent the same may be obtained by Landlord. Landlord's approval of the Working Drawings shall not be a representation or warranty of Landlord that such drawings are adequate for any use or comply with any Law, but shall merely be the consent of Landlord thereto. Tenant shall, at Landlord's request, sign the Working Drawings to evidence its review and approval thereof. After the Working Drawings have been approved, Landlord shall cause the Work to be performed in substantial accordance with the Working Drawings.

4. **Bidding of Work**. Prior to commencing the Work, Landlord shall competitively bid the Work to three contractors selected by Landlord and reasonably approved by Tenant, which approval shall not be unreasonably withheld, delayed or conditioned. Any value engineering by Tenant within the five business day period provided in the last sentence of this Section 4 will not constitute a Tenant Delay Day. If the estimated Total Construction Costs are expected to exceed the Construction Allowance, Tenant shall be allowed to review the submitted bids from such contractors to value engineer any of Tenant's requested alterations. In such case, Tenant shall notify Landlord of any items in the Working Drawings that Tenant desires to change within three business days after Landlord's submission thereof to Tenant. If Tenant fails to notify Landlord of its election within such three business day period, Tenant shall be deemed to have approved the bids. Within five business days following Landlord's submission of the initial construction bids to Tenant under the foregoing provisions (if applicable), Tenant shall have completed all of the following items: (a) finalized with Landlord's representative and the proposed contractor, the pricing of any requested revisions to the bids for the Work, and (b) approved in writing any overage in the Total Construction Costs in excess of the Construction Allowance, failing which, each day after such five business day period shall constitute a Tenant Delay Day.

5. **Change Orders**. Tenant may initiate changes in the Work. Each such change must receive the prior written approval of Landlord, such approval shall be granted or withheld in accordance with the standards set forth in Section 3.1 above; additionally, if any such requested change might (a) delay the Suite A-210 Effective Date beyond three business days or, (b) leave any portion of the Premises not fully finished and ready for occupancy, Landlord may withhold its consent in its sole and absolute discretion. Landlord shall, upon completion of the Work, cause to be prepared accurate architectural, mechanical, electrical and plumbing "as-built" plans of the Work as constructed in both blueprint and electronic CADD format, which plan shall be incorporated into this Exhibit C by this reference for all purposes. If Tenant requests any changes to the Work described in the Space Plans or the Working Drawings, then such increased costs and any additional design costs incurred in connection therewith as the result of any such change shall be added to the Total Construction Costs.

6. **Definitions**. As used herein, a "**Tenant Delay Day**" means each day of delay in the performance of the Work that occurs (a) because Tenant fails to timely furnish any information or deliver or approve any required documents such as the Space Plans or Working Drawings (whether preliminary, interim revisions or final), pricing estimates, construction bids, and the like, (b) because of any change by Tenant to the Space Plans or Working Drawings, (c) because Tenant fails to attend any meeting with Landlord, the Architect, any design professional, or any contractor, or their respective employees or representatives, as may be required or scheduled hereunder or otherwise necessary in connection with the preparation or completion of any construction documents, such as the Space Plans or Working Drawings, or in connection with the performance of the Work, (d) because of any

specification by Tenant of materials or installations in addition to or other than Landlord's standard finish-out materials or any materials that are not readily available, or (e) because a Tenant Party otherwise delays completion of the Work. As used herein "**Substantial Completion**," "**Substantially Completed**," and any derivations thereof mean the Work in the Premises is substantially completed (as reasonably determined by Landlord) in substantial accordance with the Working Drawings. Substantial Completion also includes obtaining all necessary permits and approvals for permanent occupancy by Tenant to the extent the same may be obtained by Landlord. Substantial Completion shall have occurred even though minor details of construction, decoration, landscaping and mechanical adjustments remain to be completed by Landlord. "**Building's Structure**" means the Building's exterior walls, roof, elevator shafts, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, and structural columns and beams; "**Building's Systems**" means the Building's HVAC, life-safety, plumbing, electrical, and mechanical systems; and "**Laws**" means all federal, state, and local laws, rules and regulations, all court orders, governmental directives, and governmental orders, and all restrictive covenants affecting the Building, and "Law" means any of the foregoing.

7. **Walk-Through; Punchlist**. When Landlord considers the Work in the Premises to be Substantially Completed, Landlord will notify Tenant and, within five business days thereafter, Landlord's representative and Tenant's representative shall conduct a walk-through of the Premises and identify any necessary touch-up work, repairs and minor completion items that are necessary for final completion of the Work. Neither Landlord's representative nor Tenant's representative shall unreasonably withhold his or her agreement on punchlist items. Landlord shall use reasonable efforts to cause the contractor performing the Work to complete all punchlist items within 30 days after agreement thereon; however, Landlord shall not be obligated to engage overtime labor in order to complete such items.

8. **Existing Premises Rent Obligations**. Tenant's obligation to pay Rent under the Lease with respect to the Existing Premises shall continue at all times during the performance of the Work. Tenant hereby acknowledges that the performance of the Work may occur during normal business hours while Tenant is in occupancy of the Existing Premises and that no interference to Tenant's business operations in the Existing Premises shall entitle Tenant to any abatement of Rent.

9. **Excess Costs**. Tenant shall pay the entire amount by which the Total Construction Costs (hereinafter defined) exceed the Construction Allowance (hereinafter defined) (such excess amount being referred to herein as the "**Excess Amount**"). Upon approval of the Working Drawings and selection of a contractor, Tenant shall promptly (a) execute a work order agreement prepared by Landlord which identifies such drawings and itemizes the Total Construction Costs and sets forth the Construction Allowance, and (b) pay to Landlord 90% of Landlord's estimate of the Excess Amount. Upon Substantial Completion of the Work and before Tenant occupies the Suite A-210 Premises to conduct business therein, Tenant shall pay to Landlord any remaining unpaid portion of the Excess Amount. In the event of default of payment of any portion of the Excess Amount, Landlord (in addition to all other remedies) shall have the same rights as for an Event of Default under this Lease. As used herein, "**Total Construction Costs**" means the entire cost of performing the Work, including design of and space planning for the Work and preparation of the Working Drawings and the final "as-built" plan of the Work, costs of construction labor and materials, electrical usage during construction, additional janitorial services, standard building directory and suite tenant signage, related taxes and insurance costs, licenses, permits, certifications, surveys and other approvals required by Law, and the construction supervision fee referenced in Section 11 of this Exhibit.

10. **Construction Allowance**. Landlord shall provide to Tenant a construction allowance not to exceed $670,750.00 (the "Construction Allowance") to be applied toward the Total Construction Costs, as adjusted for any changes to the Work. The Construction Allowance shall not be disbursed to Tenant in cash, but shall be applied by Landlord to the payment of the Total Construction Costs, if, as, and when the cost of the Work is actually incurred and paid by Landlord. After Landlord pays the Total Construction Costs and provided no default under the Lease then exists, Tenant may use any excess Construction Allowance for Tenant's furniture, fixtures or equipment or towards the cost of Base Rent obligations under the Lease by so notifying Landlord in writing of Tenant's election. Following Landlord's receipt of Tenant's election to apply the unused portion of the Construction Allowance towards Tenant's Base Rent obligations, Landlord shall apply such excess toward Tenant's Base Rent obligation first accruing after such date until such excess is fully exhausted. The entire Construction Allowance must be used (that is, the Work must be fully complete, any Base Rent credits exhausted) within six months following the Suite A-210 Effective

Date, or shall be deemed forfeited with no further obligation by Landlord with respect thereto; time being of the essence with respect thereto.

11. **Construction Management**. Landlord or its affiliate or agent shall supervise the Work, make disbursements required to be made to the contractor, and act as a liaison between the contractor and Tenant and coordinate the relationship between the Work, the Building, and the Building's Systems. In consideration for Landlord's construction supervision services, Tenant shall pay to Landlord a construction supervision fee equal to 2.5 percent of the Total Construction Costs (exclusive of the construction supervision fee). In addition, Tenant will reimburse Landlord for Landlord's reasonable, out-of-pocket costs payable to third parties and incurred by Landlord in reviewing Tenant's proposed plans, including reasonable engineers' or architects' fees within 30 days after Landlord's delivery to Tenant of a statement of such costs. Tenant will be obligated to make such reimbursement without regard to whether Landlord consents to any such proposed action.

12. **Construction Representatives**. Landlord's and Tenant's representatives for coordination of construction and approval of change orders will be as follows, provided that either party may change its representative upon written notice to the other:

Landlord's Representative:	Jessica Viens c/o Newmark Knight Frank 480 Pleasant Street Watertown, MA 02472 Telephone: 617.393.9733
Tenant's Representative:	Marty Nazzaro c/o Eyepoint Pharmaceuticals 480 Pleasant Street, Suite B300 Telephone: 617-972-6223 Cell: 617-331-1071 Fax: 617-926-5050

13. **Miscellaneous**. To the extent not inconsistent with this Exhibit, Section 4.2 of the Original Lease shall govern the performance of the Work and Landlord's and Tenant's respective rights and obligations regarding the improvements installed pursuant thereto.

EXHIBIT D

CONFIRMATION OF SUITE A-210 EFFECTIVE DATE

, 20__

EyePoint Pharmaceuticals, Inc.
480 Pleasant Street, Suite B300
Watertown, MA 02472

Re: Second Amendment of Lease (the "**Amendment**") dated May 17, 2018, between **WHESTONE RIVERWORKS HOLDINGS, LLC**, a Delaware limited liability company ("**Landlord**"), and **EYEPOINT PHARMACEUTICALS, INC.**, a Delaware corporation ("**Tenant**"), for the lease of approximately 6,590 rentable square feet of additional space (the "**Suite A-210 Premises**") pursuant to the Lease (as defined in and amended by the Amendment). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Amendment unless otherwise indicated.

Ladies and Gentlemen:

Landlord and Tenant agree as follows:

1. **Condition of Suite A-210 Premises**. Tenant has accepted possession of the Suite A-210 Premises pursuant to the Amendment. Any improvements required by the terms of the Amendment to be made by Landlord have been completed to the full and complete satisfaction of Tenant in all respects except for the punchlist items described on Exhibit A hereto (the "**Punchlist Items**"), and except for such Punchlist Items, Landlord has fulfilled all of its duties under the Amendment with respect to such tenant improvements. Furthermore, Tenant acknowledges that the Suite A-210 Premises are suitable for general office and research and development laboratories purposes and uses ancillary and incidental thereto.

2. **Suite A-210 Effective Date**. The Suite A-210 Effective Date is , 20 .

3. **Expiration Date**. The Expiration Date is_____, 20 , which is the last day of the 80th full calendar month following the Suite A-210 Effective Date.

4. **Ratification**. Tenant hereby ratifies and confirms its obligations under the Lease, and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, and (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant. Landlord hereby ratifies and confirms its obligations under the Lease.

5. **Binding Effect; Governing Law**. Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the State in which the Suite A-210 Premises are located.

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

Sincerely,

WHETSTONE RIVERWORKS HOLDINGS, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

Agreed and accepted:

EYEPOINT PHARMACEUTICALS, INC., a Delaware corporation

By : _____
Name: _____
Title: _____

EXHIBIT A

Please insert any punchlist items that remain to be performed by Landlord. If no items are listed below by Tenant, none shall be deemed to exist.

EXHIBIT E

PARKING

Tenant shall be provided a total of 70 parking access cards for unreserved parking spaces, of which 15 spaces shall be allocated to the lower lot located on the south side of Pleasant Street (the **"Lower Lot")** and 55 spaces allocated to the upper lot located on the north side of Pleasant Street (the **"Upper Lol"** and with the Lower Lot, the **"Parkine Area")** subject to such terms, conditions and regulations as are from time to time applicable to patrons of the Parking Area.

Tenant shall at all times comply with all laws respecting the use of the Parking Area . Landlord reserves the right to adopt, modify, and enforce reasonable rules and regulations governing the use of the Parking Area from time to time including designation of assigned parking spaces, requiring use of any key-card, sticker, or other identification or entrance systems and charging a fee for replacement of any such key card, sticker or other item used in connection with any such system and hours of operations. Landlord may refuse to permit any person who violates such rules and regulations to park in the Parking Area, and any violation of the rules and regulations shall subject the car to removal from the Parking Area. The Lower Lot shall be operated pursuant to a sticker program. Tenant may elect to have the stickers transferred to rotating employees or visitors of the Building.

Tenant may validate visitor parking by such method or methods as Landlord may approve, at the validation rate from time to time generally applicable to visitor parking. Unless specified to the contrary above, the parking spaces provided hereunder shall be provided on an unreserved, "first-come , first served" basis. Tenant acknowledges that Landlord has arranged or may arrange for the Parking Area to be operated by an independent contractor, not affiliated with Landlord.

All motor vehicles (including all contents thereof) shall be parked in the Parking Area at the sole risk of Tenant and Tenant's assignees, subtenants, agents, contractors, employees, licensees, guests and invitees, it being expressly agreed and understood Landlord has no duty to insure any of said motor vehicles (including the contents thereof), and Landlord is not responsible for the protection and security of such vehicles. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. **NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE LEASE, LANDLORD SHALL HAVE NO LIABILITY WHATSOEVER FOR ANY PROPERTY DAMAGE OR LOSS WHICH MIGHT OCCUR ON THE PARKING AREA OR AS A RESULT OF OR IN CONNECTION WITH THE PARKING OF MOTOR VEHICLES IN ANY OF THE PARKING SPACES.**

EXHIBIT F

EXTENSION OPTION

Tenant may extend the Term for one additional period of five years, by delivering written notice of the exercise thereof to Landlord not earlier than 12 months or later than 10 months before the expiration of the Term. The Base Rent payable for each month during such extended Term shall be the Prevailing Rental Rate (defined below) at the commencement of such extended Term. As used herein, the **"Prevailing Rental Rate"** shall mean the prevailing rental rate that a willing tenant would pay, and a willing landlord would accept (both having reasonable knowledge of the relevant factors), for a comparable lease transaction for space that is of equivalent quality, size, utility and location as the space in question and that is located in a comparable building (including the Building) within the submarket of Watertown, Massachusetts, taking into consideration (a) the location, quality and age of the Building; (b) the use and size of the space in question; (c) the location and/or floor level of the space in question; (d) the amount of any tenant improvement allowances, abatement of rental, or other tenant inducements for the space in question, if any; (e) the fact that a lease may be a "triple net", "base year" or "gross" lease for the space in question; (t) the amount of any brokerage commissions; (g) the expense stop or base year for pass-through expense purposes for the space in question; (h) the credit standing of Tenant; (i) the length of the term for the space in question; U) the amount and frequency of increases in Basic Rent; (k) intentionally omitted; (I) the tenant improvements located in the space in question; and (m) the amount of any parking charges of equivalent quality, size, utility and location.. Within 30 days after receipt of Tenant's notice to extend, Landlord shall deliver to Tenant written notice of the Prevailing Rental Rate and shall advise Tenant of the required adjustment to Base Rent, if any, and the other terms and conditions offered. Tenant shall, within ten days after receipt of Landlord's notice, notify Landlord in writing whether Tenant (1) accepts Landlord's determination of the Prevailing Rental Rate, or (2) rejects Landlord's determination of the Prevailing Rental Rate and elects to have the Prevailing Rental Rate determined by the arbitration procedure outlined below. If Tenant timely notifies Landlord that Tenant accepts Landlord's determination of the Prevailing Rental Rate, then, within 30 days following the determination of the Prevailing Rental Rate, Landlord and Tenant shall execute an amendment to this Lease extending the Term on the same terms and conditions provided in this Lease, except as follows:

(a) Base Rent shall be adjusted to the Prevailing Rental Rate, with periodic increases therein as described above;

(b) Tenant shall have no further option to extend the Term unless expressly granted by Landlord in writing; and

(c) Landlord shall lease to Tenant the Premises in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements; provided, if Landlord provides any such allowances or other tenant inducements for renewals of space in the Building, and such allowances have been taken into account in determining the Prevailing Rental Rate, then Landlord shall provide such allowances to Tenant.

If Tenant timely delivers written notice to Landlord that Tenant rejects Landlord's determination of the Prevailing Rental Rate, time being of the essence with respect thereto, Tenant shall, nevertheless, be deemed to have irrevocably renewed the Term, and the determination of the Prevailing Rental Rate shall be made by brokers as provided below. In such event, within ten days thereafter, each party shall select a licensed commercial real estate broker with at least ten years' experience in leasing office buildings in the city or submarket in which the Premises are located (a **"Qualified Broker").** The two brokers shall give their opinion of prevailing rental rates (based upon the same criteria as described in the first paragraph above) within ten days after their retention. If such brokers timely reach agreement, such agreed determination shall be the Prevailing Rental Rate for purposes of this Exhibit and shall be final and binding on Landlord and Tenant. In the event the opinions of the two brokers differ and, after good faith efforts for ten days after the expiration of such initial ten day period, they cannot mutually agree, the brokers shall immediately and jointly appoint a third Qualified Broker. If the brokers are unable to agree upon such third Qualified Broker, then such third Qualified Broker shall be appointed by the American Arbitration Association upon the request of either Landlord or Tenant (and such appointee shall satisfy the requirement of a Qualified Broker and shall be bound by the procedures described in this paragraph). This third broker shall immediately (within five days) choose either the determination of Landlord's broker or Tenant's broker and such choice of this third broker shall be the

Prevailing Rental Rate for purposes of this Exhibit and shall be final and binding on Landlord and Tenant. Each party shall pay its own costs for its real estate broker. Following the determination of the Prevailing Rental Rate by the brokers, the parties shall equally share the costs of any third broker. The parties shall immediately execute an amendment as set forth above. If Tenant fails to timely notify Landlord in writing that Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate, time being of the essence with respect thereto, then, at Landlord's option, (a) Tenant's rights under this Exhibit shall terminate and Tenant shall have no right to extend the Term; or (b) Tenant shall be deemed to have irrevocably renewed the Term and to have accepted Landlord's determination of the Prevailing Rental Rate.

Tenant's rights under this Exhibit are personal to EyePoint Pharmaceuticals, Inc. and shall terminate, at Landlord's option, if(a) an Event of Default exists as of the date of Tenant's exercise of its rights under this Exhibit or as of the commencement date of the extended Term, (b) the Lease or Tenant's right to possession of any of the Premises is terminated, (c) Tenant fails to lease from Landlord or occupy at least 65% of the number of rentable square feet leased to Tenant as of the Suite A-210 Effective Date, (d) Tenant has marketed any of the Premises for sublease or assignment during the one year period prior to the date of Tenant's extension exercise notice to Landlord or prior to the commencement of the extended Term; or (e) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof.

Exhibit 21.1

List of Subsidiaries of EyePoint Pharmaceuticals, Inc.

Subsidiary Name	Jurisdiction of Incorporation
EyePoint Pharmaceuticals US, Inc.	Delaware
pSiMedica Limited	United Kingdom
EyePoint Pharmaceuticals Securities Corporation	Massachusetts
Icon Bioscience, Inc.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-152146, 333-163208 and 333-216166 on Form S-8 and Registration Nos. 333-208115 and 333-226341 on Form S-3 of our reports dated September 18, 2018, relating to the consolidated financial statements of EyePoint Pharmaceuticals, Inc. and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the substantial doubt about the Company's ability to continue as a going concern), appearing in this Annual Report on Form 10-K of EyePoint Pharmaceuticals, Inc. for the year ended June 30, 2018.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
September 18, 2018

Exhibit 31.1

Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.

CERTIFICATIONS

I, **Nancy Lurker**, certify that:

1. I have reviewed this Annual Report on Form 10-K of **EYEPOINT PHARMACEUTICALS, 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: September 18, 2018

/S/ NANCY LURKER

Name: **Nancy Lurker**

Title: **President and Chief Executive Officer**
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.

CERTIFICATIONS

I, **David Price**, certify that:

1. I have reviewed this Annual Report on Form 10-K of **EYEPOINT PHARMACEUTICALS, 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: September 18, 2018

/S/ DAVID PRICE

Name: **David Price**
Title: **Chief Financial Officer**
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report of EyePoint Pharmaceuticals, Inc. (the "Company") on Form 10-K for the year ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nancy Lurker, President and Chief Executive Officer of the Company, certify that to the best of my knowledge:

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

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

Date: September 18, 2018

/S/ NANCY LURKER

Name: **Nancy Lurker**
Title: **President and Chief Executive Officer**
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Annual Report of EyePoint Pharmaceuticals, Inc. (the "Company") on Form 10-K for the year ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Price, Chief Financial Officer of the Company, certify that to the best of my knowledge:

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

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

Date: September 18, 2018

/s/ David Price

Name: **David Price**
Title: **Chief Financial Officer**
(Principal Financial Officer)