

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended March 31, 2021**

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

**480 Pleasant Street  
Watertown, MA**  
(Address of principal executive offices)

**26-2774444**  
(I.R.S. Employer  
Identification No.)

**02472**  
(Zip Code)

**(617) 926-5000**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	EYPT	The Nasdaq Stock Market LLC

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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   
Non-accelerated filer

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

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

There were 28,741,475 shares of the registrant's common stock, \$0.001 par value, outstanding as of April 30, 2021.

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)  
 (In thousands except share amounts)

	March 31, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 138,579	\$ 44,909
Accounts and other receivables, net	12,332	9,453
Prepaid expenses and other current assets	2,856	3,419
Inventory	5,586	5,337
<b>Total current assets</b>	<b>159,353</b>	<b>63,118</b>
Property and equipment, net	559	630
Operating lease right-of-use assets	2,484	2,610
Intangible assets, net	24,594	25,209
Restricted cash	150	150
<b>Total assets</b>	<b>\$ 187,140</b>	<b>\$ 91,717</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,855	\$ 4,811
Accrued expenses	5,915	8,445
Deferred revenue	973	945
Other current liabilities	698	687
<b>Total current liabilities</b>	<b>13,441</b>	<b>14,888</b>
Long-term debt	38,124	37,977
Deferred revenue - noncurrent	15,349	15,616
Operating lease liabilities - noncurrent	2,172	2,330
Other long-term liabilities	2,347	2,365
<b>Total liabilities</b>	<b>71,433</b>	<b>73,176</b>
<b>Contingencies (Note 13)</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$.001 par value, 300,000,000 shares authorized at March 31, 2021 and December 31, 2020; 28,741,475 and 18,139,981 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	29	18
Additional paid-in capital	637,797	528,362
Accumulated deficit	(522,960)	(510,680)
Accumulated other comprehensive income	841	841
<b>Total stockholders' equity</b>	<b>115,707</b>	<b>18,541</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 187,140</b>	<b>\$ 91,717</b>

See notes to consolidated financial statements

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited)  
(In thousands except per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
Product sales, net	\$ 6,802	\$ 4,687
License and collaboration agreement	341	2,020
Royalty income	180	782
Total revenues	7,323	7,489
<b>Operating expenses:</b>		
Cost of sales, excluding amortization of acquired intangible assets	1,390	980
Research and development	5,479	4,853
Sales and marketing	5,659	8,125
General and administrative	5,115	4,360
Amortization of acquired intangible assets	615	615
Total operating expenses	18,258	18,933
Loss from operations	(10,935)	(11,444)
<b>Other income (expense):</b>		
Interest and other income, net	1	54
Interest expense	(1,346)	(1,784)
Total other expense, net	(1,345)	(1,730)
Net loss	\$ (12,280)	\$ (13,174)
Net loss per share - basic and diluted	\$ (0.50)	\$ (1.14)
Weighted average shares outstanding - basic and diluted	24,735	11,553
Net loss	\$ (12,280)	\$ (13,174)
Comprehensive loss	\$ (12,280)	\$ (13,174)

See notes to consolidated financial statements

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)  
(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 January 1, 2020	10,941,659	\$ 11	\$ 472,765	\$ (465,286)	\$ 840	\$ 8,330
Net loss	—	—	—	(13,174)	—	(13,174)
Issuance of stock, net of issue costs	1,500,000	15	19,975	—	—	19,990
Employee stock purchase plan	16,166	1	186	—	—	187
Vesting of stock units	16,285	—	(19)	—	—	(19)
Stock-based compensation	—	—	1,160	—	—	1,160
Balance at March 31, 2020	<u>12,474,110</u>	<u>\$ 27</u>	<u>\$ 494,067</u>	<u>\$ (478,460)</u>	<u>\$ 840</u>	<u>\$ 16,474</u>
Balance at January 1, 2021	18,139,981	\$ 18	\$ 528,362	\$ (510,680)	\$ 841	\$ 18,541
Net loss	—	—	—	(12,280)	—	(12,280)
Issuance of stock, net of issue costs	10,513,538	11	108,392	—	—	108,403
Employee stock purchase plan	27,713	—	173	—	—	173
Exercise of stock options	827	—	10	—	—	10
Vesting of stock units	59,416	—	(128)	—	—	(128)
Stock-based compensation	—	—	988	—	—	988
Balance at March 31, 2021	<u>28,741,475</u>	<u>\$ 29</u>	<u>\$ 637,797</u>	<u>\$ (522,960)</u>	<u>\$ 841</u>	<u>\$ 115,707</u>

See notes to consolidated financial statements

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (12,280)	\$ (13,174)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Amortization of intangible assets	615	615
Depreciation of property and equipment	72	33
Amortization of debt discount	147	171
Non-cash interest expense	—	323
Stock-based compensation	988	1,160
Changes in operating assets and liabilities:		
Accounts receivable and other current assets	(2,317)	(2,320)
Inventory	(248)	(1,221)
Accounts payable and accrued expenses	(1,798)	(1,944)
Right-of-use assets and operating lease liabilities	(38)	(3)
Deferred revenue	(240)	15
Net cash used in operating activities	<u>(15,099)</u>	<u>(16,345)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	—	(16)
Net cash used in investing activities	<u>—</u>	<u>(16)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of stock, net of issuance costs	108,732	20,285
Net settlement of stock units to satisfy statutory tax withholding	(128)	(19)
Proceeds from exercise of stock options	183	187
Principal payments on finance lease obligations	(18)	(7)
Net cash provided by financing activities	<u>108,769</u>	<u>20,446</u>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>93,670</b>	<b>4,085</b>
<b>Cash, cash equivalents and restricted cash at beginning of year</b>	<b>45,059</b>	<b>22,364</b>
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b><u>\$ 138,729</u></b>	<b><u>\$ 26,449</u></b>
<b>Supplemental cash flow information:</b>		
Cash interest paid	\$ 1,195	\$ 1,290
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Stock issuance costs	329	295
Principal portion of finance lease liabilities	12	7

See notes to consolidated financial statements

**EYEPOINT PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Operations**

The accompanying condensed consolidated financial statements of EyePoint Pharmaceuticals, Inc., a Delaware corporation (together with its subsidiaries, the “Company”), as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 are unaudited. Certain information in the footnote disclosures of these financial statements has been condensed or omitted in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”). These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, these statements have been prepared on the same basis as the audited consolidated financial statements as of and for the year ended December 31, 2020, and include all adjustments, consisting only of normal recurring adjustments, that are necessary for the fair presentation of the Company’s financial position, results of operations, comprehensive loss and cash flows for the periods indicated. The preparation of financial statements in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) requires management to make assumptions and estimates that affect, among other things, (i) reported amounts of assets and liabilities; (ii) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and (iii) reported amounts of revenues and expenses during the reporting period. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the entire fiscal year or any future period.

The Company is a pharmaceutical company committed to developing and commercializing innovative therapeutics to help improve the lives of patients with serious eye disorders. The Company’s pipeline leverages its proprietary Durasert® technology for extended intraocular drug delivery including EYP-1901, a potential twice-yearly sustained delivery intravitreal anti-VEGF treatment initially targeting wet age-related macular degeneration (“wet AMD”), the leading cause of vision loss among people 50 years of age and older in the United States. The Company’s product candidate pipeline also includes YUTIQ50, a potential twice-yearly treatment for non-infectious uveitis affecting the posterior segment of the eye, one of the leading causes of blindness. The Company also has two commercial products: YUTIQ®, a once every three-year treatment for chronic non-infectious uveitis affecting the posterior segment of the eye, and DEXYCU®, a single dose treatment for postoperative inflammation following ocular surgery.

Local drug delivery for treating ocular diseases is a significant challenge due to the effectiveness of the blood-eye barrier. This barrier makes it difficult for systemically-administered drugs to reach the eye in sufficient quantities to have a beneficial effect without causing unacceptable adverse side effects to other organs. The Company’s validated Durasert technology, which has already been included in four products approved for marketing by the U.S. Food and Drug Administration (“FDA”), is designed to provide consistent, sustained delivery of small molecule drugs over a period of months to years through a single intravitreal injection.

The Company’s lead product candidate, EYP-1901, combines a bioerodible formulation of its proprietary Durasert sustained-release technology with vorolanib, a tyrosine kinase inhibitor (“TKI”). The Company is currently evaluating EYP-1901 in a Phase 1 clinical trial as a potential twice-yearly sustained delivery intravitreal treatment for wet AMD. Current approved treatments for wet AMD require monthly or bi-monthly eye injections in a physician’s office, which can cause inconvenience and discomfort and often lead to reduced compliance and poor outcomes. In two prior clinical trials of vorolanib as an orally delivered therapy, vorolanib had a strong clinical signal with no significant ocular adverse events. The Company expects initial data from the Phase 1 clinical trial in the fourth quarter of 2021.

The Company is also developing YUTIQ50 as a potential twice-yearly intravitreal treatment for chronic non-infectious uveitis affecting the posterior segment of the eye. The Company has consulted with the FDA and identified a clinical pathway for a supplemental new drug application (“sNDA”) filing that the Company expects will involve a clinical trial of a small population. The Company is currently preparing for clinical trial initiation for YUTIQ50 later this year.

The Company also has two commercial products, YUTIQ® and DEXYCU®, that are being sold directly in the U.S.

YUTIQ® (fluocinolone acetonide intravitreal implant) 0.18 mg for intravitreal injection, is a non-erodible intravitreal implant containing fluocinolone acetonide (“FA”) lasting for up to 36 months and is indicated for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye. This disease affects between

60,000 to 100,000 people each year in the U.S. causes approximately 30,000 new cases of blindness every year and is the third leading cause of blindness. YUTIQ utilizes the Company's proprietary Durasert® sustained-release drug delivery technology platform.

DEXYCU® (dexamethasone intraocular suspension) 9%, for intraocular administration, is indicated for the treatment of post-operative ocular inflammation, with the Company's primary focus on its use immediately following cataract surgery as a single dose treatment. DEXYCU utilizes the Company's proprietary Verisome® drug-delivery technology.

The Company is also seeking to enhance its long-term growth potential by expanding EYP-1901 beyond wet AMD into diabetic retinopathy ("DR") and retinal vein occlusion ("RVO"), both large and growing ocular disease areas. The Company also plans to potentially identify and advance additional product candidates through clinical and regulatory development. This may be accomplished through internal discovery efforts, potential research collaborations and/or in-licensing arrangements with partner molecules and potential acquisitions of additional ophthalmic products, product candidates or technologies that complement the Company's current product portfolio.

### **Effects of the COVID-19 Coronavirus Pandemic**

The ongoing COVID-19 coronavirus pandemic (the "Pandemic") has had, and will likely continue to have, a material and adverse impact on the Company's business, including as a result of measures that the Company, other businesses, and governments have taken and will likely continue to take. This includes a significant impact on cash flows from expected revenues due to the closure of ambulatory surgery centers for DEXYCU and a significant reduction in physician office visits impacting YUTIQ. The ongoing Pandemic continued to have an adverse impact on the Company's revenues, financial condition and cash flows in the first quarter of 2021 and into the second quarter of 2021. Further, the future progression of the Pandemic and its effects on the Company's business and operations are uncertain. The Company is monitoring the Pandemic and its potential effect on the Company's financial position, results of operations and cash flows. This uncertainty could have an impact in future periods on certain estimates used in the preparation of the Company's periodic financial results, including reserves for variable consideration related to product sales, realizability of certain receivables, assessment for excess or obsolete inventory, and impairment of long-lived assets. Uncertainty around the extent and duration of the Pandemic, and any future related financial impact cannot be reasonably estimated at this time.

### **Liquidity**

The Company had cash and cash equivalents of \$138.6 million at March 31, 2021. The Company has a history of operating losses and has not had significant recurring cash inflows from revenue. The Company's operations have been financed primarily from sales of its equity securities, issuance of debt and a combination of license fees, milestone payments, royalty income and other fees received from its collaboration partners. In the first quarter of 2019, the Company commenced the U.S. launch of its first two commercial products, YUTIQ and DEXYCU. However, the Company has not received sufficient revenues from its product sales to fund operations and the Company does not expect revenues from its product sales to generate sufficient funding to sustain its operations in the near-term. The Company expects to continue fulfilling its funding needs through cash inflows from revenue of YUTIQ and DEXYCU product sales, licensing and research collaboration transactions, additional equity capital raises and other arrangements. The Company believes that its cash and cash equivalents of \$138.6 million at March 31, 2021 coupled with expected cash inflows from its product sales will enable the Company to fund its current and planned operations for at least the next twelve months from the date these consolidated financial statements were issued. Actual cash requirements could differ from management's projections due to many factors, including the continued effect of the Pandemic on the Company's business and the medical community, the timing and results of the Company's clinical trials for EYP-1901, additional investments in research and development programs, the success of commercialization for YUTIQ and DEXYCU, the actual costs of these commercialization efforts, competing technological and market developments and the costs of any strategic acquisitions and/or development of complementary business opportunities.

### **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 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 December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740)* (“ASU 2019-12”): *Simplifying the Accounting for Income Taxes*. The amendments simplify the accounting for income taxes by removing certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Company adopted ASU 2019-12 on January 1, 2021. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

## 2. Summary of Significant Accounting Policies

### Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, Revenue from Contracts with Customers (“ASC 606”), the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract, determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue.

**Product sales, net** — The Company sells YUTIQ and DEXYCU to a limited number of specialty distributors and specialty pharmacies (collectively the “Distributors”) in the U.S., with whom the Company has entered into formal agreements, for delivery to physician practices for YUTIQ and to hospital outpatient departments and ambulatory surgical centers for DEXYCU. The Company recognizes revenue on sales of its products when Distributors obtain control of the products, which occurs at a point in time, typically upon delivery. In addition to agreements with Distributors, the Company also enters into arrangements with healthcare providers, ambulatory surgical centers, and payors that provide for government mandated and/or privately negotiated rebates, chargebacks, and discounts with respect to the purchase of the Company’s products from Distributors.

**Reserves for variable consideration** — Product sales are recorded at the wholesale acquisition costs, net of applicable reserves for variable consideration. Components of variable consideration include trade discounts and allowances, provider chargebacks and discounts, payor rebates, product returns, and other allowances that are offered within contracts between the Company and its Distributors, payors, and other contracted purchasers relating to the Company’s product sales. These reserves, as detailed below, are based on the amounts earned, or to be claimed on the related sales, and are classified either as reductions of product revenue and accounts receivable or a current liability, depending on how the amount is to be settled. Overall, these reserves reflect the Company’s best estimates of the amount of consideration to which it is entitled based on the terms of the respective underlying contracts. Actual amounts of consideration ultimately received may differ from the Company’s estimates. If actual results in the future vary from the estimates, the Company adjusts these estimates, which would affect product revenue and earnings in the period such variances become known.

**Distribution fees** — The Company compensates its Distributors for services explicitly stated in the Company’s contracts and are recorded as a reduction of revenue in the period the related product sale is recognized.

**Provider chargebacks and discounts** — Chargebacks are discounts that represent the estimated obligations resulting from contractual commitments to sell products at prices lower than the list prices charged to the Company’s Distributors. These Distributors charge the Company for the difference between what they pay for the product and the Company’s contracted selling price. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability. Reserves for chargebacks consist of amounts that the Company expects to pay for units that remain in the

distribution channel inventories at each reporting period-end that the Company expects will be sold under a contracted selling price, and chargebacks that Distributors have claimed, but for which the Company has not yet settled.

*Government rebates* — The Company is subject to discount obligations under state Medicaid programs and Medicare. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability which is included in accrued expenses and other current liabilities on the condensed consolidated balance sheets. The Company's liability for these rebates consists of invoices received for claims from prior quarters that have not been paid or for which an invoice has not yet been received, estimates of claims for the current quarter, and estimated future claims that will be made for product that has been recognized as revenue, but which remains in the distribution channel inventories at the end of each reporting period.

*Payor rebates* — The Company contracts with certain private payor organizations, primarily insurance companies, for the payment of rebates with respect to utilization of its products. The Company estimates these rebates and records such estimates in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability.

*Co-Payment assistance* — The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that the Company expects to receive associated with product that has been recognized as revenue.

*Product returns* — The Company generally offers a limited right of return based on its returned goods policy, which includes damaged product and remaining shelf life. The Company estimates the amount of its product sales that may be returned and records this estimate as a reduction of revenue in the period the related product revenue is recognized, as well as reductions to trade receivables, net on the condensed consolidated balance sheets.

*License and collaboration agreement revenue* — The Company analyzes each element of its license and collaboration arrangements to determine the appropriate revenue recognition. The terms of the license agreement may include payment to the Company of non-refundable up-front license fees, milestone payments if specified objectives are achieved, and/or royalties on product sales. The Company recognizes revenue from upfront payments at a point in time, typically upon fulfilling the delivery of the associated intellectual property to the customer.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. The Company determines standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

The Company recognizes sales-based milestone payments as revenue upon the achievement of the cumulative sales amount specified in the contract in accordance with ASC 606-10-55-65. For those milestone payments which are contingent on the occurrence of particular future events, the Company determines that these need to be considered for inclusion in the calculation of total consideration from the contract as a component of variable consideration using the most-likely amount method. As such, the Company assesses each milestone to determine the probability and substance behind achieving each milestone. Given the inherent uncertainty associated with these future events, the Company will not recognize revenue from such milestones until there is a high probability of occurrence, which typically occurs near or upon achievement of the event.

When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. Applying the practical expedient in paragraph 606-10-32-18, the Company does not assess whether a significant financing component exists if the period between when the Company performs its obligations under the contract and when the customer pays is one year or less. None of the Company's contracts contained a significant financing component as of March 31, 2021.

**Royalties** — The Company recognizes revenue from license arrangements with its commercial partners' net sales of products. Such revenues are included as royalty income. In accordance with ASC 606-10-55-65, royalties are recognized when the subsequent sale of the commercial partner's products occurs. The Company's commercial partners are obligated to report their net product sales and the resulting royalty due to the Company typically within 60 days from the end of each quarter. Based on historical product sales, royalty receipts and other relevant information, the Company recognizes royalty income each quarter and subsequently determines a true-up when it receives royalty reports and payment from its commercial partners. Historically, these true-up adjustments have been immaterial.

**Sale of Future Royalties** — The Company has sold its rights to receive certain royalties on product sales. In the circumstance where the Company has sold its rights to future royalties under a royalty purchase agreement and also maintains limited continuing involvement in the arrangement (but not significant continuing involvement in the generation of the cash flows that are due to the purchaser), the Company defers recognition of the proceeds it receives for the sale of royalty streams and recognizes such unearned revenue as revenue under the units-of-revenue method over the life of the underlying license agreement. Under the units-of-revenue method, amortization for a reporting period is calculated by computing a ratio of the proceeds received from the purchaser to the total payments expected to be made to the purchaser over the term of the agreement, and then applying that ratio to the period's cash payment.

Estimating the total payments expected to be received by the purchaser over the term of such arrangements requires management to use subjective estimates and assumptions. Changes to the Company's estimate of the payments expected to be made to the purchaser over the term of such arrangements could have a material effect on the amount of revenues recognized in any particular period.

**Research Collaborations** — The Company recognizes revenue over the term of the statements of work under any funded research collaborations. 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 research collaborations.

Please refer to Note 3 for further details on the license and collaboration agreements into which the Company has entered and corresponding amounts of revenue recognized during the current and prior year periods.

**Cost of sales, excluding amortization of acquired intangible assets** — Cost of sales, excluding amortization of acquired intangible assets, consist of costs associated with the manufacture of YUTIQ and DEXYCU, certain period costs, product shipping and, as applicable, royalty expense. The inventory costs for YUTIQ include purchases of various components, the active pharmaceutical ingredient ("API") and internal labor and overhead for the product manufactured in the Company's Watertown, MA facility. The inventory costs for DEXYCU include purchased components, the API and third-party manufacturing and assembly.

For the three months ended March 31, 2021 and 2020, the Company accrued DEXYCU product revenue-based royalty expense of \$455,000 and \$517,000, respectively, as a component of cost of sales, of which \$0 and \$400,000, respectively, were related to the earn-out payment equal to 20% of the \$2 million upfront license fee received from Ocumension in February 2020 (See Note 3), as the payment of the partnering income in connection with the Company's acquisition of Icon Bioscience, Inc. in March 2018 (the "Icon Acquisition").

### 3. Revenue

#### Product Revenue Reserves and Allowances

The Company's product revenues have been primarily from sales of YUTIQ and DEXYCU in the U.S., which it began shipping to its customers in February 2019 and March 2019, respectively.

Net product revenues by product for the three months ended March 31, 2021 and 2020 were as follows (in thousands):

	<b>Three Months Ended March 31, 2021</b>	<b>Three Months Ended March 31, 2020</b>
YUTIQ (A)	\$ 3,029	\$ 3,575
DEXYCU (B)	3,773	1,112
Total product sales, net	<u>\$ 6,802</u>	<u>\$ 4,687</u>

(A) Included approximately \$5,000 and \$0 of revenue from YUTIQ product sales to Ocumension for the three months ended March 31, 2021 and 2020, respectively.

(B) No revenue was recognized from DEXYCU product sales to Ocumension for the three months ended March 31, 2021 and 2020.

The following table summarizes activity in each of the product revenue allowance and reserve categories for the three months ended March 31, 2021 and 2020 (in thousands):

	<b>Chargebacks, Discounts and Fees</b>	<b>Government and Other Rebates</b>	<b>Returns</b>	<b>Total</b>
Beginning balance at January 1, 2021	\$ 574	\$ 535	\$ 603	\$ 1,712
Provision related to sales in the current year	1,041	679	171	1,891
Adjustments related to prior period sales	(50)	(22)	(100)	(172)
Deductions applied and payments made	(809)	(473)	(184)	(1,466)
Ending balance at March 31, 2021	<u>\$ 756</u>	<u>\$ 719</u>	<u>\$ 490</u>	<u>\$ 1,965</u>

	<b>Chargebacks, Discounts and Fees</b>	<b>Government and Other Rebates</b>	<b>Returns</b>	<b>Total</b>
Beginning balance at January 1, 2020	\$ 1,618	\$ 271	\$ 352	\$ 2,241
Provision related to sales in the current year	612	175	261	1,048
Adjustments related to prior period sales	(267)	—	50	(217)
Deductions applied and payments made	(639)	(262)	(195)	(1,096)
Ending balance at March 31, 2020	<u>\$ 1,324</u>	<u>\$ 184</u>	<u>\$ 468</u>	<u>\$ 1,976</u>

Returns are recorded as a reduction of accounts receivable on the condensed consolidated balance sheets. Chargebacks, discounts and fees and rebates are recorded as a component of accrued expenses on the condensed consolidated balance sheets (See Note 6).

## License and Collaboration Agreements and Royalty Income

### Alimera

Pursuant to a licensing and development agreement, as amended (the “Amended Alimera Agreement”), Alimera Sciences, Inc. (“Alimera”) has a worldwide exclusive license to develop, make, market and sell ILUVIEN in return for royalties based on sales and patent fee reimbursements. Royalties income was \$0 and \$782,000 for the three months ended March 31, 2021 and 2020, respectively. Total revenue was \$13,000 and \$817,000 for the three months ended March 31, 2021 and 2020, respectively.

### SWK Royalty Purchase Agreement

On December 17, 2020, the Company entered into a royalty purchase agreement (the “RPA”) with SWK Funding LLC (“SWK”). Under the RPA, the Company sold its right to receive royalty payments on future sales of products subject to the Amended Alimera Agreement for an upfront cash payment of \$16.5 million. Except for the rights to the royalties, the Company retains all rights and obligations under the Amended Alimera Agreement, pursuant to which, Alimera owns worldwide rights to the Company’s Durasert technology in ILUVIEN for diabetic

macular edema (“DME”) and rights for ILUVIEN (currently marketed by the Company as YUTIQ in the U.S.) for non-infectious posterior uveitis in Europe, the Middle East, and Africa (“EMEA”). Alimera has the sole rights to utilize the intellectual property developed under the Amended Alimera Agreement. There has been no intellectual property developed jointly by Alimera and the Company as part of the Amended Alimera Agreement. The Company cannot utilize the intellectual property for the indication licensed to Alimera in order to manufacture and sell ILUVIEN.

The Company’s ongoing efforts under the Amended Alimera Agreement will consist of continuing to maintain and enforce its patents as well as providing safety data and regulatory support as necessary. None of these obligations require significant efforts on the part of the Company with respect to the generation of sales in the market. The Company will only be required to expend more extensive efforts if litigation were to arise that requires the Company to protect its patents pursuant to the terms of the Amended Alimera Agreement. Historically, such a defense has not been required. Similarly, regulatory support and safety data is only provided on an ad-hoc basis depending on the regulatory requests, which has been minimal historically. It remains Alimera’s sole responsibility to manufacture, actively market and promote the products under the Amended Alimera Agreement to generate the sales, which ultimately generate the royalties to be paid to SWK.

The Company classified the proceeds received from SWK as deferred revenue, to be recognized as revenue under the units-of-revenue method over the life of the RPA because of the Company’s limited continuing involvement in the Amended Alimera Agreement. SWK has no recourse and the Company assumes no credit risk in event that Alimera fails to make a royalty payment. The Company must only forward all material correspondence from Alimera to SWK, including royalty reports, notices and any other correspondence with respect to royalties to SWK. SWK has the right to audit and inspect the books and records pertaining to net sales and royalties under the Amended Alimera Agreement. Neither the Company nor SWK has the unilateral ability to cancel the transaction. There is no cap or limitation on the royalties to be received by SWK in the future and its return will reflect all royalties paid by Alimera. Because the transaction was structured as a non-cancellable sale, the Company does not have significant continuing involvement in the generation of the cash flows due to SWK and there is no limitation on the rates of return to SWK, the Company recorded the total proceeds of \$16.5 million as deferred revenue under royalty sale agreement. The deferred revenue is being recognized as revenue over the life of the RPA under the "units-of-revenue" method. Under this method, amortization for a reporting period is calculated by computing a ratio of the proceeds received from SWK to the payments expected to be made by Alimera to SWK over the term of the Amended Alimera Agreement, and then applying that ratio to the period’s cash payment.

The Company recognized \$180,000 of royalty revenue related to the RPA for the three months ended March 31, 2021 in connection with the royalty payment of \$583,000 in the first quarter of 2021 from Alimera to SWK, pursuant to the Amended Alimera Agreement. No revenue was recognized related to the RPA for the three months ended March 31, 2020. As of March 31, 2021, the Company had \$973,000 and \$15.3 million as current and non-current deferred revenue recognized under royalty sale agreement, respectively. As of December 31, 2020, the Company classified \$885,000 and \$15.6 million as current and non-current deferred revenue recognized under royalty sale agreement, respectively.

### **Ocumension Therapeutics**

In November 2018, the Company entered into an exclusive license agreement with Ocumension Therapeutics (“Ocumension”) for the development and commercialization of its three-year micro insert using the Durasert technology for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye (YUTIQ in the U.S.) in Mainland China, Hong Kong, Macau and Taiwan. The Company received a one-time upfront payment of \$1.75 million from Ocumension and is eligible to receive up to (i) \$7.25 million upon the achievement by Ocumension of certain prescribed development and regulatory milestones, and (ii) \$3.0 million commercial sales-based milestones. In addition, the Company is entitled to receive mid-single digit sales-based royalties. Ocumension has also received a special approval by the Hainan Province People's Government to market this product for chronic, non-infectious posterior segment uveitis in the Hainan Bo Ao Lecheng International Medical Tourism Pilot Zone (“Hainan Pilot Zone”). In March 2019, the Company entered into a Memorandum of Understanding (“2019 MOU”), pursuant to which, the Company will supply product for the clinical trials and Hainan Pilot Zone use. Paralleling to Ocumension’s normal registration process of the product with the Chinese Regulatory Authorities, the 2019 MOU modified the Company’s entitlement to the development and regulatory milestones of up to \$7.25 million under the license agreement to product supply milestones or development milestones, whichever comes first, totaling up to \$7.25 million. In August 2019, the Company began shipping this product to Ocumension.

The Company was required to provide a fixed number of hours of technical assistance support to Ocumension at no cost, which support has been completed and no future performance obligation exists. Ocumension is responsible for all development, regulatory and commercial costs, including any additional technical assistance requested. Ocumension has a first right of negotiation for an additional exclusive license to the Company's shorter-duration line extension candidate for this indication.

In August 2019, the Company received a \$1.0 million development milestone payment from Ocumension triggered by the approval of its Investigational New Drug ("IND") in China for this program. The IND allows the importation of finished product into China for use in a clinical trial to support regulatory filing.

In January 2020, the Company entered into an exclusive license agreement with Ocumension for the development and commercialization in Mainland China, Hong Kong, Macau and Taiwan of DEXYCU for the treatment of post-operative inflammation following ocular surgery. Pursuant to the terms of the license agreement, the Company received upfront payments of \$2.0 million from Ocumension in February 2020 and will be eligible to receive up to (i) \$6.0 million upon the achievement by Ocumension of certain prescribed development and regulatory milestones, and (ii) \$6.0 million commercial sales-based milestones. In addition, the Company is entitled to receive mid-single digit sales-based royalties. In exchange, Ocumension will receive exclusive rights to develop and commercialize DEXYCU in Mainland China, Hong Kong, Macau and Taiwan, at its own cost and expense with the Company supplying product for clinical trials and commercial sale. In addition, Ocumension will receive a fixed number of hours of technical assistance support from the Company at no cost.

In August 2020, the Company entered into a Memorandum of Understanding ("2020 MOU"), pursuant to which, the Company received a one-time non-refundable payment of \$9.5 million (the "Accelerated Milestone Payment") from Ocumension as a full and final payment of the combined remaining development, regulatory and sales milestone payments under the Company's license agreements with Ocumension for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye and for the treatment of post-operative inflammation following ocular surgery, respectively. Upon payment of the Accelerated Milestone Payment, the remaining \$11.75 million in combined remaining development and sales milestone payments under the Company's original license agreement with Ocumension upon the achievement by Ocumension of (i) remaining development and regulatory milestones of \$6.25 million and commercial sales-based milestones of \$3.0 million for the development and commercialization of its three-year micro insert using the Durasert technology for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye; and (ii) \$6.0 million upon the achievement by Ocumension of certain prescribed development and regulatory milestones, and \$6.0 million commercial sales-based milestones for the development and commercialization in Mainland China, Hong Kong, Macau and Taiwan of DEXYCU for the treatment of post-operative inflammation following ocular surgery, totaling up to \$21.25 million, were permanently extinguished and will no longer be due and owed to the Company. In exchange, Ocumension also received exclusive rights to develop and commercialize YUTIQ and DEXYCU products under its own brand names in South Korea and other jurisdictions across Southeast Asia in Brunei, Burma (Myanmar), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam, at its own cost and expense with the Company supplying product for clinical trials and commercial sale. The Company continues to be entitled to royalties on future product sales by Ocumension. In April 2021, Ocumension filed a New Drug Application ("NDA") for YUTIQ under Ocumension's distinct name to Chinese regulatory authorities and it is under review. Ocumension has been granted approval to have its NDA submission reviewed based on the U.S. NDA data and the real world data Ocumension has collected from marketing the product in Hainan Pilot Zone.

Other than a fixed number of hours of technical assistance support to be provided at no cost by the Company, Ocumension is responsible for all development, regulatory and commercial costs, including any additional technical assistance requested. All technical assistance was provided during 2020. The Chief Executive Officer of Ocumension became a director of the Company starting December 31, 2020, pursuant to a Share Purchase Agreement pursuant to which the Company sold to Ocumension 3,010,722 shares of common stock, at which time, Ocumension became a related party of the Company.

During the three months ended March 31, 2021 and 2020, the Company recognized \$268,000, related to additional technical assistance, and approximately \$2 million of license and collaboration revenue, respectively, in addition to \$5,000 and \$0 of revenue from product sales, respectively.

The Company recognized \$0 and \$400,000 of accrued sales-based royalty expense during the three months ended March 31, 2021 and 2020, respectively, related to the earn-out payment equal to 20% of the \$2 million upfront license fee received from Ocumension in February 2020, as the payment of the partnering income in

connection with the Icon Acquisition in March 2018.

#### Research Collaborations

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 partner drug candidates. Consideration received is generally recognized as revenue over the term of the research collaborations. 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 research collaborations. Revenues under research collaborations totaled \$60,000 and \$15,000 for the three months ended March 31, 2021 and 2020, respectively. At March 31, 2021 and December 31, 2020, \$0 and \$60,000 deferred revenue was recorded for the research collaborations, respectively.

#### 4. Inventory

Inventory consisted of the following (in thousands):

	March 31, 2021	December 31, 2020
Raw materials	\$ 2,773	\$ 2,664
Work in process	512	747
Finished goods	2,301	1,926
Total inventory	<u>\$ 5,586</u>	<u>\$ 5,337</u>

#### 5. Intangible Assets

The reconciliation of intangible assets for the three months ended March 31, 2021 and 2020 was as follows (in thousands):

	March 31, 2021	March 31, 2020
<b>Patented technologies</b>		
Gross carrying amount at beginning of period	\$ 68,322	\$ 68,322
Gross carrying amount at end of period	<u>68,322</u>	<u>68,322</u>
Accumulated amortization at beginning of period	(43,113)	(40,653)
Amortization expense	<u>(615)</u>	<u>(615)</u>
Accumulated amortization at end of period	<u>(43,728)</u>	<u>(41,268)</u>
Net book value at end of period	<u>\$ 24,594</u>	<u>\$ 27,054</u>

The Company amortizes intangible assets with finite lives on a straight-line basis over their respective estimated useful lives. Amortization of intangible assets totaled \$615,000 for each of the three months ended March 31, 2021 and 2020.

In connection with the Icon Acquisition, the initial purchase price was attributed to the DEXYCU product intangible asset. This finite-lived intangible asset is being amortized on a straight-line basis over its expected remaining useful life of 10 years at the rate of approximately \$2.5 million per year. Amortization expense was reported as a component of cost of sales for the three months ended March 31, 2021 and 2020.

## 6. Accrued Expenses

Accrued expenses consisted of the following at March 31, 2021 and December 31, 2020 (in thousands):

	March 31, 2021	December 31, 2020
Personnel costs	\$ 2,330	\$ 5,686
Clinical trial costs	50	—
Professional fees	685	647
Sales chargebacks, rebates and other revenue reserves	1,475	1,109
Other	1,375	1,003
	<u>\$ 5,915</u>	<u>\$ 8,445</u>

## 7. Leases

On May 17, 2018, the Company amended the lease for its headquarters in Watertown, Massachusetts. The original five-year lease for approximately 13,650 square feet of combined office and laboratory space was set to expire in April 2019. Under the amendment, the Company leased an additional 6,590 square feet of rentable area of the building, with a commencement date of September 10, 2018. The amendment extended the term of the lease for the combined space through May 31, 2025. On April 5, 2021, the Company further amended the lease to include an additional 1,409 square feet of rentable area of the building, through May 31, 2025. The Company expects the lease with respect to the additional space to commence in the second quarter of 2021. The landlord agreed to provide the Company a construction allowance of up to \$670,750 to be applied toward the aggregate work completed on the total space. The Company has an option to further extend the term of the lease for one additional five-year period. Per the terms of the lease agreement, the Company does not have a residual value guarantee. The Company previously provided a cash-collateralized \$150,000 irrevocable standby letter of credit as security for the Company's obligations under the lease, which was extended through the period that is four months beyond the expiration date of the amended lease. The Company will also be required to pay its proportionate share of certain operating costs and property taxes applicable to the leased premises in excess of new base year amounts.

In July 2017, the Company leased approximately 3,000 square feet of office space in Basking Ridge, 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 was a director of the Company through June 2020. Per the terms of the lease and sublease agreements, the Company does not have any residual value guarantees.

The Company identified and assessed the following significant assumptions in recognizing its right-of-use ("ROU") assets and corresponding lease liabilities:

- As the Company's leases do not provide an implicit rate, the Company estimated the incremental borrowing rate in calculating the present value of the lease payments. The Company utilized the borrowing rate under its existing 5-year term loan facility (see Note 8) as the discount rate.
- Since the Company elected to account for each lease component and its associated non-lease components as a single combined component, all contract consideration was allocated to the combined lease component.
- The expected lease terms include noncancelable lease periods. Renewal option periods have not been included in the determination of the lease terms as they are not deemed reasonably certain of exercise.
- Variable lease payments, such as common area maintenance, real estate taxes and property insurance are not included in the determination of the lease's ROU asset or lease liability.



As of March 31, 2021, the weighted average remaining term of the Company's operating leases was 4 years and the lease liabilities arising from obtaining ROU assets reflect a weighted average discount rate of 12.5%.

Supplemental balance sheet information related to operating leases as of March 31, 2021 and December 31, 2020 are as follows (in thousands):

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Other current liabilities - operating lease current portion	\$ 592	\$ 568
Operating lease liabilities – noncurrent portion	2,172	2,330
<b>Total operating lease liabilities</b>	<b>\$ 2,764</b>	<b>\$ 2,898</b>

Operating lease expense recognized related to ROU assets was \$213,000, excluding \$9,000 of variable lease costs, for each of the three months ended March 31, 2021 and 2020, and were included in general and administrative expense in the Company's statement of comprehensive loss. Cash paid for amounts included in the measurement of operating lease liabilities was \$221,000 and \$215,000, respectively, for the three months ended March 31, 2021 and 2020.

The Company is a party to two finance leases for laboratory equipment. The equipment leases expire in December 2021 and December 2022, respectively.

Supplemental balance sheet information related to the finance lease as of March 31, 2021 and December 31, 2020 are as follows (in thousands):

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Property and equipment, at cost	\$ 239	\$ 239
Accumulated amortization	(84)	(52)
<b>Property and equipment, net</b>	<b>\$ 155</b>	<b>\$ 187</b>
Other current liabilities – finance lease current portion	\$ 106	\$ 119
Other long-term liabilities	53	71
<b>Total finance lease liabilities</b>	<b>\$ 159</b>	<b>\$ 190</b>

The components of finance lease expense recognized during the three months ended March 31, 2021 related to ROU assets was \$32,000 and interest on lease liabilities was \$6,000. Cash paid for amounts included in the measurement of finance lease liabilities were operating cash flows of \$6,000 and financing cash flows of \$18,000 for the three months ended March 31, 2021. Cash paid for amounts included in the measurement of finance lease liabilities were operating cash flows of \$2,000 and financing cash flows of \$7,000 for the three months ended March 31, 2020.

As of March 31, 2021, the weighted average remaining term of the Company's finance lease was 1.5 years and the lease liabilities arising from obtaining ROU assets reflect a weighted average discount rate of 12.5%.

The Company's total future minimum lease payments under non-cancellable leases at March 31, 2021 were as follows (in thousands):

	<b>Operating Leases</b>	<b>Finance Leases</b>
Remainder of 2021	\$ 668	\$ 98
2022	849	75
2023	815	—
2024	830	—
2025	346	—
Total lease payments	\$ 3,508	\$ 173
Less imputed interest	(744)	(14)
Total	<u>\$ 2,764</u>	<u>\$ 159</u>

## 8. Loan Agreements

### Paycheck Protection Program Loan

On April 8, 2020, the Company applied to Silicon Valley Bank (the "SVB") for a Paycheck Protection Program Loan (the "PPP Loan") of \$2.0 million that is administered by the U.S. Small Business Administration (the "SBA"), under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). On April 22, 2020, the PPP Loan was approved and the Company received the PPP Loan proceeds.

The PPP Loan bears interest at a fixed rate of 1.0% per annum and has a two-year term that matures on April 21, 2022. Monthly principal and interest are payable commencing on November 21, 2020, subject to possible partial or full forgiveness and principal and interest payments can be deferred as described below, if the PPP Loan proceeds are used for covered payroll costs, rent and utility costs and the maintenance of employee and compensation levels.

The Paycheck Protection Program Flexibility Act of 2020 (the "PPP Flexibility Act"), enacted on June 5, 2020, amended the Paycheck Protection Program, among others, as follows: (i) extended the covered period from 8 weeks to the earlier of 24 weeks from the date the PPP Loan is originated and December 31, 2020, during which PPP funds needed to be expended in order to be forgiven. A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan – including before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness; (ii) at least 60% of PPP funds must be spent on payroll costs, with the remaining 40% available to spend on other eligible expenses; (iii) payments are deferred until the date on which the amount of forgiveness determined is remitted to the lender. If a borrower fails to seek forgiveness within 10 months after the last day of its covered period, then payments will begin on the date that is 10 months after the last day of the covered period. In addition, the PPP Flexibility Act modified the CARES Act by increasing the maturity date for loans made after the effective date from two years to a minimum maturity of five years from the date on which the borrower applies for loan forgiveness. Existing PPP loans made before the new legislation retain their original two-year term, but may be renegotiated between a lender and a borrower to match the 5-year term permitted under the PPP Flexibility Act.

The Company used all of the loan proceeds from the PPP Loan to pay expenses during the covered period that the Company believes were for eligible purposes. On September 25, 2020, the Company submitted an application to the SBA through SVB for full loan forgiveness. No assurance is provided that the Company will obtain forgiveness of the PPP Loan in whole or in part. As of the date of this filing, the application for the PPP Loan forgiveness is still under review by the SBA.

The PPP Loan proceeds of \$2.0 million were recorded as a loan in accordance with ASC 470, Debt, and included in long-term debt in the Company's balance sheet as of March 31, 2021. Accrued interest expense based on the stated interest rate of 1% per annum was \$5,000 for the three months ended March 31, 2021.

### CRG Term Loan Agreement

On February 13, 2019 (the "CRG Closing Date"), the Company entered into the CRG Loan Agreement among the Company, as borrower, CRG Servicing LLC, as administrative agent and collateral agent (the "Agent"), and the lenders party thereto from time to time (the "Lenders"), providing for a senior secured term loan of up to \$60 million (the "CRG Loan"). On the CRG Closing Date, \$35 million of the CRG Loan was advanced (the "CRG Initial

Advance”). The Company utilized the proceeds from the CRG Initial Advance for the repayment in full of all outstanding obligations under its prior credit agreement (the “SWK Credit Agreement”) with SWK Funding LLC (“SWK”). In April 2019, the Company exercised its option to borrow an additional \$15 million of the CRG Loan (the “CRG Second Advance”). The Company did not draw any additional funds under the CRG Loan by the final draw deadline of March 31, 2020.

The CRG Loan is due and payable on December 31, 2023 (the “Maturity Date”). The CRG Loan bears interest at a fixed rate of 12.5% per annum payable in arrears on the last business day of each calendar quarter. The Company is required to make quarterly, interest only payments until the Maturity Date. So long as no default has occurred and is continuing, the Company may elect on each applicable interest payment date to pay 2.5% of the 12.5% per annum interest as Paid In-Kind (“PIK”), whereby such PIK amount would be added to the aggregate principal amount and accrue interest at 12.5% per annum. During the three months ended March 31, 2021, no PIK amounts had been added to the principal balance of the CRG Loan. In addition, the Company is required to pay an upfront fee of 1.5% of amounts borrowed under the CRG Loan (excluding any paid-in-kind amounts), which is payable as amounts are advanced under the CRG Loan. The Company will also be required to pay an exit fee equal to 6% of (i) the aggregate principal amounts advanced and (ii) PIK amounts issued, under the CRG Loan Agreement. In connection with the CRG Initial Advance, a 1.5% financing fee of \$525,000 and an expense reimbursement of \$350,000 were deducted from the net borrowing proceeds. In connection with the CRG Second Advance, a 1.5% financing fee of \$225,000 was deducted from the net borrowing proceeds.

Upon the occurrence of a bankruptcy-related event of default, all amounts outstanding with respect to the CRG Loan become due and payable immediately, and upon the occurrence of any other Event of Default (as defined in the CRG Loan Agreement), all or any amounts outstanding with respect to the CRG Loan may become due and payable upon request of the Agent or majority Lenders. Subject to certain exceptions, the Company is required to make mandatory prepayments of the CRG Loan with the proceeds of assets sales and in the event of a change of control of the Company. In addition, the Company may make a voluntary prepayment of the CRG Loan, in whole or in part, at any time. All mandatory and voluntary prepayments of the CRG Loan are subject to the payment of prepayment premiums as follows: (i) if prepayment occurs on or prior to December 31, 2019, an amount equal to 10% of the aggregate outstanding principal amount of the CRG Loan being prepaid, (ii) if prepayment occurs after December 31, 2019 and on or prior to December 31, 2020, 5% of the aggregate outstanding principal amount of the CRG Loan being prepaid, which was waived on December 17, 2020 when the Company paid \$15.0 million against the CRG Loan obligations in connection with the consummation of the RPA agreement (see Note 3), and (iii) if prepayment occurs after December 31, 2020 and on or prior to December 31, 2021, an amount equal to 3% of the aggregate outstanding principal amount of the CRG Loan being prepaid. No prepayment premium is due on any principal prepaid after December 31, 2021. Certain of the Company’s existing and future subsidiaries are guaranteeing the obligations of the Company under the CRG Loan Agreement. The obligations of the Company under the CRG Loan Agreement and the guarantee of such obligations are secured by a pledge of substantially all of the Company’s and the guarantors’ assets.

The CRG Loan Agreement contains affirmative and negative covenants customary for financings of this type, including limitations on our and our subsidiaries’ abilities, among other things, to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions and enter into affiliate transactions, in each case, subject to certain exceptions. In addition, the CRG Loan Agreement contains the following financial covenants requiring the Company and the Guarantors to maintain:

- liquidity in an amount which shall exceed the greater of (i) \$5 million and (ii) to the extent the Company has incurred certain permitted debt, the minimum cash balance, if any, required of the Company by the creditors of such permitted debt; and
- annual minimum product revenue from YUTIQ and DEXYCU: (i) for the twelve-month period beginning on January 1, 2019 and ending on December 31, 2019, of at least \$15 million, (ii) for the twelve-month period beginning on January 1, 2020 and ending on December 31, 2020, of at least \$45 million, (iii) for the twelve-month period beginning on January 1, 2021 and ending on December 31, 2021, of at least \$80 million and (iv) for the twelve-month period beginning on January 1, 2022 and ending on December 31, 2022, of at least \$90 million.

In November 2019, CRG waived the financial covenant associated with the Company’s revenue derived from sales of its products, DEXYCU and YUTIQ, for the twelve-month period ending December 31, 2019. In October 2020, CRG (i) waived the financial covenant associated with the Company’s revenue derived from sales of its products, DEXYCU and YUTIQ, for the twelve-month period ending December 31, 2020 and (ii) amended the financial

covenant associated with the Company's minimum product revenue to \$45 million from \$80 million, for the twelve-month period ending December 31, 2021. In May 2021, CRG further amended the financial covenant associated with the Company's minimum product revenue to \$25 million from \$45 million, for the twelve-month period ending December 31, 2021. There were no other material changes to the CRG Loan Agreement and the Company incurred no incremental charges for the issuance of the waivers.

The total debt discount related to the CRG Initial Advance was approximately \$3.2 million and consisted of (i) the accrual of a \$2.1 million exit fee; (ii) the \$525,000 upfront fee; and (iii) \$591,000 of legal and other transaction costs. This amount is being amortized as additional interest expense over the term of the Loan using the effective interest rate method.

The total debt discount related to the CRG Second Advance was approximately \$1.1 million and consisted of (i) the accrual of a \$900,000 exit fee; and (ii) the \$225,000 upfront fee. This amount is being amortized as additional interest expense over the term of the Loan using the effective interest rate method.

On December 17, 2020, the Company paid \$15.0 million against the CRG Loan obligations in connection with the consummation of the RPA agreement (see Note 3). This payment included (i) a \$13.8 million principal portion of the CRG Loan (ii) the \$828,000 Exit Fee, and (iii) accrued and unpaid interest of \$378,000 through that date. In connection with the partial prepayment of the CRG Loan, the Company recorded a loss on partial extinguishment of debt of \$905,000 in the year ended December 31, 2020, associated with the write-off of the remaining balance of unamortized debt discount related to the partial prepayment of the CRG Loan.

Amortization of debt discount under the CRG Loan totaled \$147,000 and \$171,000 for the three months ended March 31, 2021 and 2020, respectively.

## **9. Stockholders' Equity**

### **2021 Equity Financings**

#### **Common Stock Offering**

In February 2021, the Company sold 10,465,000 shares of its common stock in an underwritten public offering at a price of \$11.00 per share, including the exercise in full by the underwriters of their option to purchase up to 1,365,000 additional shares of the Company's common stock. The gross proceeds of the offering to the Company were approximately \$115.1 million. Underwriter discounts and commissions and other share issue costs totaled approximately \$7.2 million.

#### **ATM Facility**

In August 2020, the Company entered into an at-the-market facility (the "ATM Facility") with Cantor Fitzgerald & Co ("Cantor"). Pursuant to the ATM Facility, 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 \$25.0 million. The Company will pay Cantor a commission of 3.0% of the gross proceeds from any future sales of such shares.

During the three months ended March 31, 2021, the Company sold 48,538 shares of its common stock at a weighted average price of \$11.37 per share for gross proceeds of approximately \$552,000. Share issue costs, including sales agent commissions, totaled approximately \$53,000 during the reporting period.

### **2020 Equity Financing**

In February 2020, the Company sold 1,500,000 shares of the Company's common stock in an underwritten public offering at a price of \$14.50 per share for gross proceeds of \$21.75 million. Underwriter discounts and commissions and other share issue costs totaled approximately \$1.8 million.

## Warrants to Purchase Common Shares

The following table provides a reconciliation of fixed price warrants to purchase shares of the Company's common stock for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,			
	2021		2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance at beginning of period	48,683	\$ 12.33	48,683	\$ 12.33
Balance and exercisable at end of period	48,683	\$ 12.33	48,683	\$ 12.33

Pursuant to a credit agreement, the Company issued a warrant to SWK Funding LLC to purchase (i) 40,910 shares of the Company's common stock on March 28, 2018 at an exercise price of \$11.00 per share with a seven-year term and (ii) 7,773 shares of the Company's common stock on June 26, 2018 at an exercise price of \$19.30 per share with a seven-year term. At March 31, 2021, the weighted average remaining life of the warrant was approximately 4.03 years.

## 10. Share-Based Payment Awards

### Equity Incentive Plan

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 300,000 shares of the Company's common stock reserved for issuance under the 2016 Plan plus any additional shares of the Company's 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 the Company's Annual Meeting of Stockholders held on June 25, 2019, the Company's stockholders approved an amendment to the 2016 Plan to increase the number of shares authorized for issuance by 1,100,000 shares. At March 31, 2021, a total of approximately 443,000 shares were available for new awards.

Certain inducement awards, although not awarded under the 2016 Plan or the 2008 Plan, are subject to and governed by the terms and conditions of the 2016 Plan or 2008 Plan, as applicable.

### Stock Options

The following table provides a reconciliation of stock option activity under the Company's equity incentive plans and for inducement awards for the three months ended March 31, 2021:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	1,338,880	\$ 20.86		
Granted	120,427	12.94		
Exercised	(827)	11.65		
Forfeited	(16,427)	16.01		
Outstanding at March 31, 2021	1,442,053	\$ 20.26	7.50	\$ 205
Exercisable at March 31, 2021	774,404	\$ 24.38	6.44	\$ 3

In January 2019, the Company expanded the terms of its annual stock option grants to include vesting ratable monthly over four years, or with 25% vesting after one year followed by ratable monthly vesting over three years.

Previously, the Company's option grants generally had ratable annual vesting over three years, or 1-year cliff vesting. Nonemployee awards are granted similar to the Company's employee awards. All option grants have a 10-year term. Options to purchase a total of 72,453 shares of the Company's common stock vested during the three months ended March 31, 2021. Starting February 2021, the Company (i) ceased vesting ratable monthly over four years and (ii) retained 25% vesting after one year followed by ratable monthly vesting over the remaining three years.

In determining the grant date fair value of option awards during the three months ended March 31, 2021, the Company applied the Black-Scholes option pricing model based on the following key assumptions:

Option life (in years)	4.75 - 6.08
Stock volatility	72.47% - 78.09%
Risk-free interest rate	0.42% - 1.15%
Expected dividends	0.0%

The following table summarizes information about employee, non-executive director and external consultant stock options for the three months ended March 31, 2021 (in thousands):

	<b>Three Months Ended Mar 31, 2021</b>	
Weighted-average grant date fair value per share	\$	8.26
Total cash received from exercise of stock options		10
Total intrinsic value of stock options exercised		2

#### ***Time-Vested Restricted Stock Units***

Time-vested restricted stock unit awards ("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 Company's common stock on the date of grant.

The following table provides a reconciliation of RSU activity under the 2016 Plan for the three months ended March 31, 2021:

	<b>Number of Restricted Stock Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested at January 1, 2021	149,004	\$ 13.85
Granted	56,055	13.09
Vested	(68,465)	14.00
Forfeited	(605)	11.68
Nonvested at March 31, 2021	<u>135,989</u>	<u>\$ 13.47</u>

At March 31, 2021, the weighted average remaining vesting term of the RSUs was 1.53 years.

#### ***Deferred Stock Units***

There were no non-vested deferred stock units ("DSUs") issued and outstanding to the Company's non-executive directors at each of March 31, 2021 and December 31, 2020, respectively. Each DSU vests one year from the date of grant. Subsequent to vesting, the DSUs will be settled in shares of the Company's 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. At March 31, 2021, there were 1,916 vested DSUs that have not been settled in shares of the Company's common stock.

## Employee Stock Purchase Plan

On June 25, 2019, the Company's stockholders approved the adoption of the EyePoint Pharmaceuticals, Inc. 2019 Employee Stock Purchase Plan (the "ESPP") and authorized up to 110,000 shares of common stock reserved for issuance to participating employees. The ESPP allows qualified participants to purchase the Company's common stock twice a year at 85% of the lesser of the average of the high and low sales price of the Company's common stock on (i) the first trading day of the relevant offering period and (ii) the last trading day of the relevant offering period. The number of shares of the Company's common stock each employee may purchase under this plan, when combined with all other employee stock purchase plans, is limited to the lower of an aggregate fair market value of \$25,000 during each calendar year, or 5,000 shares of the Company's common stock in any one offering period. The Company has maintained consecutive six-month offering periods since August 1, 2019. As of March 31, 2021, 27,713 shares of the Company's common stock were issued pursuant to the ESPP.

The Company estimated the fair value of the option component of the ESPP shares at the date of grant using a Black-Scholes valuation model. During the three months ended March 31, 2021, the compensation expense from ESPP shares was immaterial.

## Stock-Based Compensation Expense

The Company's consolidated statements of comprehensive loss included total compensation expense from stock-based payment awards for the three months ended March 31, 2021 and 2020, respectively, as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Compensation expense included in:		
Research and development	\$ 484	\$ 263
Sales and marketing	263	252
General and administrative	241	645
	<u>\$ 988</u>	<u>\$ 1,160</u>

At March 31, 2021, there was approximately \$3.7 million of unrecognized compensation expense related to outstanding equity awards under the 2016 Plan, the 2008 Plan, the inducement awards and the ESPP that is expected to be recognized as expense over a weighted-average period of approximately 1.65 years.

## 11. License Agreement

### Equinox Science, LLC

In February 2020, the Company entered into an Exclusive License Agreement with Equinox Science, LLC ("Equinox"), pursuant to which Equinox granted the Company an exclusive, sublicensable, royalty-bearing right and license to certain patents and other Equinox intellectual property to research, develop, make, have made, use, sell, offer for sale and import the compound vorolanib and any pharmaceutical products comprising the compound for the prevention or treatment of age-related macular degeneration, diabetic retinopathy and retinal vein occlusion using our proprietary localized delivery technologies, in each case, throughout the world except China, Hong Kong, Taiwan and Macau.

In consideration for the rights granted by Equinox, the Company (i) made a one time, non-refundable, non-creditable upfront cash payment of \$1.0 million to Equinox in February 2020, and (ii) agreed to pay milestone payments totaling up to \$50 million upon the achievement of certain development and regulatory milestones, consisting of (a) completion of a Phase II clinical trial for the compound or a licensed product, (b) the filing of a new drug application or foreign equivalent for the compound or a licensed product in the United States, European Union or United Kingdom and (c) regulatory approval of the compound or a licensed product in the United States, European Union or United Kingdom.

The Company also agreed to pay Equinox tiered royalties based upon annual net sales of licensed products in the specified territory. The royalties are payable with respect to a licensed product in a particular country in the specified territory on a country-by-country and licensed product-by-licensed product basis until the later of (i) twelve years after the first commercial sale of such licensed product in such country and (ii) the first day of the

month following the month in which a generic product corresponding to such licensed product is launched in such country. The royalty rates range from the high-single digits to low-double digits depending on the level of annual net sales. The royalty rates are subject to reduction during certain periods when there is no valid patent claim that covers a licensed product in a particular country.

The Company recorded \$1.0 million of R&D expense for the three months ended March 31, 2020 due to the early stage of its preclinical drug development studies. No additional charge was recorded for the three months ended March 31, 2021.

## 12. Fair Value Measurements

The following tables summarize the Company's assets carried at fair value measured on a recurring basis at March 31, 2021 and December 31, 2020 by valuation hierarchy (in thousands):

Description	March 31, 2021			
	Total Carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
Cash equivalents	\$ 134,543	\$ 134,543	\$ —	\$ —
	<u>\$ 134,543</u>	<u>\$ 134,543</u>	<u>\$ —</u>	<u>\$ —</u>

Description	December 31, 2020			
	Total Carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
Cash equivalents	\$ 23,538	\$ 23,538	\$ —	\$ —
	<u>\$ 23,538</u>	<u>\$ 23,538</u>	<u>\$ —</u>	<u>\$ —</u>

Financial instruments that potentially subject the Company to concentrations of credit risk have historically consisted principally of cash and cash equivalents. At March 31, 2021 and December 31, 2020, substantially all of the Company's interest-bearing cash equivalent balances were concentrated in one U.S. Government institutional 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 carrying amounts of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short-term maturity.

The fair value of the Company's CRG Loan is determined using a discounted cash flow analysis based on market rates for observable similar instruments as of the condensed consolidated balance sheet dates. Accordingly, the fair value of the CRG Loan is categorized as Level 2 within the fair value hierarchy. At March 31, 2021, the fair value of the CRG Loan was approximately \$38.2 million, and the carrying value of the CRG Loan was approximately \$38.4 million, and consisted of \$36.1 million of its carrying amount as reported in long-term debt, and \$2.3 million of debt exit fee as reported in other long-term liabilities of the condensed consolidated balance sheet, respectively. At December 31, 2020, the fair value of the CRG Loan was approximately \$38.0 million, and the carrying value of the CRG Loan was approximately \$38.3 million, and consisted of \$36.0 million of its carrying amount as reported in long-term debt, and \$2.3 million of debt exit fee as reported in other long-term liabilities of the condensed consolidated balance sheet, respectively.

The fair value of the PPP Loan approximated its carrying value of \$2.0 million at each of March 31, 2021 and December 31, 2020.



### 13. Contingencies

#### 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.

#### U.S. Securities and Exchange Commission Subpoena

The Company previously disclosed that on May 14, 2020 it had received a subpoena from the Division of Enforcement of the SEC seeking production of certain documents and information on topics including product sales and demand, revenue recognition and accounting in relation to product sales, product sales and cash projections, and related financial reporting, disclosure and compliance matters. On May 4, 2021, the Company was advised by the SEC Division of Enforcement that it has concluded its investigation of the Company and that, based on the information it has to date, the Enforcement Division does not intend to recommend an enforcement action against the Company.

### 14. Net Loss per Share

Basic net loss per share is computed by dividing the 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 basic weighted average number of common shares outstanding the total number of dilutive common equivalent shares using the treasury stock method, unless the effect is anti-dilutive. Potentially dilutive shares were not included in the calculation of diluted net loss per share for each of the three months ended March 31, 2021 and 2020 as their inclusion would be 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:

	Three Months Ended March 31,	
	2021	2020
Stock options	1,442,053	1,420,459
ESPP	5,402	3,974
Warrants	48,683	48,683
Restricted stock units	135,989	204,664
	<u>1,632,127</u>	<u>1,677,780</u>

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

### Note Regarding Forward-Looking Statements

Various statements made in this Quarterly Report on Form 10-Q 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 extent to which our business, the medical community and the global economy will continue to be materially and adversely impacted by the effects of the COVID-19 pandemic (the “Pandemic”), or by other pandemics, epidemics or outbreaks;
- the potential for EYP-1901, as a twice-yearly sustained delivery intravitreal anti-VEGF treatment targeting wet age-related macular degeneration (“wet AMD”), with potential in diabetic retinopathy (“DR”) and retinal vein occlusion (“RVO”);
- our expectations regarding the timing and outcome of our Phase 1 clinical trial for EYP-1901 for the treatment of wet AMD;
- our expectations to avoid the toxicity seen in the prior clinical trials of orally delivered vorolanib, a tyrosine kinase inhibitor (“TKI”) by delivering vorolanib locally using a bioerodible Durasert® technology as EYP-1901 at a significantly lower total dose;
- our expectations regarding the timing and clinical development of our product candidates, including EYP-1901 and YUTIQ50;
- the potential advantages of YUTIQ® and DEXYCU® for the treatment of eye diseases;
- our cash flow expectations from commercial sales of YUTIQ and DEXYCU;
- the scheduled March 31, 2022 expiration of pass-through coverage under which DEXYCU is reimbursed for Medicare Part B patients, if not otherwise extended;
- our ability to manufacture YUTIQ and DEXYCU, or any future products or product candidates, in sufficient quantities and quality;
- our belief that our cash and cash equivalents of \$138.6 million at March 31, 2021, combined with anticipated net cash inflows from product sales, will fund our operating plans through December 31, 2022, under current expectations regarding (i) the timing and outcomes of our Phase 1 clinical trial for EYP-1901 for the treatment of wet AMD, and (ii) initiation of our Phase 2 clinical trials for EYP-1901 for the treatment of wet AMD;
- our expectations regarding the timing of initiating clinical trials for YUTIQ50;
- our ability to obtain additional capital in sufficient amounts and on terms acceptable to us, and the consequences of failing to do so;
- our future expenses and capital expenditures;
- our expectations regarding our ability to obtain and adequately maintain sufficient intellectual property protection for EYP-1901, YUTIQ, DEXYCU and YUTIQ50 and any future products or 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;
- our expectations regarding our partnership with ImprimisRx;
- our expectation regarding the potential for our Paycheck Protection Program Loan (the “PPP Loan”) to be forgiven in full; 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:

- the extent to which the Pandemic impacts our business, the medical community and the global economy;
- the effectiveness and timeliness of our preclinical studies and clinical trials, and the usefulness of the data;
- our expectations regarding the timing and clinical development of our product candidates, including EYP-1901, and the potential for EYP-1901 as a twice-yearly treatment for serious eye diseases, including wet age-related macular degeneration, diabetic retinopathy and retinal vein occlusion;
- our ability to achieve profitable operations and access to needed capital;
- fluctuations in our operating results;
- our ability to successfully produce sufficient commercial quantities of YUTIQ and DEXYCU and to successfully commercialize YUTIQ and DEXYCU in the U.S.;
- our ability to sustain and enhance an effective commercial infrastructure and enter into and maintain commercial agreements for the commercialization of YUTIQ and DEXYCU;
- consequences of fluocinolone acetonide side effects for YUTIQ;
- consequences of dexamethasone side effects for DEXYCU;
- the success of current and future license and collaboration agreements, including our agreements with Ocumension Therapeutics (“Ocumension”) and Equinox Science, LLC (“Equinox”);
- 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 our products;
- protection of intellectual property and avoiding intellectual property infringement;
- product liability and
- other factors described in our filings with the SEC.

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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 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.

## **Our Business**

### **Overview**

We are a pharmaceutical company committed to developing and commercializing innovative therapeutics to help improve the lives of patients with serious eye disorders. Our pipeline leverages our proprietary Durasert® technology for extended intraocular drug delivery including EYP-1901, a potential twice-yearly sustained delivery intravitreal anti-VEGF treatment initially targeting wet age-related macular degeneration (“wet AMD”), the leading cause of vision loss among people 50 years of age and older in the United States. Therapies for wet AMD have a market size in the U.S. of approximately \$6 billion and growing, primarily driven by the aging baby boomer population. Our product candidate pipeline also includes YUTIQ50, a potential twice-yearly treatment for non-infectious uveitis affecting the posterior segment of the eye, one of the leading causes of blindness. We also have two commercial products: YUTIQ®, a once every three-year treatment for chronic non-infectious uveitis affecting the posterior segment of the eye, and DEXYCU®, a single dose treatment for postoperative inflammation following ocular surgery.

### **Recent Developments**

- Underlying customer demand and Distributor purchases by specialty distributors and specialty pharmacies (collectively, the “Distributors”) of both YUTIQ and DEXYCU were negatively impacted beginning in the first and especially the second quarter of 2020 due to shutdowns associated with the Pandemic in the U.S. Although a modest return of customer demand began in June 2020 and produced sequential product sales growth into the third and fourth quarters of 2020 for both products and for DEXYCU in the first quarter of 2021, we expect these reduced demand levels to continue through the duration of the Pandemic until various restrictions on elective surgeries and office visits are fully removed. During the Pandemic, our sales organization continued to call on such offices, though at a reduced frequency. There have been no disruptions to the supply chains for YUTIQ and DEXYCU during the Pandemic and we continue to produce finished product for commercial sale.
- In February 2021, we sold 10,465,000 shares of our common stock in an underwritten public offering at a price of \$11.00 per share, including the exercise in full by the underwriters of their option to purchase up to 1,365,000 additional shares of our common stock. The gross proceeds of the offering were approximately \$115.1 million. Underwriter discounts and commissions and other share issue costs totaled approximately \$7.2 million.
- In April 2021, our Asia partner, Ocumension, announced that the new drug application (“NDA”) for OT-401 (“YUTIQ”) had been accepted by the National Medical Products Administration of the People’s Republic of China (“NMPA”). YUTIQ is the Company’s first ophthalmic drug whose NDA has been accepted by the NMPA, and is also the first sustained-release micro-insert submitted for NDA in mainland China that has a controlled release rate for up to 36 months. It is also the first time the NMPA has accepted the NDA based on real world study data.

### **R&D Highlights**

- In January 2021, we dosed our first patient in our Phase 1 trial for EYP-1901.
- In May 2021, studies of DEXYCU will be presented in two separate poster sessions at the Association for Research in Vision and Ophthalmology (“ARVO”) Annual meeting.

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

The preparation of consolidated financial statements in conformity with GAAP requires that we make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates, judgments and assumptions on historical experience, anticipated results and trends, and on various other factors that we believe are reasonable under the circumstances at the time. By their nature, these estimates, judgments and assumptions are subject to an inherent degree of uncertainty. Actual results may differ from our estimates under different assumptions or conditions. In our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, we set forth our critical accounting policies and estimates, which included revenue recognition, reserves for variable consideration associated with our commercial revenue and recognition of expense in outsourced clinical trial agreements. See Note 2 of the notes to our unaudited condensed consolidated financial statements contained in this quarterly report on Form 10-Q for a description of our accounting policies and estimates for reserves for variable consideration related to product sales.

## Results of Operations

### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020:

	Three Months Ended		Change	
	2021	2020	Amounts	%
	(In thousands except percentages)			
<b>Revenues:</b>				
Product sales, net	\$ 6,802	\$ 4,687	\$ 2,115	45%
License and collaboration agreement	341	2,020	(1,679)	(83)%
Royalty income	180	782	(602)	(77)%
Total revenues	7,323	7,489	(166)	(2)%
<b>Operating expenses:</b>				
Cost of sales, excluding amortization of acquired intangible assets	1,390	980	410	42%
Research and development	5,479	4,853	626	13%
Sales and marketing	5,659	8,125	(2,466)	(30)%
General and administrative	5,115	4,360	755	17%
Amortization of acquired intangible assets	615	615	—	na
Total operating expenses	18,258	18,933	(675)	(4)%
Loss from operations	(10,935)	(11,444)	509	4%
<b>Other income (expense):</b>				
Interest and other income	1	54	(53)	(98)%
Interest expense	(1,346)	(1,784)	438	25%
Other expense, net	(1,345)	(1,730)	385	22%
Net loss	\$ (12,280)	\$ (13,174)	\$ 894	7%

#### **Product Sales, net**

Product sales, net represents the gross sales of YUTIQ and DEXYCU less provisions for product sales allowances. Product sales, net increased by \$2.1 million to \$6.8 million for the three months ended March 31, 2021 compared to \$4.7 million for the three months ended March 31, 2020. Product sales during 2020 were negatively impacted due to shutdowns associated with the Pandemic in the U.S. Although we did see a modest return of customer demand for both products in the third and fourth quarters of 2020, we expect demand to continue at decreased levels through the duration of the Pandemic until restrictions on elective surgeries and office visits are removed. Customer demand has a direct impact on product orders from our specialty distributors that we record as net product sales. Net product revenue represents product purchased by our distributors whereas customer demand represents purchases of product by physician practices and ASCs from our distributors. Please see the Recent Development section for more information on the impact of the Pandemic on, among other things, our product sales. Currently, the pass-through reimbursement for DEXYCU is set to expire on March 31, 2022, if not otherwise extended.

#### **License and collaboration agreement**

License and collaboration agreement revenues decreased by \$1.7 million, or 83%, to \$341,000 for the three months ended March 31, 2021 compared to \$2.0 million for the three months ended March 31, 2020. This decrease was attributable primarily to the recognition of approximately \$2.0 million from Ocumension upon signing a license agreement for DEXYCU in China during the three months ended March 31, 2020.

#### **Royalty Income**

Royalty income decreased by \$602,000, or 77%, to \$180,000 for the three months ended March 31, 2021 compared to \$782,000 for the three months ended March 31, 2020. The decrease was attributable to the impact of the royalty monetization agreement with SWK Holdings that grants to SWK all future royalty payments under the Amended Alimera Agreement beginning with the fourth quarter of 2020 for a one-time payment of \$16.5 million. Due to the accounting treatment for this agreement (see Revenue Recognition section), we recognize a non-cash portion of deferred revenue as Alimera pays royalties to SWK beginning in the first quarter of 2021 (see Note 3).

We expect lower royalty revenue related to the royalty monetization agreement in 2021 and future periods, compared to 2020.

### ***Cost of Sales, Excluding Amortization of Acquired Intangible Assets***

Cost of sales, excluding amortization of acquired intangible assets, increased by \$410,000, or 42%, to \$1.4 million for the three months ended March 31, 2021 from \$980,000 for the three months ended March 31, 2020. This increase was primarily attributable to increased costs associated with higher product sales, primarily costs of goods and distribution fees.

### ***Research and Development***

Research and development expenses increased by \$626,000, or 13%, to \$5.5 million for the three months ended March 31, 2021 from \$4.9 million for the same period in the prior year. This increase was attributable primarily to (i) \$1.5 million in increased clinical costs, primarily related to our EYP-1901 Phase 1 clinical trial and (ii) approximately \$247,000 of personnel related costs for incremental new hires, partially offset by a decrease of approximately \$300,000 in investigator-initiated studies and other medical affairs related costs. The first quarter of 2020 also included a one-time \$1.0 million payment for the licensing of vorolanib for EYP-1901.

### ***Sales and Marketing***

Sales and marketing expenses decreased by \$2.5 million, or 30%, to \$5.7 million for the three months ended March 31, 2021 from \$8.1 million for the same period in the prior year. This decrease was primarily attributable to (i) approximately \$2.0 million of net personnel related expenses, primarily due to the reduction in DEXYCU KAMs that occurred in the second quarter of 2020 and (ii) \$1.2 million in marketing and related expenses in conjunction with reduced spending due to the Pandemic, partially offset by a \$570,000 increase in commission due to ImprimisRx, our commercial partner for DEXYCU.

### ***General and Administrative***

General and administrative expenses increased by \$755,000, or 17%, to \$5.1 million for the three months ended March 31, 2021 from \$4.4 million for the same period in the prior year. This increase was attributable primarily to (i) \$367,000 in consulting, investor relations and other spending initiatives and (ii) \$320,000 in legal, audit and other professional services.

### ***Amortization of Acquired Intangible Assets***

Amortization of acquired intangible assets totaled \$615,000 for both the three months ended March 31, 2021 as well as the same period in the prior year. This amount was attributable to the DEXYCU product intangible asset that resulted from the Icon Acquisition (see Note 5).

### ***Interest (Expense) Income***

Interest expense totaled \$1.3 million for the three months ended March 31, 2021, which included \$147,000 of amortization of debt discount and no non-cash payment-in-kind interest expense all related to the CRG Loan. We incurred lower interest expense due to the \$13.7 million partial principal paydown in the fourth quarter of 2020 on the CRG Loan. Interest expense in the three months ended March 31, 2020 was \$1.8 million which included \$171,000 of amortization of debt discount and \$323,000 of non-cash payment-in-kind interest expense.

Interest income from amounts invested in an institutional money market fund decreased to \$1,000 for the three months ended March 31, 2021 compared to \$54,000 in the prior year quarter, due primarily to higher money market interest rates in the prior year quarter. At the start of the Pandemic, money market rates fell substantially beginning March 2020, and current interest earned is therefore low, despite our increased cash balance.

### ***Liquidity and Capital Resources***

We have had a history of operating losses and an absence of significant recurring cash inflows from revenue, and at March 31, 2021 we had a total accumulated deficit of \$523.0 million. Our operations have been financed primarily from sales of our equity securities, issuance of debt and a combination of license fees, milestone payments, royalty income and other fees received from collaboration partners. In the first quarter of 2019, we commenced the U.S. launch of our first two commercial products, YUTIQ and DEXYCU. However, we have not received sufficient revenues from our product sales to fund operations and we do not expect revenues from our product sales to generate sufficient funding to sustain our operations in the near-term.

## Financing Activities

Our total cash and cash equivalents were \$138.6 million at March 31, 2021. During the three months ended March 31, 2021, we recorded net proceeds of \$107.9 million from the issuance of shares of our common stock (“Common Stock”) in an underwritten public offering (see Note 9). We also sold shares of our Common Stock under our at-the-market facility during the three months ended March 31, 2021 and recorded net proceeds of approximately \$499,000.

The CRG Loan is due and payable on December 31, 2023 (the “Maturity Date”). The CRG Loan bears interest at a per annum rate (subject to increase during an event of default) equal to 12.5%, of which 2.5% may be paid in-kind at our election, so long as no default or event of default under the CRG Loan Agreement has occurred and is continuing. We are required to make interest only payments on a quarterly basis until the Maturity Date. We will also be required to pay an exit fee equal to 6% of the aggregate principal amounts advanced (including any paid-in-kind amounts) under the CRG Loan Agreement, to certain exceptions, we are required to make mandatory prepayments of the CRG Loan with the proceeds of assets sales and in the event of a change of control of our Company. In addition, we may make a voluntary prepayment of the CRG Loan, in whole or in part, at any time. All mandatory and voluntary prepayments of the CRG Loan are subject to the payment of prepayment premiums, if prepayment occurs after December 31, 2020 and on or prior to December 31, 2021, in an amount equal to 3% of the aggregate outstanding principal amount of the CRG Loan being prepaid. No prepayment premium is due on any principal prepaid after December 31, 2021.

Certain of our existing and future subsidiaries, including the Guarantors, are guaranteeing our obligations under the CRG Loan Agreement. Our obligations under the CRG Loan Agreement and the guarantee of such obligations are secured by a pledge of substantially all of our and the Guarantors’ assets.

The CRG Loan Agreement contains affirmative and negative covenants customary for financings of this type, including limitations on our and our subsidiaries’ abilities, among other things, to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions and enter into affiliate transactions, in each case, subject to certain exceptions. In addition, the CRG Loan Agreement contains the following financial covenants requiring us and the Guarantors to maintain:

- liquidity in an amount which shall exceed the greater of (i) \$5 million and (ii) to the extent we have incurred certain permitted debt, the minimum cash balance, if any, required of the Company by the creditors of such permitted debt; and
- annual minimum product revenue from YUTIQ and DEXYCU: (i) for the twelve-month period beginning on January 1, 2021 and ending on December 31, 2021, of at least \$45 million and (iii) for the twelve-month period beginning on January 1, 2022 and ending on December 31, 2022, of at least \$90 million.

On May 3, 2021, we entered into a waiver to the CRG Loan Agreement (the “Waiver”), pursuant to which CRG reduced the financial covenant associated with our revenue derived from sales of YUTIQ and DEXYCU for the twelve-month period ended December 31, 2021 from \$45 million to \$25 million. On October 8, 2020, we entered into a Waiver to the CRG Loan Agreement (the “Waiver”) pursuant to which CRG waived the financial covenant associated with our revenue derived from sales of YUTIQ and DEXYCU for the twelve-month period ended December 31, 2020 and reduced the revenue covenant for the twelve-month period ending December 31, 2021 from \$80 million to \$45 million. On November 19, 2019, we entered into a Waiver to the CRG Loan Agreement (the “Waiver”) pursuant to which CRG waived the financial covenant associated with our revenue derived from sales of YUTIQ and DEXYCU for the twelve-month period ended December 31, 2019. If we do not maintain compliance with all of the continuing covenants and other terms and conditions of the CRG Loan or secure a waiver for any non-compliance, then the Lenders may choose to declare an event of default and require that we immediately repay all amounts outstanding, plus penalties and interest, including an exit fee and any prepayment fees, and foreclose on the collateral granted to them to secure such indebtedness. Such repayment would have a material adverse effect on our business and financial condition.

On December 17, 2020, we paid \$15.0 million against the CRG Loan obligations in connection with the consummation of the RPA agreement (see Note 3). In addition to repayment of the \$13.8 million principal portion of the CRG Loan, we paid (i) the \$828,000 Exit Fee, and (ii) accrued and unpaid interest of \$378,000 through that date. CRG waived the financial covenant in the CRG Loan associated with the payment of prepayment premiums if prepayment occurred after December 31, 2019 and on or prior to December 31, 2020. As of March 31, 2021, our outstanding balance, including principal and the exit fee, under the CRG Loan was approximately \$40.3 million, and

consisted of approximately \$38.4 million of carrying value (see Note 12), and \$2.1 million of the remaining balance of unamortized debt discount related to the CRG Loan.

### **Future Funding Requirements**

At March 31, 2021, we had cash and cash equivalents of \$138.6 million. We expect that our cash and cash equivalents combined with anticipated net cash inflows from product sales will fund our operating plan through December 31, 2022, under current expectations regarding (i) the timing and outcomes of our Phase 1 clinical trial for EYP-1901 for the treatment of wet AMD, and (ii) initiation of our Phase 2 clinical trials for EYP-1901 for the treatment of wet AMD. Due to the difficulty and uncertainty associated with the design and implementation of clinical trials, we will continue to assess our cash and cash equivalents and future funding requirements. However, there is no assurance that additional funding will be achieved and that we will succeed in our future operations.

Actual cash requirements could differ from management's projections due to many factors, including cash generation from sales of YUTIQ and DEXYCU, additional investments in research and development programs, clinical trial expenses for EYP-1901, competing technological and market developments and the costs of any strategic acquisitions and/or development of complementary business opportunities. In addition, the Pandemic has had, and will likely continue to have, a material and adverse impact on our business, including as a result of preventive and precautionary measures that we, other businesses, and governments are taking. Due to these impacts and measures, we have experienced and will likely continue to experience significant and unpredictable reductions in the demand for our commercial products as customers have shut down their facilities and non-essential surgical procedures have been postponed in an effort to promote social distancing and to redirect medical resources and priorities towards the treatment of COVID-19.

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

- the potential for EYP-1901, as a twice-yearly sustained delivery intravitreal anti-VEGF treatment targeting wet age-related macular degeneration ("wet AMD"), with potential in diabetic retinopathy ("DR") and retinal vein occlusion ("RVO");
- our expectations regarding the timing and clinical development of our product candidates, including EYP-1901 and YUTIQ50;
- the success of our U.S. direct commercialization of YUTIQ for the treatment of chronic non-infectious uveitis affecting the posterior segment of the eye including, among other things, patient and physician acceptance of YUTIQ and our ability to obtain adequate coverage and reimbursement for YUTIQ;
- the success of our U.S. direct 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 of commercialization activities for YUTIQ and DEXYCU, including product manufacturing, marketing, sales and distribution;
- the scheduled March 31, 2022 expiration of pass-through coverage under which DEXYCU is reimbursed for Medicare Part B patients, if not otherwise extended;
- whether and to what extent we internally fund, whether and when we initiate, and how we conduct other product development programs;
- payments we receive under any new 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;
- 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;
- the forgiveness of the \$2.0 million PPP Loan by the U.S. Small Business Administration;
- our views on the availability, timing and desirability of raising capital; and
- the extent to which our business could be adversely impacted by the effects of the Pandemic or by other pandemics, epidemics or outbreaks.



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 receive funds from the commercialization of YUTIQ or DEXYCU. If we seek to sell our equity securities, we do not know whether and to what extent we will be able to do so, or on what terms. 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, independent commercialization of YUTIQ and DEXYCU, or other new products, if any, postpone or cancel the pursuit of product candidates, 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 (in thousands):

	<b>Three Months Ended</b>		
	<b>March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
Net loss:	\$ (12,280)	\$ (13,174)	\$ 894
Changes in operating assets and liabilities	(4,641)	(5,487)	846
Other adjustments to reconcile net loss to cash flows from operating activities	1,822	2,316	(494)
Net cash used in operating activities	<u>\$ (15,099)</u>	<u>\$ (16,345)</u>	<u>\$ 1,246</u>
Net cash used in investing activities	<u>\$ -</u>	<u>\$ (16)</u>	<u>\$ 16</u>
Net cash provided by financing activities	<u>\$ 108,769</u>	<u>\$ 20,446</u>	<u>\$ 88,323</u>

Operating cash outflows for the three months ended March 31, 2021 totaled \$15.1 million, primarily due to our net loss of \$12.3 million, reduced by \$1.8 million of non-cash expenses, which included \$988,000 of stock-based compensation, \$615,000 of amortization of the DEXYCU finite-lived intangible asset, and \$147,000 of amortization of debt discount.

Operating cash outflows for the three months ended March 31, 2020 totaled \$16.3 million, primarily due to our net loss of \$13.2 million, reduced by \$2.3 million of non-cash expenses, which included \$1.2 million of stock-based compensation, \$615,000 of amortization of the DEXYCU finite-lived intangible asset, and \$494,000 of non-cash interest and amortization of debt discount.

For the three months ended March 31, 2021, there was no net cash used in investing activities. Net cash used in investing activities for the three months ended March 31, 2020 consisted of \$16,000 of purchases of property and equipment.

Net cash provided by financing activities for the three months ended March 31, 2021 totaled \$108.8 million and consisted of the following:

- (i) \$107.9 million of net proceeds from the issuance of 10,465,000 shares of our Common Stock;
- (ii) \$499,000 of net proceeds from the issuance of 48,538 shares of our Common Stock sold utilizing our ATM; and
- (iii) \$173,000 of proceeds from stock issued under our employee stock purchase plan.

Net cash provided by financing activities for the three months ended March 31, 2020 totaled \$20.5 million and consisted of the following:

- (i) \$20.3 million of net proceeds from the issuance of 15,000,000 shares of our Common Stock; and
- (ii) \$187,000 of proceeds from stock issued under our employee stock purchase plan.

### **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of March 31, 2021 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.

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

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and are not required to provide the information under this item.

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

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2021. 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 our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared. 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 March 31, 2021, our principal executive officer and our principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

During the quarter ended March 31, 2021, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Due to the Pandemic, certain employees of the Company continued working remotely through the quarter ended March 31, 2021. As a result of the continued remote working environment, the Company has not identified any material changes in the Company’s internal control over financial reporting. The Company is continually monitoring and assessing the Pandemic situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting.

## PART II: OTHER INFORMATION

### Item 1. 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.

We previously disclosed that on May 14, 2020 we had received a subpoena from the Division of Enforcement of the SEC seeking production of certain documents and information on topics including product sales and demand, revenue recognition and accounting in relation to product sales, product sales and cash projections, and related financial reporting, disclosure and compliance matters. On May 4, 2021, we were advised by the SEC Division of Enforcement that it has concluded its investigation of us and that, based on the information it has to date, the Enforcement Division does not intend to recommend an enforcement action against us.

### Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, “Item 1A, Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on March 12, 2021.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

On May 3, 2021, we entered into Amendment No. 3 and Waiver to the Term Loan Agreement (the “Amendment”), among us, as borrower, EyePoint Pharmaceuticals US, Inc. and Icon Bioscience, Inc., as subsidiary guarantors (the “Guarantors”), to our existing debt facility, dated February 13, 2019, and as amended or otherwise modified from time to time, (the “Loan Agreement”), with CRG Servicing LLC (“CRG”) as administrative agent and collateral agent, and the lenders party to the Loan Agreement.

Pursuant to the Amendment, CRG amended the financial covenant associated with our minimum product revenue under the Term Loan Agreement to \$25 million from \$45 million for the twelve-month period ending December 31, 2021. There were no other material changes to the Loan Agreement.

**Item 6. Exhibits**

Exhibit No.	Exhibit Description	Incorporated by Reference to SEC Filing		
		Form	SEC Filing Date	Exhibit No.
3.1	<a href="#">Certificate of Incorporation of pSivida Corp.</a>	8-K12G3	06/19/08	3.1
3.2	<a href="#">Certificate of Amendment of the Certificate of Incorporation of pSivida Corp.</a>	10-K	09/13/17	3.2
3.3	<a href="#">Certificate of Correction to Certificate of Amendment of the Certificate of Incorporation of pSivida Corp.</a>	8-K	04/02/18	3.1
3.4	<a href="#">Certificate of Amendment of Certificate of Incorporation, as amended, of EyePoint Pharmaceuticals, Inc.</a>	8-K	06/27/18	3.1
3.5	<a href="#">By-Laws of EyePoint Pharmaceuticals, Inc.</a>	10-K	09/18/18	3.5
3.6	<a href="#">Amendment No. 1 to the By-Laws of EyePoint Pharmaceuticals, Inc.</a>	8-K	11/06/18	3.1
3.7	<a href="#">Certificate of Amendment of the Certificate of Incorporation, as amended, of EyePoint Pharmaceuticals, Inc.</a>	8-K	6/23/20	3.1
3.8	<a href="#">Certificate of Amendment of the Certificate of Incorporation, as amended, of EyePoint Pharmaceuticals, Inc.</a>	8-K	12/08/20	3.1
4.1	<a href="#">Form of Specimen Stock Certificate for Common Stock</a>	8-K12G3	06/19/08	4.1
4.2	<a href="#">Warrant to Purchase Common Stock of pSivida Corp., issued March 28, 2018, to SWK Funding, LLC</a>	8-K	3/29/18	4.1
4.3	<a href="#">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.</a>	8-K	3/29/18	10.3
4.4	<a href="#">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</a>	8-K	06/27/18	10.1
10.1*	<a href="#">Third Amendment to Lease, dated April 5, 2021, between GRE Riverworks, LLC and EyePoint Pharmaceuticals, Inc.</a>			
10.2*	<a href="#">Amendment No. 3 and Waiver To Term Loan Agreement, dated May 3, 2021, among EyePoint Pharmaceuticals, Inc. as Borrower, EyePoint Pharmaceuticals US, Inc. and Icon Bioscience, Inc., as Subsidiary Guarantors and CRG Servicing LLC, as Administrative Agent and Collateral Agent</a>			
10.3	<a href="#">First Amendment to Share Purchase Agreement, dated February 1, 2021, by and between EyePoint Pharmaceuticals, Inc. and Ocumension Therapeutics</a>	8-K	02/03/21	10.1
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			

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](#)

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](#)

101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.  
101.SCH Inline XBRL Taxonomy Extension Schema Document  
101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document  
101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document  
101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document  
101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document  
104 Cover Page Interactive Data File (embedded within the inline XBRL document and included in Exhibit 101)

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\* Filed herewith

\*\* Furnished herewith

**SIGNATURES**

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

Date: May 5, 2021

**EyePoint Pharmaceuticals, Inc.**

By: /s/ Nancy Lurker

Name: Nancy Lurker

Title: President and Chief Executive Officer  
(Principal Executive Officer)

**THIRD AMENDMENT TO LEASE**

**THIS THIRD AMENDMENT TO LEASE** (this “**Amendment**”) is made and entered into as of the 5<sup>th</sup> day of April, 2021 (the “**Effective Date**”), by and between **GRE RIVERWORKS, LLC**, a Delaware limited liability company (“**Landlord**”), and **EYEPOINT PHARMACEUTICALS, INC.**, a Delaware corporation (“**Tenant**”).

## RECITALS

A. Landlord’s predecessors-in-interest and Tenant entered into that certain Lease dated November 1, 2013 (the “**Original Lease**”), as amended by that certain First Amendment to Lease dated February 6, 2014 (the “**First Amendment**”), that certain Second Amendment to Lease dated May 14, 2018 (the “**Second Amendment**”) and that certain Confirmation of Suite A-210 Effective Date dated November 29, 2018 (the “**Confirmation**”; collectively with the Original Lease, the First Amendment and the Second Amendment, the “**Lease**”), pursuant to which Tenant currently leases certain premises known as Suite A- 210 containing approximately 6,590 rentable square feet and Suite B300 containing approximately 13,650 rentable square feet (together, the “**Current Premises**”) in the building commonly known as the Riverworks Innovation Center located at 480 Pleasant Street, Watertown, Massachusetts (the “**Building**”).

B. Landlord and Tenant desire to expand the Current Premises and otherwise modify the Lease as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Recitals. The recitals set forth above are hereby incorporated into and made a material part of this Amendment. Capitalized terms used but not otherwise defined herein shall have the same meanings ascribed to them in the Lease.

2. Expansion. Effective as of the Expansion Premises Commencement Date (as hereinafter defined), the Current Premises are hereby expanded to include 1,409 rentable square feet as shown on Exhibit A-1 attached hereto and made a part hereof (“**Expansion Premises**”), which Exhibit A-1 shall be deemed part of and attached to the Original Lease. The “**Expansion Premises Commencement Date**” or “**EPCD**” shall mean the earlier of (a) the date Tenant occupies the Expansion Premises or any portion thereof for the conduct of Tenant’s business; or (b) the date Landlord Substantially Completes the Work (as hereinafter defined) in the Expansion Premises and tenders possession of the Expansion Premises to Tenant. As of the Expansion Premises Commencement Date, the “**Premises**” shall include both the Current Premises and the Expansion Premises. After the Expansion Premises Commencement Date occurs, Landlord shall deliver to Tenant an instrument confirming the Expansion Premises Commencement Date. The rentable square feet stated herein shall be conclusive on both parties. As used herein, the term “**Work**” shall mean installing, at Landlord’s sole cost and expense, new Building standard carpet as selected by Tenant, constructing an interior passageway connecting Suite A-210 and the Expansion Premises, installing an interior door between Suite A-210 and the Expansion Premises (if required by applicable fire codes), and painting the Expansion Premises using Building standard colors and materials selected by Tenant.

3. Term for the Expansion Premises. The Term for the Expansion Premises (the “**Expansion Premises Term**”) shall commence on the EPCD and shall end on May 31, 2025. During the Expansion Premises Term, all of the terms and conditions of the Lease shall apply to the Expansion Premises except as otherwise expressly provided in this Amendment. Notwithstanding anything contained to the contrary in the Confirmation, due to a scrivener’s error, the Expiration Date of the Lease for the Current Premises is hereby amended to May 31, 2025.

4. Base Rent for the Current Premises. Commencing on April 1, 2021, Tenant shall pay Base Rent for the Current Premises in the same manner as is required under the Lease, as amended hereby, pursuant to the schedule set forth below without regard thereafter to the schedule set forth in Section 4 of the Second Amendment:

<u>Period</u>	<u>Annual Base Rent Per Rentable SquareFoot</u>	<u>Monthly Installments of Base Rentfor the Current Premises</u>
April 1, 2021 – September 30, 2021	\$38.00	\$64,093.33
October 1, 2021 – September 30, 2022	\$39.00	\$65,780.00
October 1, 2022 – September 30, 2023	\$40.00	\$67,466.67
October 1, 2023 – September 30, 2024	\$41.00	\$69,153.33
October 1, 2024 – May 31, 2025	\$41.00	\$69,153.33

5. Base Rent for the Expansion Premises. In addition to Base Rent for the Current Premises, commencing on the EPCD, Tenant shall pay Base Rent for the Expansion Premises in the same manner as is required under the Lease, as amended hereby, in the amount of \$43.00 per rentable square foot of the Expansion Premises (or \$5,048.92 per month) and on each anniversary of the EPCD (except as expressly hereinafter provided) during the Expansion Premises Term, Base Rent for the Expansion Premises shall increase by One and 00/100 Dollars (\$1.00) (i.e., to \$44.00 per rentable square foot or \$5,166.33 per month on the first anniversary of the EPCD, to \$45.00 per rentable square foot or \$5,283.75 per month on the second anniversary of the EPCD and to \$46.00 per rentable square foot or \$5,401.17 per month on the third anniversary of the EPCD and so on through May 31, 2025). If, however, the EPCD does not occur on the first day of a calendar month, (a) Tenant shall pay prorated Rent for the Expansion Premises on a per diem basis for such partial month on the EPCD, and (b) solely for purposes of determining the rate applicable for such partial month and for the balance of the Expansion Premises Term, the period from the EPCD through and including the day immediately preceding the first day of the next full calendar month (such first day being hereinafter referred to as the “**Base Rent Anniversary Date**”) shall be deemed included within the first full calendar month of the Expansion Premises Term and the annual Base Rent increase contemplated hereinabove shall occur on each anniversary of the Base Rent Anniversary Date not on the EPCD. By way of example only, if the EPCD is April 24, 2021, the Base Rent Anniversary Date shall be May 1, 2021 and therefore the Base Rent shall increase annually as set forth hereinabove on each May 1<sup>st</sup> falling within the Expansion Premises Term.

6. Additional Rent. In addition to the Base Rent for the entire Premises, Tenant shall continue to pay as additional rent (including the payment for Tenant’s Electricity currently billed at \$1.75 per rentablesquare foot) in the manner and at the times required under Article III of the Original Lease, as amended by Section 5 of the Second Amendment, for the balance of the Term, except that:

(a) effective as of the EPCD, Tenant’s Percentage with respect to the Expansion Premises shall be 0.7%, being the 1,409 rentable square feet in the Expansion Premises divided by the currentrentable square footage of the Building (i.e., 202,000 rentable square feet). Tenant’s Percentage with respectto the Current Premises shall continue to be 10.36% (20,240/195,423).



(b) effective as of the EPCD (and notwithstanding anything contained in the Lease to the contrary) *with respect to the Expansion Premises only*, (i) the Operating Expense Base shall be calendaryear 2021 (i.e., January 1, 2021 through December 31, 2021), (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, and (ii) the RealEstate Tax Base shall be fiscal year 2021 (i.e., July 1, 2020 through June 30, 2021).

7. Landlord's Notice Addresses. Notwithstanding anything to the contrary contained in the Lease, as of the Effective Date, the following shall be inserted into the Lease in lieu of any other provision(s) regarding Landlord's addresses for notice:

"If to Landlord:

GRE Riverworks, LLC  
c/o GEM Realty Capital, Inc.900 N.  
Michigan Avenue Suite 1450  
Chicago, Illinois 60611Attn: General  
Counsel

With a copy to:

GRE Riverworks, LLC  
c/o Paradigm Properties | Paradigm Capital Advisors  
93 Summer Street, 2<sup>nd</sup> Floor  
Boston, Massachusetts 02110  
Attn: John Caldwell

8. Rent Payment. Notwithstanding anything contained in Section 3.1(a) of the Original Lease, Tenant shall be responsible for paying Rent under the Lease pursuant to the wire/ACH instructions set forthbelow:

**Via Wire/ACH:**

[\*\*\*]

9. Security Deposit. Landlord currently holds a Security Deposit in the form of a Letter of Credit in the amount of \$150,000.00.

10. Parking. From and after the EPCD, the first paragraph of **Exhibit E** attached to the SecondAmendment is hereby deleted in its entirety and replaced with the following:

"Tenant shall be provided parking access cards for unreserved parking spaces in the total amount of 71 parking access cards, of which 15 parking access cards shall be allocated to the lowerlot located on the south side of Pleasant Street (the "**Lower Lot**") and 56 parking access cards shallbe allocated to the upper lot located on the north side of Pleasant Street (the "**Upper Lot**") and with

the Lower Lot, the “**Parking Area**”) subject to such terms, conditions and regulations as are fromtime to time applicable to patrons of the Parking Area.”

11. Condition of Premises. Tenant hereby re-accepts the Current Premises in its current “AS-IS” “WHERE IS” condition. Landlord shall deliver the Expansion Premises to Tenant on the EPCD in its current “AS-IS” “WHERE-IS” condition, subject to the Work being substantially completed by Landlord to the commercially reasonable satisfaction of Tenant and that any applicable permits and/or any applicable certificates of occupancy or their legal equivalent, for the Expansion Premises have been obtained (collectively, “Landlord Substantially Completes the Work”).

12. Brokers. Tenant represents that Tenant has not dealt with any broker, agent or finder in connection with this Amendment other than Paradigm Properties (“the “**Broker**”), whose right to a commission shall be paid by Landlord pursuant to separate written agreement, and Tenant agrees to indemnify and hold Landlord harmless from all damages, judgments, liabilities and expenses (including reasonable attorneys’ fees) arising from any claims or demands of any broker, agent or finder other than the Broker with whom Tenant has dealt for any commission or fee alleged to be due in connection with its participation in the procurement of Tenant or the negotiation with Tenant of this Amendment.

13. Binding Effect. This Amendment shall not be binding until executed and delivered by both Landlord and Tenant.

14. Electronic Counterparts. This Amendment may be executed in any number of electronic (facsimile or PDF) counterparts, any one of which shall be an original, but all of which together shall be one and the same instrument.

15. Estoppel. Tenant hereby represents, warrants and agrees that: to the best of Tenant's knowledge, (i) there exists no breach, default or event of default by Landlord under the Lease, or any event or condition which, with the giving of notice or passage of time or both, would constitute a breach, default or event of default by Landlord under the Lease; (ii) the Lease continues to be a legal, valid and binding agreement and obligation of Tenant; and (iii) Tenant has no current offset or defense to its performance or obligations under the Lease. Tenant hereby waives and releases all demands, charges, claims, accounts or causes of action of any nature against Landlord or Landlord's employees or agents, including without limitation, both known and unknown demands, charges, claims, accounts, and causes of action that have previously arisen out of or in connection with the Lease.

16. Exhibits. Each Exhibit attached hereto is made a part hereof for all purposes.

17. No Representations. Landlord and Landlord's agents have made no representations or promises, express or implied, in connection with this Amendment, except as expressly set forth herein, and Tenant has not relied on any representations except as expressly set forth herein.

18. OFAC. Tenant represents and warrants to Landlord that (1) Tenant is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National," "Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and (2) Tenant is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation. Tenant agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including reasonable attorney's fees and costs) arising or related to any breach of the foregoing representation and warranty.

19. Miscellaneous. This Amendment sets forth the entire agreement with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. As modified by this Amendment, the Lease is hereby ratified and confirmed, and shall remain in full force and effect. In the event of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall control. Headings used in this Amendment are for convenience only and shall not serve to limit, expand or otherwise alter the terms of this Amendment.

20. Cyber. Landlord shall use commercially reasonable efforts to ensure the secure operation of Building automation systems and other Building systems and equipment that have internet functionality. Additionally, Landlord or its affiliate or agent may, but shall not be obligated to, provide high speed internet and/or provide a Wi-Fi network. Tenant should not transmit any credit card information, passwords or any other sensitive information while using Building Wi-Fi service. TENANT ACKNOWLEDGES AND AGREES THAT THERE ARE SIGNIFICANT SECURITY, PRIVACY AND CONFIDENTIALITY RISKS INHERENT IN ACCESSING OR USING THE INTERNET AND USE OF INTERNET SERVICE PROVIDED BY LANDLORD IS AT TENANT'S OWN RISK. LANDLORD HAS NO RESPONSIBILITY TO MAKE SECURE ANY INTERNET SERVICE OR DATA TRANSMISSION INFRASTRUCTURE AT THE BUILDING. TENANT AGREES TO USE APPROPRIATE MEASURES TO KEEP TENANT'S NETWORK AND INTERNET CONNECTED DEVICES SECURE, SUCH AS SECURE VPN CONNECTIONS, FIREWALLS, ANTIVIRUS PROTECTION, SECURITY PATCHES, AND USER CYBERSECURITY AWARENESS TRAINING. To the fullest extent permitted by law, Tenant releases Landlord and its property manager, and agrees to defend, indemnify and hold harmless Landlord and its property manager from and against all claims, losses, expenses, damages, costs and liabilities arising out of computer viruses, malware, spyware, hacking, tampering, data breach, fraudulent activity and/or security breach with regard to Building systems, Building equipment, Tenant's systems, Tenant equipment, fiber, Wi-Fi and/or telephone or data lines, regardless of whether such activity affects Tenant or its business and regardless of whether such activity was the result of access via any Building system or Building equipment. Except to the extent caused by the gross negligence or willful misconduct of Landlord or Landlord's agents, Landlord shall not be responsible for loss, expense, damage, cost, or liability caused by, or arising from the use or operation, as a means for inflicting harm, of any computer, computer system, computer software, malicious code, computer virus or process.

***[remainder of page intentionally left blank; signature page follows]***

Landlord and Tenant have executed this Third Amendment to Lease as of the date first above written.

**LANDLORD:**

**GRE RIVERWORKS, LLC**, a Delaware limited liability company

/s/ Marija Tatic

Name: Marija Tatic

Title: Vice President

**TENANT:**

**EYEPOINT PHARMACEUTICALS, INC.**

/s/ George O. Elston

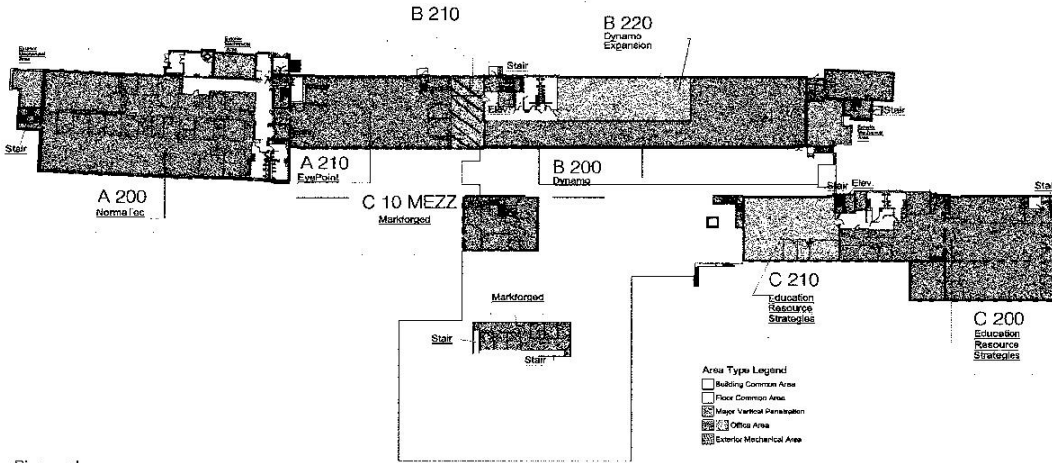
Name: George O. Elston

Title: Chief Financial Officer and Head of Corporate Development  
(Principal Financial Officer and Principal Accounting Officer)

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**EXHIBIT A-1**

**EXPANSION PREMISES**



Riverworks  
488 Pleasant St, Woburn, MA  
Second Floor Leasing Plan

## AMENDMENT NO. 3 TO TERM LOAN AGREEMENT

THIS AMENDMENT NO. 3 TO TERM LOAN AGREEMENT, dated as of May 3, 2021 (this "**Amendment**") is made among EYEPOINT PHARMACEUTICALS, INC., a Delaware corporation (the "**Borrower**"), the other Obligor party hereto, CRG SERVICING LLC, as administrative agent and collateral agent (in such capacities, "**Administrative Agent**") and the lenders listed on the signature pages hereof (collectively, the "Lenders"), with respect to the Loan Agreement referred to below.

## RECITALS

WHEREAS, Borrower, Administrative Agent and the Lenders are parties to the Term Loan Agreement, dated as of February 13, 2019, with the Guarantors from time to time party thereto (as amended by the Amendment, Consent, and Waiver to Term Loan Agreement, dated as of August 19, 2020, as further amended by Amendment No. 2 and Waiver to Term Loan Agreement, dated as of October 7, 2020, and as modified by the Waiver to Term Loan Agreement, dated as of November 19, 2019, as further modified by the Consent to Acquisition, dated as of January 31, 2020, as further modified by the Consent, dated as of April 22, 2020, and as further modified by the Consent and Release, dated as of December 17, 2020 and as amended and restated, modified or supplemented from time to time, the "**Loan Agreement**");

WHEREAS, Borrower has requested that Administrative Agent and the Lenders (which Lenders constitute the Majority Lenders party to the Loan Agreement as required by **Section 13.04** of the Loan Agreement), and Administrative Agent and the Lenders have agreed to amend the Minimum Required Revenue covenant set forth **Section 10.02(c)** of the Loan Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

**SECTION 1. Definitions; Interpretation.**

(a) **Terms Defined in Loan Agreement.** All capitalized terms used in this Amendment (including in the recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

(b) **Interpretation.** The rules of interpretation set forth in **Section 1.03** of the Loan Agreement shall be applicable to this Amendment and are incorporated herein by this reference.

**SECTION 2. Amendments to Loan Agreement.** Subject to **Section 3** of this Amendment, the Loan Agreement is hereby amended as follows:

(a) **Section 10.02(c)** of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(c) \_\_\_\_\_ for the twelve-month period beginning on January 1, 2021 and ending on December 31, 2021, of at least \$25,000,000.”

(b) **Annex B of Exhibit D** of the Loan Agreement is hereby amended and restated in its entirety by **Annex B to Compliance Certificate** attached hereto as **Exhibit A**.

**SECTION 3. Conditions of Effectiveness.** The effectiveness of **Section 2** of this Amendment shall be subject to the following conditions precedent:

(a) Borrower, the Guarantors, Administrative Agent and the Lenders shall have duly executed and delivered this Amendment; provided, however, that this Amendment shall have no binding force or effect unless all conditions set forth in this **Section 3** have been satisfied;

(b) The representations and warranties in **Section 4** shall be true in all material respects on the date hereof and on the date on which each of the foregoing conditions is satisfied; and

(c) The Borrower shall have paid or reimbursed Administrative Agent and Lenders for their reasonable out of pocket costs and expenses incurred in connection with this Amendment, including Administrative Agent and Lenders' reasonable and documented out of pocket legal fees and costs, pursuant to **Section 13.03(a)(i)(z)** of the Loan Agreement.

**SECTION 4. Representations and Warranties; Reaffirmation.**

(a) Borrower hereby represents and warrants to each Lender as follows:

(i) The Borrower has full power, authority and legal right to make and perform this Amendment. This Amendment is within the Borrower's corporate powers and has been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Amendment has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). This Amendment (x) does not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any third party, except for such as have been obtained or made and are in full force and effect, (y) will not violate any applicable law or regulation or the charter, bylaws or other organizational documents of the Borrower and its Subsidiaries or any order of any Governmental Authority, other than any such violations that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (z) will not violate or result in an event of default under any material indenture, agreement or other instrument binding upon the Borrower and its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person.

(ii) No Default or Event of Default has occurred or is continuing or will result after giving effect to this Amendment.

(iii) There has been no Material Adverse Effect since the date of the Loan Agreement.

**SECTION 5. Reaffirmation.** Each Obligor hereby ratifies, confirms, reaffirms, and acknowledges its obligations under the Loan Documents to which it is a party and agrees that the Loan Documents remain in full force and effect, undiminished by this Amendment, except as expressly provided herein. By executing this Amendment, Borrower acknowledges that it has read, consulted with its attorneys regarding, and understands, this Amendment.

**SECTION 6. Release.** In consideration of the agreements of Administrative Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, on behalf of itself and its successors, assigns and other legal representatives, hereby fully, absolutely, unconditionally and irrevocably releases, remises and forever discharges Administrative Agent and each Lender, and their respective successors and assigns, and their respective present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Administrative Agent, each Lender and all such other persons being hereinafter referred to collectively as the “**Releasees**” and individually as a “**Releasee**”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which Borrower or any of its successors, assigns or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, including, without limitation, for or on account of, or in relation to, or in any way in connection with the Loan Agreement or any of the other Loan Documents or transactions thereunder or related thereto (collectively, the “**Released Claims**”). Borrower understands, acknowledges and agrees that the release set forth above (the “**Release**”) may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of the Release. Borrower agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the Release. Borrower acknowledges that the Release constitutes a material inducement to Administrative Agent and the Lenders to enter into this Amendment and that Administrative Agent and the Lenders would not have done so but for Administrative Agent’s and each Lender’s expectation that the Release is valid and enforceable in all events.

**SECTION 7. Governing Law; Submission to Jurisdiction; WAIVER OF JURY TRIAL.**

(a) **Governing Law.** This Amendment and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; *provided that* Section 5-1401 of the New York General Obligations Law shall apply.

(b) **Submission to Jurisdiction.** Borrower agrees that any suit, action or proceeding with respect to this Amendment or any other Loan Document to which it is a party or any judgment entered by any court in respect thereof may be brought initially in the federal or state



courts in Houston, Texas or in the courts of its own corporate domicile and irrevocably submits to the non-exclusive jurisdiction of each such court for the purpose of any such suit, action, proceeding or judgment. This **Section 7** is for the benefit of Administrative Agent and the Lenders only and, as a result, none of Administrative Agent or any Lender shall be prevented from taking proceedings in any other courts with jurisdiction. To the extent allowed by applicable Laws, Administrative Agent and the Lenders may take concurrent proceedings in any number of jurisdictions.

(c) **WAIVER OF JURY TRIAL.** BORROWER, ADMINISTRATIVE AGENT AND EACH LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

#### **SECTION 8. Miscellaneous.**

(a) **No Waiver.** Except as expressly stated herein, nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Loan Agreement or any of the other Loan Documents or constitute a course of conduct or dealing among the parties. Except as expressly stated herein, Administrative Agent and the Lenders reserve all rights, privileges and remedies under the Loan Documents. Except as amended hereby, the Loan Agreement and other Loan Documents remain unmodified and in full force and effect. All references in the Loan Documents to the Loan Agreement shall be deemed to be references to the Loan Agreement as amended hereby.

(b) **Severability.** In case any provision of or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(c) **Headings.** Headings and captions used in this Amendment (including the Exhibits, Schedules and Annexes hereto, if any) are included for convenience of reference only and shall not be given any substantive effect.

(d) **Integration.** This Amendment constitutes a Loan Document and, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

(e) **Counterparts.** This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Executed counterparts delivered by facsimile or other electronic transmission (e.g., "PDF" or "TIF") shall be effective as delivery of a manually executed counterpart.

(f) **Controlling Provisions.** In the event of any inconsistencies between the provisions of this Amendment and the provisions of any other Loan Document, the provisions of this

Amendment shall govern and prevail. Except as expressly modified by this Amendment, the Loan Documents shall not be modified and shall remain in full force and effect.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

BORROWER:

**EYEPOINT PHARMACEUTICALS, INC.**

By /s/Nancy Lurker

Name: Nancy Lurker

Title: President and Chief Executive Officer

GUARANTORS:

**EYEPOINT PHARMACEUTICALS US, INC.**

By /s/Nancy Lurker

Name: Nancy Lurker

Title: President and Chief Executive Officer

**ICON BIOSCIENCE, INC.**

By /s/Philip Hoffstein

Name: Philip Hoffstein

Title: President

[Signature Page to Amendment No. 3]

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ADMINISTRATIVE AGENT:

**CRG SERVICING LLC**

By /s/Nathan Hukill

Name: Nathan Hukill

Title:

LENDERS:

**CRG PARTNERS IV L.P.**

By: CRG PARTNERS IV GP L.P.,

its general partner

By: CRG PARTNERS IV GP LLC,

its general partner

By: /s/Nathan Hukill

Name: Nathan Hukill

Title: Sole Member

**CRG PARTNERS IV – PARALLEL FUND “C” (CAYMAN) L.P.**

By: CR GROUP L.P.,

its investment advisor

By: /s/Nathan Hukill

Name: Nathan Hukill

Title: Authorized Signatory

Witness: /s/Nicole Nesson

Name: Nicole Nesson

**CRG PARTNERS IV – CAYMAN LEVERED L.P.**

By: CRG PARTNERS IV (CAYMAN) GP L.P.,

its general partner

By: CRG PARTNERS IV GP LLC,

Its general partner

By: /s/Nathan Hukill

Name: Nathan Hukill

Title: Authorized Signatory

Witness: /s/Nicole Nesson

Name: Nicole Nesson

[Signature Page to Amendment No. 3]

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**EXHIBIT A**

**Annex B to Compliance Certificate**

CALCULATIONS OF FINANCIAL COVENANT COMPLIANCE

<b>Section 10.01: Minimum Liquidity</b>		
Amount of unencumbered (other than by Liens described in <b>Sections 9.02(a), 9.02(c)</b> (provided that there is no default under the documentation governing the Permitted Priority Debt) and <b>9.02(p)</b> ) cash and Permitted Cash Equivalent Investments (which for greater certainty shall not include any undrawn credit lines), in each case, to the extent held in an account over which the Lenders have a perfected security interest as of the date of this certificate:		\$ _____
The greater of:		\$ _____
\$5,000,000; and		
to the extent Borrower has incurred Permitted Priority Debt, the minimum cash balance required of Borrower by Borrower's Permitted Priority Debt creditors		
Was Liquidity at the end of each day during [ ] greater than Line IB?:		Yes: In compliance; No: Not in compliance
<b>Section 10.02(a)-(d): Minimum Revenue—Subsequent Periods</b>		
Revenues for the twelve-month period beginning on January 1, 2019 and ending on December 31, 2019		N/A (Compliance Waived)
[Is line II.A equal to or greater than \$15,000,000?		N/A (Compliance Waived)
Revenues for the twelve-month period beginning on January 1, 2020 and ending on December 31, 2020		N/A (Compliance Waived)
[Is line II.B equal to or greater than \$45,000,000?		N/A (Compliance Waived)
Revenues for the twelve-month period beginning on January 1, 2021 and ending on December 31, 2021		\$ _____
[Is line II.C equal to or greater than \$25,000,000?		Yes: In compliance; No: Not in compliance] <sup>1</sup>

<sup>1</sup> Include bracketed entry only on the Compliance Certificate to be delivered within 90 days of the end of 2021 pursuant to Section 8.01(c) of the Loan Agreement.

	Revenues for the twelve-month period beginning on January 1, 2022 and ending on December 31, 2022	\$ _____
	<i>[Is line II.D equal to or greater than \$90,000,000?</i>	<i>Yes: In compliance; No: Not in compliance]</i> <sup>2</sup>

<sup>2</sup> Include bracketed entry only on the Compliance Certificate to be delivered within 90 days of the end of 2022 pursuant to Section 8.01(c) of the Loan Agreement.

Exhibit D-4

**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 quarterly report on Form 10-Q 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: May 5, 2021

/s/ Nancy Lurker

Name: Nancy Lurker

Title: President and Chief Executive Officer (Principal Executive Officer)

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**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, George O. Elston, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 5, 2021

/s/ George O. Elston

Name: George O. Elston

Title: Chief Financial Officer and Head of Corporate Development  
(Principal Financial Officer and Principal Accounting Officer)

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**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 Quarterly Report of EyePoint Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, 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: May 5, 2021

/s/ Nancy Lurker

Name: Nancy Lurker

Title: President and Chief Executive Officer (Principal Executive Officer)

**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 Quarterly Report of EyePoint Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George O. Elston, Chief Financial Officer and Head of Corporate Development 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: May 5, 2021

/s/ George O. Elston

Name: George O. Elston

Title: Chief Financial Officer and Head of Corporate Development  
(Principal Financial Officer and Principal Accounting Officer)