UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 001-36554

Ocular Therapeutix, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-5560161**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
15 Crosby Drive Bedford, MA	**01730**
(Address of principal executive offices)	**(Zip Code)**

(781) 357-4000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying 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 ☒

Title of each class	**Trading Symbol(s)**	**Name of exchange on which registered**
Common Stock, $0.0001 par value per share	**OCUL**	**The Nasdaq Global Select Market**

As of May 1, 2019, there were 42,836,978 shares of Common Stock, $0.0001 par value per share, outstanding.

Ocular Therapeutix, Inc.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "target," "potential," "goals," "will," "would," "could," "should," "continue" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report on Form 10-Q include, among other things, statements about:

- our plans to develop and commercialize DEXTENZA® and our product candidates based on our proprietary bioresorbable hydrogel technology platform;
- our ability to manufacture DEXTENZA in compliance with current Good Manufacturing Practices, or cGMP;
- our ability to build and manage a sales, marketing and distribution infrastructure to support the commercialization of DEXTENZA;
- the timing of and our ability to submit applications and obtain and maintain regulatory approvals for DEXTENZA and OTX-TP and our other product candidates;
- our plans to raise additional capital, including through equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements, royalty agreements and marketing and distribution arrangements;
- our ongoing and planned clinical trials, including our Phase 3 clinical trials of OTX-TP for the treatment of glaucoma and ocular hypertension, our Phase 1 clinical trial of OTX-TIC for the reduction of intraocular pressure in patients with glaucoma and ocular hypertension and our Phase 1 clinical trial of OTX-TKI for the treatment of wet age-related macular degeneration, or wet AMD;
- our ability to resolve the U.S. Food and Drug Administration warning letter received with respect to ReSure® Sealant on October 18, 2018;
- the potential advantages of DEXTENZA, ReSure Sealant, and our product candidates;
- the rate and degree of market acceptance and clinical utility of our products and our ability to secure reimbursement for our products;
- our estimates regarding the potential market opportunity for DEXTENZA, ReSure Sealant, OTX-TP, and our other product candidates;
- the preclinical and clinical development of our intravitreal depot with protein-based or small molecule drugs, including tyrosine kinase inhibitors, for the treatment of wet AMD and other retinal diseases;
- our strategic collaboration, option and license agreement with Regeneron Pharmaceuticals, Inc. under which we are collaborating on the development of an extended-delivery formulation of the vascular endothelial growth factor, trap aflibercept, currently marketed under the brand name Eylea, for the treatment of wet AMD, and other serious retinal diseases;

- our capabilities and strategy, and the costs and timing of manufacturing, sales, marketing, distribution and other commercialization efforts, with respect to DEXTENZA, ReSure Sealant and any additional products for which we may obtain marketing approval in the future;
- our intellectual property position;
- our ability to identify additional products, product candidates or technologies with significant commercial potential that are consistent with our commercial objectives, including potential opportunities outside the field of ophthalmology;
- our estimates regarding expenses, future revenue, the sufficiency of our cash resources, our ability to fund our operating expenses, debt service obligations and capital expenditure requirements and needs for additional financing;
- the impact of government laws and regulations;
- the costs and outcomes of legal actions and proceedings;
- our ability to continue as a going concern; and
- our competitive position.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in the “Risk Factors” section, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to the Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Ocular Therapeutix, Inc.

Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 76,251	$ 54,062
Accounts receivable	276	201
Inventory	265	217
Prepaid expenses and other current assets	2,380	1,713
Total current assets	79,172	56,193
Property and equipment, net	10,548	10,236
Restricted cash	6,614	6,614
Operating lease assets	5,156	—
Total assets	$ 101,490	$ 73,043
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,902	$ 2,965
Accrued expenses and other current liabilities	4,037	6,194
Operating lease liabilities	675	—
Total current liabilities	8,614	9,159
Other liabilities	—	3,221
Operating lease liabilities, net of current portion	7,909	—
Derivative liability	11,462	—
Notes payable, net of discount	24,843	24,788
2026 convertible notes, net	23,014	—
Total liabilities	75,842	37,168
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized and no shares issued or outstanding at March 31, 2019 and December 31, 2018, respectively	—	—
Common stock, $0.0001 par value; 100,000,000 shares authorized and 42,836,978 and 41,518,091 shares issued and outstanding at March 31, 2019 and December 31, 2018	4	4
Additional paid-in capital	340,011	333,114
Accumulated deficit	(314,367)	(297,243)
Total stockholders' equity	25,648	35,875
Total liabilities and stockholders' equity	$ 101,490	$ 73,043

The accompanying notes are an integral part of these consolidated financial statements.

Ocular Therapeutix, Inc.

Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenue:		
Product revenue	$ 492	$ 340
Total revenue	492	340
Costs and operating expenses:		
Cost of product revenue	128	80
Research and development	11,317	8,227
Selling and marketing	3,347	717
General and administrative	5,358	4,771
Total costs and operating expenses	20,150	13,795
Loss from operations	(19,658)	(13,455)
Other income (expense):		
Interest income	329	176
Interest expense	(1,018)	(486)
Change in fair value of derivative liability	3,223	—
Total other income (expense), net	2,534	(310)
Net loss and comprehensive loss	$ (17,124)	$ (13,765)
Net loss per share, basic	$ (0.41)	$ (0.40)
Weighted average common shares outstanding, basic	42,251,292	34,792,848
Net loss per share, diluted	$ (0.45)	$ (0.40)
Weighted average common shares outstanding, diluted	44,174,369	34,792,848

The accompanying notes are an integral part of these consolidated financial statements.

Ocular Therapeutix, Inc.

Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (17,124)	$ (13,765)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation expense	1,942	1,831
Non-cash interest expense	409	98
Amortization of operating lease asset	187	—
Change in fair value of derivative liability	(3,223)	—
Depreciation and amortization expense	589	565
Changes in operating assets and liabilities:		
Accounts receivable	(75)	56
Prepaid expenses and other current assets	(667)	197
Inventory	(48)	(17)
Accounts payable	761	(662)
Accrued expenses and deferred rent	(1,891)	(776)
Operating lease liabilities	(246)	—
Net cash used in operating activities	(19,386)	(12,473)
Cash flows from investing activities:		
Purchases of property and equipment	(725)	(381)
Net cash used in investing activities	(725)	(381)
Cash flows from financing activities:		
Proceeds from issuance of 2026 convertible notes, net of issuance costs	37,345	—
Proceeds from exercise of stock options	1	266
Proceeds from issuance of common stock offering, net	4,954	34,990
Repayment of notes payable	—	(1,029)
Net cash provided by financing activities	42,300	34,227
Net increase in cash, cash equivalents and restricted cash	22,189	21,373
Cash, cash equivalents and restricted cash at beginning of period	60,676	43,152
Cash, cash equivalents and restricted cash at end of period	$ 82,865	$ 64,525
Supplemental disclosure of non-cash investing and financing activities:		
Additions to property and equipment included in accounts payable and accrued expenses at balance sheet dates	$ 176	$ 301
Derivative liability in connection with issuance of 2026 convertible notes	$ 14,685	$ —
Public offering costs included in accounts payable and accrued expenses at balance sheet dates	$ —	$ 285

The accompanying notes are an integral part of these consolidated financial statements.

Ocular Therapeutix, Inc.

Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value			
Balances at December 31, 2018	41,518,091	$ 4	$ 333,114	$ (297,243)	$ 35,875
Issuance of common stock upon exercise of stock options	406	—	1	—	1
Issuance of common stock upon public offering, net of issuance costs	1,318,481	—	4,954	—	4,954
Stock-based compensation expense	—	—	1,942	—	1,942
Net loss	—	—	—	(17,124)	(17,124)
Balances at March 31, 2019	42,836,978	$ 4	$ 340,011	$ (314,367)	$ 25,648

Ocular Therapeutix, Inc.

Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value			
Balances at December 31, 2017	29,658,202	$ 3	$ 263,409	$ (237,265)	$ 26,147
Issuance of common stock upon exercise of stock options	146,852	—	266	—	266
Issuance of common stock upon public offering, net of issuance costs	7,475,000	1	34,704	—	34,705
Stock-based compensation expense	—	—	1,831	—	1,831
Net loss	—	—	—	(13,765)	(13,765)
Balances at March 31, 2018	37,280,054	$ 4	$ 300,210	$ (251,030)	$ 49,184

Ocular Therapeutix, Inc.

Notes to the Consolidated Financial Statements
(Amounts in thousands, except share and per share data)
(Unaudited)

1. Nature of the Business and Basis of Presentation

Ocular Therapeutix, Inc. (the "Company") was incorporated on September 12, 2006 under the laws of the State of Delaware. The Company is a biopharmaceutical company focused on the formulation, development and commercialization of innovative therapies for diseases and conditions of the eye using its proprietary, bioresorbable hydrogel platform technology. The Company's product pipeline candidates provide differentiated drug delivery solutions that reduce the complexity and burden of the current standard of care (eye drops) by creating local programmed-release alternatives. Since inception, the Company's operations have been primarily focused on organizing and staffing the Company, acquiring rights to intellectual property, business planning, raising capital, developing its technology, identifying potential product candidates, undertaking preclinical studies and clinical trials, manufacturing initial quantities of its products and product candidates and building the initial sales and marketing infrastructure for the commercialization of the Company's approved products and product candidates.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations, regulatory approval, uncertainty of market acceptance of products and the need to obtain additional financing. Recently approved products will require significant sales, marketing and distribution support up to and including upon their launch. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization.

As of March 31, 2019, the Company's lead product candidate DEXTENZA® (dexamethasone insert) 0.4mg, has been approved by the FDA and the Company's other product candidates are in clinical stage development. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval and adequate reimbursement or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees and consultants. The Company may not be able to generate significant revenue from sales of any product for several years, if at all. Accordingly, the Company will need to obtain additional capital to finance its operations, including to support the planned commercial launch of DEXTENZA.

The Company believes that its existing cash and cash equivalents as of March 31, 2019, will enable it to fund its operating expenses, debt service obligations and capital expenditure requirements into the second quarter of calendar year 2020. Management has determined that the Company's accumulated deficit, history of losses, negative cash flows from operations and future expected losses raise substantial doubt about the Company's ability to continue as a going concern within one year of the issuance date of these financial statements. The Company has incurred losses and negative cash flows from operations since its inception, and the Company expects to continue to generate operating losses and negative cash flows from operations in the foreseeable future. As of March 31, 2019, the Company had an accumulated deficit of $314,367.

If the Company is unable to obtain other financing, the Company would be forced to delay, reduce or eliminate its research and development programs or any future commercialization efforts or to relinquish valuable rights to its technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to the Company. The actions necessary to reduce spending to a level that mitigates the factors described above are not considered probable, as defined in the accounting standards.

The accompanying unaudited interim financial statements of the Company have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying unaudited interim financial statements do not include any adjustments to reflect the possible future effects

on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to the ability to continue as a going concern.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Unaudited Interim Financial Information

The balance sheet at December 31, 2018 was derived from audited financial statements, but does not include all disclosures required by GAAP. The accompanying unaudited financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018 have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2018 included in the Company's Annual Report on Form 10-K on file with the SEC. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's financial position as of March 31, 2019 and results of operations and cash flows for the three months ended March 31, 2019 and 2018 have been made. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2019.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, revenue recognition, the accrual of research and development expenses, including clinical trials, the present value of lease liabilities and the corresponding lease assets, the fair value of derivatives, and the valuation of common stock and stock-based awards. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Actual results could differ from the Company's estimates.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's cash equivalents at March 31, 2019 and December 31, 2018, were carried at fair value determined according to the fair value hierarchy described above (see Note 3). The Company's derivative liability at March 31,

2019 was carried at fair value determined according to the fair value hierarchy described above and classified as a Level 3 measurement. The carrying value of accounts receivable, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these assets and liabilities.

The carrying value of the Company's variable interest rate notes payable (see Note 8) are recorded at amortized costs, which approximates fair value due to their short-term nature.

On March 1, 2019, the Company issued $37,500 aggregate principal amount of unsecured senior subordinated convertible notes (the "2026 Convertible Notes") (see Note 5) and is carried at its amortized cost. The estimated fair value of the 2026 Convertible Notes was $34,935 at March 31, 2019. The fair value of the 2026 Convertible Notes was estimated utilizing a binomial lattice model which requires the use of Level 3 unobservable inputs. The most significant input when determining the fair value for disclosure purposes of the valuing the 2026 Convertible Notes is the discount rate. The discount rate is updated each period to reflect the yield of a comparable instrument issued as of the valuation date. The estimated fair value presented is not necessarily indicative of an amount that could be realized in a current market exchange. The use of alternative inputs and estimation methodologies could have a material effect on these estimates of fair value.

Derivative Liability

The 2026 Convertible Notes allow the holders to convert all or part of the outstanding principal of their 2026 Convertible Notes into shares of the Company's common stock provided that no conversion results in a holder beneficially owning more than 19.99% of the issued and outstanding common stock of the Company. The entire embedded conversion option is required to be separated from the 2026 Convertible Notes and accounted for as a freestanding derivative instrument subject to derivative accounting. Therefore, the entire conversion option is bifurcated from the underlying debt instrument and accounted for and valued separately from the host instrument. The Company measures the value of the embedded conversion option at its estimated fair value and recognizes changes in the estimated fair value in other income (expense), net in the consolidated statements of operations and comprehensive loss during the period of change. The embedded conversion is recognized as a derivative liability in the Company's consolidated balance sheet.

Restricted Cash

The Company held restricted cash of $6,614 at March 31, 2019 and December 31, 2018, respectively, on its consolidated balance sheet. The Company held restricted cash as security deposits for the lease of its manufacturing space and corporate headquarters and a financial covenant associated with the terms of its existing debt with lenders for total indebtedness of $25,000, which restricts the Company's withdrawal or usage of $5,000 (Note 8).

The Company's statements of cash flows include restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on such statements. A reconciliation of the cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same amounts shown in the statement of cash flows is as follows:

	March 31, 2019	March 31, 2018	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 76,251	$ 62,911	$ 54,062	$ 41,538
Restricted cash	6,614	1,614	6,614	1,614
Total cash, cash equivalents and restricted cash as shown on the statements of cash flows	$ 82,865	$ 64,525	$ 60,676	$ 43,152

Net Loss Per Share

The Company follows the two-class method when computing net loss per share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net loss per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based on their respective rights to receive dividends as if all income for the period had been distributed.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted net loss attributable to common stockholders is computed by adjusting net loss attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities, including the assumed conversion of our 2026 Convertible Notes, outstanding stock options and common stock warrants, except where the result would be anti-dilutive. Diluted net loss per share attributable to common stockholders is computed by dividing the diluted net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common shares assuming the dilutive effect of the conversion of the 2026 Convertible Notes, the exercise of outstanding stock options and common stock warrants. In the diluted net loss per share calculation, net loss would also be adjusted for the elimination of interest expense on the 2026 Convertible Notes (which includes amortization of the discount created upon bifurcation of the conversion option from the debt) and, the mark-to-market gain or loss each period to the bifurcated conversion option, if the impact was not anti-dilutive.

Recently Issued and Adopted Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), a new standard issued to increase transparency and comparability among organizations related to their leasing activities. This standard established a right-of-use model that requires all lessees to recognize right-of-use assets and lease liabilities on their balance sheet that arise from leases as well as provide disclosures with respect to certain qualitative and quantitative information related to a company's leasing arrangements to meet the objective of allowing users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The FASB subsequently issued the following amendments to ASU 2016-02 that have the same effective date and transition date: ASU No. 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842, ASU No. 2018-10, Codification Improvements to Topic 842, Leases, ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, ASU No. 2018-20, Narrow-Scope Improvement for Lessors, and ASU No. 2019-01, Leases (Topic 842): Codification Improvements. The Company adopted these amendments with ASU 2016-02 (collectively, the “New Leasing Standards”) effective January 1, 2019.

The Company adopted the New Leasing Standards using the modified retrospective transition approach, as of January 1, 2019, with no restatement of prior periods or cumulative adjustment to accumulated deficit. Upon adoption, the Company elected the package of transition practical expedients, which allowed the Company to carry forward prior conclusions related to whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases and initial direct costs for existing leases. The Company made an accounting policy election to not recognize leases with an initial term of 12 months or less within its consolidated balance sheets and to recognize those lease payments on a straight-line basis in its consolidated statements of operations and comprehensive loss over the lease term.

Upon adoption of the New Leasing Standards the Company recognized operating lease assets of approximately $5,300 and corresponding operating lease liabilities of approximately $8,800, which are included in the Company’s consolidated balance sheet. The adoption of the New Leasing Standards did not have an impact on the Company’s consolidated statements of operations and comprehensive loss.

The Company determines if an arrangement is a lease at contract inception. Operating lease assets represent the Company’s right to use an underlying asset for the lease term and operating lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date of the lease based upon the present value of lease payments over the lease term. When determining the lease term, the Company includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company uses its incremental borrowing rate when the implicit rate is not readily determinable based upon the information available at the commencement date in determining the present value of the lease payments. The Company’s incremental borrowing rate is not readily determinable since the terms of its borrowing arrangements, including years to maturity, conversion features, where applicable, collateralization, and cash flow requirements of principal and interests, are not representative of its lease arrangements. Therefore, the Company has used an incremental borrowing rate based on the lowest grade of debt available in the marketplace for the same term as the associated lease.

The Company's operating leases are reflected in operating lease assets, current portion of operating lease liabilities and operating lease liabilities, net of current portion and in the Company's consolidated balance sheets. The right of use asset was determined using the present value of the future minimum lease payments over the term of the lease, any lease payments made to the lessor at or before the commencement date, reduced by lease incentives, and initial direct costs incurred by the Company. The liabilities are determined using the present value of the future minimum lease payments.

For additional information on the adoption of the New Leasing Standards, see Note 14 - Leases, to these consolidated financial statements.

On March 31, 2019, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"). The new standard simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The Company adopted ASU 2018-07 as required on January 1, 2019, and its adoption did not have any material impact on the Company's consolidated results of operations.

3. Fair Value of Financial Assets and Liabilities

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018 and indicate the level of the fair value hierarchy utilized to determine such fair value:

	Fair Value Measurements as of March 31, 2019 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ —	$ 73,184	$ —	$ 73,184
Liability:				
Derivative liability (see Note 4)	—	—	11,462	11,462
Total	$ —	$ 73,184	$ 11,462	$ 84,646

	Fair Value Measurements as of December 31, 2018 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ —	$ 50,906	$ —	$ 50,906
Total	$ —	$ 50,906	$ —	$ 50,906

During the three months ended March 31, 2019 there were no transfers between Level 1, Level 2 and Level 3.

4. Derivative Liability

The 2026 Convertible Notes (Note 5), contained an embedded conversion option that met the criteria to be bifurcated and accounted for separately from the 2026 Convertible Notes (the "Derivative Liability"). The Derivative Liability was recorded at fair value of $14,685 upon the issuance of the 2026 Convertible Notes and is subsequently remeasured to fair value at each reporting period. The Derivative Liability was initially valued and remeasured using a "with-and-without" method. The "with-and-without" methodology involves valuing the whole instrument on an as-is basis and then valuing the instrument without the embedded conversion option. The difference between the entire instrument with the embedded conversion option compared to the instrument without the embedded conversion option is the fair value of the derivative, recorded as the Derivative Liability.

The fair value of the 2026 Convertible Notes with and without the conversion option is estimated using a binomial lattice approach. The key inputs to valuing the 2026 Convertible Notes with the conversion option include the

Company's stock price on the valuation date ($4.67 on March 1, 2019); the expected annual volatility of the Company's stock (88% as of March 1, 2019) and the discount yield (12.4% as of March 1, 2019), which was derived by making the fair value of the 2026 Convertible Notes equal to the face value on the issuance date. The key inputs to valuing the 2026 Convertible Notes with the conversion option include the Company's stock price on the valuation date ($3.97 on March 31, 2019); the expected annual volatility of the Company's stock (86% as of March 31, 2019) and the discount yield (12.1% as of March 31, 2019), which was derived by making the fair value of the 2026 Convertible Notes equal to the face value on the issuance date. Fair value measurements are highly sensitive to changes in these inputs and significant changes in these inputs would result in a significantly higher or lower fair value.

A roll forward of the derivative liability is as follows:

	Three Months Ended March 31, 2019
Balance at December 31, 2018	$ —
Initial value	14,685
Change in fair value	(3,223)
Balance at March 31, 2019	$ 11,462

5. Convertible Notes

On March 1, 2019, the Company issued $37,500 of 2026 Convertible Notes. The 2026 Convertible Notes accrue interest at an annual rate of 6% of its outstanding principal amount, which is payable, along with the principal amount at maturity, on March 1, 2026, unless earlier converted, repurchased or redeemed. The Company includes the deferred interest in the balance of the 2026 Convertible Notes on its consolidated balance sheet.

The holders of the 2026 Convertible Notes may convert all or part of the outstanding principal amount of their 2026 Convertible Notes into shares of the Company's common stock, par value $0.0001 per share, prior to maturity and provided that no conversion results in a holder beneficially owning more than 19.99% of the issued and outstanding common stock of the Company. The conversion rate is initially 153.8462 shares of the Company's common stock per $1,000 principal amount of the 2026 Convertible Notes, which is equivalent to an initial conversion price of $6.50 per share. The conversion rate is subject to adjustment in customary circumstances such as stock splits or similar changes to the Company's capitalization.

At its election, the Company may choose to make such conversion payment in cash, in shares of common stock, or a combination thereof. Upon any conversion of any 2026 Convertible Note, the Company is obligated to make a cash payment to the holder of such 2026 Convertible Note for any interest accrued but unpaid on the principal amount converted. Upon the occurrence of a Corporate Transaction (as defined below), each holder has the option to require the Company to repurchase all or part of the outstanding principal amount of such note at a repurchase price equal to 100% of the outstanding principal amount of the 2026 Convertible Note to be repurchased, plus accrued and unpaid interest to, but excluding the repurchase date. In addition, each holder is entitled to receive an additional make-whole cash payment in accordance with a table set forth in each 2026 Convertible Note.

Upon conversion by the holder, the Company has the right to select the settlement of the conversion in either shares of common stock, cash, or in a combination thereof. In addition, the Company is obligated to make a cash payment to the holder of such 2026 Convertible Note for any interest accrued but unpaid on the principal amount converted.

- If the Company elects to satisfy such conversion by shares of common stock, the Company shall deliver to the converting holder in respect of each $1,000 principal amount of 2026 Convertible Notes being converted a number of common shares equal to the conversion rate in effect on the conversion date;

- If the Company elects to satisfy such conversion by cash settlement, the Company shall pay to the converting holder in respect of each $1,000 principal amount of 2026 Convertible Notes being converted cash in an amount equal to the sum of the Daily Conversion Values (as defined below) for each of the twenty (20) consecutive trading days during a specified period. The "Daily Conversion Values" is defined as each of the 20 consecutive trading days during the specified period, 5.0% of the product of (a) the conversion rate on such trading day and (b) the Daily VWAP on such trading day.

The Daily VWAP is defined as each of the 20 consecutive trading days during the applicable Observation Period, the per share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on the Bloomberg page for the Company.

- If the Company elects to satisfy such conversion by combination, the Company shall pay or deliver, as the case may be, in respect of each $1,000 principal amount of 2026 Convertible Notes being converted, a settlement amount equal to the sum of the Daily Settlement Amounts (as defined below) for each of the twenty (20) consecutive trading days during the specified period. The "Daily Settlement Amount" is defined as, for each of the 20 consecutive trading days during the specified period: (a) cash in an amount equal to the lesser of (i) the Daily Measurement Value (as defined below) and (ii) the Daily Conversion Value on such Trading Day; and (b) if the Daily Conversion Value on such trading day exceeds the Daily Measurement Value, a number of Shares equal to (i) the difference between the Daily Conversion Value and the Daily Measurement Value, divided by (ii) the Daily VWAP for such Trading Day. The "Daily Measurement Value" is defined as the Specified Dollar Amount (as defined below), if any, divided by 20. The "Specified Dollar Amount" is defined as the maximum cash amount per $1,000 principal amount of Notes to be received upon conversion as specified in the notice specifying the Company's chosen settlement method.

In the event of a Corporate Transaction, the noteholder shall have the right to either (a) convert all of the unpaid principal at the conversion rate and receive a cash payment equal to (i) the outstanding accrued but unpaid interest under the 2026 Convertible Note to, but excluding, the corporate transaction conversion date (to the extent such date occurs prior to March 1, 2026, the maturity date of the 2026 Convertible Notes) plus (ii) and an additional amount of consideration based on a sliding scale depending on the date of such as Corporate transaction or (b) require the Company to repurchase all or part of the outstanding principal amount of such 2026 Convertible Note at a repurchase price equal to 100% of the outstanding principal amount of the 2026 Convertible Note to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date.

A corporate transaction includes (i) a merger or consolidation executed through a tender offer or change of control (other than one in which stockholders of the Company own a majority by voting power of the outstanding shares of the surviving or acquiring corporation); (ii) a sale, lease, transfer, of all or substantially all of the assets of the Company; or (iii) if the Company's common stock ceases to be listed or quoted on any of the New York Stock Exchange, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market (the "Corporate Transaction").

On or after March 1, 2022, if the last reported sale price of the common stock has been at least 130% of the conversion rate then in effect for 20 of the preceding 30 trading days (including the last trading day of such period), the Company is entitled, at its option, to redeem all or part of the outstanding principal amount of the 2026 Convertible Notes, on a pro rata basis, at an optional redemption price equal to 100% of the outstanding principal amount of the 2026 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the optional redemption date.

The 2026 Convertible Notes are subject to acceleration upon the occurrence of specified events of default, including a default or breach of certain contracts material to the Company and the delisting and deregistration of the Company's common stock.

As discussed in Note 4, the Company determined that the embedded conversion option is required to be separated from the 2026 Convertible Notes and accounted for as a freestanding derivative instrument subject to derivative accounting. The allocation of proceeds to the conversion option results in a discount on the 2026 Convertible Notes. The Company is amortizing the discount to interest expense over the term of the 2026 Convertible Notes using the effective interest method.

A summary of the 2026 Convertible Notes at March 31, 2019 is as follows:

	March 31, 2019
2026 Convertible Notes	$ 37,500
Less: unamortized discount	(14,673)
	22,827
Interest	187
Total	$ 23,014

6. Income Taxes

The Company did not provide for any income taxes in its statement of operations for the three-month periods ended March 31, 2019 or 2018. The Company has provided a valuation allowance for the full amount of its net deferred tax assets because, at March 31, 2019 and December 31, 2018, it was more likely than not that any future benefit from deductible temporary differences and net operating loss and tax credit carryforwards would not be realized.

The Company has not recorded any amounts for unrecognized tax benefits as of March 31, 2019 or December 31, 2018. As of March 31, 2019 and December 31, 2018, the Company had no accrued interest or tax penalties recorded related to income taxes. The Company's income tax return reporting periods since December 31, 2014 are open to income tax audit examination by the federal and state tax authorities. In addition, because the Company has net operating loss carryforwards, the Internal Revenue Service is permitted to audit earlier years and propose adjustments up to the amount of net operating losses generated in those years.

7. Collaboration Agreement

In October 2016, the Company entered into a Collaboration, Option and License Agreement (the "Collaboration Agreement") with Regeneron Pharmaceuticals, Inc. ("Regeneron") for the development and potential commercialization of products containing the Company's extended-delivery hydrogel formulation in combination with Regeneron's large molecule VEGF-targeting compounds for the treatment of retinal diseases. The Collaboration Agreement does not cover the development of any products that deliver small molecule drugs, including tyrosine kinase inhibitors, or TKIs, or deliver large molecule drugs other than those that target VEGF proteins.

Under the terms of the Collaboration Agreement, the Company and Regeneron have agreed to conduct a joint research program with the aim of developing an extended-delivery formulation of aflibercept, currently marketed under the tradename Eylea, that is suitable for advancement into clinical development. The Company has granted Regeneron an option (the "Option") to enter into an exclusive, worldwide license to develop and commercialize products containing the Company's hydrogel in combination with Regeneron's large molecule VEGF-targeting compounds ("Licensed Products"). Under the term of the Collaboration Agreement, Regeneron is responsible for funding an initial preclinical tolerability study.

If the Option is exercised, Regeneron will conduct further preclinical development and an initial clinical trial under a collaboration plan. The Company is obligated to reimburse Regeneron for certain development costs incurred by Regeneron under the collaboration plan during the period through the completion of the initial clinical trial, subject to a cap of $25,000, which cap may be increased by up to $5,000 under certain circumstances. If Regeneron elects to proceed with further development following the completion of the collaboration plan, it will be solely responsible for conducting and funding further development and commercialization of product candidates. If the Option is exercised, Regeneron is required to use commercially reasonable efforts to research, develop and commercialize at least one Licensed Product. Such efforts shall include initiating the dosing phase of a subsequent clinical trial within specified time periods following the completion of the first-in-human clinical trial or the initiation of preclinical toxicology studies, subject to certain extensions. Through March 31, 2019, the Option has not been exercised, and no payments have been made.

Under the terms of the Collaboration Agreement, Regeneron has agreed to pay the Company $10,000 upon the exercise of the Option. The Company is also eligible to receive up to $145,000 per Licensed Product upon the

achievement of specified development and regulatory milestones, $100,000 per Licensed Product upon first commercial sale of such Licensed Product and up to $50,000 based on the achievement of specified sales milestones for all Licensed Products. In addition, the Company is entitled to tiered, escalating royalties, in a range from a high-single digit to a low-to-mid teen percentage of net sales of Licensed Products.

In December 2017, the Company delivered to Regeneron a proposed final formulation for the initial preclinical tolerability study. Regeneron initiated the preclinical study in early 2018. The Company and Regeneron have subsequently reached an understanding that the proposed formulation was not final and have ceased development of it. The Company is currently in discussions with Regeneron, in accordance with the terms of the Collaboration Agreement, regarding the development of an alternative formulation.

8. Notes Payable

The Company entered into a credit and security agreement in 2014 (as amended, the "Credit Agreement") which most recently was amended in March 2019 and has a total borrowing capacity of $25,000 which has been fully drawn down as of March 31, 2019.

In December 2018, the Company amended (the "2018 Amended Credit Facility") the terms of its debt with existing lenders for total indebtedness of $25,000, which was used primarily to pay-off outstanding balances as of the closing date. The Company is required to make interest-only payments under the 2018 Amended Credit Facility until December 2020. Commencing in January 2021, the Company is required to make 36 equal monthly installments of principal in the amount of $694, plus interest, through December 2023. In the event the Company achieves certain milestones under the 2018 Amended Credit Facility, the Company has the right to extend the interest-only payments through December 21, 2021 and make 24 equal monthly installments of principal in the amount of $1,042, plus interest. The Company has not assumed the achievement of these milestones for purposes of disclosures herein.

Amounts borrowed under the 2018 Amended Credit Facility are at LIBOR base rate, subject to 2.00% floor, plus 7.25%. The interest rate on the date of the amendment was 9.76%. In addition, a final payment (exit fee) equal to 3.5% of amounts drawn under the 2018 Amended Credit Facility, or $875 based on borrowings of $25,000, is due upon the maturity date of December 21, 2023. The Company is accruing the exit fee through December 21, 2023.

Under the 2018 Amended Credit Facility the Company is required to maintain a minimum of $5,000 of cash on hand as a financial covenant to the borrowing arrangement, which the Company has included in long-term restricted cash in the consolidated balance sheet. There are no other financial covenants associated with the 2018 Amended Credit Facility; however, there are negative covenants restricting the Company's activities, including limitations on dispositions, mergers or acquisitions; encumbering its intellectual property; incurring indebtedness or liens; paying dividends; making certain investments; and engaging in certain other business transactions. The Company is not in violation of any of the covenants. The obligations under the 2018 Amended Credit Facility are subject to acceleration upon the occurrence of specified events of default, including a material adverse change in the Company's business, operations or financial or other condition. The debt is collateralized by substantially all of the Company's assets, including its intellectual property.

In accordance with the Credit Agreement, in connection with the Company's desire to issue and sell the 2026 Convertible Notes, the Company amended the terms of its debt with existing lenders in February 2019. The amendment added to the Credit Agreement, among other provisions, a negative covenant restricting the Company from paying the holders of the 2026 Convertible Notes ahead in priority to the existing lenders, for so long as indebtedness remains outstanding under the 2018 Amended Credit Facility, and a cross-default provision to establish that an event of default under the purchase agreement for the 2026 Convertible Notes also constitutes an event of default under the Credit Agreement.

Borrowings outstanding are as follows:

	March 31, 2019	December 31, 2018
Borrowings outstanding	$ 25,000	$ 25,000
Accrued exit fee	49	5
Unamortized discount	(206)	(217)
	$ 24,843	$ 24,788

As of March 31, 2019, the annual repayment requirements for the 2018 Amended Credit Facility, inclusive of the final payment of $875 due at expiration, were as follows:

Year Ending December 31,	Principal	Interest and Final Payment	Total
Remainder of 2019	$ —	$ 1,864	$ 1,864
2020	—	2,480	2,480
2021	8,333	2,094	10,427
2022	8,333	1,270	9,603
2023	8,334	1,320	9,654
	$ 25,000	$ 9,028	$ 34,028

Interest paid amounted to $475 and $390 for the three months ended March 31, 2019 and 2018, respectively.

9. Common Stock

In January 2018, the Company completed a follow-on offering of its common stock at a public offering price of $5.00 per share. The offering consisted of 7,475,000 shares of common stock sold by the Company, including those shares sold in connection with the exercise by the underwriter of its option to purchase additional shares. The Company received net proceeds from the follow-on offering of $34,704 after deducting underwriting discounts and commissions and expenses.

In November 2016, the Company entered into a controlled equity offering sales agreement (the “2016 Sales Agreement”) with Cantor Fitzgerald & Co., under which the Company could offer and sell its common stock having aggregate proceeds of up to $40,000 from time to time. In the three months ended March 31, 2019, the Company sold 1,318,481 shares of common stock at-the-market under the 2016 Sales Agreement, resulting in net proceeds of approximately $4,954 after underwriting discounts and commissions and expenses. Through March 31, 2019, the Company has sold 6,330,222 shares of common stock at-the-market under the 2016 Sales Agreement, resulting in net proceeds of approximately $38,381 after underwriting discounts and commissions and expenses. As of February 25, 2019, the Company had no amounts remaining available for future sale under the 2016 Sales Agreement. On February 28, 2019, pursuant to the 2016 Sales Agreement, the Company delivered a termination notice to Cantor, terminating the 2016 Sales Agreement.

10. Net Loss Per Share

Basic and diluted net loss per share was calculated as follows for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Numerator:		
Net loss attributable to common stockholders	$ (17,124)	$ (13,765)
Denominator:		
Weighted average common shares outstanding, basic	42,251,292	34,792,848
Net loss per share attributable to common stockholders, basic	$ (0.41)	$ (0.40)
Weighted average common shares outstanding, diluted	44,174,369	34,792,848
Net loss per share attributable to common stockholders, diluted	$ (0.45)	$ (0.40)

A reconciliation of net loss attributable to common stockholders for basic and diluted net loss per share is as follows:

	Three Months Ended March 31,	
	2019	2018
Net loss attributable to common stockholders, basic	$ (17,124)	$ (13,765)
Interest expense on 2026 Convertible Notes	356	—
Change in fair value of derivative liability	(3,223)	—
Net loss attributable to common stockholders, diluted	$ (19,991)	$ (13,765)
Weighted average common shares outstanding, basic	42,251,292	34,792,848
Shares issuable upon conversion of 2026 Convertible Notes, as if converted	1,923,077	—
Weighted average common shares outstanding, diluted	44,174,369	34,792,848
Net loss per share attributable to common stockholders, diluted	$ (0.45)	(0.40)

The Company excluded the following common stock equivalents, outstanding as of March 31, 2019 and 2018, from the computation of diluted net loss per share for the three months ended March 31, 2019 and 2018 because they had an anti-dilutive impact due to the net loss incurred for the periods.

	As of March 31,	
	2019	2018
Options to purchase common stock	7,296,948	5,062,284
Warrants for the purchase of common stock	18,939	18,939
	7,315,887	5,081,223

11. Stock-Based Awards

2014 Stock Incentive Plan

The 2014 Stock Incentive Plan (the “2014 Plan”) provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units, stock appreciation rights and other stock-based awards. The number of shares of common stock that may be issued under the 2014 Plan is subject to increase on the first day of each fiscal year, beginning on January 1, 2015 and ending on December 31, 2024 in an amount equal to the lesser of a pre-determined formula or as determined by the Company’s board of directors. On January 1, 2019, the number of shares available for issuance under the 2014 Plan was increased by 1,659,218. During the three months ended March 31, 2019, the Company granted options to purchase 2,290,400 shares of common stock at a weighted exercise price of $4.10 per share. As of March 31, 2019, 1,173,938 shares remained available for issuance under the 2014 Plan.

2014 Employee Stock Purchase Plan

The Company has a 2014 Employee Stock Purchase Plan (the “ESPP”). The number of shares of common stock that may be issued under the ESPP will automatically increase on the first day of each fiscal year, commencing on January 1, 2015 and ending on December 31, 2024 in an amount equal to the lesser of a pre-determined formula or as determined by the Company’s board of directors. On January 1, 2019, the number of shares available for issuance under the 2014 Plan was increased by 207,402. During the three months ended March 31, 2019, no shares of common stock were issued. As of March 31, 2019, 608,912 shares remained available for issuance under the ESPP.

Inducement Stock Option Awards

On June 20, 2017, the Company issued to Antony Mattessich, who became a director of the Company on June 20, 2017 and the Company’s President and Chief Executive Officer on July 26, 2017, a non-statutory stock option to purchase an aggregate of 590,000 shares of the Company’s common stock at an exercise price of $10.94 per share. Subject to Mr. Mattessich’s continued service to the Company, the stock option will vest over a four-year period, with 25% of the shares underlying the option award vesting on the one-year anniversary of the grant date and the remaining

75% of the shares underlying the award vesting monthly thereafter. The stock option was issued outside of the Company's 2014 Plan as an inducement material to Mr. Mattessich's acceptance of entering into employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4).

Stock-based Compensation

The Company recorded stock-based compensation expense related to stock options in the following expense categories of its statements of operations:

	Three Months Ended March 31,	
	2019	2018
Research and development	$ 620	$ 608
Selling and marketing	219	111
General and administrative	1,103	1,112
	$ 1,942	$ 1,831

As of March 31, 2019, the Company had an aggregate of $15,624 of unrecognized stock-based compensation cost, which is expected to be recognized over a weighted average period of 2.8 years.

As of March 31, 2019, there were outstanding unvested service-based stock options held by nonemployees for the purchase of 26,459 shares of common stock.

12. Commitments and Contingencies

Intellectual Property Licenses

The Company entered into a license agreement with Incept LLC ("Incept") to use and develop certain intellectual property rights in 2007. The Company and Incept amended and restated the agreement in January 2012 (such amended and restated agreement, the "Prior Agreement"). Under the Prior Agreement, the Company was granted a worldwide, perpetual, exclusive license to develop and commercialize products that are delivered to or around the human eye for diagnostic, therapeutic or prophylactic purposes relating to ophthalmic diseases or conditions. On September 13, 2018 (the "Effective Date"), the Company and Incept further amended and restated the license agreement in full (the "Second Amended Agreement") to expand the scope of the Company's intellectual property license and modify future intellectual property ownership and other rights thereunder.

The Company is obligated to pay low single-digit royalties on net sales of commercial products developed using the licensed technology, commencing with the date of the first commercial sale of such products and until the expiration of the last to expire of the patents covered by the license. Any of the Company's sublicensees also will be obligated to pay Incept a royalty equal to a low single-digit percentage of net sales made by it and will be bound by the terms of the agreement to the same extent as the Company. The Company is obligated to reimburse Incept for its share of the reasonable fees and costs incurred by Incept in connection with the prosecution of the patent applications licensed to the Company under the Prior Agreement. Through March 31, 2019, royalties paid under this agreement related to product sales were $244 and have been charged to cost of product revenue.

License Rights; Ownership of Intellectual Property

In the Second Amended Agreement, the parties have agreed to expand the field of use of the exclusive, worldwide, perpetual, irrevocable license held by the Company under the Prior Agreement to include specified intellectual property rights and technology owned or controlled by Incept to make, have made, use, offer for sale, sell, sublicense, have sublicensed, offer for sublicense and import, (i) consistent with the Prior Agreement, products delivered to or around the human eye for diagnostic, therapeutic or prophylactic purposes relating to all human ophthalmic diseases or conditions (the "Ophthalmic Field of Use") and (ii) as a result of the expansion of the scope of the license pursuant to the Prior Agreement, products delivered for the treatment of acute post-surgical pain or for the treatment of ear, nose and/or throat diseases or conditions, subject to specified exceptions (the "Additional Field of Use"). The parties have further agreed to expand the field of use of the license for certain patents, patent applications and other rights pertaining to shape-

changing hydrogel formulations thereunder (the "Shape-Changing IP") to include all fields except those involving the nerves and associated tissues specified in the Second Amended Agreement.

The Company will solely own, without a license to Incept, all intellectual property rights conceived solely by one or more individuals from the Company ("Company Individuals") after the Effective Date, subject to exceptions specified therein. Subject to certain exceptions specified in the Second Amended Agreement, Incept will own and license to the Company (i) all intellectual property rights included in the Prior Agreement ("Original IP") in the Ophthalmic Field of Use and the Additional Field of Use, (ii) intellectual property rights in the field of drug delivery conceived by one or more Company Individuals on or before the Effective Date ("Incept IP"), and (iii) intellectual property rights in the field of drug delivery conceived by one or more Company Individuals jointly with one or more individuals from Incept, including Dr. Sawhney ("Incept Individuals"), after the Effective Date ("Joint IP" and, collectively with the Original IP and the Incept IP, the "Licensed IP").

Financial Terms

The Company and any of its sublicensees are obligated to pay Incept royalties as follows under the Second Amended Agreement: (i) consistent with the Prior Agreement, a royalty equal to a low single-digit percentage of net sales by the Company or its affiliates of products, devices, materials, or components thereof ("Licensed Products"), including or covered by Original IP, excluding the Shape-Changing IP, in the Ophthalmic Field of Use; (ii) a royalty equal to a mid-single-digit percentage of net sales by the Company or its affiliates of Licensed Products including or covered by Original IP, excluding the Shape-Changing IP, in the Additional Field of Use; and (iii) a royalty equal to a low single-digit percentage of net sales by the Company or its affiliates of Licensed Products including or covered by Incept IP or Joint IP in the field of drug delivery. Royalty obligations under the Second Amended Agreement commence with the first commercial sale of a Licensed Product described above and terminate upon the expiration of the last-to-expire patents included in the Licensed IP, as applicable. Any sublicensee of the Company also will be obligated to pay Incept royalties on net sales of Licensed Products made by it and will be bound by the terms of the Second Amended Agreement to the same extent as the Company. Additionally, at its sole discretion, Incept may require, as a condition of any sublicense by the Company in the Additional Field of Use and in exchange for a reduction in the royalties owed on net sales of Licensed Products described above, payments equal to a mid-teen percentage of any upfront payment and, subject to certain conditions, other payments received by the Company from the sublicensee.

Patent Prosecution and Litigation

Incept will continue to have sole control and responsibility for ongoing prosecution of patents included in the Original IP, and the Company will have sole control and responsibility for ongoing prosecution of patents and patent applications included in or arising under the Incept IP or Joint IP. The parties have agreed to work together in good faith to enter into a separate agreement under which, subject to certain limitations, the Company would assume control of the prosecution of patents and patent applications included in or arising under the Shape-Changing IP. The Company has the right, subject to certain conditions, to bring suit against third parties who infringe the patents included in the Original IP in the Ophthalmic Field of Use or the Additional Field of Use, patents included in the Incept IP in the drug delivery filed, patents included in the Joint IP in the drug delivery field, and patents included in the Shape-Changing IP in all fields except as described above. The Company has also agreed, if requested by Incept, to enter into a joint defense and prosecution agreement for the purpose of allowing the parties to share confidential and attorney-client privileged information regarding the possible infringement of one or more patents covered by the Second Amended Agreement. The Company is responsible for all costs incurred in prosecuting any infringement action it brings.

Term and Termination

The Second Amended Agreement will expire on the later of (i) the expiration or disclaimer by the Company of the last valid claim of an issued and unexpired patent included in the Licensed IP or (ii) the final unappealable rejection or abandonment of the last pending patent application arising under the Licensed IP. Either party may terminate the Second Amended Agreement in the event of the other party's insolvency, bankruptcy or comparable proceedings, or if the other party materially breaches the agreement and does not cure such breach during a specified cure period.

Collaboration Agreement

In October 2016, the Company entered into the Collaboration Agreement with Regeneron as described in Note 7. Under the terms of the Collaboration Agreement, the Company has granted Regeneron an Option to enter into an exclusive, worldwide license to develop and commercialize products containing the Company's hydrogel in combination with Regeneron's large molecule VEGF-targeting compounds. If the Option is exercised, the Company is obligated to reimburse Regeneron for certain development costs incurred under the collaboration plan during the period through the completion of the initial clinical trial, subject to a cap of $25,000, which cap may be increased by up to $5,000 under certain circumstances. Through March 31, 2019, the Option has not been exercised and no payments have been made to Regeneron.

Legal Proceedings

Securities Class Actions

On July 7, 2017, a putative class action lawsuit was filed against the Company and certain of the Company's current and former executive officers in the United States District Court for the District of New Jersey, captioned *Thomas Gallagher v. Ocular Therapeutix, Inc, et al.*, Case No. 2:17-cv-05011. The complaint purports to be brought on behalf of shareholders who purchased the Company's common stock between May 5, 2017 and July 6, 2017. The complaint generally alleges that the Company and certain of the Company's current and former officers violated Sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder by making allegedly false and/or misleading statements concerning the Form 483 issued by the FDA related to DEXTENZA and the Company's manufacturing operations for DEXTENZA. The complaint seeks unspecified damages, attorneys' fees, and other costs. On July 14, 2017, an amended complaint was filed; the amended complaint purports to be brought on behalf of shareholders who purchased the Company's common stock between May 5, 2017 and July 11, 2017, and otherwise includes allegations similar to those made in the original complaint.

On July 12, 2017, a second putative class action lawsuit was filed against the Company and certain of the Company's current and former executive officers in the United States District Court for the District of New Jersey, captioned *Dylan Caraker v. Ocular Therapeutix, Inc., et al.*, Case No. 2:17-cv-05095. The complaint purports to be brought on behalf of shareholders who purchased the Company's common stock between May 5, 2017 and July 6, 2017. The complaint includes allegations similar to those made in the *Gallagher* complaint, and seeks similar relief.

On August 3, 2017, a third putative class action lawsuit was filed against the Company and certain of the Company's current and former executive officers in the United States District Court for the District of New Jersey, captioned *Shawna Kim v. Ocular Therapeutix, Inc., et al.*, Case No. 2:17-cv-05704. The complaint purports to be brought on behalf of shareholders who purchased the Company's common stock between March 10, 2016 and July 11, 2017. The complaint includes allegations similar to those made in the *Gallagher* complaint, and seeks similar relief.

On October 27, 2017, a magistrate judge for the United States District Court for the District of New Jersey granted the defendants' motion to transfer the above-referenced *Gallagher, Caraker, and Kim* litigations to the United States District Court for the District of Massachusetts. These matters were assigned the following docket numbers in the District of Massachusetts: 1:17-cv-12288 (*Gallagher*), 1:17-cv-12146 (*Caraker*), and 1:17-cv-12286 (*Kim*).

On March 9, 2018, the court consolidated the three actions and appointed co-lead plaintiffs and co-lead counsel for the consolidated action. On May 7, 2018, co-lead plaintiffs filed a consolidated amended class action complaint. The amended complaint makes allegations similar to those in the original complaints, against the same defendants, and seeks similar relief on behalf of shareholders who purchased the Company's common stock between March 10, 2016 and July 11, 2017. The amended complaint generally alleges that defendants violated Sections 10(b) and/or 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. On July 6, 2018, defendants filed a motion to dismiss the consolidated amended complaint. Plaintiffs' filed an opposition to the motion to dismiss on September 4, 2018, and defendants filed a reply on October 4, 2018. The court held oral argument on the motion to dismiss on February 6, 2019. By order dated April 30, 2019, the court granted defendants' motion to dismiss.

The Company denies any allegations of wrongdoing and intends to vigorously defend against these lawsuits.

Shareholder Derivative Litigation

On July 11, 2017, a purported shareholder derivative lawsuit was filed against certain of the Company's current and former executive officers, certain current and former board members, and the Company as a nominal defendant, in the United States District Court for the District of Massachusetts, captioned *Robert Corwin v. Sawhney et al.*, Case No. 1:17-cv-11270. The complaint generally alleged that the individual defendants breached fiduciary duties owed to the Company by making allegedly false and/or misleading statements concerning the Form 483 related to DEXTENZA and our manufacturing operations for DEXTENZA. The complaint purported to assert claims against the individual defendants for breach of fiduciary duty, and sought to recover on behalf of the Company for any liability the Company incurs as a result of the individual defendants' alleged misconduct. The complaint also sought contribution on behalf of the Company from all individual defendants for their alleged violations of Sections 10(b) and/or 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. The complaint sought declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On September 20, 2017, counsel for the plaintiff filed a notice of voluntary dismissal, stating that the plaintiff wished to coordinate his efforts and proceed in a consolidated fashion with the plaintiff in a similar derivative suit that was pending in the Superior Court of Suffolk County of the Commonwealth of Massachusetts captioned *Angel Madera v. Sawhney et al.*, Case. No. 17-2273 (which is discussed in the paragraph immediately below) by filing an action in that court subsequent to the dismissal of this lawsuit. The Corwin lawsuit was dismissed without prejudice on September 21, 2017. On October 24, 2017, the plaintiff filed a new derivative complaint in Massachusetts Superior Court (Suffolk County), captioned *Robert Corwin v. Sawhney et al*., Case No. 17-3425 (BLS2). The new *Corwin* complaint includes allegations similar to those made in the federal court complaint and asserts a derivative claim for breach of fiduciary duty against certain of our current and former officers and directors. The complaint also asserts an unjust enrichment claim against two additional defendants, SV Life Sciences Fund IV, LP and SV Life Sciences Fund IV Strategic Partners, LP. The complaint also names the Company as a nominal defendant.

On July 19, 2017, a second purported shareholder derivative lawsuit was filed against certain of the Company's current and former executive officers, all current board members, one former board member, and the Company as a nominal defendant, in the Superior Court of Suffolk County of the Commonwealth of Massachusetts, captioned *Angel Madera v. Sawhney et al.*, Case. No. 17-2273. The complaint included allegations similar to those made in the *Corwin* complaint. The complaint purported to assert derivative claims against the individual defendants for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, and sought to recover on behalf of the Company for any liability the Company incurs as a result of the individual defendants' alleged misconduct. The complaint sought declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On November 6, 2017, the court dismissed this action without prejudice due to plaintiff's failure to complete service of process within the time permitted under applicable court rules. On December 21, 2017, the same plaintiff filed a new derivative complaint in the same court, captioned *Angel Madera v. Sawhney et al.*, Case. No. 17-4126 (BLS2). The new *Madera* complaint is premised on substantially similar allegations as the previous complaint and purports to assert derivative claims against certain current and former executive officers and board members for breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and names the Company as a nominal defendant. Like the new *Corwin* complaint, the new *Madera* complaint also asserts an unjust enrichment claim against two additional defendants, SV Life Sciences Fund IV, LP and SV Life Sciences Fund IV Strategic Partners, LP.

By order dated January 29, 2018, the court consolidated the state court *Corwin* and *Madera* complaints under the *Corwin* docket and appointed lead counsel for plaintiffs. On February 28, 2018, plaintiffs filed a consolidated amended complaint. The consolidated complaint names substantially the same defendants and is premised on substantially similar allegations as the previous *Corwin* and *Madera* complaints, asserting claims for breach of fiduciary duty against the individual defendants and unjust enrichment against the two SV entity defendants. On April 17, 2018, all defendants served a motion to dismiss the consolidated amended complaint. On June 22, 2018, plaintiffs served their opposition to the motion to dismiss and a cross-motion to stay the proceedings pending a decision on the motion to dismiss in the above-referenced securities class action in the District of Massachusetts. On July 30, 2018, the parties filed a joint motion to stay the proceedings pending a decision on the motion to dismiss in the above-referenced securities class action in the District of Massachusetts. On August 3, 2018, the court granted the motion to stay.

On January 31, 2018, a third purported shareholder derivative suit was filed against certain of the Company's current and former executive officers, certain current and former board members, and the Company as a nominal defendant, in the United States District Court for the District of Massachusetts, captioned *Brian Robinson v. Sawhney et al.*, Case. No. 1:18-cv-10199. The complaint includes allegations similar to those made in the *Corwin* and *Madera*

complaints. The complaint does not name either SV Life Sciences Fund, IV, LP or SV Life Sciences Fund IV Strategic Partners, LP as defendants, and adds two former officers as defendants. The complaint purports to assert derivative claims against the individual defendants for breach of fiduciary duty, waste of corporate assets, and unjust enrichment, and seeks to recover on behalf of the Company for any liability the Company incurs as a result of the individual defendants' alleged misconduct. The complaint seeks declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On April 30, 2018, all defendants filed a motion to dismiss or stay the complaint. Plaintiff filed his opposition on June 22, 2018. On July 26, 2018, the parties filed a joint motion to extend the deadline for defendants to file their reply brief pending the potential substitution of the named shareholder plaintiff. On August 20, 2018, the parties filed a joint stipulation and proposed order regarding plaintiff's unopposed request to substitute a new shareholder plaintiff and the parties' joint request that the court stay the proceedings pending a decision on the motion to dismiss in the above-referenced securities class action in the District of Massachusetts. On September 4, 2018, the court entered the requested order substituting the named plaintiff and staying the matter.

On February 16, 2018, a fourth purported shareholder derivative suit was filed against certain of the Company's current and former executive officers, certain current and former board members, and the Company as a nominal defendant, in the United States District Court for the District of Delaware, captioned *Terry Kelly v. Sawhney et al.*, Case. No. 1:18-cv-00277. The complaint includes allegations similar to those made in the *Corwin* and *Madera* complaints. The complaint purports to assert derivative claims against the individual defendants for breach of fiduciary duty, unjust enrichment and waste of corporate assets, and seeks to recover on behalf of the Company for any liability the Company incurs as a result of the individual defendants' alleged misconduct. The complaint also asserts an unjust enrichment claim against SV Life Sciences Fund IV, LP and SV Life Sciences Fund IV Strategic Partners, LP. The complaint seeks declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On June 11, 2018, the parties filed a stipulation staying the lawsuit pending final judgment in the consolidated derivative action pending in Massachusetts state court under the *Corwin* docket, described above. The court entered an order staying the case on June 12, 2018.

The Company denies any allegations of wrongdoing and intend to vigorously defend against these lawsuits.

In addition, the Company has received a subpoena from the SEC, dated December 15, 2017, requesting documents and information concerning DEXTENZA (dexamethasone insert) 0.4mg, including related communications with the FDA, investors and others. The Company received a second subpoena from the SEC on August 21, 2018, requesting documents and information concerning its participation in two investor conferences in June 2017. By letter dated May 2, 2019, the SEC notified the Company that the SEC had concluded its investigation and did not intend to recommend an enforcement action against the Company or any individuals.

The Company is unable to predict the outcome of these lawsuits or proceedings at this time. Moreover, any conclusion of these matters in a manner adverse to the Company and for which it incurs substantial costs or damages not covered by our directors' and officers' liability insurance would have a material adverse effect on the Company's financial condition and business. In addition, the proceedings could adversely impact the Company's reputation and divert management's attention and resources from other priorities, including the execution of business plans and strategies that are important to the Company's ability to grow the Company's business, any of which could have a material adverse effect on the Company's business.

13. Related Party Transactions

The Company has a license agreement with Incept to use and develop certain patent rights that it entered into in 2007, amended and restated in January 2012 and further amended and restated in September 2018 (see Note 12). Incept and certain owners of Incept are shareholders of the Company. The Company's Chairman of the Board of Directors and former President and Chief Executive Officer ("CEO") is a general partner of Incept and has a 50% ownership stake in Incept.

Since October 2017, the Company has engaged McCarter English LLP ("McCarter") to provide legal services to the Company, including with respect to intellectual property matters. The Company's Senior Vice President, Technical Operations, Kevin Hanley, who joined the Company in January 2018, is married to a partner at McCarter, who has not participated in providing legal services to the Company. In addition, Jonathan M. Sparks, Ph.D., a partner at McCarter & English, has served as the Company's in-house counsel since October 2017. The Company incurred fees for legal

services rendered by McCarter of $307 and $93 for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, there was $136 recorded in accounts payable and $100 recorded in accrued expenses for McCarter.

14. Leases

The Company leases real estate, including laboratory, manufacturing and office space, and certain equipment. The Company's leases have remaining lease terms ranging from less than 1 year to 9 years. Certain leases include one or more options to renew, exercised at our sole discretion, with renewal terms that can extend the lease term from one year to six years. All of the Company's leases qualify as operating leases. The following table summarizes the presentation in the Company's consolidated balance sheet of its operating leases:

	Balance sheet location	March 31, 2019
Assets:		
Operating lease assets	Operating lease assets	$ 5,156
Liability:		
Current operating lease liabilities	Operating lease liabilities	$ 675
Non-current operating lease liabilities	Operating lease liabilities, net of current portion	7,909
Total Operating lease liabilities:		$ 8,584

The following table summarizes the effect of lease costs in the Company's consolidated statements of operations and comprehensive loss:

	Statement of operations and comprehensive loss location	For the Three Months Ended March 31, 2019
Operating lease costs	Research and development	$ 369
	Selling and marketing	25
	General and administrative	48
		$ 442

The minimum lease payments for the next five years and thereafter is expected to be as follows:

Year Ending December 31,	March 31, 2019
2019 (remaining nine months)	1,361
2020	1,850
2021	1,886
2022	1,936
2023	1,730
Thereafter	5,224
Total lease payments	$ 13,987
Less: interest	5,403
Present value of operating lease liabilities	$ 8,584

Under the prior lease guidance minimum rental commitments under non-cancelable leases for each of the next five years and total thereafter as of December 31, 2018, were as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
Minimum lease payments	$ 1,809	1,850	1,886	1,936	1,730	5,224	$ 14,435

The weighted average remaining lease term and weighted average discount rate of our operating leases are as follows:

	March 31, 2019
Weighted average remaining lease term in years	7.6
Weighted average discount rate	13.55 %

Supplemental disclosure of cash flow information related to our operating leases included in cash flows provided by operating activities in our consolidated statements of cash flows is as follows:

	For the Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	$ 501

15. Subsequent Events

On April 4, 2019, the Company entered into a non-cancelable lease for 30,036 square feet of space located at 24 Crosby Street in Bedford, Massachusetts to be used for office space. The five-year lease commenced on April 18, 2019 and terminates on March 24, 2024 and does not include any lease renewal options. The Company expects this lease will result in a right of use asset and a related lease liability of approximately $2,000.

On April 5, 2019, the Company entered into an Open Market Sale Agreement (the “2019 Sales Agreement”) with Jefferies, LLC (“Jefferies”), under which the Company may offer and sell its common stock having aggregate proceeds of up to $50,000 from time to time through Jefferies, acting as agent. Through May 9, 2019, the Company has not sold any shares under the 2019 Sales Agreement.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 7, 2019. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in, or implied by, the forward-looking statements contained in the following discussion and analysis.

Overview

We are a biopharmaceutical company focused on the formulation, development and commercialization of innovative therapies for diseases and conditions of the eye using our proprietary, bioresorbable hydrogel platform technology. We use this technology to tailor duration and amount of delivery of a range of therapeutic agents of varying duration in our product candidates.

We currently incorporate U.S. Food and Drug Administration, or FDA, approved therapeutic agents, including small molecules and proteins, into our hydrogel technology with the goal of providing local programmed-release of drug to the eye. We believe that our local programmed-release drug delivery technology has the potential to treat conditions and diseases of both the front and the back of the eye and can be administered through a range of different modalities including intracanalicular inserts, intracameral implants and intravitreal implants. We have products and product candidates in pre-commercial, clinical and preclinical development applying this technology to treat post-surgical ocular pain and inflammation, allergic conjunctivitis, dry eye disease, glaucoma and ocular hypertension, and wet age-related macular degeneration, or wet AMD, among other conditions.

In November 2018, the FDA approved our new drug application, or NDA, for DEXTENZA® (dexamethasone ophthalmic insert) 0.4mg for intracanalicular use for the treatment of ocular pain following ophthalmic surgery. DEXTENZA is the first FDA-approved intracanalicular insert delivering dexamethasone to treat post-surgical ocular pain for up to 30 days with a single administration. We are also evaluating DEXTENZA for the treatment of post-surgical ocular inflammation and allergic conjunctivitis.

We are developing our product candidate OTX-TP (intracanalicular travoprost insert) for the reduction of intraocular pressure, or IOP, in patients with glaucoma and ocular hypertension. Both DEXTENZA and OTX-TP are local programmed-release, drug-eluting, preservative-free intracanalicular inserts that are placed into the canaliculus through a natural opening called the punctum located in the portion of the lower eyelid near the nose.

Our earlier stage assets include two development programs that have initiated clinical trials: OTX-TIC, an intracameral travoprost implant for the reduction of IOP in patients with glaucoma and ocular hypertension when greater IOP reduction is needed, and OTX-TKI, an intravitreal injection by fine gauge needle of a hydrogel, anti-angiogenic formulation of a tyrosine kinase inhibitor, or TKI, for the treatment of wet AMD. We also have a collaboration with Regeneron Pharmaceuticals, Inc., or Regeneron, for the development and potential commercialization of products containing our extended-delivery hydrogel in combination with Regeneron's VEGF inhibitor, aflibercept, currently marketed under the brand name Eylea.

In addition to our ongoing drug product development, we currently market ReSure® Sealant, a hydrogel ophthalmic wound sealant approved by the FDA to seal corneal incisions following cataract surgery.

Pain after Ocular Surgery

DEXTENZA® (dexamethasone ophthalmic insert)

DEXTENZA incorporates the FDA-approved corticosteroid dexamethasone as an active pharmaceutical ingredient into a hydrogel, drug-eluting intracanalicular insert. In November 2018 the FDA approved our NDA for DEXTENZA for the treatment of post-surgical ocular pain. In connection with our commercial launch of DEXTENZA, we have built our own highly targeted, key account sales force that will focus on the ambulatory surgical centers responsible for the largest volumes of cataract surgery. DEXTENZA is now available through distributors and our key account managers

are fully trained. We expect that samples should be reaching the first surgery centers by the middle of May. Our initial commercial efforts are focused on the two million cataract procedures performed annually under Medicare Part B. Following our receipt of FDA approval, we submitted on November 30, 2018 an application for a C-code for transitional pass-through payment status and submitted on December 28, 2018 an application for a J-code for permanent payment status. We subsequently received a preliminary recommendation for a J-code in April 2019, which, if issued, would become effective January 1, 2020.

A C-code is a unique temporary pricing code established by the Center for Medicare & Medicaid Services (CMS), for the Prospective Payment System and is only valid for claims for hospital outpatient department services and procedures and ambulatory surgery settings. A J-Code is a permanent code used to report drugs that ordinarily cannot be self-administered. J-codes are familiar to both medical practices and their billing staffs, as well as Medicare (Part B and Part C) and commercial insurers. As a result, J-codes allow for a simpler and more convenient reimbursement process.

We have completed three Phase 3 clinical trials of DEXTENZA for the treatment of post-surgical ocular pain and inflammation. The data from two of these three completed Phase 3 clinical trials and a prior Phase 2 clinical trial were used to support our NDA for post-surgical ocular pain. We submitted an NDA supplement, or sNDA, for DEXTENZA for the treatment of post-surgical ocular inflammation in January 2019 and FDA has set a Prescription Drug User Fee Act (PDUFA) target action date of November 10, 2019 for its review of the sNDA. We have also completed two Phase 3 clinical trials of DEXTENZA for the treatment of allergic conjunctivitis and a Phase 2 clinical trial of DEXTENZA for the treatment of dry eye disease.

In late 2019, we plan to initiate additional clinical trials to evaluate DEXTENZA for the treatment of allergic conjunctivitis and in pediatric cataract surgery. The planned pediatric trial is a post-approval commitment to the FDA. Additionally, we have received proposals for, and plan to support, several investigator-initiated trials evaluating DEXTENZA in different clinical situations.

Glaucoma Programs

Glaucoma is a large market and a disease that impacts an estimated that more than 2.7 million people age 40 or older in the U.S. The primary goal of glaucoma treatment is to slow the progression of this chronic disease by reducing intraocular pressure, and many medications can accomplish this. Importantly, adherence to current topical glaucoma therapies is known to be particularly poor with reported rates of non-adherence to 30% to 80%. These low compliance rates may be associated with disease progression and loss of vision, and may be part of the reason that glaucoma is a leading cause of blindness in people over 60 years of age. As current standard of care, the ability of patients to use and place daily eye drops is challenging. Prostaglandins are the most commonly used class of medications to treat patients with glaucoma. The products that we are developing are designed to address the issue of compliance by delivering a prostaglandin analog formulated with our programmed release hydrogel to lower intraocular pressure for several months with a single insert.

OTX-TP (intracanalicular travoprost insert)

Our product candidate OTX-TP incorporates travoprost, an FDA-approved prostaglandin analog as its active pharmaceutical ingredient that reduces elevated IOP, into a hydrogel, drug-eluting intracanalicular insert. This preservative-free insert is designed to elute drug for up to 90 days. OTX-TP is being developed as a treatment to lower IOP in patients with primary open angle glaucoma and ocular hypertension. We reported topline results from a Phase 2b clinical trial for this indication in October 2015. We completed an End-of-Phase 2 review with the FDA in April 2016 and initiated the first of two planned Phase 3 clinical trials of OTX-TP in September 2016. Our first Phase 3 trial has completed the target enrollment of 550 patients at approximately 50 sites in the United States. We have completed our target enrollment and are not screening any additional subjects. Based on discussions with the FDA, the first Phase 3 clinical trial design includes an OTX-TP treatment arm and a placebo-controlled comparator arm that uses a non-drug eluting hydrogel intracanalicular insert. The primary efficacy endpoint is superiority in the reduction of IOP from baseline in the OTX-TP treatment arm compared to the placebo arm at three diurnal time points at each of three measurement dates, 2, 6 and 12 weeks. We expect that the FDA will require that OTX-TP show both a statistically superior reduction of IOP compared to the placebo and a clinically meaningful reduction of IOP prior to granting marketing approval. We expect topline efficacy data from the first Phase 3 clinical trial in the second quarter of 2019. We do not intend to initiate the second Phase 3 clinical trial until we review and discuss with the FDA the data from the first Phase 3 clinical trial. Given the anticipated use of OTX-TP as a chronic therapy, we intend to generate six-month

(300 patients) and one-year (100 patients) safety data to support our product registration. In order to meet these targets, we began enrollment in an open-label one-year safety extension study in July 2018.

OTX-TIC (intracanalicular travoprost implant)

OTX-TIC is our product candidate for glaucoma patients in need of a more significant reduction in IOP and ocular hypertension. OTX-TIC is a bioresorbable hydrogel implant incorporating travoprost that is designed to be administered by a physician as an intracameral injection with an initial target duration of drug release of four to six months. Preclinical studies to date have demonstrated reduction of IOP and pharmacokinetics in the aqueous humor that suggest a pharmacodynamic response of IOP reduction in humans. Our investigational new drug application, or IND, for our U.S. trial became effective in the first quarter of 2018, and we dosed the first patient in May 2018. This clinical trial is a multi-center, open-label, dose-escalation, proof-of-concept study designed to evaluate the safety, durability, tolerability, and efficacy of OTX-TIC in patients with primary open-angle glaucoma or ocular hypertension. We presented initial results from the first cohort, comprised of five patients, in this clinical trial at the Association of Research and Vision of Ophthalmology (ARVO) meeting in April 2019 and the American Society of Cataract and Refractive Surgery annual meeting in May 2019. This data demonstrated that, with a single implant, subjects were able to achieve IOP lowering for up to nine months at a level least as good as topical travoprost that was placed in each subject's non-study eye. In addition, the hydrogel carrier, as designed, biodegraded in six to seven months. There were no clinically meaningful changes in corneal health as measured by endothelial cell evaluation and corneal pachymetry. Several subjects reported low grade inflammation and peripheral anterior synechiae that we believe may be addressable with modifications to the implants. We are currently collecting additional data from this initial cohort and have dosed a higher dose cohort.

Back-of-the-Eye Programs

We are engaged in the development of formulations of our hydrogel administered via intravitreal injection to address the large and growing markets for diseases and conditions of the back of the eye. Our initial development efforts are focused on the use of our extended-delivery hydrogel in combination with anti-angiogenic drugs, such as protein-based anti-VEGF drugs, or small molecule drugs, such as TKIs, for the treatment of retinal diseases such as wet AMD, retinal vein occlusion and diabetic macular edema. Our initial goal for these programs is to provide extended delivery over a four to nine month period thereby reducing the frequency of the current monthly or bi-monthly immediate release intravitreal injection regimen for wet AMD and other retinal diseases.

OTX-TKI (intravitreal tyrosine kinase inhibitor ophthalmic implant)

OTX-TKI is a preformed, bioresorbable hydrogel fiber incorporating a small molecule TKI with anti-angiogenic properties delivered by intravitreal injection. TKIs have shown promise in the treatment of wet AMD. In May 2017, we reported data from preclinical studies evaluating the efficacy, tolerability and pharmacokinetics of OTX-TKI. In this study, OTX-TKI was well-tolerated, and high levels of drug were maintained in the tissue for up to twelve months in Dutch belted rabbits. In the first quarter of 2019, we began dosing patients in a Phase 1 clinical trial in Australia. This clinical trial is a multi-center, open-label study designed to evaluate the safety, durability and tolerability of OTX-TKI. We also plan to evaluate biological activity by following visual acuity over time and measuring retinal thickness using standard optical coherence tomography. In April 2019 the independent Data Safety and Monitoring Committee met to review the safety from the first cohort of subjects in the Phase 1 clinical trial and recommended moving to a higher dose of OTX-TKI for the next cohort of subjects to be treated.

OTX-IVT (intravitreal aflibercept implant) in collaboration with Regeneron

In October 2016, we entered into a strategic collaboration, option and license agreement, or Collaboration Agreement, with Regeneron for the development and potential commercialization of products using our hydrogel in combination with Regeneron's large molecule VEGF-targeting compounds for the treatment of retinal diseases, with the initial focus on the VEGF trap aflibercept, currently marketed under the brand name Eylea. Under the terms of the agreement, we granted Regeneron an option, or the Option, to enter into an exclusive, worldwide license under our intellectual property to develop and commercialize products using our hydrogel in combination with Regeneron's large molecule VEGF-targeting compounds, or Licensed Products. The Collaboration Agreement does not cover the development of any products that deliver small molecule drugs, including TKIs, for any target including VEGF, or any products that deliver large molecule drugs other than those that target VEGF proteins. Under the terms of the Collaboration Agreement, we and Regeneron have agreed to conduct a joint research program with the aim of

developing an extended-delivery formulation of aflibercept that is suitable for advancement into clinical development. We refer to the formulation we are developing with Regeneron as OTX-IVT.

Under the terms of the Collaboration Agreement, Regeneron is responsible for funding an initial preclinical tolerability study. If the Option is exercised, Regeneron will conduct further preclinical development and an initial clinical trial under a collaboration plan. We are obligated to reimburse Regeneron for certain development costs during the period through the completion of the initial clinical trial, subject to a cap of $25 million, which cap may be increased by up to $5 million under certain circumstances. We do not expect our funding requirements under the collaboration to be material over the next twelve months. If Regeneron elects to proceed with further development beyond the initial clinical trial, it will be solely responsible for conducting and funding further development and commercialization of product candidates. If the Option is exercised, Regeneron is required to use commercially reasonable efforts to research, develop and commercialize at least one Licensed Product. Such efforts shall include initiating the dosing phase of a subsequent clinical trial within specified time periods following the completion of the first-in-human clinical trial or the initiation of preclinical toxicology studies, subject to certain extensions.

Under the terms of the Collaboration Agreement, Regeneron has agreed to pay us $10 million upon exercise of the Option. We are also eligible to receive up to $145 million per Licensed Product upon the achievement of specified development and regulatory milestones, including successful results from the first-in-human clinical trial, $100 million per Licensed Product upon first commercial sale of such Licensed Product and up to $50 million based on the achievement of specified sales milestones for all Licensed Products. In addition, we are entitled to tiered, escalating royalties, in a range from a high-single digit to a low-to-mid teen percentage of net sales of Licensed Products.

In December 2017, we delivered to Regeneron a proposed final formulation for the initial preclinical tolerability study. Regeneron initiated the preclinical study in early 2018. We and Regeneron have subsequently reached an understanding that the proposed formulation was not final and have ceased development of it. We are currently in discussions with Regeneron, in accordance with the terms of the Collaboration Agreement, regarding the development of an alternative formulation.

ReSure® Sealant

We commercially launched this product in the United States in 2014. ReSure Sealant is approved to seal corneal incisions following cataract surgery. In the pivotal clinical trials that formed the basis for FDA approval, ReSure Sealant provided superior wound closure and a better safety profile than sutured closure.

The FDA required two post-approval studies as a condition for approval of our premarket approval, or PMA, application for ReSure Sealant. The first post-approval study, identified as the Clinical PAS, was to confirm that ReSure Sealant can be used safely by physicians in a standard cataract surgery practice and to confirm the incidence of the most prevalent adverse ocular events identified in our pivotal study in eyes treated with ReSure Sealant. We submitted the final study report to the FDA in June 2016 and the FDA has confirmed the Clinical PAS has been completed. The second post-approval study, identified as the Device Exposure Registry Study, is intended to link to the Medicare database to ascertain if patients are diagnosed or treated for endophthalmitis within 30 days following cataract surgery and application of ReSure Sealant. The Device Exposure Registry Study is required to include at least 4,857 patients. Due to difficulties in establishing an acceptable way to link ReSure Sealant to the Medicare database and lack of investigator interest, we have been unable to enroll trial sites and patients, collect patient data and report study data to the FDA. We have provided regular periodic reports to the FDA on the progress of this post-approval study.

We received a warning letter from the FDA in October 2018 relating to our compliance with data collection and information reporting obligations in the Device Exposure Registry Study. The FDA warning letter refers to a lack of progress with the enrollment and related data collection and information reporting obligations for a required post-approval trial. In November 2018, we appealed this warning letter. In December 2018, the FDA rejected our appeal. Failure by us to conduct the required post-approval trial for ReSure Sealant to the FDA's satisfaction may result in withdrawal of the FDA's approval of ReSure Sealant or other regulatory action. We continue to work with FDA to find a path to evaluate the incidence of endophthalmitis in patients receiving ReSure Sealant. ReSure Sealant currently remains commercially available in the United States, though there is no sales support provided to the product at this time. We have received only limited revenues from ReSure Sealant to date and anticipate only limited sales for 2019.

A teleconference was held with the FDA in January 2019 resulting in tentative agreement on a proposed retrospective registry study of endophthalmitis rates to satisfy the Device Exposure Registry Study requirements. We are working with the registry vendor to finalize a formal study protocol which we intend to submit to the FDA for comment before the study is conducted.

Additional Potential Areas for Growth

We continue to leverage the potential of our hydrogel platform to explore areas for growth with our focus on formulating, developing and commercializing innovative therapies for diseases and conditions of the eye. We expect to file a new investigational new drug application in an undisclosed ocular indication by the end of the year.

We are also assessing the potential use of our hydrogel platform technology in other areas of the body [and are studying several localized delivery platforms including via wound inlays; sinus and ear inserts; and subcutaneous, peripheral, and intra-articular injections. In September 2018, we entered into a second amended and restated license agreement, or Second Amended Agreement, with Incept LLC, an intellectual property holding company, or Incept. The Second Amended Agreement expands the scope of the Company's intellectual property license to include products delivered for the treatment of acute post-surgical pain or for the treatment of ear, nose and/or throat diseases or conditions, subject to specified exceptions.

Financial Position

We have generated limited revenue to date. All of our programmed-release drug delivery products are in various phases of pre-commercial, clinical and preclinical development. Our ability to generate product revenues sufficient to achieve profitability will depend heavily on our commercialization of DEXTENZA for the treatment of ocular pain following ophthalmic surgery and our obtaining marketing approval for and commercializing other products with significant market potential, including DEXTENZA for additional indications and OTX-TP. Since inception, we have incurred significant operating losses. Our net loss was $17.1 million and $13.8 million for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, we had an accumulated deficit of $314.4 million.

Our total cost and operating expenses were $20.2 million for the three months ended March 31, 2019, including $2.5 million in non-cash stock-based compensation expense and depreciation expense. Our operating expenses have grown as we prepare for the anticipated commercial launch of DEXTENZA in mid-year 2019; continue to pursue the clinical development of OTX-TP, OTX-TIC, and DEXTENZA for additional indications; continue the internal development of our intravitreal hydrogel formulation for the local programmed-release of protein-based or small molecule anti-angiogenic drugs, such as OTX-IVT and OTX-TKI for the treatment of wet AMD and other back-of-the-eye diseases; continue the research and development of our other product candidates; and seek marketing approval for any such product candidate for which we obtain favorable pivotal clinical trial results. We expect to incur substantial sales and marketing expenses in connection with the DEXTENZA commercial launch and that of any of our other product candidates. In addition, we will continue to incur additional costs associated with operating as a public company, including legal costs associated with any pending legal proceedings.

Although, we expect to generate revenue from sales of DEXTENZA and potentially ReSure Sealant, we will need to obtain substantial additional funding to fully support our continuing operations and the planned commercial launch of DEXTENZA. If we are unable to raise capital or access our borrowing capacity when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts or to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us.

In November 2016, we entered into a controlled equity offering sales agreement, or the 2016 Sales Agreement, with Cantor Fitzgerald & Co., or Cantor, under which we could offer and sell our common stock having aggregate proceeds of up to $40.0 million from time to time. Through March 31, 2019, we have sold an aggregate of 6,330,222 shares of common stock under the 2016 Sales Agreement, resulting in net proceeds of approximately $38.4 million after underwriting discounts and commissions and other offering expenses. As of February 25, 2019, the Company had no amounts remaining available for future sale under the 2016 Sales Agreement. On February 28, 2019, pursuant to the 2016 Sales Agreement, the Company delivered a termination notice to Cantor, terminating the 2016 Sales Agreement.

In January 2018, we completed a follow-on offering of our common stock at a public offering price of $5.00 per share. The offering consisted of 7,475,000 shares of common stock sold by us, including those shares sold in connection with the exercise by the underwriter of its option to purchase additional shares. We received net proceeds from the follow-on offering of approximately $34.7 million after deducting underwriting discounts and commissions and offering expenses.

On March 1, 2019, we issued $37.5 million of unsecured senior subordinated convertible notes, or the 2026 Convertible Notes. The 2026 Convertible Notes accrue interest at an annual rate of 6% of its outstanding principal amount, payable at maturity, on March 1, 2026, unless earlier converted, repurchased or redeemed. The holders of the 2026 Convertible Notes may convert all or part of the outstanding principal amount of their 2026 Convertible Notes into shares of the Company's common stock, par value $0.0001 per share, prior to maturity and provided that no conversion results in a holder beneficially owning more than 19.99% of the issued and outstanding Common Stock of the Company. The conversion rate is initially 153.8462 shares of the Company's common stock per $1,000 principal amount of the 2026 Convertible Notes, which is equivalent to an initial conversion price is $6.50 per share. The conversion rate is subject to adjustment in customary circumstances such as stock splits or similar changes to the Company's capitalization.

On April 5, 2019, we entered into an Open Market Sale Agreement℠ with Jefferies LLC, or Jefferies, under which we may offer and sell shares of our common stock having an aggregate offering price of up to $50.0 million from time to time through Jefferies, acting as agent. Through May 9, 2019, we have not sold any common stock under this agreement.

Based on our current plans and forecasted expenses, we believe that our existing cash and cash equivalents, as of March 31, 2019, without giving effect to any potential payment under our Collaboration Agreement with Regeneron, will enable us to fund our operating expenses, debt service obligations and capital expenditure requirements into the second quarter of calendar year 2020. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. We will need to raise additional capital to support our ongoing operations. See "—Liquidity and Capital Resources."

Financial Operations Overview

Revenue

From our inception through March 31, 2019, we have generated limited amounts of revenue from the sales of our products. Our ReSure Sealant product received premarket approval from the FDA in 2014. We commenced sales of ReSure Sealant in the first quarter of 2014, have received only limited revenues from ReSure Sealant to date and anticipate only limited sales for 2019. ReSure Sealant is currently our only source of revenue from product sales. We may generate revenue in the future from the anticipated commercial launch of DEXTENZA in mid-year 2019 or if we successfully develop one or more of our product candidates and receive marketing approval for any such product candidate or if we enter into longer-term collaboration agreements with third parties.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for the development of our product candidates, which include:

- employee-related expenses, including salaries, related benefits and payroll taxes, travel and stock-based compensation expense for employees engaged in research and development, clinical and regulatory and other related functions;
- expenses incurred in connection with the clinical trials of our product candidates, including with the investigative sites that conduct our clinical trials and under agreements with contract research organizations, or CROs;

- expenses relating to regulatory activities, including filing fees paid to the FDA for our submissions for product approvals;
- expenses associated with developing our pre-commercial manufacturing capabilities and manufacturing clinical trial materials;
- ongoing research and development activities relating to our core bioresorbable hydrogel technology and improvements to this technology;
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and supplies;
- costs relating to the supply and manufacturing of product inventory, prior to approval by the FDA or other regulatory agencies of our products; and
- expenses associated with preclinical development activities.

We expense research and development costs as incurred. We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information provided to us by our vendors and our clinical investigative sites.

Our direct research and development expenses are tracked on a program-by-program basis and consist primarily of external costs, such as fees paid to investigators, consultants, central laboratories and CROs in connection with our clinical trials and regulatory fees. We do not allocate employee and contractor-related costs, costs associated with our platform technology, costs related to manufacturing or purchasing clinical trial materials, and facility expenses, including depreciation or other indirect costs, to specific product development programs because these costs are deployed across multiple product development programs and, as such, are not separately classified. We use internal resources in combination with third-party CROs, including clinical monitors and clinical research associates, to manage our clinical trials, monitor patient enrollment and perform data analysis for many of our clinical trials. These employees work across multiple development programs and, therefore, we do not track their costs by program.

The table below summarizes our research and development expenses incurred by product development program:

	Three Months Ended March 31,	
	2019	2018
ReSure Sealant	$ 49	$ 15
DEXTENZA for post-surgical ocular pain and inflammation	149	106
DEXTENZA for allergic conjunctivitis	—	14
OTX-TP for glaucoma and ocular hypertension	835	1,309
OTX-TIC for glaucoma and ocular hypertension	89	—
OTX-TKI for Wet AMD	320	—
Preclinical programs	579	—
Unallocated expenses	9,296	6,783
Total research and development expenses	$ 11,317	$ 8,227

We expect that our expenses will increase in connection with our ongoing activities including costs related to clinical trials and other research and development activities for DEXTENZA, OTX-TP, OTX-TIC, OTX-TKI and other product candidates and other research and development activities.

The successful development and commercialization of our products or product candidates is highly uncertain. This is due to the numerous risks and uncertainties associated with product development and commercialization, including the uncertainty of:

- the scope, progress, outcome and costs of our clinical trials and other research and development activities;

- the timing, receipt and terms of any marketing approvals;
- the efficacy and potential advantages of our products or product candidates compared to alternative treatments, including any standard of care;
- the market acceptance of our products or product candidates; and
- significant and changing government regulation.

Any changes in the outcome of any of these variables with respect to the development of our product candidates in pre-commercial, clinical and preclinical development could mean a significant change in the costs and timing associated with the development of these product candidates. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials or other testing beyond those that we currently expect or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development of that product candidate.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of salaries and related costs for personnel in selling and marketing functions as well as consulting and advertising and promotion costs. During the three months ended March 31, 2019 and 2018, we incurred selling and marketing expenses in connection with ReSure Sealant, which we began commercializing in 2014, and marketing expenses in preparation for a potential commercial launch of DEXTENZA in mid-2019. As a result, our selling and marketing expenses will increase.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs, including stock-based compensation, for personnel in executive, finance, information technology, human resources and administrative functions. General and administrative expenses also include facility-related costs and professional fees for legal, patent, consulting and accounting and audit services.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued development and commercialization of our product candidates. We also anticipate that we will continue to incur increased accounting, audit, legal, regulatory, compliance, director and officer insurance costs as well as investor and public relations expenses associated with being a public company.

Other Income (Expense)

Interest Income. In 2018, interest income consists primarily of interest income earned on cash and cash equivalents. In the three months ended March 31, 2019 and 2018, our interest income has not been significant due to the low rates of interest being earned on our invested balances.

Interest Expense. Interest expense is incurred on our debt. We borrowed $15.0 million in aggregate principal amount in April 2014. In December 2015, we amended our credit facility to increase the aggregate principal amount to $15.6 million, extend the interest-only payment period through December 2016, and extend the maturity date to December 1, 2019. In March 2017, we amended our credit facility to increase the aggregate principal amount to $18.0 million, extend the interest-only payment period through February 2018, and extend the maturity date to December 1, 2020. In December 2018, we amended our credit facility to increase the aggregate principal amount to $25.0 million, extend the interest-only payment period through December 2020, and extend the maturity date to December 2023. In March 2019, we issued $37.5 million of unsecured senior subordinated convertible notes, or the 2026 Convertible Notes. The 2026 Convertible Notes accrue interest at an annual rate of 6% of its outstanding principal amount, payable at maturity, on March 1, 2026, unless earlier converted, repurchased or redeemed.

Change in Fair Value of Derivative Liability. In 2019, in connection with the issuance of our 2026 Convertible Notes, we identified an embedded derivative liability, which we are required to measure at fair value at inception and

then at the end of each reporting until the embedded derivative is settled. The changes in fair value are recorded through the statement of operations and comprehensive loss and are presented under the caption change in fair value of derivative liability.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. The preparation of our consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and the disclosure of contingent assets and liabilities in our consolidated financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, accrued research and development expenses and stock-based compensation. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. During the three months ended March 31, 2019, there were no material changes to our critical accounting policies. Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 7, 2019 and the notes to the financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. We believe that of our critical accounting policies, the following accounting policies involve the most judgment and complexity:

- revenue recognition;
- accrued research and development expenses;
- stock-based compensation; and
- derivative liability.

During the three months ended March 31, 2019, in connection with issuance of our 2026 Convertible Notes, we identified an embedded derivative liability, which we are required to measure at fair value at inception and then at the end of each reporting until the embedded derivative is settled.

Given the judgment and complexity involved in determining the fair value of this liability, we concluded that this derivative liability is a critical accounting policy. The fair value of the 2026 Convertible Notes with and without the conversion option is estimated using a binomial lattice approach. The key inputs to valuing the 2026 Convertible Notes with the conversion option include the Company's stock price on the valuation date, the expected annual volatility of the Company's stock and the discount yield, which was derived by making the fair value of the 2026 Convertible Notes equal to the face value on the issuance date. Fair value measurements are highly sensitive to changes in these inputs and significant changes in these inputs would result in a significantly higher or lower fair value.

Accordingly, we believe the policies set forth in our Annual Report on Form 10-K filed with the SEC on March 7, 2019 are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

Results of Operations

Comparison of the Three Months Ended March 31, 2019 and 2018

The following table summarizes our results of operations for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,		Increase (Decrease)
	2019	2018	
	(in thousands)		
Revenue:			
Product revenue	$ 492	$ 340	$ 152
Total revenue	492	340	152
Costs and operating expenses:			
Cost of product revenue	128	80	48
Research and development	11,317	8,227	3,090
Selling and marketing	3,347	717	2,630
General and administrative	5,358	4,771	587
Total costs and operating expenses	20,150	13,795	6,355
Loss from operations	(19,658)	(13,455)	(6,203)
Other income (expense):			
Interest income	329	176	153
Interest expense	(1,018)	(486)	(532)
Change in fair value of derivative liability	3,223	—	3,223
Total other income (expense), net	2,534	(310)	2,844
Net loss	$ (17,124)	$ (13,765)	$ (3,359)

Revenue

We generated $0.5 million and $0.3 million of revenue during each of the three months ended March 31, 2019 and 2018, respectively, from sales of our ReSure Sealant product.

Research and Development Expenses

	Three Months Ended March 31,		Increase (Decrease)
	2019	2018	
	(in thousands)		
Direct research and development expenses by program:			
ReSure Sealant	$ 49	$ 15	$ 34
DEXTENZA for post-surgical ocular pain and inflammation	149	106	43
DEXTENZA for allergic conjunctivitis	—	14	(14)
OTX-TP for glaucoma and ocular hypertension	835	1,309	(474)
OTX-TIC for glaucoma and ocular hypertension	89	—	89
OTX-TKI for Wet AMD	320	—	320
Preclinical programs	579	—	579
Unallocated expenses:			
Personnel costs	5,291	4,014	1,277
All other costs	4,005	2,769	1,236
Total research and development expenses.	$ 11,317	$ 8,227	$ 3,090

Research and development expenses were $11.3 million for the three months ended March 31, 2019, compared to $8.2 million for the three months ended March 31, 2018. Research and development costs increased by $3.1 million primarily due to an increase of $1.3 million in unallocated personnel costs, $1.2 million in unallocated all other costs, and a net increase of $0.6 million in costs incurred in connection with our DEXTENZA program, our OTX-TP product candidate for the treatment of glaucoma and ocular hypertension, our OTX-TIC program for glaucoma and ocular hypertension, OTX-TKI for Wet AMD and our other preclinical programs.

For the three months ended March 31, 2019, we incurred $2.0 million in direct research and development expenses for our programmed-release drug delivery product candidates, including $0.1 million for DEXTENZA for the treatment of post-surgical inflammation, and $0.8 million for OTX-TP. For the three months ended March 31, 2018, we incurred $1.4 million in direct research and development expenses for our intracanalicular insert product candidates, including $0.1 million for DEXTENZA for the treatment of post-surgical ocular pain and inflammation which was in Phase 3 clinical trials, and $1.3 million for OTX-TP for the treatment of glaucoma and ocular hypertension which was in a Phase 3 clinical trial. Unallocated research and development expense increased $2.5 million for the three months ended March 31, 2019, compared to the three months ended March 31, 2018, due primarily to an increase in personnel costs of $1.2 million due to additional hiring primarily in our clinical, regulatory and quality departments, $0.7 million in professional services and $0.6 million in facility related costs.

Selling and Marketing Expenses

	Three Months Ended March 31,		Increase (Decrease)
	2019	2018	
	(in thousands)		
Personnel related (including stock-based compensation)	$ 1,552	$ 384	$ 1,168
Professional fees	1,267	196	1,071
Facility related and other	528	137	391
Total selling and marketing expenses	$ 3,347	$ 717	$ 2,630

Selling and marketing expenses were $3.3 million for the three months ended March 31, 2019, compared to $0.7 million for the three months ended March 31, 2018. The increase of $2.6 million was primarily due to increases of $1.2 million in personnel costs, $1.1 million in professional fees including consulting, trade shows and conferences and $0.4 million in facility related and other costs.

We expect our selling and marketing expenses to increase in 2019 and beyond, due to the approval of DEXTENZA as we support the commercial launch.

General and Administrative Expenses

	Three Months Ended March 31,		Increase (Decrease)
	2019	2018	
	(in thousands)		
Personnel related (including stock-based compensation)	$ 2,371	$ 2,061	$ 310
Professional fees	2,391	2,317	74
Facility related and other	596	393	203
Total general and administrative expenses	$ 5,358	$ 4,771	$ 587

General and administrative expenses were $5.4 million for the three months ended March 31, 2019, compared to $4.8 million for the three months ended March 31, 2018. The increase of $0.6 million was primarily due to an increase of $0.3 million in personnel costs and $0.2 million in facility related costs.

Other Income (Expense), Net

Other income, net was $2.5 million for the three months ended March 31, 2019, compared to other expense, net of $0.3 million for the three months ended March 31, 2018. The change of $2.8 million, was due to higher interest income earned during the three months ended March 31, 2019 of $0.2 million on cash and cash equivalent balances and the change in fair value of the derivative liability associated with the 2026 Convertible Notes of $3.2 million offset by higher interest expense of $0.5 million associated with the 2018 amended credit facility and the 2026 Convertible Notes.

Change in Fair Value of Derivative Liability

In 2019, in connection with the issuance of our 2026 Convertible Notes, we identified an embedded derivative liability, which we are required to measure at fair value at inception and then at the end of each reporting period until the

embedded derivative is settled. The change in fair value of the derivative liability was a gain in the amount of $3.2 million during the three months ended March 31, 2019 due changes in the underlying assumptions of the derivative liability, primarily related to a decline in our common stock price. The Company expects the change in fair value of the derivative liability will continue to fluctuate until it is settled based on the extent changes occur in the underlying assumptions. There was no change in fair value of derivative liability during the three months ended March 31, 2018 as there was no were no embedded derivatives during that period.

Liquidity and Capital Resources

Since inception, we have incurred significant operating losses. Our net losses were $17.1 million and $13.8 million for the three months ended March 31, 2019 and 2018, respectively, and $60.0 million and $63.4 million for the years ended December 31, 2018 and 2017, respectively. As of March 31, 2019, we had an accumulated deficit of $314.4 million.

We have generated limited revenue to date. In 2014, we began recognizing revenue from sales of ReSure Sealant. All of our sustained drug delivery products are in various phases of pre-commercial, clinical and preclinical development. Our ability to generate product revenues sufficient to achieve profitability will depend heavily on our commercialization of DEXTENZA for the treatment of ocular pain following ophthalmic surgery and our obtaining marketing approval for and commercializing other products with significant market potential, including DEXTENZA for additional indications and OTX-TP.

Through March 31, 2019, we have financed our operations primarily through private placements of our preferred stock, public offerings of our common stock, private placements of our convertible notes and borrowings under credit facilities. In January 2018, we completed a follow-on offering of our common stock at a public offering price of $5.00 per share. The offering consisted of 7,475,000 shares of common stock sold by us, including those shares sold in connection with the exercise by the underwriter of its option to purchase additional shares. We received net proceeds from the follow-on offering of approximately $34.7 million after deducting underwriting discounts and commissions and offering expenses.

In November 2016, we entered into the 2016 Sales Agreement with Cantor, under which we could offer and sell our common stock having aggregate proceeds of up to $40.0 million from time to time. Through February 25, 2019, we have sold an aggregate of 6,330,222 shares of common stock under the 2016 Sales Agreement resulting in net proceeds of approximately $38.4 million after underwriting discounts and commissions and other offering expenses. On February 28, 2019, pursuant to the 2016 Sales Agreement, we delivered a termination notice to Cantor, terminating the 2016 Sales Agreement.

In December 2018, we amended our current credit facility to increase the total indebtedness to $25.0 million. The interest-only payment period was extended through December 2020.

On March 2019, we issued $37.5 million of unsecured senior subordinated convertible notes, or the 2026 Convertible Notes. The 2026 Convertible Notes accrue interest at an annual rate of 6% of its outstanding principal amount, payable at maturity, on March 1, 2026, unless earlier converted, repurchased or redeemed. The holders of the 2026 Convertible Notes may convert all or part of the outstanding principal amount of their 2026 Convertible Notes into shares of the Company's common stock, par value $0.0001 per share, prior to maturity and provided that no conversion results in a holder beneficially owning more than 19.99% of the issued and outstanding Common Stock of the Company. The conversion rate is initially 153.8462 shares of the Company's common stock per $1,000 principal amount of the 2026 Convertible Notes, which is equivalent to an initial conversion price is $6.50 per share. The conversion rate is subject to adjustment in customary circumstances such as stock splits or similar changes to the Company's capitalization.

On April 5, 2019, we entered into an Open Market Sale Agreement℠ with Jefferies LLC, under which we may offer and sell shares of our common stock having an aggregate offering price of up to $50.0 million from time to time through Jefferies, acting as agent. Through May 9, 2019, we have not sold any common shares under this facility.

We may receive $10.0 million under our collaboration arrangement with Regeneron in the event Regeneron exercises its option to enter into an exclusive, worldwide license to develop and commercialize products containing our extended-delivery hydrogel formulation with us in combination with Regeneron's large molecule VEGF-targeting

compounds. However, if the option is exercised, Regeneron will conduct further preclinical development and an initial clinical trial under a collaboration plan and the Company is obligated to reimburse Regeneron for certain development costs incurred by Regeneron under the collaboration plan during the period through the completion of the initial clinical trial, subject to a cap of $25 million which cap may be increased by up to $5 million under certain circumstances.

As of March 31, 2019, we had cash and cash equivalents of $76.3 million; outstanding debt of $24.8 million, net of unamortized discount; and convertible notes, of $37.5 million of aggregate principal amount of senior subordinated convertible notes. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Based on our current plans and forecasted expenses, we believe that our existing cash and cash equivalents as of March 31, 2019, without giving effect to any potential payment under our Collaboration Agreement with Regeneron, will enable us to fund our operating expenses, debt service obligations and capital expenditure requirements into the second quarter of calendar year 2020. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. These factors, and the factors described above, continue to raise substantial doubt about our ability to continue as a going concern.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Three Months Ended March 31,	
	2019	2018
Cash used in operating activities	$ (19,386)	$ (12,473)
Cash used in investing activities	(725)	(381)
Cash provided by financing activities	42,300	34,227
Net increase in cash and cash equivalents	$ 22,189	$ 21,373

Operating activities. Net cash used in operating activities was $19.4 million for the three months ended March 31, 2019, primarily resulting from our net loss of $17.1 million and changes in our operating assets and liabilities of $2.2 million. Our net loss was primarily attributed to research and development activities, selling and marketing expenses, and our general and administrative expenses. Our net non-cash charges during the three months ended March 31, 2019 consisted primarily of $3.1 million of stock-based compensation expense, depreciation expense and other non-cash expenses offset by the change in fair value of the derivative liability of $3.2 million. Net cash used by changes in our operating assets and liabilities during the three months ended March 31, 2019 consisted primarily of an decrease in accounts payable and accrued expenses of $1.1 million and an increases in prepaid expenses and other current assets of $0.7 million. The changes in accounts payable and accrued expenses were due to the timing of vendor invoicing and payments.

Net cash used in operating activities was $12.5 million for the three months ended March 31, 2018, primarily resulting from our net loss of $13.8 million partially offset by non-cash charges of $2.5 million. Our net loss was primarily attributed to research and development activities, selling and marketing expenses, and our general and administrative expenses. Our net non-cash charges during the three months ended March 31, 2018 consisted primarily of $2.4 million of stock-based compensation expense and depreciation expense. Net cash used by changes in our operating assets and liabilities during the three months ended March 31, 2018 consisted primarily of a decrease in accounts payable and accrued expenses of $1.4 million and a decrease in prepaid expenses and other current assets of $0.2 million. The changes in prepaid expenses and other current assets, accounts payable and accrued expenses were due to increased product development activities and the timing of vendor invoicing and payments.

Investing activities. Net cash used in investing activities for the three months ended March 31, 2019 and 2018 totaled $0.7 million and $0.4 million, respectively. For the three months ended March 31, 2019, net cash used in investing activities is due to the purchases of property and equipment, primarily laboratory equipment was $0.7 million. For the three months ended March 31, 2018, net cash used in investing activities is due the purchases of property and equipment, primarily laboratory equipment was $0.4 million.

Financing activities. Net cash provided by financing activities for the three months ended March 31, 2019 was $42.3 million and for the three months ended March, 31 2018 was $34.2 million. Net cash provided by financing

activities for the three months ended March 31, 2019 consisted primarily of proceeds from the 2026 Convertible Notes of $37.3 million and the 2016 Sales Agreement of $5.0 million, net of underwriting discounts and commissions and other offering expenses. Net cash provided by financing activities for the three months ended March 31, 2018 consisted primarily of proceeds from our follow-on offering in January 2018 of $35.0 million, net of underwriting discounts and commissions and other offering expenses and excluding $0.3 of offering expenses which remain in accrued expenses and accounts payable as of the balance sheet date, $0.3 million from the exercise of common stock options offset by $1.0 million for principal payments under our amended credit facility.

Funding Requirements

We expect to continue to incur losses in connection with our ongoing activities, particularly as we advance the clinical trials of our products in development and increase our sales and marketing resources focused on the potential launch of our product candidates, subject to receiving FDA approval.

We anticipate we will incur substantial expenses if and as we:

- commercially launch DEXTENZA in the United States;
- continue to develop and expand our sales, marketing and distribution capabilities for DEXTENZA and any of our product candidates;
- continue to pursue the clinical development of our most advanced intracanalicular insert product candidates, OTX-TP and DEXTENZA for additional indications;
- continue clinical trials of our product candidates OTX-TIC and OTX-TKI;
- conduct joint research and development under our strategic collaboration with Regeneron, for the development and potential commercialization of products containing our extended-delivery hydrogel formulation in combination with Regeneron's large molecule, VEGF-targeting compounds to treat retinal diseases;
- continue the research and development of our other product candidates;
- seek to identify and develop additional product candidates, including through additional preclinical development activities associated with our back-of-the-eye program and glaucoma intracameral implant program and potential opportunities outside the field of ophthalmology;
- seek marketing approvals for any of our product candidates that successfully complete clinical development;
- scale up our manufacturing processes and capabilities to support sales of commercial products, our ongoing clinical trials of our product candidates and commercialization of any of our product candidates for which we obtain marketing approval, and expand our facilities to accommodate this scale up and the expected growth in personnel;
- renovate our new facility including research and development laboratories, manufacturing space and office space;
- maintain, expand and protect our intellectual property portfolio;
- expand our operational, financial and management systems and personnel, including personnel to support our clinical development, manufacturing and commercialization efforts and our operations as a public company;
- defend ourselves against legal proceedings;

- increase our product liability and clinical trial insurance coverage as we expand our clinical trials and commercialization efforts; and

- continue to operate as a public company.

Based on our current plans and forecasted expenses, we believe that our existing cash and cash equivalents, without giving effect to any potential payment under our Collaboration Agreement with Regeneron, will enable us to fund our operating expenses, debt service obligations and capital expenditure requirements into the second quarter of calendar year 2020. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect.

Our future capital requirements will depend on many factors, including:

- our ability to successfully commercialize and sell DEXTENZA in the United States;

- the costs, timing and outcome of regulatory review of our product candidates by the FDA, the EMA or other regulatory authorities;

- the level of product sales from DEXTENZA and any additional products for which we obtain marketing approval in the future;

- the costs of manufacturing, sales, marketing, distribution and other commercialization efforts with respect to DEXTENZA and any additional products for which we obtain marketing approval in the future;

- the costs of expanding our facilities to accommodate our manufacturing needs and expected growth in personnel;

- the progress, costs and outcome of the clinical trials of our extended-delivery drug delivery product candidates, in particular OTX-TP and DEXTENZA for additional indications;

- the progress and status of our collaboration with Regeneron, including any development costs for which we reimburse Regeneron, the potential exercise by Regeneron of its option for a license for the development and potential commercialization of products containing our extended-delivery hydrogel formulation in combination with Regeneron's large molecule VEGF-targeting compounds, and our potential receipt of future milestone payments from Regeneron;

- the scope, progress, costs and outcome of preclinical development and clinical trials of our other product candidates;

- the extent of our debt service obligations;

- the amounts we are entitled to receive, if any, from Regeneron for potential option exercise, development, regulatory and sales milestones and royalty payments;

- the extent to which we choose to establish additional collaboration, distribution or other marketing arrangements for our products and product candidates;

- the costs and outcomes of legal actions and proceedings, including the current lawsuits described under "Item 1 — Legal Proceedings";

- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims; and

- the extent to which we acquire or invest in other businesses, products and technologies.

Until such time, if ever, as we can generate product revenues sufficient to achieve profitability, we expect to finance our cash needs through equity offerings, debt financings, government or other third-party funding, collaborations, strategic alliances, licensing arrangements, royalty agreements, and marketing and distribution arrangements. We do not have any committed external source of funds, although our collaboration agreement with Regeneron provides for the potential receipt of option exercise, development, regulatory and sales milestones and royalties payments. To the extent that we raise additional capital through the sale of equity or convertible debt securities, each security holder's ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect each security holder's rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. The covenants under our existing credit facility, the pledge of our assets as collateral and the negative pledge of intellectual property limit our ability to obtain additional debt financing. If we raise additional funds through government or other third-party funding, collaborations, strategic alliances, licensing arrangements, royalty agreements, or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

As discussed in Note 1 of the Notes to the Unaudited Consolidated Financial Statements, we have the responsibility to evaluate whether conditions or events raise substantial doubt about our ability to meet our future financial obligations as they become due within one year after the date the financial statements are issued. This evaluation initially cannot take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Since we currently anticipate that our existing capital resources, without giving effect to any potential payment under the Collaboration Agreement with Regeneron, will enable us to meet our planned operational expenses, debt service obligations, and capital expenditures, based on our current operating plans, into the second quarter of calendar year 2020, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year of the issuance date of these unaudited consolidated financial statements. While we have plans in place to mitigate this risk, which primarily consist of raising additional capital through a combination of equity or debt financings, and, depending on the availability and level of additional financings, potentially new collaborations and reducing cash expenditures, there is no guarantee that we will be successful in these mitigation efforts.

Since our inception in 2006, we have not recorded any U.S. federal or state income tax benefits for the net losses we have incurred in each year or our earned research and development tax credits, due to our uncertainty of realizing a benefit from those items. As of December 31, 2018, we had federal net operating loss carryforwards of $190.6 million, which begin to expire in 2026, and state net operating loss carryforwards of $161.8 million, which begin to expire in 2026. As of December 31, 2018, we also had federal research and development tax credit carryforwards of $7.0 million and state research and development tax credit carryforwards $3.6 million, which begin to expire in 2026 and 2025, respectively. We have not completed a study to assess whether an ownership change, generally defined as a greater than 50% change (by value) in the equity ownership of our corporate entity over a three-year period, has occurred or whether there have been multiple ownership changes since our inception, due to the significant costs and complexities associated with such studies. Accordingly, our ability to utilize our tax carryforwards may be limited. Additionally, U.S. tax laws limit the time during which these carryforwards may be utilized against future taxes. As a result, we may not be able to take full advantage of these carryforwards for federal and state tax purposes.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations at March 31, 2019 and the effects such obligations are expected to have on our liquidity and cash flow in future periods:

	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(in thousands)		
Operating lease commitments	$ 13,986	$ 1,821	$ 3,756	$ 3,536	$ 4,873
Purchase commitments	4,150	2,227	1,809	114	—
Debt obligations including interest	34,028	2,484	14,689	16,855	—
2026 Convertible Notes	53,469	—	—	—	53,469

Total	$105,633	$ 6,532	$20,254	$20,505	$58,342

In the table above, we set forth our enforceable and legally binding obligations and future commitments at March 31, 2019, as well as obligations related to contracts that we are likely to continue, regardless of the fact that they may be cancelable at March 31, 2019. Some of the figures that we include in this table are based on management's estimates and assumptions about these obligations, including their duration, and other factors. Because these estimates and assumptions are necessarily subjective, the obligations we will actually pay in future periods may vary from those reflected in the table.

Operating lease commitments represent payments due under our leases of office, laboratory and manufacturing space in Bedford, Massachusetts and certain office equipment under operating leases that expire in July 2023 and July 2027.

In June 2016, we entered into a lease agreement for approximately 70,712 square feet of general office, research and development and manufacturing space. The lease term commenced on February 1, 2017 and expires on July 31, 2027. No base rent was due under the lease until August 1, 2017. The initial annual base rent is approximately $1.2 million and will increase annually beginning on February 1 of each year. We are obligated to pay all real estate taxes and costs related to the premises, including costs of operations, maintenance, repair, and replacement and management of the new leased premises. We posted a customary letter of credit in the amount of $1.5 million as a security deposit. We relocated our corporate headquarters to the new leased premises in June 2017 and are evaluating the potential relocation of our manufacturing operations to the new leased premises. The lease agreement allowed for a construction allowance not to exceed approximately $2.8 million to be applied to the total construction costs of the new leased premises.

On October 10, 2017, we entered into an amendment to the lease agreement for our laboratory and manufacturing space located at 34 Crosby Drive and 36 Crosby Drive, each in Bedford, Massachusetts, which we refer to as the Second Amendment. The Second Amendment extends the term of our lease for 36 Crosby Drive from June 30, 2018 to July 31, 2023. Further, the Second Amendment acknowledges that we have previously vacated and surrendered, and the lease has expired with regards to 34 Crosby Drive, reducing the total laboratory and manufacturing space subject to the lease to 20,445 square feet. Accordingly, the Second Amendment reduces the required security deposit under the lease from $0.2 million to $0.1 million. Under the Second Amendment, the annual base rent for 36 Crosby Drive shall be approximately $0.5 million until June 30, 2018, shall be $0 from July 1, 2018 to July 31, 2018, and shall be approximately $0.5 million from August 1, 2018 to July 31, 2019. The annual base rent shall increase annually thereafter. The Second Amendment also provides us a one-time option to terminate the Lease on July 31, 2021, upon the delivery to the landlord on or before July 31, 2020, of a termination notice and the payment to the landlord of a termination fee of approximately $0.3 million.

On April 4, 2019, we entered into a sublease agreement for approximately 30,036 square feet of general office space located at 24 Crosby Drive in Bedford, Massachusetts. The lease term commenced on April 17, 2019 and expires on March 31, 2024. No base rent is due under the lease until July 2019. The initial annual base rent is approximately $0.6 million and will increase annually beginning on April 1 of each year. We are obligated to pay all real estate taxes and costs related to the premises. We posted a customary letter of credit in the amount of approximately $0.2 million as a security deposit. These rent payments have not been included in the table of contractual obligations and commitments above.

Purchase commitments represent non-cancelable contractual commitments associated with certain clinical trial activities with our CROs.

Manufacturing commitments generally provide for termination on notice, and therefore are cancelable contracts but are contracts that we are likely to continue, regardless of the fact that they are cancelable.

We enter into contracts in the normal course of business to assist in the performance of our research and development activities and other services and products for operating purposes. These contracts generally provide for termination on notice, and therefore are cancelable contracts and not included in the table of contractual obligations and commitments.

In April 2014, we entered into a credit facility with Silicon Valley Bank and MidCap Financial SBIC, LP, pursuant to which we were able to borrow an aggregate principal amount of up to $20.0 million, of which we borrowed $15.0 million. We did not borrow the remaining $5.0 million, and this amount is no longer available to us. The credit facility carries a fixed annual interest rate of 8.25% on outstanding borrowings. In April 2014, we issued the lenders warrants to purchase 100,000 shares of our Series D-1 redeemable convertible preferred stock with an exercise price of $3.00 per share. Upon the closing of our IPO in July 2014, the preferred stock warrants became warrants to purchase an aggregate of 37,878 shares of our common stock with an exercise price of $7.92 per share.

In December 2015, we amended the credit facility to increase the aggregate principal amount to $15.6 million to capitalize certain accrued interest. The amended facility provides for monthly, interest-only payments on outstanding borrowings through December 2016. Thereafter, we were required to pay thirty-six consecutive, equal monthly installments of principal and interest through December 1, 2019. In March 2017, we further amended the credit facility to $18.0 million of borrowings. The interest-only payment period was extended through February 1, 2018. There are no financial covenants associated with the credit facility. In December 2018, we further amended the credit facility to increase the aggregate principal amount borrowed to $25.0 million. The interest-only payments was extended through December 2020. Commencing in January 2021, we are required to make 36 equal monthly installments of principal in the amount of $0.7 million, plus interest, through December 2023. Under the December 2018 amendment, we are required to maintain a minimum of $5.0 million of cash and/or cash equivalents on hand as a financial covenant to the borrowing arrangement. There are no other financial covenants associated with the amended facility; however, there are negative covenants restricting our activities, including limitations on dispositions, mergers or acquisitions; incurring indebtedness, liens or encumbrances; paying dividends; making certain investments; and engaging in certain other business transactions. The obligations under the amended facility are subject to acceleration upon the occurrence of specified events of default, including a material adverse change in our business, operations or financial or other condition. The debt is collateralized by a first-priority lien on all of our assets, including our intellectual property.

In connection with our entry into the Purchase Agreement, as described below, in February 2019, we further amended the credit facility to permit our issuance and sale of the 2026 Convertible Notes in March 2019. The February amendment added, among other provisions, a negative covenant restricting us from paying the holders of the Notes ahead in priority to the senior lenders, for so long as indebtedness remains outstanding under the credit facility, and a cross-default provision to establish that an event of default under the Purchase Agreement also constituted an event of default under the credit facility.

We have in-licensed a significant portion of our intellectual property from Incept, an intellectual property holding company, under an amended and restated license agreement, or the License Agreement, that we entered into with Incept in January 2012, which was most recently amended in September 2018. We are obligated to pay Incept a royalty equal to a low-single-digit percentage of net sales made by us or our affiliates of any products, devices, materials, or components thereof, or the Licensed Products, including or covered by Original IP (as defined in the License Agreement), excluding the Shape-Changing IP (as defined in the License Agreement), in the Ophthalmic Field of Use (as defined in the License Agreement). We are obligated to pay Incept a royalty equal to a mid-single-digit percentage of net sales made by us or our affiliates of any Licensed Products including or covered by Original IP, excluding the Shape-Changing IP, in the Additional Field of Use (as defined in the License Agreement). We are obligated to pay Incept a royalty equal to a low-single-digit percentage of net sales made by us or our affiliates of any Licensed Products including or covered by Incept IP (as defined in the License Agreement) or Joint IP (as defined in the License Agreement) in the field of drug delivery. Any sublicensee of ours also will be obligated to pay Incept a royalty on net sales of Licensed Products made by it and will be bound by the terms of the agreement to the same extent as we are. We are obligated to reimburse Incept for our share of the reasonable fees and costs incurred by Incept in connection with the prosecution of the patent applications licensed to us under the agreement. Our share of these fees and costs is equal to the total amount of such fees and costs divided by the total number of Incept's exclusive licensees of the patent application. We have not included in the table above any payments to Incept under this license agreement as the amount, timing and likelihood of such payments are not known.

In October 2016, we entered into the Collaboration Agreement with Regeneron. If the Option is exercised, Regeneron will conduct further preclinical development and an initial clinical trial under a collaboration plan. We are obligated to reimburse Regeneron for certain development costs during the period through the completion of the initial clinical trial, subject to a cap of $25.0 million, which cap may be increased by up to $5.0 million under certain circumstances. We have not included in the table above any payments to Regeneron under this Collaboration Agreement as the timing of such payments are not known. Regeneron will be responsible for funding an initial preclinical

tolerability study, which Regeneron initiated in early 2018. We do not expect our funding requirements under our collaboration with Regeneron to be material over the next twelve months. If Regeneron elects to proceed with further development beyond the initial clinical trial, it will be solely responsible for conducting and funding further development and commercialization of product candidates.

On March 2019, we issued the 2026 Convertible Notes pursuant to a note purchase agreement, or the Purchase Agreement. The 2026 Convertible Notes accrue interest at an annual rate of 6% of its outstanding principal amount, payable at maturity, on March 1, 2026, unless earlier converted, repurchased or redeemed. The holders of the 2026 Convertible Notes may convert all or part of the outstanding principal amount of their 2026 Convertible Notes into shares of the Company's common stock, par value $0.0001 per share, prior to maturity and provided that no conversion results in a holder beneficially owning more than 19.99% of the issued and outstanding common stock of the Company. The conversion rate is initially 153.8462 shares of the Company's common stock per $1,000 principal amount of the 2026 Convertible Notes, which is equivalent to an initial conversion price is $6.50 per share. The conversion rate is subject to adjustment in customary circumstances such as stock splits or similar changes to the Company's capitalization. At our election, we may choose to make such conversion payment in cash, in shares of common stock, or in a combination thereof. Upon any conversion of any 2026 Convertible Note, we are obligated to make a cash payment to the holder of such 2026 Convertible Note for any interest accrued but unpaid on the principal amount converted. Upon the occurrence of a Corporate Transaction (as defined in the 2026 Convertible Notes), the holder of a 2026 Convertible Note is entitled, at such holder's option, to convert all of the outstanding principal amount of the 2026 Convertible Note in accordance with the foregoing and receive an additional, "make-whole" cash payment in accordance with a table set forth in each 2026 Convertible Note.

Upon the occurrence of a Corporate Transaction, each holder of a 2026 Convertible Note has the option to require us to repurchase all or part of the outstanding principal amount of such 2026 Convertible Note at a repurchase price equal to 100% of the outstanding principal amount of the 2026 Convertible Note to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date.

On or after March 1, 2022, if the last reported sale price of the common stock has been at least 130% of the conversion rate then in effect for twenty of the preceding thirty trading days (including the last trading day of such period), we are entitled, at our option, to redeem all or part of the outstanding principal amount of the 2026 Convertible Notes, on a pro rata basis, at an optional redemption price equal to 100% of the outstanding principal amount of the 2026 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the optional redemption date.

The Purchase Agreement contains customary representations and warranties by us and the noteholder. The Purchase Agreement does not include any financial covenants. Our obligations under the Purchase Agreement and the 2026 Convertible Notes are subject to acceleration upon the occurrence of specified events of default, including a default or breach of certain contracts material to us and the delisting and deregistration of our common stock.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission, such relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Recently Issued Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 2 – *Summary of Significant Accounting Policies* to the current period's consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. As of March 31, 2019, we had cash and cash equivalents of $76.3 million, which consisted of money market funds. We have policies requiring us to invest in high-quality issuers, limit our exposure to any individual issuer, and ensure adequate liquidity. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term securities. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and 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, 2019, our Chief Executive Officer and Chief 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

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Securities Class Actions

On July 7, 2017, a putative class action lawsuit was filed against us and certain of our current and former executive officers in the United States District Court for the District of New Jersey, captioned *Thomas Gallagher v. Ocular Therapeutix, Inc, et al.*, Case No. 2:17-cv-05011. The complaint purports to be brought on behalf of shareholders who purchased our common stock between May 5, 2017 and July 6, 2017. The complaint generally alleges that we and certain of our current and former officers violated Sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934, or the Exchange Act, and Rule 10b-5 promulgated thereunder by making allegedly false and/or misleading statements concerning the Form 483 issued by the FDA related to DEXTENZA and our manufacturing operations for DEXTENZA. The complaint seeks unspecified damages, attorneys' fees, and other costs. On July 14, 2017, an amended complaint was filed; the amended complaint purports to be brought on behalf of shareholders who purchased our common stock between May 5, 2017 and July 11, 2017, and otherwise includes allegations similar to those made in the original complaint.

On July 12, 2017, a second putative class action lawsuit was filed against us and certain of our current and former executive officers in the United States District Court for the District of New Jersey, captioned *Dylan Caraker v. Ocular Therapeutix, Inc., et al.*, Case No. 2:17-cv-05095. The complaint purports to be brought on behalf of shareholders who purchased our common stock between May 5, 2017 and July 6, 2017. The complaint includes allegations similar to those made in the *Gallagher* complaint and seeks similar relief.

On August 3, 2017, a third putative class action lawsuit was filed against us and certain of our current and former executive officers in the United States District Court for the District of New Jersey, captioned *Shawna Kim v. Ocular Therapeutix, Inc., et al.*, Case No. 2:17-cv-05704. The complaint purports to be brought on behalf of shareholders who purchased our common stock between March 10, 2016 and July 11, 2017. The complaint includes allegations similar to those made in the *Gallagher* complaint and seeks similar relief.

On October 27, 2017, a magistrate judge for the United States District Court for the District of New Jersey granted the defendants' motion to transfer the above-referenced *Gallagher, Caraker*, and *Kim* litigations to the United States District Court for the District of Massachusetts. These matters were assigned the following docket numbers in the District of Massachusetts: 1:17-cv-12288 (*Gallagher*), 1:17-cv-12146 (*Caraker*), and 1:17-cv-12286 (*Kim*).

On March 9, 2018, the court consolidated the three actions and appointed co-lead plaintiffs and co-lead counsel for the consolidated action. On May 7, 2018, co-lead plaintiffs filed a consolidated amended class action complaint. The amended complaint makes allegations similar to those in the original complaints, against the same defendants, and seeks similar relief on behalf of shareholders who purchased our common stock between March 10, 2016 and July 11, 2017. The amended complaint generally alleges that defendants violated Sections 10(b) and/or 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. On July 6, 2018, defendants filed a motion to dismiss the consolidated amended complaint. Plaintiffs' filed an opposition to the motion to dismiss on September 4, 2018, and defendants filed a reply on October 4, 2018. The court held oral argument on the motion to dismiss on February 6, 2019. By order dated April 30, 2019, the court granted defendants' motion to dismiss.

We deny any allegations of wrongdoing and intend to vigorously defend against these lawsuits.

Shareholder Derivative Litigation

On July 11, 2017, a purported shareholder derivative lawsuit was filed against certain of our current and former executive officers, certain current and former board members, and us as a nominal defendant, in the United States District Court for the District of Massachusetts, captioned *Robert Corwin v. Sawhney et al.*, Case No. 1:17-cv-11270. The complaint generally alleged that the individual defendants breached fiduciary duties owed to us by making allegedly false and/or misleading statements concerning the Form 483 related to DEXTENZA and our manufacturing operations for DEXTENZA. The complaint purported to assert claims against the individual defendants for breach of fiduciary duty, and sought to recover on behalf of us for any liability we incur as a result of the individual defendants' alleged misconduct. The complaint also sought contribution on behalf of us from all individual defendants for their alleged

violations of Sections 10(b) and/or 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. The complaint sought declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On September 20, 2017, counsel for the plaintiff filed a notice of voluntary dismissal, stating that the plaintiff wished to coordinate his efforts and proceed in a consolidated fashion with the plaintiff in a similar derivative suit that was pending in the Superior Court of Suffolk County of the Commonwealth of Massachusetts captioned *Angel Madera v. Sawhney et al.*, Case. No. 17-2273 (which is discussed in the paragraph immediately below) by filing an action in that court subsequent to the dismissal of this lawsuit. The *Corwin* lawsuit was dismissed without prejudice on September 21, 2017. On October 24, 2017, the plaintiff filed a new derivative complaint in Massachusetts Superior Court (Suffolk County), captioned *Robert Corwin v. Sawhney et al.*, Case No. 17-3425 (BLS2). The new *Corwin* complaint includes allegations similar to those made in the federal court complaint and asserts a derivative claim for breach of fiduciary duty against certain of our current and former officers and directors. The complaint also asserts an unjust enrichment claim against two additional defendants, SV Life Sciences Fund IV, LP and SV Life Sciences Fund IV Strategic Partners, LP. The complaint also names us as a nominal defendant.

On July 19, 2017, a second purported shareholder derivative lawsuit was filed against certain of our current and former executive officers, all current board members, one former board member, and us as a nominal defendant, in the Superior Court of Suffolk County of the Commonwealth of Massachusetts, captioned *Angel Madera v. Sawhney et al*., Case. No. 17-2273. The complaint included allegations similar to those made in the *Corwin* complaint. The complaint purported to assert derivative claims against the individual defendants for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, and sought to recover on behalf of us for any liability we incur as a result of the individual defendants' alleged misconduct. The complaint sought declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On November 6, 2017, the court dismissed this action without prejudice due to plaintiff's failure to complete service of process within the time permitted under applicable court rules. On December 21, 2017, the same plaintiff filed a new derivative complaint in the same court, captioned *Angel Madera v. Sawhney et al.*, Case. No. 17-4126 (BLS2). The new *Madera* complaint is premised on substantially similar allegations as the previous complaint and purports to assert derivative claims against certain current and former executive officers and board members for breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and names the Company as a nominal defendant. Like the new *Corwin* complaint, the new *Madera* complaint also asserts an unjust enrichment claim against two additional defendants, SV Life Sciences Fund IV, LP and SV Life Sciences Fund IV Strategic Partners, LP.

By order dated January 29, 2018, the court consolidated the state court *Corwin* and *Madera* complaints under the *Corwin* docket and appointed lead counsel for plaintiffs. On February 28, 2018, plaintiffs filed a consolidated amended complaint. The consolidated complaint names substantially the same defendants and is premised on substantially similar allegations as the previous *Corwin* and *Madera* complaints, asserting claims for breach of fiduciary duty against the individual defendants and unjust enrichment against the two SV entity defendants. On April 17, 2018, all defendants served a motion to dismiss the consolidated amended complaint. On June 22, 2018, plaintiffs served their opposition to the motion to dismiss and a cross-motion to stay the proceedings pending a decision on the motion to dismiss in the above-referenced securities class action in the District of Massachusetts. On July 30, 2018, the parties filed a joint motion to stay the proceedings pending a decision on the motion to dismiss in the above-referenced securities class action in the District of Massachusetts. On August 3, 2018, the court granted the motion to stay.

On January 31, 2018, a third purported shareholder derivative suit was filed against certain of our current and former executive officers, certain current and former board members, and us as a nominal defendant, in the United States District Court for the District of Massachusetts, captioned *Brian Robinson v. Sawhney et al.*, Case. No. 1:18-cv-10199. The complaint includes allegations similar to those made in the Corwin and Madera complaints. The complaint does not name either SV Life Sciences Fund, IV, LP or SV Life Sciences Fund IV Strategic Partners, LP as defendants, and adds two former officers as defendants. The complaint purports to assert derivative claims against the individual defendants for breach of fiduciary duty, waste of corporate assets, and unjust enrichment, and seeks to recover on behalf of us for any liability we incur as a result of the individual defendants' alleged misconduct. The complaint seeks declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On April 30, 2018, all defendants filed a motion to dismiss or stay the complaint. Plaintiff filed his opposition on June 22, 2018. On July 26, 2018, the parties filed a joint motion to extend the deadline for defendants to file their reply brief pending the potential substitution of the named shareholder plaintiff. On August 20, 2018, the parties filed a joint stipulation and proposed order regarding plaintiff's unopposed request to substitute a new shareholder plaintiff and the parties' joint request that the court stay the proceedings pending a decision on the motion to dismiss in the above-referenced securities

class action in the District of Massachusetts. On September 4, 2018, the court entered the requested order substituting the named plaintiff and staying the matter.

On February 16, 2018, a fourth purported shareholder derivative suit was filed against certain of our current and former executive officers, certain current and former board members, and us as a nominal defendant, in the United States District Court for the District of Delaware, captioned *Terry Kelly v. Sawhney et al.*, Case. No. 1:18-cv-00277. The complaint includes allegations similar to those made in the *Corwin* and *Madera* complaints. The complaint purports to assert derivative claims against the individual defendants for breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and seeks to recover on behalf of us for any liability we incur as a result of the individual defendants' alleged misconduct. The complaint also asserts an unjust enrichment claim against SV Life Sciences Fund IV, LP and SV Life Sciences Fund IV Strategic Partners, LP. The complaint seeks declaratory, equitable, and monetary relief, an unspecified amount of damages, with interest, and attorneys' fees and costs. On June 11, 2018, the parties filed a stipulation staying the lawsuit pending final judgment in the consolidated derivative action pending in Massachusetts state court under the *Corwin* docket, described above. The court entered an order staying the case on June 12, 2018.

We deny any allegations of wrongdoing and intend to vigorously defend against these lawsuits.

In addition, we have received a subpoena from the SEC, dated December 15, 2017, requesting documents and information concerning DEXTENZA (dexamethasone insert) 0.4mg, including related communications with the U.S. Food and Drug Administration, investors and others. We received a second subpoena from the SEC on August 21, 2018, requesting documents and information concerning its participation in two investor conferences in June 2017. By letter dated May 2, 2019, the SEC notified us that the SEC had concluded its investigation and did not intend to recommend an enforcement action against us or any individuals.

We are unable to predict the outcome of these lawsuits or proceedings at this time. Moreover, any conclusion of these matters in a manner adverse to us and for which we incur substantial costs or damages not covered by our directors' and officers' liability insurance would have a material adverse effect on our financial condition and business. In addition, the proceedings could adversely impact our reputation and divert management's attention and resources from other priorities, including the execution of business plans and strategies that are important to our ability to grow our business, any of which could have a material adverse effect on our business.

Item 1A. Risk Factors.

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. Please see page 1 of this Quarterly Report on Form 10-Q for a discussion of some of the forward-looking statements that are qualified by these risk factors. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant losses since our inception. We expect to incur losses over the next several years and may never achieve or maintain profitability.

Since inception, we have incurred significant operating losses. Our net losses were $63.4 million for the year ended December 31, 2017, $60.0 million for the year ended December 31, 2018, and $17.1 million for the three months ended March 31, 2019. As of March 31, 2019, we had an accumulated deficit of $314.4 million. Through March 31, 2019, we have financed our operations primarily through private placements of our preferred stock, public offerings of our common stock, private placements of our convertible notes and borrowings under credit facilities. We have devoted substantially all of our financial resources and efforts to research and development, including preclinical studies and clinical trials, commercialization of ReSure Sealant and the potential commercial launch of DEXTENZA® for the treatment of ocular pain following ophthalmic surgery. Although we expect to generate revenue from sales of DEXTENZA following its commercial launch, we expect to continue to incur significant expenses and operating losses over the next several years. Our net losses may fluctuate significantly from quarter to quarter and year to year.

We anticipate we will incur substantial expenses if and as we:

- commercially launch DEXTENZA in the United States;
- continue to develop and expand our sales, marketing and distribution capabilities for DEXTENZA and any of our product candidates;
- continue to pursue the clinical development of our most advanced intracanalicular insert product candidates, OTX-TP and DEXTENZA for additional indications;
- continue clinical trials of our product candidates OTX-TIC and OTX-TKI;
- conduct joint research and development under our strategic collaboration with Regeneron, for the development and potential commercialization of products containing our extended-delivery hydrogel formulation in combination with Regeneron's large molecule, VEGF-targeting compounds to treat retinal diseases;
- continue the research and development of our other product candidates;
- seek to identify and develop additional product candidates, including through additional preclinical development activities associated with our back-of-the-eye program and glaucoma intracameral implant program and potential opportunities outside the field of ophthalmology;
- seek marketing approvals for any of our product candidates that successfully complete clinical development;
- scale up our manufacturing processes and capabilities to support sales of commercial products, our ongoing clinical trials of our product candidates and commercialization of any of our product candidates for which we obtain marketing approval, and expand our facilities to accommodate this scale up and the expected growth in personnel;
- renovate our new facility including research and development laboratories, manufacturing space and office space;
- maintain, expand and protect our intellectual property portfolio;
- expand our operational, financial and management systems and personnel, including personnel to support our clinical development, manufacturing and commercialization efforts and our operations as a public company;
- defend ourselves against legal proceedings;
- increase our product liability and clinical trial insurance coverage as we expand our clinical trials and commercialization efforts; and
- continue to operate as a public company.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. Our expenses will increase if:

- we are required by the FDA or the European Medicines Agency, or EMA, to perform trials or studies in addition to those currently expected;
- there are any delays in receipt of regulatory clearance to begin our planned clinical programs; or

- there are any delays in enrollment of patients in or completing our clinical trials or the development of our product candidates.

ReSure Sealant has been our only source of revenue from product sales. However, sales of ReSure Sealant have not generated significant revenue. For us to become and remain profitable, we will need to succeed in developing and commercializing DEXTENZA and potentially other products with significant market potential. This will require us or our current or future collaborators to be successful in a range of challenging activities, including:

- successfully completing the commercial launch of DEXTENZA, including by further developing our sales force, marketing and distribution capabilities;
- successfully completing clinical development of our product candidates;
- obtaining marketing approval for these product candidates, including DEXTENZA for additional indications;
- manufacturing at commercial scale, marketing, selling and distributing DEXTENZA or those products for which we obtain marketing approval;
- achieving an adequate level of market acceptance of and obtaining and maintaining coverage and adequate reimbursement from third-party payors for our products; and
- protecting our rights to our intellectual property portfolio.

Our ability to generate revenue from operations will depend, in part, on the timing and success of commercial sales of DEXTENZA, which we plan to commercially launch in the United States in 2019. However, the successful commercialization of DEXTENZA in the United States is subject to many risks. We are currently undertaking our first commercial launch with DEXTENZA, and we may not be able to do so successfully or on the currently expected timeline or at all. There are numerous examples of unsuccessful product launches and failures to meet expectations of market potential, including by pharmaceutical companies with more experience and resources than us. While we expect to commercially launch DEXTENZA for the treatment of ocular pain following ophthalmic surgery in 2019, we do not anticipate revenue from such sales of DEXTENZA will be sufficient for us to become profitable for several years, if ever.

We may never succeed in these activities and may never generate revenue that is sufficient or great enough to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or even continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.

We will need substantial additional funding. If we are unable to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

We expect to devote substantial financial resources to our ongoing and planned activities, particularly as we commercially launch DEXTENZA for the treatment of ocular pain following ophthalmic surgery, including expanding our product manufacturing, sales, marketing and distribution capabilities. We also expect to devote substantial financial resources as we conduct late stage clinical trials for our local programmed-release drug delivery product candidates, in particular OTX-TP and DEXTENZA for additional indications, and seek marketing approval for any such product candidate for which we obtain favorable pivotal clinical results. In addition, we plan to devote significant financial resources to conducting research and development and potentially seeking regulatory approval for our other product candidates. Accordingly, we will need to obtain substantial additional funding to fully support our continuing operations and the planned commercial launch of DEXTENZA. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

As of March 31, 2019, we had cash and cash equivalents of $76.3 million, outstanding debt of $24.8 million, net of unamortized discount and $37.5 million aggregate principal amount of senior subordinated convertible notes. Based on our current plans and forecasted expenses, we believe that our existing cash and cash equivalents, as of March 31, 2019, without giving effect to any potential payment under our Collaboration Agreement with Regeneron, will enable us to fund our operating expenses, debt service obligations and capital expenditure requirements into the second quarter 2020. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including :

- our ability to successfully commercialize and sell DEXTENZA in the United States;
- the costs, timing and outcome of regulatory review of our product candidates by the FDA, the EMA or other regulatory authorities;
- the level of product sales from DEXTENZA and any additional products for which we obtain marketing approval in the future;
- the costs of manufacturing, sales, marketing, distribution and other commercialization efforts with respect to DEXTENZA and any additional products for which we obtain marketing approval in the future;
- the costs of expanding our facilities to accommodate our manufacturing needs and expected growth in personnel;
- the progress, costs and outcome of the clinical trials of our extended-delivery drug delivery product candidates, in particular OTX-TP and DEXTENZA for additional indications;
- the progress and status of our collaboration with Regeneron, including any development costs for which we reimburse Regeneron, the potential exercise by Regeneron of its option for a license for the development and potential commercialization of products containing our extended-delivery hydrogel formulation in combination with Regeneron’s large molecule VEGF-targeting compounds, and our potential receipt of future milestone payments from Regeneron;
- the scope, progress, costs and outcome of preclinical development and clinical trials of our other product candidates;
- the extent of our debt service obligations;
- the amounts we are entitled to receive, if any, from Regeneron for potential option exercise, development, regulatory and sales milestones and royalty payments;
- the extent to which we choose to establish additional collaboration, distribution or other marketing arrangements for our products and product candidates;
- the costs and outcomes of legal actions and proceedings, including the current lawsuits described under “Item 1—Legal Proceedings”;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims; and
- the extent to which we acquire or invest in other businesses, products and technologies.

Conducting preclinical testing and clinical trials, seeking market approvals and commercializing products are time-consuming, expensive and uncertain process that takes years to complete. We may never generate the necessary data or results required to obtain regulatory approval of products with the market potential sufficient to enable us to achieve profitability. We may not generate significant revenue from sales of any product for several years, if at all. Accordingly, we will need to obtain substantial additional financing to achieve our business objectives. Adequate

additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

We have included a paragraph relating to our ability to continue as a going concern in the footnotes of our audited consolidated financial statements included in this Annual Report on Form 10-K.

Our audited consolidated financial statements for the period ended December 31, 2018 include a paragraph stating that our losses from operations and need for additional funding to finance our operations raise substantial doubt about our ability to continue as a going concern. If we are unable to obtain sufficient funding, our business, prospects, financial condition and results of operations will be materially and adversely affected and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment. If we seek additional financing to fund our business activities in the future and there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms or at all.

Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our technologies or products or product candidates.

Until such time, if ever, as we can generate product revenues sufficient to achieve profitability, we expect to finance our cash needs through equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements, royalty agreements, and marketing and distribution arrangements. We do not have any committed external source of funds, although our collaboration agreement with Regeneron provides for the potential receipt of option exercise, development, regulatory and sales milestones and royalty payments. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our existing stockholders' rights as holders of our common stock. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our pledge of our assets as collateral to secure our obligations under our Credit Facility may limit our ability to obtain additional debt financing.

If we raise additional funds through collaborations, strategic alliances, licensing arrangements, royalty agreements, or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, products or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

Our substantial indebtedness may limit cash flow available to invest in the ongoing needs of our business.

We have a significant amount of indebtedness. Under our Credit Facility, as amended on December 21, 2018, we had $25.0 million, net of unamortized discount, of outstanding principal indebtedness. Under the amended Credit Facility, we are permitted to make interest-only payments until January 1, 2021, subject to potential extension to January 1, 2022 if net sales of DEXTENZA exceed $40.0 million in the aggregate during any trailing twelve-month period. Our obligations under the Credit Facility are secured by all of our assets, including our intellectual property. The Credit Facility also includes a financial covenant requiring us to maintain at least $5.0 million in cash and/or cash equivalents at all times as well as customary affirmative and negative covenants, including limitations on dispositions, mergers or acquisitions; incurring indebtedness, liens or encumbrances; paying dividends; making certain investments; and engaging in certain other business transactions. In March 2019, we issued $37.5 million aggregate principal amount of Convertible Notes. The Convertible Notes mature on March 1, 2026 and interest on the Convertible Notes is payable at maturity or if earlier converted, repurchased or redeemed pursuant to their terms. We could in the future incur additional indebtedness beyond such amounts, including by potentially amending our Credit Facility.

Our substantial debt combined with our other financial obligations and contractual commitments could have significant adverse consequences, including:

- requiring us to dedicate a substantial portion of cash and cash equivalents and marketable securities to the payment of interest on, and principal of, our debt, which will reduce the amounts available to fund working capital, capital expenditures, product development efforts and other general corporate purposes;
- obligating us to negative covenants restricting our activities, including limitations on dispositions, mergers or acquisitions, encumbering our intellectual property, incurring indebtedness or liens, paying dividends, making investments and engaging in certain other business transactions;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

We intend to satisfy our current and future debt service obligations with our existing cash and cash equivalents, anticipated product revenue from DEXTENZA and potential payments under our collaboration with Regeneron and funds from external sources. However, we may not have sufficient funds or may be unable to arrange for additional financing to pay the amounts due under our existing debt. Funds from external sources may not be available on acceptable terms, if at all. In addition, a failure to comply with the conditions of our Credit Facility or the Convertible Notes could result in an event of default under those instruments. In the event of an acceleration of amounts due under our Credit Facility or the Convertible Notes as a result of an event of default, including upon the occurrence of an event that would reasonably be expected to have a material adverse effect on our business, operations, properties, assets or condition or a failure to pay any amount due, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments, and the lenders could seek to enforce security interests in the collateral securing such indebtedness. In addition, the covenants under our existing Credit Facility and the pledge of our assets, including our intellectual property, as collateral limit our ability to obtain additional debt financing.

Our limited operating history may make it difficult for our stockholders to evaluate the success of our business to date and to assess our future viability.

We are an early-stage company. Our operations to date have been limited to organizing and staffing our company, acquiring rights to intellectual property, business planning, raising capital, developing our technology, identifying potential product candidates, undertaking preclinical studies and clinical trials, manufacturing initial quantities of our products and product candidates, commercializing ReSure Sealant, and, beginning in 2019, commercializing DEXTENZA for the treatment of ocular pain following ophthalmic surgery. We have limited history of commercializing products, are still in the process of preparing for the commercial launch of DEXTENZA and, to date, have not generated revenue from the sale of DEXTENZA. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history.

In addition, as a new business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We are in early stages of the process of transitioning from a company with a research and development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We expect our financial condition and operating results to continue to fluctuate significantly from quarter-to-quarter and year-to-year due to a variety of factors, many of which are beyond our control. Accordingly, our stockholders should not rely upon the results of any quarterly or annual periods as indications of future operating performance.

We have broad discretion in the use of our available cash and other sources of funding and may not use them effectively.

Our management has broad discretion in the use of our available cash and other sources of funding and could spend those resources in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest our available cash in a manner that does not produce income or that loses value.

Risks Related to Product Development

We depend heavily on the success of DEXTENZA and our product candidates, in particular DEXTENZA for additional indications and OTX-TP. Clinical trials of our product candidates may not be successful. If we are unable to successfully complete clinical development of and obtain marketing approvals for our product candidates, or experience significant delays in doing so, or if after obtaining marketing approvals, we fail to commercialize these product candidates, our business will be materially harmed.

We have devoted a significant portion of our financial resources and business efforts to the development of our drug-eluting intracanalicular insert products and product candidates for diseases and conditions of the front of the eye. In particular, we are investing substantial resources to complete the development of DEXTENZA for post-surgical ocular inflammation and allergic conjunctivitis, OTX-TP for glaucoma and ocular hypertension, OTX-TIC for glaucoma and ocular hypertension and OTX-TKI for wet age-related macular degeneration, or wet AMD. We cannot accurately predict when or if any of our product candidates will prove effective or safe in humans or whether our products and product candidates will receive marketing approval or reach successful commercialization. Our ability to generate product revenues sufficient to achieve profitability will depend heavily on our commercialization of DEXTENZA for the treatment of ocular pain following ophthalmic surgery and our obtaining marketing approval for and commercializing other products with significant market potential, including DEXTENZA for additional indications and OTX-TP.

The commercial success of our product DEXTENZA and our product candidates will depend on many factors, including the following:

- successful completion of preclinical studies and clinical trials;
- applying for and receiving marketing approvals from applicable regulatory authorities for our product candidates;
- scaling up our manufacturing processes and capabilities to support additional or larger clinical trials of our product candidates and commercialization of DEXTENZA or any of our product candidates for which we obtain marketing approval;
- developing, validating and maintaining a commercially viable manufacturing process that is compliant with current good manufacturing practices, or cGMP;
- developing our sales, marketing and distribution capabilities and launching commercial sales of our products and product candidates, if and when approved, whether alone or in collaboration with others;
- partnering successfully with our current and future collaborators, including Regeneron;
- gaining acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies;
- maintaining a continued acceptable safety profile of our products following approval;
- obtaining and maintaining coverage and adequate reimbursement from third-party payors;

- obtaining and maintaining patent and trade secret protection and regulatory exclusivity; and
- protecting our rights in our intellectual property portfolio.

In certain cases, such as in our collaboration with Regeneron, many of these factors may be beyond our control, including clinical development and sales, marketing and distribution efforts. If we or our collaborators do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize our products and product candidates, which would materially harm our business.

If clinical trials of our intracanalicular insert product candidates or any other product candidate that we develop fail to demonstrate safety and efficacy to the satisfaction of the FDA, the EMA or other regulatory authorities or do not otherwise produce favorable results, we may incur additional costs or experience delays in completing, or ultimately be delayed or unable to complete, the development and commercialization of such product candidate.

Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, including our intracanalicular insert product candidates, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, insert is difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical testing and early clinical trials may not be predictive of the success of later stage clinical trials, interim results of a clinical trial do not necessarily predict final results and results from one completed clinical trial may not be replicated in a subsequent clinical trial with a similar study design. Some of our completed studies, including our pilot studies for OTX-TP, were conducted with small patient populations, making it difficult to predict whether the favorable results that we observed in such studies will be repeated in larger and more advanced clinical trials. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their products.

In general, the FDA requires two adequate and well controlled clinical trials to support the effectiveness of a new drug for marketing approval. In a Phase 2 clinical trial of DEXTENZA that we completed in 2013 in which we were evaluating DEXTENZA for post-surgical ocular pain and inflammation following cataract surgery, DEXTENZA did not meet the primary efficacy endpoint for inflammation with statistical significance at the pre-specified time point at day 8. However, we did achieve statistical significance for this inflammation endpoint at days 14 and 30. Accordingly, we measured the primary efficacy endpoint for inflammation in our completed Phase 3 clinical trials of DEXTENZA at day 14. In the first and third Phase 3 clinical trials, DEXTENZA met both primary endpoints for post-surgical ocular pain and inflammation following cataract surgery with statistical significance. However, in the second Phase 3 clinical trial, DEXTENZA met only one of the two primary efficacy endpoints with statistical significance. In this second trial, DEXTENZA did not meet the primary endpoint relating to absence of inflammatory cells in the study eye at day 14.

We announced topline results from a third Phase 3 clinical trial of DEXTENZA for post-surgical ocular pain and inflammation in November 2016, which we plan to use to support the potential labeling expansion of DEXTENZA's indications for use. We modified the design of this third Phase 3 clinical trial compared to our two previous Phase 3 clinical trials of DEXTENZA based on our learnings from these trials. In this trial, DEXTENZA successfully met its two primary efficacy endpoints for pain and inflammation, achieving statistically significant differences between the treatment group and the placebo group for the absence of inflammatory cells on day 14 and the absence of pain on day 8, respectively. Secondary analyses on the primary efficacy measures have also been completed. DEXTENZA achieved each of the secondary endpoints related to absence of inflammatory cells, absence of pain, and absence of anterior chamber flare with statistical significance compared to placebo at each of the pre-specified time points, with the exception of the endpoint for the absence of inflammatory cells at day 2 (which is the day following surgery). Based on the results of our third Phase 3 clinical trial of DEXTENZA and subsequent approval in December 2018 for the pain indication pursuant to the initial NDA, we submitted an NDA supplement, or sNDA, for DEXTENZA for the treatment of post-surgical ocular inflammation in January 2019, and the FDA has set a Prescription Drug User Fee Act (PDUFA) target action date of November 10, 2019 for its review of the sNDA.

In our first Phase 3 clinical trial of DEXTENZA for allergic conjunctivitis, for which we announced topline results in October 2015, DEXTENZA met one of the two primary endpoints. DEXTENZA achieved the primary endpoint for ocular itching associated with allergic conjunctivitis but not the primary endpoint for conjunctival redness, in each case

measured on day 7 after insertion of the insert. The difference in the mean scores for ocular itching between the DEXTENZA group and the placebo group was greater than 0.5 units on a five point scale at all time points on day 7 post-insertion and was greater than 1.0 unit at a majority of the time points on day 7 post-insertion. The DEXTENZA group did not achieve these pre-specified endpoints on day 7 post-insertion with respect to conjunctival redness. In our second Phase 3 clinical trial of DEXTENZA for allergic conjunctivitis, for which we announced topline results in June 2016, DEXTENZA did not meet the sole primary endpoint for ocular itching. The single primary endpoint of the second Phase 3 clinical trial was the difference in the mean scores in ocular itching between the treatment group and the placebo comparator group at three time points on day 7 following insertion of the inserts. While mean ocular itching was seen to be numerically lower (more favorable) in the DEXTENZA treatment group compared to the placebo group measured at each of the three specified times on day 7 following insertion of the inserts, at 3, 5, and 7 minutes by -0.18, -0.29, and -0.29 units, respectively, on a five point scale, this difference did not reach statistical significance. In addition, the trial did not achieve the requirement of at least a 0.5 unit difference at all three time points on day 7 following insertion of the inserts and at least a 1.0 unit difference at the majority of the three time points between the treatment group and the placebo group on day 7 following insertion of the inserts. Further, in our prior Phase 2 clinical trial of DEXTENZA in which we were evaluating DEXTENZA for allergic conjunctivitis, DEXTENZA met one of the two primary efficacy measures. The DEXTENZA treatment group achieved a mean difference compared to the vehicle control group of more than 0.5 units on a five point scale on day 14 for all three time points measured in a day for both ocular itching and conjunctival redness. The DEXTENZA group did not achieve a mean difference compared to the vehicle control group of 1.0 unit for the majority of the three time points measured on day 14 for either ocular itching or conjunctival redness. Even if we obtain favorable clinical trial results in any additional Phase 3 clinical trials of DEXTENZA for allergic conjunctivitis, including meeting all primary efficacy measures, we may not obtain approval for DEXTENZA to treat allergic conjunctivitis or ocular itching associated with allergic conjunctivitis, or the FDA may require that we conduct additional clinical trials. Post-hoc analyses that we performed on the results of our completed Phase 3 clinical trials for allergic conjunctivitis may not be predictive of success in any future Phase 3 clinical trial. Although we believe that these analyses provide important information regarding DEXTENZA and are helpful in understanding the results of this trial and determining the appropriate criteria for future clinical trials, post-hoc analyses performed using an unlocked clinical trial database can result in the introduction of bias and are given less weight by regulatory authorities than pre-specified analyses.

We designed our Phase 2 clinical trials of OTX-TP for the treatment of glaucoma and ocular hypertension to assess clinically meaningful response to treatment, and did not power these trials to measure any efficacy endpoints with statistical significance. We reported topline efficacy results from our Phase 2b clinical trial of OTX-TP for the treatment of glaucoma and ocular hypertension in October 2015. OTX-TP did not achieve non-inferiority to timolol drops in our Phase 2b clinical trial. In this trial, on day 60 at the 8:00 a.m. time point, the OTX-TP group experienced a mean intraocular pressure, or IOP, lowering effect of 4.7 mmHg, compared with IOP lowering of 6.4 mmHg for the timolol arm. On day 90 at the 8:00 a.m. time point, the OTX-TP group experienced an IOP lowering effect of 5.1 mmHg, compared with an IOP lowering effect of 7.2 mmHg in the timolol arm. Also in this trial, on day 60, the OTX-TP group experienced a mean diurnal IOP lowering effect of 3.3 mmHg compared to baseline 5.9 mmHg compared for the timolol group. On day 90, the OTX-TP group experienced a mean diurnal IOP, or IOP, lowering effect of 3.6 mmHg compared to baseline, versus 6.3 mmHg for the timolol group.

We completed an End-of-Phase 2 review with the FDA in April 2016 and initiated the first of two planned Phase 3 clinical trials of OTX-TP in September 2016. We believe that the current Phase 3 trial is powered with an appropriate number of patients to measure whether OTX-TP is superior as compared to a placebo vehicle intracanalicular insert in the reduction of mean IOP from baseline at all of the nine diurnal time points at week 2, week 6 and week 12 visits. Based on discussions with the FDA, the Phase 3 clinical trial design has significant differences as compared to our completed Phase 2 clinical trials. In particular, the most notable changes from our first Phase 2 clinical trial to our first Phase 3 clinical trial are that our first Phase 3 clinical trial enrolls more subjects at a greater number of sites, has a different randomization, measures the primary efficacy endpoints on different days and at different time points, has a longer washout period. Despite these changes to our clinical trial protocol, we cannot be certain that our first Phase 3 clinical trial will be successful. We do not intend to initiate the second Phase 3 clinical trial until we receive data from the first Phase 3 clinical trial and discuss the results with the FDA. If we do not achieve our primary endpoint in the Phase 3 clinical trials with statistical significance or do not achieve a clinically meaningful reduction in IOP, we may not obtain marketing approval for OTX-TP.

In addition, post-hoc analyses that we performed on the results of our completed Phase 2b clinical trial may not be predictive of success in our planned Phase 3 clinical trials, including as a result of differences in trial design. Post-hoc analyses performed using an unlocked clinical trial database can result in the introduction of bias and are given less weight by regulatory authorities than pre-specified analyses.

The success of our intracanalicular insert product candidates is dependent upon retention during the course of intended therapy. As such, we may conduct non-significant risk investigational device exemption, or IDE, medical device, or NSR, studies in the United States for our extended-delivery intracanalicular insert in an effort to increase the rate of retention. All NSR studies that we have performed to date have involved placebo vehicle control intracanalicular inserts without active drug. If we determine to make any future changes to the design or composition of our inserts, such changes could affect the outcome of any subsequent clinical trials using these updated inserts. For example, in our Phase 2b clinical trial of OTX-TP, we used a different version of intracanalicular insert than either of the inserts that we used in our Phase 2a clinical trial of OTX-TP. Based on the results of our completed Phase 2a clinical trial, we designed the OTX-TP insert that was used in our Phase 2b clinical trial to deliver drug over a 90 day period at the same daily rate as the two-month version of the insert used in the Phase 2a clinical trial. To achieve this, we modified the design of the OTX-TP insert to enlarge it in order to enable the insert to carry a greater amount of drug. In addition, we incorporated minor structural changes to improve retention rates. In our Phase 2b clinical trials, OTX-TP inserts could be visualized in approximately 88% of eyes by the day 60 visit. By the day 90 visit, the ability to visualize OTX-TP had declined to approximately 42% of eyes as the hydrogel softened, liquefied and had either advanced further down in the canaliculus or had cleared through the nasolacrimal duct. We are conducting additional NSR studies on additional modified insert designs, including a polyethylene glycol, or PEG, tip on the proximal end of the insert that have been incorporated into the design of the first Phase 3 trial of OTX-TP. If in our Phase 3 clinical trials the retention rates for our inserts are inadequate to ensure that the patient is receiving appropriate therapy, we may not be able to obtain regulatory approvals or, even if approved, achieve market acceptance of our local programmed-release drug delivery products.

The protocols for our clinical trials and other supporting information are subject to review by the FDA and regulatory authorities outside the United States. For our intracanalicular insert product candidates, we have typically conducted our initial and earlier stage clinical trials outside the United States. We generally plan to conduct our later stage and pivotal clinical trials of our intracanalicular insert product candidates in the United States. The FDA, however, could require us to conduct additional studies or require us to modify our planned pivotal clinical trials to receive clearance to initiate such trials in the United States or to continue such trials once initiated. The FDA is not obligated to comment on our trial protocols within any specified time period or at all or to affirmatively clear or approve our planned pivotal clinical trials. Subject to a waiting period of 30 days, we could choose to initiate our pivotal clinical trials in the United States without waiting for any additional period for comments from the FDA.

We have conducted, and may in the future conduct, clinical trials for product candidates at sites outside the United States, and the FDA may not accept data from trials conducted in such locations.

We have conducted, and may in the future choose to conduct, one or more of our clinical trials outside the United States. We have typically conducted our initial and earlier stage clinical trials for our product candidates, including our intracanalicular insert product candidates, outside the United States. We generally plan to conduct our later stage and pivotal clinical trials of our intracanalicular insert product candidates in the United States.

Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of this data is subject to conditions imposed by the FDA. For example, the clinical trial must be well designed and conducted and performed by qualified investigators in accordance with ethical principles. The trial population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. In addition, while these clinical trials are subject to the applicable local laws, FDA acceptance of the data will depend on its determination that the trials also complied with all applicable U.S. laws and regulations. If the FDA does not accept the data from any trial that we conduct outside the United States, it would likely result in the need for additional trials, which would be costly and time-consuming and would delay or permanently halt our development of the applicable product candidates.

Other risks inherent in conducting international clinical trials include:

- foreign regulatory requirements that could restrict or limit our ability to conduct our clinical trials

- administrative burdens of conducting clinical trials under multiple sets of foreign regulations;
- failure of enrolled patients to adhere to clinical protocols as a result of differences in healthcare services or cultural customs;
- foreign exchange fluctuations;
- diminished protection of intellectual property in some countries; and
- political and economic risks relevant to foreign countries.

If we experience any of a number of possible unforeseen events in connection with our clinical trials, potential marketing approval or commercialization of our product candidates could be delayed or prevented.

We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our extended-delivery drug delivery product candidates or any other product candidates that we may develop, including:

- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their obligations to us in a timely manner, or at all;
- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may experience delays in reaching, or fail to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- we may decide, or regulators or institutional review boards may require us, to suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our product candidates may be greater than we anticipate; and
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate.

For example, we applied for a deferral from the FDA for the requirement to conduct pediatric studies for DEXTENZA for the treatment of post-surgical ocular pain and inflammation following cataract surgery until after approval of such product in adult populations for that indication. While the FDA ultimately approved our request, if the FDA had required us to conduct pediatric studies in advance of FDA approval in adult populations, we would have experienced significant delays in our ability to obtain marketing approval for DEXTENZA for this indication. We will face a similar risk if we seek a comparable deferral for other product candidates or indications.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not favorable or are only modestly favorable or if there are safety concerns, we may:

- be delayed in obtaining or unable to obtain marketing approval for our product candidates;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;
- be subject to additional post-marketing testing requirements; or
- have the product removed from the market after obtaining marketing approval.

Our product development costs will also increase if we experience delays in testing or marketing approvals. We do not know whether any of our preclinical studies or clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant preclinical or clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our product candidates.

If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate or continue clinical trials for our local programmed-release drug delivery product candidates or our other product candidates that we may develop if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA, the EMA or similar regulatory authorities outside the United States. Although there is a significant prevalence of disease in the areas of ophthalmology in which we are focused, we may nonetheless experience unanticipated difficulty with patient enrollment. For example, in the third quarter of 2017, we initiated a Phase 1 clinical trial of OTX-TIC outside the United States. After several months, after not enrolling any patients, we closed this trial in the second quarter of 2018. Additionally, we intended to initiate a Phase 1 clinical trial of OTX-TKI outside the United States in 2018, and we started dosing patients in the first quarter of 2019.

A variety of factors affect patient enrollment, including:

- the prevalence and severity of the ophthalmic disease or condition under investigation;
- the eligibility criteria for the study in question;
- the perceived risks and benefits of the product candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment;
- the proximity and availability of clinical trial sites for prospective patients;
- the conduct of clinical trials by competitors for product candidates that treat the same indications as our product candidates; and
- the lack of adequate compensation for prospective patients.

Our first Phase 3 clinical trial of OTX-TP has reached the target enrollment of 550 patients at approximately 50 sites in the United States and is the largest clinical trial we have conducted to date. While now complete, enrollment in this trial was slower than projected. Our inability to enroll a sufficient number of patients in any of our other clinical trials would result in significant delays, could require us to abandon one or more clinical trials altogether and could delay

or prevent our receipt of necessary regulatory approvals. Enrollment delays in our clinical trials may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

If serious adverse or unacceptable side effects are identified during the development or commercialization of our extended-delivery drug delivery products or product candidates or any other product candidates that we may develop, we may need to abandon or limit our development of such products or product candidates.

If DEXTENZA or any of our local programmed-release drug delivery product candidates or other product candidates are associated with serious adverse events or undesirable side effects in clinical trials or have characteristics that are unexpected, we may need to abandon their development or limit development to more narrow uses or subpopulations in which the serious adverse events, undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. In each of our first two Phase 3 clinical trials of DEXTENZA for the treatment of post-surgical ocular pain and inflammation following cataract surgery, there were two subjects that experienced serious adverse events in the DEXTENZA group in each trial, none of which were ocular in nature or considered by the investigator to be related to the study treatment. In our third Phase 3 clinical trial of DEXTENZA for the treatment of post-surgical ocular pain and inflammation, there were three subjects that experienced serious adverse events in the DEXTENZA group, one of which was ocular in nature and none of which were considered by the investigator to be related to the study treatment. There was one ocular serious adverse event in the vehicle control group in the three completed Phase 3 clinical trials, which was hypopyon, or inflammatory cells in the anterior chamber. In our earlier Phase 2 clinical trial of DEXTENZA for the same indication, there were three serious adverse events, none of which was considered by the investigator to be related to the study treatment. In the DEXTENZA group of this Phase 2 clinical trial of DEXTENZA, the only adverse event that occurred more than once for the same subject was reduced visual acuity, which occurred twice but was not considered by the investigator to be related to the study treatment.

In our two pilot studies of OTX-TP for the treatment of glaucoma and ocular hypertension and our Phase 2a clinical trial of OTX-TP for the same indication, the most common adverse event was inflammatory reaction of the eyelids and ocular surface, which was noted in three patients in our pilot studies and in five patients in our Phase 2a clinical trial. No hyperemia-related adverse events were noted in any of the patients treated with OTX-TP in our Phase 2b clinical trial. There were no serious adverse events reported in our Phase 2b clinical trial; however, two OTX-TP subjects and two timolol subjects discontinued study participation due to ocular adverse events. Ocular adverse events were reported for 39.4% and 37.5% of subjects in the OTX-TP and timolol groups, respectively. The most frequently reported ocular adverse events were dacryocanaliculitis, or inflammation of the lacrimal ducts, acquired dacryostenosis, or closing of the tear ducts, and eyelid edema. In the Phase 2b clinical trial, inflammatory reaction at the administration site (punctal area) and lacrimal structure injury were each noted in one OTX-TP subject as compared to higher percentages in prior trials. In the Phase 2b trial, the majority of ocular adverse events, including the most frequently reported adverse events, were assessed by the investigators as treatment related. However, many compounds that initially showed promise in clinical or early stage testing for treating ophthalmic disease have later been found to cause side effects that prevented further development of the compound. In addition, adverse events which had initially been considered unrelated to the study treatment may later be found to be caused by the study treatment.

We may not be successful in our efforts to develop products and product candidates based on our bioresorbable hydrogel technology platform other than DEXTENZA and ReSure Sealant or expand the use of our bioresorbable hydrogel technology for treating additional diseases and conditions.

We are currently directing all of our development efforts towards applying our proprietary, bioresorbable hydrogel technology platform to products and product candidates that are designed to provide extended delivery of therapeutic agents to the eye using active pharmaceutical ingredients that are currently used in FDA-approved ophthalmic drugs. We have a number of products and product candidates at various stages of development based on our bioresorbable hydrogel technology platform and are exploring the potential use of our platform for other front-of-the-eye diseases and conditions. We are also developing hydrogel drug delivery implants designed to release therapeutic antibodies and small molecules such as TKIs to modulate the biological activity of VEGF over a sustained period following administration by an intravitreal injection for the treatment of diseases and conditions of the back of the eye, including wet AMD. In October 2016, we entered into a collaboration with Regeneron for the development and potential commercialization of products containing our extended-delivery hydrogel formulation in combination with Regeneron’s large molecule VEGF-targeting compounds for the treatment of retinal diseases. Our existing product

candidates and any other potential product candidates that we or our collaborators identify may not be suitable for continued preclinical or clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. We are also considering the future growth potential of the hydrogel platform technology in new areas of the body. If we do not successfully develop and commercialize our products and product candidates that we or our current or future collaborators develop based upon our technological approach, we will not be able to obtain substantial product revenues or revenue from collaboration agreements, including our collaboration with Regeneron, in future periods.

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

Because we have limited financial and managerial resources, we focus on research programs and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product or product candidate, we may relinquish valuable rights to that product or product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such products or product candidate.

Risks Related to Manufacturing

We will need to upgrade and expand our manufacturing facility or relocate to another facility and to augment our manufacturing personnel and processes in order to meet our business plans. If we fail to do so, we may not have sufficient quantities of our products or product candidates to meet our commercial and clinical trial requirements.

We manufacture DEXTENZA, ReSure Sealant and our product candidates for use in clinical trials, research and development and commercial efforts at our facility located in Bedford, Massachusetts. In order to meet our business plan, which contemplates our scaling up manufacturing processes to support our product candidate development programs and the potential commercialization of these products and product candidates, we will need to upgrade and expand our existing manufacturing facility, or relocate to another manufacturing facility, add manufacturing personnel and ensure that validated processes are consistently implemented in our facility or facilities. The upgrade and expansion of our facility, or the relocation to an additional facility, will require additional regulatory approvals. In addition, it will be costly and time-consuming to expand our facility or relocate to another facility and recruit necessary additional personnel. If we are unable to expand our manufacturing facility or relocate to another facility in compliance with regulatory requirements or to hire additional necessary manufacturing personnel, we may encounter delays or additional costs in achieving our research, development and commercialization objectives, including obtaining regulatory approvals of our product candidates and meeting customer demand for our products, which could materially damage our business and financial position.

We must comply with federal, state and foreign regulations, including quality assurance standards applicable to medical device and drug manufacturers, such as cGMP, which is enforced by the FDA through its facilities inspection program and by similar regulatory authorities in other jurisdictions where we do business. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. Following an inspection by the FDA in March 2015, for example, we received an FDA Form 483 containing an inspectional observation relating to inadequate procedures for documenting follow-up information pertinent to the investigation of complaints and for evaluation of complaints for adverse event reporting. We submitted our response, which was accepted by the FDA, and updated our procedures. In addition, in February 2016, as part of the review of our NDA for DEXTENZA, the FDA conducted a pre-NDA approval inspection of our manufacturing operations. As a result of this inspection, we received an FDA Form 483 containing inspectional observations focused on process controls, analytical testing and physical security procedures related to manufacture of our drug product for stability and commercial production purposes. We addressed some observations before the inspection was closed and responded to the FDA with a corrective action plan to complete the inspection process. In July 2016, we received a Complete Response Letter, or CRL, from the FDA regarding our NDA for DEXTENZA. This CRL pertained to the deficiencies in manufacturing

process and controls identified during the pre-NDA approval inspection of our manufacturing facility performed by the FDA New England District Office in February 2016 that were documented on the February Form 483. In January 2017, we resubmitted our NDA. Following a re-inspection of manufacturing operations by the FDA which was completed in May 2017, we received an FDA Form 483 containing inspectional observations focused on procedures for manufacturing processes and analytical testing related to the manufacture of drug product for commercial production. In July 2017, we received a second CRL from the FDA regarding our NDA for DEXTENZA for the treatment of post-surgical ocular pain, stating that the FDA had determined that it could not approve the NDA in its then-present form. FDA concerns included deficiencies in manufacturing processes and analytical testing related to manufacturing of drug product identified during the May 2017 pre-NDA approval inspection. In May 2017, we submitted our initial response to the Form 483 and, in November 2017, we submitted our responses to the FDA's remaining inspectional observations in an effort to close out the items identified in the Form 483. The remediation efforts we undertook in response to the FDA's inspectional observations and as a result of further internal review included upgrades to our manufacturing equipment and updates to our manufacturing processes and quality oversight. These changes were intended to resolve the FDA's outstanding concerns, including regarding the presence of particulate matter in certain manufactured lots of DEXTENZA, and enable us to consistently produce commercial lots and establish manufacturing processes sufficient for purposes of resubmission of our NDA. We resubmitted our NDA for DEXTENZA for the treatment of post-surgical ocular pain in June 2018, which was approved in December 2018. We may be subject to similar inspections and requirements in connection with subsequent applications for other product candidates or DEXTENZA for additional indications.

The FDA or similar foreign regulatory authorities at any time also may implement new standards, or change their interpretation and enforcement of existing standards, for the manufacture, packaging or testing of our products. Any failure to comply with applicable regulations may result in fines and civil penalties, suspension of production, product seizure or recall, imposition of a consent decree, or withdrawal of product approval, and would limit the availability of DEXTENZA, ReSure Sealant and our product candidates that we manufacture.

Any manufacturing defect or error discovered after products have been produced and distributed also could result in significant consequences, including costly recall procedures, re-stocking costs, damage to our reputation and potential for product liability claims.

If our sole clinical manufacturing facility is damaged or destroyed or production at this facility is otherwise interrupted, our business and prospects would be negatively affected.

If our manufacturing facility or the equipment in it is damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of this facility or equipment, we might not be able to transfer manufacturing to another facility or to a third party. Even if we could transfer our manufacturing to another facility or a third party, the shift would likely be expensive and time-consuming, particularly since any new facility would need to comply with the necessary regulatory requirements and to be inspected and qualified. We would also need FDA approval before any products manufactured at that facility could be used for clinical or commercial supply. Such an event could delay our clinical trials or reduce our product sales.

Currently, we maintain insurance coverage against damage to our property and equipment in the amount of up to $26.2 million and to cover business interruption and research and development restoration expenses in the amount of up to $2.8 million. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer. We may be unable to meet our requirements for DEXTENZA, ReSure Sealant, or any of our product candidates if there were a catastrophic event or failure of our current manufacturing facility or processes.

We expect to continue to contract with third parties for at least some aspects of the production of our products and product candidates. This increases the risk that we will not have sufficient quantities of our products or product candidates or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We currently rely on third parties for some aspects of the production of DEXTENZA, ReSure Sealant and our product candidates for commercialization and preclinical testing and clinical trials, including supply of active pharmaceutical ingredient drug substance, PEG, the molecule that forms the basis of our hydrogels, and other raw materials and for sterilization of the finished product. In addition, while we believe that our existing manufacturing

facility, or additional facilities that we will be able to build, will be sufficient to meet our requirements for manufacturing DEXTENZA, ReSure Sealant and any of our product candidates for which we obtain marketing approval, we may in the future need to rely on third-party manufacturers for some aspects of the manufacture of our products or product candidates.

We do not have any long-term supply agreements in place for the clinical or commercial supply of any drug substances or raw materials for DEXTENZA, ReSure Sealant or any of our product candidates. We purchase drug substance and raw materials, including the chemical constituents for our hydrogel, from independent suppliers on a purchase order basis. Any performance failure or refusal to supply drug substance or raw materials on the part of our existing or future suppliers could delay clinical development, marketing approval or commercialization of our products. If our current suppliers do not perform as we expect, we may be required to replace one or more of these suppliers. In particular, we depend on a sole source supplier for the supply of our PEG. This sole source supplier may be unwilling or unable to supply PEG to us reliably, continuously and at the levels we anticipate or are required by the market. Although we believe that there are a number of potential long-term replacements to our suppliers, including our PEG supplier, we may incur added costs and delays in identifying and qualifying any such replacements.

Reliance on third parties for aspects of the supply of our products and product candidates entails additional risks, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how;
- the possible breach of an agreement by the third party; and
- the possible termination or nonrenewal of an agreement by the third party at a time that is costly or inconvenient for us.

Third-party suppliers or manufacturers may not be able to comply with quality assurance standards, cGMP regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third parties, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products and product candidates.

Our potential future dependence upon others for the manufacture of our products and product candidates may adversely affect our future profit margins and our ability to commercialize any products that receive regulatory approval on a timely and competitive basis.

Risks Related to Commercialization

Even though DEXTENZA and ReSure Sealant have received marketing approval from the FDA and even if any of our product candidates receives marketing approval, any of these products may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success, and the market opportunity for these products may be smaller than we estimate.

DEXTENZA, ReSure Sealant, or any of our product candidates that receives marketing approval may fail to gain market acceptance by physicians, patients, third-party payors and others in the medical community. We commercially launched ReSure Sealant in the first quarter of 2014 and expect to commercially launch DEXTENZA for the treatment of ocular pain in 2019 and cannot yet accurately predict whether either product will gain market acceptance and become commercially successful. For example, we previously commenced commercialization in Europe of an earlier version of ReSure Sealant that was approved and marketed as an ocular bandage. We recognized $0.1 million of revenue from the commercialization of this product through 2012. However, we ceased our commercialization of the product in 2012 to focus on the ongoing clinical development of ReSure Sealant pursuant to FDA requirements. If our products do not achieve an adequate level of acceptance, we may not generate significant product revenue and we may not become profitable.

The degree of market acceptance of DEXTENZA, ReSure Sealant, or any product candidate for which we obtain marketing approval will depend on a number of factors, including:

- the efficacy and potential advantages compared to alternative treatments;
- our ability to offer our products for sale at competitive prices, particularly in light of the lower cost of alternative treatments;
- the clinical indications for which the product is approved;
- the convenience and ease of administration compared to alternative treatments, including the intracanalicular insert retention rate for our intracanalicular insert products and product candidates;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of our marketing and distribution support;
- timing of market introduction of competitive products;
- the availability of third-party coverage and adequate reimbursement and, for DEXTENZA and ReSure Sealant, the lack of separate reimbursement when used as part of a cataract surgery procedure;
- the prevalence and severity of any side effects; and
- any restrictions on the use of our products together with other medications.

For example, because we have not conducted any clinical trials to date comparing the effectiveness of DEXTENZA directly to currently approved alternative treatments for either post-surgical ocular pain and inflammation following cataract surgery or allergic conjunctivitis, it is possible that the market acceptance of DEXTENZA could be less than if we had conducted such trials. Although market research we have commissioned indicates that a majority of ophthalmologists believe DEXTENZA could become a new standard of care due to its potential ability to improve compliance with limited toxicity concerns, market acceptance for DEXTENZA could be substantially less than such research indicates, and we may not be able to achieve the market share we anticipate.

Our assessment of the potential market opportunity for DEXTENZA, ReSure Sealant and our product candidates is based on industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe these industry publications and third-party research, surveys and studies are reliable, we have not independently verified such data. If the actual market for DEXTENZA, ReSure Sealant or any of our product candidates is smaller than we expect, our product revenue may be limited and it may be more difficult for us to achieve or maintain profitability.

If we are unable to establish and maintain adequate sales, marketing and distribution capabilities, we may not be successful in commercializing DEXTENZA, ReSure Sealant, or any product candidates if and when they are approved.

We have limited experience in the sale, marketing and distribution of drug and device products. To achieve commercial success for DEXTENZA, ReSure Sealant, and any product candidate for which we obtain marketing approval, we will need to establish and maintain adequate sales, marketing and distribution capabilities, either ourselves or through collaborations or other arrangements with third parties. We have built our own highly targeted, key account sales force for DEXTENZA that will focus on ambulatory surgical centers responsible for the largest volumes of cataract surgery. We commercially launched ReSure Sealant in February 2014 on a region by region basis in the United States through a network of independent distributors. In early 2017, we terminated these distributors and hired a contract sales

force of four representatives to sell ReSure Sealant. We have subsequently terminated the agreement with the contract sales force to sell ReSure Sealant.

If we decide to commercialize any of our products outside of the United States, we would expect to utilize a variety of collaboration, distribution and other marketing arrangements with one or more third parties to commercialize any product that receives marketing approval. We expect that a direct sales force will be required to effectively market and sell OTX-TP, if approved for marketing. We will also rely on Regeneron to commercialize our extended-delivery hydrogel formulation in combination with Regeneron's large molecule VEGF-targeting compounds. Because we have not historically evaluated whether to seek regulatory approval for any of our products or product candidates outside of the United States, pending potential receipt of regulatory approval for the applicable product candidate in the United States, at this time we cannot be certain when, if ever, we will recognize revenue from commercialization of our products or product candidates in any international markets. If we decide to commercialize our products outside of the United States, we expect to utilize a variety of types of collaboration, distribution and other marketing arrangements with one or more third parties to commercialize any product of ours that receives marketing approval. These may include independent distributors, pharmaceutical companies or our own direct sales organization.

There are risks involved with both establishing our own sales, marketing and distribution capabilities and with entering into arrangements with third parties to perform these services. We may not be successful in entering into arrangements with third parties to sell, market and distribute our products or may be unable to do so on terms that are most beneficial to us. Such third parties may have interests that differ from ours. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to market, sell and distribute our products effectively. Our product revenues and our profitability, if any, under third-party collaboration including our collaboration with Regeneron, distribution or other marketing arrangements may also be lower than if we were to sell, market and distribute a product ourselves. On the other hand, recruiting and training a sales force is expensive and time-consuming and could delay any product launch. If the commercial launch of any product or product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Other factors that may inhibit our efforts to commercialize products on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to use or prescribe our products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing DEXTENZA, ReSure Sealant or any of our product candidates.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The development and commercialization of new drug and device products is highly competitive. We face competition with respect to our products and product candidates, and will face competition with respect to any other product candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Our products and product candidates target markets that are already served by a variety of competing products based on a number of active pharmaceutical ingredients. Many of these existing products have achieved widespread acceptance among physicians, patients and payors for the treatment of ophthalmic diseases and conditions. In addition, many of these products are available on a generic basis, and our products and product candidates may not demonstrate sufficient additional clinical benefits to physicians, patients or payors to justify a higher price compared to generic products. In many cases, insurers or other third-party payors, particularly Medicare, encourage the use of generic products. Given that we are developing products based on FDA-approved therapeutic agents, our products and product candidates, if approved, will face competition from generic and branded versions of existing drugs based on the same active pharmaceutical ingredients that are administered in a different manner, typically through eye drops or intravitreal injections.

Because the active pharmaceutical ingredients in our products and product candidates, other than those developed under the Regeneron collaboration, are available on a generic basis, or are soon to be available on a generic basis, competitors will be able to offer and sell products with the same active pharmaceutical ingredient as our products so long as these competitors do not infringe the patents that we license. For example, our licensed patents related to our intracanalicular insert products and product candidates largely relate to the hydrogel composition of the intracanalicular inserts and certain drug-release features of the inserts. As such, if a third party were able to design around the formulation and process patents that we license and create a different formulation using a different production process not covered by our licensed patents or patent applications, we would likely be unable to prevent that third party from manufacturing and marketing its product.

Icon Biosciences, Inc. received FDA approval of DEXYCU in February 2018. DEXYCU is an injection of dexamethasone into the anterior chamber of the eye to treat inflammation associated with cataract surgery. Other companies have also advanced into Phase 3 clinical development biodegradable, programmed-release drug delivery product candidates that could compete with our intracanalicular insert products and product candidates. ReSure Sealant is the first and only surgical sealant approved for ophthalmic use in the United States, but will compete with sutures as an alternative method for closing ophthalmic wounds. Multiple companies, including our collaborator Regeneron, are exploring in early stage development alternative means to deliver anti-VEGF and TKI products in an extended-delivery fashion to the back of the eye.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than our products. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

DEXTENZA, ReSure Sealant and any product candidates for which we obtain marketing approval may become subject to unfavorable pricing regulations, third-party coverage or reimbursement practices or healthcare reform initiatives, which could harm our business.

Our ability to commercialize DEXTENZA, ReSure Sealant or any product candidates that we may develop successfully will depend, in part, on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from government healthcare programs, private health insurers, managed care plans and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular

medications. Increasingly, third-party payors are requiring that drug and device companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Coverage and reimbursement may not be available for DEXTENZA, ReSure Sealant or any other product that we commercialize and, even if they are available, the level of reimbursement may not be satisfactory.

Inadequate reimbursement may adversely affect the demand for, or the price of, DEXTENZA, ReSure Sealant or any product candidate for which we obtain marketing approval. Obtaining and maintaining adequate reimbursement for our products may be difficult. We may be required to conduct expensive pharmacoeconomic studies to justify coverage and reimbursement or the level of reimbursement relative to other therapies. If coverage and adequate reimbursement are not available or reimbursement is available only to limited levels, we may not be able to successfully commercialize DEXTENZA, ReSure Sealant or any product candidates for which we obtain marketing approval.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs and devices, and coverage may be more limited than the indications for which the drug is approved by the FDA or similar regulatory authorities outside the United States. Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution expenses. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and adequate reimbursement rates from both government-funded and private payors for any FDA-approved products that we develop would compromise our ability to generate revenues and become profitable.

The regulations that govern marketing approvals, pricing, coverage and reimbursement for new drug and device products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues we are able to generate from the sale of the product in that country. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product or product candidate to other available therapies. Adverse pricing limitations may hinder our ability to recoup our investment in one or more products or product candidates, even if our product candidates obtain marketing approval.

DEXTENZA, ReSure Sealant or any product candidate for which we obtain marketing approval in the United States or in other countries may not be considered medically reasonable and necessary for a specific indication, may not be considered cost-effective by third-party payors, coverage and an adequate level of reimbursement may not be available, and reimbursement policies of third-party payors may adversely affect our ability to sell our products and product candidates profitably. ReSure Sealant is not separately reimbursed when used as part of a cataract surgery procedure, which could limit the degree of market acceptance of this product by surgeons. In addition, while DEXTENZA may be considered a post-surgical product in the same fashion as eye drops, it may instead be categorized as an inter-operative product. If DEXTENZA is categorized as an inter-operative product, it will not be subject to separate reimbursement, which could likewise limit its market acceptance.

We applied for a transitional pass-through reimbursement status, or C-code, on November 30, 2018 for DEXTENZA from the Centers for Medicare and Medicaid Services, or CMS, which we expect to receive in the middle of 2019. We expect pricing for DEXTENZA while in pass-through status to be approximately $540 per surgery. We expect pass-through status would remain in effect for up to three years depending on when we apply for and receive this reimbursement code. We submitted an application to the CMS for a J-code for DEXTENZA on December 28, 2018, and received a preliminary recommendation for a J-code in April 2019. We expect to submit to the CMS for a standard J-code for OTX-TP for the treatment of glaucoma and ocular hypertension, if our clinical trials are successful and if our

NDA filings and sNDA are approved by the FDA. There are no assurances that we will be successful in obtaining and retaining reimbursement for our products and product candidates.

Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we develop.

We face an inherent risk of product liability exposure related to the use of our product candidates that we develop in human clinical trials. We face an even greater risk for any products we develop and commercially sell, including DEXTENZA and ReSure Sealant. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- reduced time and attention of our management to pursue our business strategy; and
- the inability to commercialize any products that we develop.

We currently hold $10.0 million in U.S. product liability insurance coverage in the aggregate, with a per incident limit of $10.0 million and approximately $15.0 million in product liability insurance in another jurisdiction in which we operate, with a per incident liability limit of approximately $15.0 million. These policies may not be adequate to cover all liabilities that we may incur. We will need to increase our insurance coverage as we expand our clinical trials and our sales of DEXTENZA, ReSure Sealant and any product candidates for which we obtain marketing approval.

We will need to further increase our insurance coverage if we commence commercialization of any of our product candidates for which we obtain marketing approval. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

Risks Related to Our Dependence on Third Parties

We will depend heavily on our collaboration with Regeneron for the success of our extended-delivery hydrogel formulation in combination with Regeneron's large molecule VEGF-targeting compounds. If Regeneron does not exercise its option, terminates our collaboration agreement or is unable to meet its contractual obligations, it could negatively impact our business.

In October 2016, we entered into a strategic collaboration, option and license agreement, or Collaboration Agreement, with Regeneron for the development and potential commercialization of products containing our extended-delivery hydrogel formulation in combination with Regeneron's large molecule VEGF-targeting compounds. Our ability to generate revenues from the Collaboration Agreement will depend on our and Regeneron's abilities to successfully perform the functions assigned to each of us under the Collaboration Agreement. We did not receive any upfront payment under the Collaboration Agreement, although Regeneron has an option to enter into an exclusive, worldwide license, with the right to sublicense, under our intellectual property to develop and commercialize products containing our extended-delivery hydrogel formulation in combination with Regeneron's large molecule VEGF-targeting compounds. Regeneron has agreed to pay us $10 million upon exercise of the option. The option is exclusive until 12 months after Regeneron has received a product candidate in accordance with a collaboration plan and non-exclusive for an additional six months following the end of the exclusive period. In December 2017, we delivered to Regeneron what we believed to be the final formulation for Regeneron's initial preclinical tolerability study. Regeneron

initiated the preclinical study in early 2018. We and Regeneron have subsequently reached an understanding that the proposed formulation was not final and have ceased development of it. We are currently in discussions with Regeneron, in accordance with the terms of the Collaboration Agreement, regarding the development of an alternative formulation and the related impact on the designated option period. Although we are engaged in ongoing discussions with Regeneron, Regeneron has not informed us of its decision to exercise the option. While we await a decision from Regeneron, we are not actively pursuing further formulation development or other preclinical testing under the Collaboration Agreement. Under the Collaboration Agreement, we are obligated to reimburse Regeneron for certain development costs incurred by Regeneron under the collaboration plan during the period through the completion of the initial clinical trial, subject to a cap of $25 million, which cap may be increased by up to $5 million under certain circumstances. We are also entitled to receive under the terms of the Collaboration Agreement specified development, regulatory and sales milestone payments, as well as royalty payments.

If Regeneron has not exercised the option during the designated option period, the Collaboration Agreement will expire. If Regeneron exercises the option, the Collaboration Agreement will expire on a licensed product-by-licensed product and country-by-country basis upon the expiration of the later of 10 years from the date of first commercial sale in such country or the expiration of all patent rights covering the licensed product in such country. Regeneron may terminate the Collaboration Agreement at any time after exercise of the option upon 60 days' prior written notice. Either party may, subject to a cure period, terminate the Collaboration Agreement in the event of the other party's uncured material breach, in addition to other specified termination rights.

If we are unable to achieve the preclinical milestones set forth in the collaboration plan, Regeneron may not exercise the option, in which case we would not receive the $10 million payment in connection with such option and would have incurred significant development expenses. Even if Regeneron does exercise its option, we or Regeneron may not be successful in achieving the necessary preclinical, clinical, regulatory and sales milestones in connection with the collaboration. Further, if Regeneron were to breach or terminate the Collaboration Agreement or if Regeneron elects not to exercise the option we granted it and not to proceed in the collaboration, we may not be able to obtain, or may be delayed in obtaining, marketing approvals for our intravitreal implant product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our intravitreal implant product candidates. We may not be able to seek and obtain a viable, alternative collaborator to partner with for the development and commercialization of the licensed products on similar terms or at all.

We have entered into collaborations with third parties to develop certain product candidates, and in the future may enter into collaborations with third parties for the commercialization of DEXTENZA, ReSure Sealant or the development or commercialization of our product candidates. If our collaborations are not successful, we may not be able to capitalize on the market potential of these products or product candidates.

We have in the past entered into collaboration agreements with third parties, including our collaboration with Regeneron, and expect to utilize a variety of types of collaboration, distribution and other marketing arrangements with third parties to commercialize DEXTENZA, ReSure Sealant, or any of our product candidates for which we obtain marketing approval in markets outside the United States. We also may enter into arrangements with third parties to perform these services in the United States if we do not establish our own sales, marketing and distribution capabilities in the United States for our products and product candidates or if we determine that such third-party arrangements are otherwise beneficial. We also may seek additional third-party collaborators for development and commercialization of other product candidates. Our likely collaborators for any sales, marketing, distribution, development, licensing or broader collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. Other than our collaboration with Regeneron, we are not currently party to any such arrangement. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities and efforts to successfully perform the functions assigned to them in these arrangements.

Our collaboration with Regeneron poses, and any future collaborations likely will pose a number of risks, including the following:

- collaborators have significant discretion in determining the amount and timing of efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;

- collaborators may not pursue development and commercialization of our products or product candidates that receive marketing approval or may elect not to continue or renew development or commercialization programs based on results of clinical trials or other studies, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;

- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;

- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;

- a collaborator with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;

- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of products or product candidates, might lead to additional responsibilities for us with respect to products or product candidates, or might result in litigation or arbitration, any of which would divert management attention and resources, be time-consuming and expensive;

- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;

- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and

- collaborations may be terminated for the convenience of the collaborator and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable products or product candidates.

Collaboration agreements may not lead to development or commercialization of products or product candidates in the most efficient manner, or at all. If any collaborations that we enter into do not result in the successful development and commercialization of products or if one of our collaborators terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under the collaboration. If we do not receive the funding we expect under these agreements, our development of our products or product candidates could be delayed and we may need additional resources to develop our products or product candidates. All of the risks relating to product development, regulatory approval and commercialization described in this prospectus supplement also apply to the activities of our collaborators.

Additionally, subject to its contractual obligations to us, if a collaborator of ours were to be involved in a business combination, it might deemphasize or terminate the development or commercialization of any product or product candidate licensed to it by us. If one of our collaborators terminates its agreement with us, we may find it more difficult to attract new collaborators and our perception in the business and financial communities could be harmed.

If we are not able to establish additional collaborations, we may have to alter our development and commercialization plans and our business could be adversely affected.

For some of our other product candidates, we may decide to collaborate with pharmaceutical, biotechnology and medical device companies for the development and potential commercialization of those product candidates. We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under future license agreements from entering into agreements on certain terms with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

We are currently conducting preclinical testing of protein-based anti-VEGF compounds in collaboration with Regeneron to explore the feasibility of delivering their drugs in combination with our hydrogel. The initial drug selected for preclinical testing under this collaboration is aflibercept, marketed under the brand name Eylea. We may explore broader collaborations for the development and potential commercialization of our hydrogel technology in combination with other large molecules with targets other than VEGF for the treatment of back-of-the-eye diseases and conditions.

If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market or continue to develop our product platform.

Although the majority of our clinical development is administered and managed by our own employees, we have relied, and may continue to rely, on third parties for certain aspects of our clinical development, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.

Our employees have administered and managed most of our clinical development work, including our clinical trials for ReSure Sealant and our clinical trials for DEXTENZA for the treatment of post-surgical ocular pain and inflammation following cataract surgery. However, we have relied and may continue to rely on third parties, such as contract research organizations, or CROs, to conduct future clinical trials of our product candidates, including OTX-TP for the treatment of glaucoma and ocular hypertension. If we deem necessary, we may engage third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators, to conduct or assist in our clinical trials or other clinical development work. If we are unable to enter into an agreement with a CRO or other service provider when required, our product development activities would be delayed.

Our reliance on third parties for research and development activities reduces our control over these activities but does not relieve us of our responsibilities. For example, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as good clinical practices for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. We are also required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within specified timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions. If we engage third

parties and they do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

Risks Related to Our Intellectual Property

We may be unable to obtain and maintain patent protection for our technology and products, or the scope of the patent protection obtained may not be sufficiently broad, such that our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be impaired.

Our success depends in large part on our and our licensor's ability to obtain and maintain patent protection in the United States and other countries with respect to our proprietary technology and products. We and our licensor have sought to protect our proprietary position by filing patent applications in the United States and abroad related to our novel technologies, products and product candidates. Some of our licensed patents that we believe are integral to our hydrogel technology platform have terms that extend through at least 2024. However, other broader patents within our patent portfolio expire between 2018 and 2019. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio would be less effective in excluding others from commercializing products similar or identical to ours. The patent prosecution process is expensive and time-consuming, and we may not have filed or prosecuted and may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection.

In some circumstances, we do not have the right to control the preparation, filing and prosecution of patent applications, or to enforce or maintain the patents, covering technology that we license from third parties. In particular, the license agreement that we have entered into with Incept LLC, or Incept, an intellectual property holding company, which covers all patent rights and a significant portion of the technology for ReSure Sealant and our product candidates, provides that, with limited exceptions, Incept has sole control and responsibility for ongoing prosecution for certain patents covered by the license agreement. In addition, although we have a right under the Incept license to bring suit against third parties who infringe such licensed patents in our fields, other Incept licensees may also have the right to enforce these patents in their own respective fields without our oversight or control. Those other licensees may choose to enforce our licensed patents in a way that harms our interest, for example, by advocating for claim interpretations or agreeing on invalidity positions that conflict with our positions or our interest. For example, three of our licensed patents related to ReSure Sealant were invalidated and rendered unenforceable following their assertion by Integra LifeSciences Holdings Corporation, another licensee of Incept. We also have no right to control the defense of such licensed patents if their validity or scope is challenged before the U.S. Patent and Trademark Office, or USPTO, European Patent Office, or other patent office or tribunal. Instead, we would essentially rely on our licensor to defend such challenges, and it may not do so in a way that would best protect our interests. Therefore, certain of our licensed patents and applications may not be prosecuted, enforced, defended or maintained in a manner consistent with the best interests of our business. If Incept fails to prosecute, enforce or maintain such patents, or loses rights to those patents, our licensed patent portfolio may be reduced or eliminated.

The patent position of pharmaceutical, biotechnology and medical device companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights, including our licensed patent rights, are highly uncertain. Our and our licensor's pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. For example, unlike patent law in the United States, European patent law precludes the patentability of methods of treatment of the human body and imposes substantial restrictions on the scope of claims it will grant if broader than specifically disclosed embodiments. Moreover, we have no patent protection and likely will never obtain patent protection for ReSure Sealant outside the United States and Canada. We have only three issued patents outside of the United States that cover all three intracanalicular insert products and product candidates. We have three licensed patent families in Europe and certain other parts of the world for our intravitreal drug delivery product candidates, but only one patent issuance to date outside of the United States. Patents might not be issued and we may

never obtain any patent protection or may only obtain substantially limited patent protection outside of the United States with respect to our products.

Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot know with certainty whether we or our licensor were the first to make the inventions claimed in our licensed patents or pending patent applications, or that we or our licensors were the first to file for patent protection of such inventions. Databases for patents and publications, and methods for searching them, are inherently limited so it is not practical to review and know the full scope of all issued and pending patent applications. As a result, the issuance, scope, validity, enforceability and commercial value of our licensed patent rights are uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. In particular, during prosecution of any patent application, the issuance of any patents based on the application may depend upon our ability to generate additional preclinical or clinical data that support the patentability of our proposed claims. We may not be able to generate sufficient additional data on a timely basis, or at all. Moreover, changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. The Leahy-Smith America Invents Act, or the Leahy-Smith Act, includes a number of significant changes to United States patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation. The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective on March 16, 2013. The first to file provisions limit the rights of an inventor to patent an invention if not the first to file an application for patenting that invention, even if such invention was the first invention. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. For example, the Leahy-Smith Act provides a new administrative tribunal known as the Patent Trial and Appeals Board, or PTAB, that provides a venue for companies to challenge the validity of competitor patents at a cost that is much lower than district court litigation and on timelines that are much faster. Although it is not clear what, if any, long term impact the PTAB proceedings will have on the operation of our business, the initial results of patent challenge proceedings before the PTAB since its inception in 2013 have resulted in the invalidation of many U.S. patent claims. The availability of the PTAB as a lower-cost, faster and potentially more potent tribunal for challenging patents could therefore increase the likelihood that our own licensed patents will be challenged, thereby increasing the uncertainties and costs of maintaining and enforcing them. Moreover, if such challenges occur, as indicated above, we have no right to control the defense. Instead, we would essentially rely on our licensor to consider our suggestions and to defend such challenges, with the possibility that it may not do so in a way that best protects our interests.

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

In the United States, the FDA does not prohibit physicians from prescribing an approved product for uses that are not described in the product's labeling. Although use of a product directed by off-label prescriptions may infringe our method-of-treatment patents, the practice is common across medical specialties, particularly in the United States, and such infringement is difficult to detect, prevent or prosecute. In addition, patents that cover methods of use for a medical device cannot be enforced against the party that uses the device, but rather only against the party that makes them. Such indirect enforcement is more difficult to achieve.

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

Because the active pharmaceutical ingredients in our products and product candidates are available on a generic basis, or are soon to be available on a generic basis, competitors will be able to offer and sell products with the same active pharmaceutical ingredient as our products so long as these competitors do not infringe our patents or any patents that we license. These patents largely relate to the hydrogel composition of our intracanalicular inserts and the drug-release design scheme of our inserts. As such, if a third party were able to design around the formulation and process patents that we license and create a different formulation using a different production process not covered by our patents or patent applications, we would likely be unable to prevent that third party from manufacturing and marketing its product.

If we are not able to obtain patent term extensions in the United States under the Hatch-Waxman Act and in foreign countries under similar legislation, thereby potentially extending the term of our marketing exclusivity for our product and product candidates, our business may be impaired.

Depending upon the timing, duration and specifics of FDA marketing approval of our product candidates, one of the U.S. patents covering each of such product candidates or the use thereof may be eligible for up to five years of patent term restoration under the Hatch-Waxman Act. The Hatch-Waxman Act allows a maximum of one patent to be extended per FDA-approved product. Patent term extension also may be available in certain foreign countries upon regulatory approval of our product candidates. Nevertheless, we may not be granted patent term extension either in the United States or in any foreign country because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the term of extension, as well as the scope of patent protection during any such extension, afforded by the governmental authority could be less than we request.

Further, our license from Incept does not provide us with the right to control decisions by Incept or its other licensees on Orange Book listings or patent term extension decisions under the Hatch-Waxman Act. Thus, if one of our important licensed patents is eligible for a patent term extension under the Hatch-Waxman Act, and it covers a product of another Incept licensee in addition to our own product candidate, we may not be able to obtain that extension if the other licensee seeks and obtains that extension first.

If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our product may be shortened and our competitors may obtain approval of competing products following our patent expiration sooner, and our revenue could be reduced, possibly materially.

We may become involved in lawsuits to protect or enforce our licensed patents or other intellectual property, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our licensed patents or other intellectual property. As a result, to counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. Under the terms of our license agreement with Incept, we have the right to initiate suit against third parties who we believe infringe on the patents subject to the license. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents. In addition, in a patent infringement proceeding, a court may decide that a patent we have rights to is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly or refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability to develop, manufacture, market and sell our products and product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology, medical device, and pharmaceutical industries. We may become party to, or threatened with, infringement litigation claims regarding our products and technology, including claims from competitors or from non-practicing entities that have no relevant product revenue and against whom our own patent portfolio may have no deterrent effect. Moreover, we may become party to future adversarial proceedings or litigation regarding our patent portfolio or the patents of third parties. Such proceedings could also include contested post-grant proceedings such as oppositions, *inter partes* review, reexamination, interference or derivation proceedings before the USPTO or foreign patent offices. The legal threshold for initiating litigation or contested proceedings is low, so that even lawsuits or proceedings with a low probability of success might be initiated and require significant resources to defend. Litigation and contested proceedings can also be expensive and time-consuming, and our adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensor can. The risks of being involved in such litigation and proceedings may increase as our products or product candidates near commercialization and as we gain the greater visibility associated with being a public company. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. We may not be aware of all such intellectual property rights potentially relating to our products or product candidates and their uses, or we may incorrectly determine that a patent is invalid or does not cover a particular product or product candidate. Thus, we do not know with certainty that DEXTENZA, ReSure Sealant or any of our product candidates, or our commercialization thereof, does not and will not infringe or otherwise violate any third party's intellectual property.

We are also aware of a U.S. patent with an expiration in 2020 with claims directed to formulations of hydrogels and which could be alleged to cover the hydrogel formulations used in our product candidates OTX-TP and OTX-MP. Based on the specifications and file history of that patent, we believe its claims should be construed with a scope that does not cover our product candidates. We also believe that such claims, if and to the extent they were asserted against our product candidates, would be subject to a claim of invalidity. Further, we have been made aware by a third party of three patents relating to intracanalicular inserts that may relate to, and potentially could be asserted against our intracanalicular insert product and product candidates, including DEXTENZA. We believe that DEXTENZA does not infringe the claims of one of more of these patents. We also believe that such claims, if and to the extent they were asserted against our product candidates, would be subject to a claim of invalidity. We initiated both legal and administrative proceedings against these patents in order to show that DEXTENZA does not infringe the claims of these patents or that these patents are invalid. We have settled the legal proceedings related to one of these patents and continue with the administrative proceedings related to the other two patents.

If we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue developing and marketing our products and technology. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent and could be forced to indemnify our customers or collaborators. A finding of infringement could also result in an injunction that prevents us from commercializing our products or product candidates or forces us to cease some of our business operations. In addition, we may be forced to redesign our products or product candidates, seek new regulatory approvals and indemnify third parties pursuant to contractual agreements. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

If we fail to comply with our obligations in our intellectual property licenses and funding arrangements with third parties, we could lose rights that are important to our business.

Our license agreement with Incept, under which we license all of our patent rights and a significant portion of the technology for DEXTENZA, ReSure Sealant and our product candidates, imposes royalty and other financial obligations and other substantial performance obligations on us. We also may enter into additional licensing and funding

arrangements with third parties that may impose diligence, development and commercialization timelines and milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under current or future license and collaboration agreements, our counterparties may have the right to terminate these agreements, in which event we might not be able to develop, manufacture or market any product that is covered by these agreements or may face other penalties under the agreements. Such an occurrence could diminish the value of our product. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements with less favorable terms, or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology.

Under the terms of our license agreement with Incept, we have agreed to assign to Incept our rights in certain patent applications filed at any time in any country for which one or more inventors are under an obligation of assignment to us. These assigned patent applications and any resulting patents are included within the specified patents owned or controlled by Incept to which we receive a license under the agreement. Incept has retained rights to practice the patents and technology licensed to us under the agreement for all purposes other than for researching, designing, developing, manufacturing and commercializing products that are delivered to or around the human eye for diagnostic, therapeutic or prophylactic purposes relating to ophthalmic diseases or conditions. As a result, termination of our agreement with Incept, based on our failure to comply with this or any other obligation under the agreement, would cause us to lose a significant portion of our rights to important intellectual property or technology upon which our business depends. Additionally, the field limit of the license and the requirement that we assign to Incept our rights in certain patent applications may restrict our ability to use certain of our licensed rights to expand our business outside of the specified fields. If we determine to pursue a strategy of expanding the use of the hydrogel technology outside of the specified fields, we would need to negotiate and enter into an amendment to our existing license agreement with Incept or a new license agreement with Incept covering one or more additional such fields of use or utilize technologies that do not infringe on such licensed rights. We may not be able to obtain any such required amendment or new license or to invent or otherwise access other technology on commercially reasonable terms or at all.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees were previously employed at universities or other biotechnology, medical device or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these employees or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims.

In addition, while it is our policy to require our employees and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. Our and their assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to management.

Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings

adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could compromise our ability to compete in the marketplace.

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

In addition to seeking patents for our technology, products and product candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

Risks Related to Regulatory Approval and Marketing of Our Product Candidates and Other Legal Compliance Matters

Even if we complete the necessary preclinical studies and clinical trials, the regulatory approval process is expensive, time-consuming and uncertain and may prevent us from obtaining approvals for the commercialization of some or all of our product candidates. If we or any current or future collaborator of ours is not able to obtain, or if there are delays in obtaining, required regulatory approvals, we or they will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

The activities associated with the development and commercialization of our products and product candidates, including design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by the EMA and similar regulatory authorities outside the United States. Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. We have only received approval to market DEXTENZA and ReSure Sealant in the United States, and have not received approval to market any of our product candidates or to market DEXTENZA or ReSure Sealant in any jurisdiction outside the United States. Further, we have only received approval to market DEXTENZA for the treatment of ocular pain following ophthalmic surgery and have not received approval to market DEXTENZA for any other indication. We may determine to seek a CE Certificate of Conformity, which demonstrates compliance with relevant requirements and provides approval to commercialize ReSure Sealant in the European Union. If we are unable to obtain a CE Certificate of Conformity for DEXTENZA, ReSure Sealant, or any of our product candidates for which we seek European regulatory approval, we will be prohibited from commercializing such product or products in the European Union and other places which require the CE Certificate of Conformity. In such a case, the potential market to commercialize our products may be significantly smaller than we currently estimate.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive and may take many years, especially if additional clinical trials are required, if approval is obtained at all. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and purity. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA, the EMA or other regulatory authorities may determine that our product candidates are not safe or effective, are only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use. In addition, while we have had general discussions with the FDA concerning the design of some of our clinical trials, we have not discussed with the FDA the specifics of the regulatory pathways for our product candidates.

As part of its review of the NDA for DEXTENZA for post-surgical ocular pain, the FDA completed inspections of three sites from our two completed Phase 3 clinical trials for compliance with the study protocol and Good Clinical Practices. During the first of these inspections, the FDA identified storage temperature excursions for the investigational product that is labeled to be stored in a refrigerated condition between two degrees and eight degrees Celsius. We also had previously addressed a minor temperature deviation report during the conduct of the Phase 3 trials and communicated a response to the trial sites. In addition, while investigating the report stemming from the FDA inspection, several more noteworthy temperature excursions were found to have occurred that had not been fully reported. Because of the limited nature of the temperature excursions and historical product testing, including testing on product stored at elevated temperatures, we believe it is unlikely that drug product performance was significantly impacted. We have also implemented a corrective action plan to address clinical compliance and prevent recurrence in other clinical studies.

The FDA also completed two inspections of our manufacturing facility in connection with our NDA for DEXTENZA for the treatment of post-surgical ocular pain. After each inspection, we received a Form 483 from the FDA pertaining to deficiencies in our manufacturing processes identified during such inspection. After we responded to the issues which had been identified with corrective action plans, we subsequently received a CRL from the FDA. Following the July 2016 CRL, we resubmitted our NDA to the FDA in January 2017. After the May 2017 inspection, we received a Form 483 from the FDA focused on procedures from manufacturing processes and analytical testing related to the manufacture of drug product for commercial production. We received a CRL regarding these and other matters in July 2017. In November 2017, we submitted our complete responses to the FDA in an effort to close out the Form 483 deficiencies. We resubmitted our NDA for DEXTENZA for the treatment of post-surgical ocular pain in June 2018, and in December 2018 the FDA approved our NDA. We may be subject to similar inspections in the future for DEXTENZA or for other product candidates for which we seek FDA approval. If we are unable to address any identified issues successfully or if the FDA determines that the actions we take to remediate any identified issues to be inadequate, our ability to commercialize any products could be limited, which could adversely affect our ability to achieve or sustain profitability.

Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. The FDA, the EMA and regulatory authorities in other countries have substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we or any current or future collaborator of ours ultimately obtains may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

Accordingly, if we or any current or future collaborator of ours experiences delays in obtaining approval or if we or they fail to obtain approval of our product candidates, the commercial prospects for our product candidates may be harmed and our ability to generate revenues will be materially impaired.

Failure to obtain marketing approval in foreign jurisdictions would prevent our products or product candidates from being marketed abroad.

In order to market and sell DEXTENZA, ReSure Sealant or our product candidates in the European Union and many other jurisdictions, we or our third-party collaborators must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, it is required that the product be approved for reimbursement before the product can be sold in that country. We or our collaborators may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. However, a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory approval process in other countries. We may not be able to file for marketing approvals and may not receive necessary approvals to commercialize our products in any market.

Additionally, on June 23, 2016, the electorate in the United Kingdom voted in favor of leaving the European Union, commonly referred to as Brexit. On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. The United Kingdom had a period of a maximum of two years from the date of its formal notification to negotiate the terms of its withdrawal from, and future relationship with, the European Union. If no formal withdrawal agreement can be reached between the United Kingdom and the European Union, then it is expected that the United Kingdom's membership of the European Union would automatically terminate on the deadline, which was initially March 29, 2019. That deadline has been extended to October 31, 2019 to allow the parties to negotiate a withdrawal agreement, which has proven to be extremely difficult to date. Discussions between the United Kingdom and the European Union will continue to focus on withdrawal issues and transition agreements. However, limited progress to date in these negotiations and ongoing uncertainty within the government of the United Kingdom sustains the possibility of the United Kingdom leaving the European Union without a withdrawal agreement and associated transition period in place, which is likely to cause significant market and economic disruption.

Since a significant proportion of the regulatory framework in the United Kingdom is derived from European Union directives and regulations, Brexit could materially impact the regulatory regime with respect to the approval of our products or product candidates in the United Kingdom or the European Union. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would prevent us from commercializing our products or product candidates in the United Kingdom and/or the European Union and restrict our ability to generate revenue and achieve and sustain profitability. If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom and/or European Union for our product candidates, which could significantly and materially harm our business.

Even if we, or any current or future collaborators, obtain marketing approvals for our product candidates, the terms of approvals, ongoing regulations and post-marketing restrictions for our products may limit how we manufacture and market our products, which could materially impair our ability to generate revenue.

Once marketing approval has been granted, an approved product and its manufacturer and marketer are subject to ongoing review and extensive regulation. We, and any current or future collaborators, must therefore comply with requirements concerning advertising and promotion for any of our products for which we or our collaborators obtain marketing approval. Promotional communications with respect to drug products, biologics, and medical devices are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved labeling. Thus, if any of our product candidates receives marketing approval, the accompanying label may limit the approved use of our product, which could limit sales of the product.

The FDA required two post-approval studies as a condition for approval of our premarket approval application, for ReSure Sealant. The first post-approval study, identified as the Clinical PAS, was to enroll at least 598 patients to confirm that ReSure Sealant can be used safely by physicians in a standard cataract surgery practice and to confirm the incidence of the most prevalent adverse ocular events identified in our pivotal study of ReSure Sealant in eyes treated with ReSure Sealant. We submitted the final study report of the Clinical PAS to the FDA in June 2016, and the FDA has confirmed the Clinical PAS has been completed. The second post-approval study, identified as the Device Exposure Registry Study, is intended to link to the Medicare database to ascertain if patients are diagnosed or treated for endophthalmitis within 30 days following cataract surgery and application of ReSure Sealant. The Device Exposure Registry Study is required to include at least 4,857 patients. In December 2015, the CMS denied our application for a tracking or research code for ReSure Sealant commercial use. In July 2016, the FDA approved the Device Exposure Registry Study protocol. We are required to provide periodic reports to the FDA on the progress of this post-approval study until it is completed. We initiated enrollment in this study in December 2016 and submitted our first progress report to FDA in January 2017. Due to difficulties in establishing an acceptable way to link ReSure Sealant to the Medicare database and lack of investigator interest, we have been unable to enroll trial sites and patients, collect patient data and report study data to the FDA. On October 18, 2018, we received a warning letter from the FDA, dated October 17, 2018, relating to our compliance with data collection and information reporting obligations in this study. We appealed the warning letter from the FDA. In December 2018, the FDA rejected our appeal. A teleconference was held with the FDA in January 2019 resulting in tentative agreement on a proposed retrospective registry study of endophthalmitis rates to satisfy the Device Exposure Registry Study requirements. We are working with the registry vendor to finalize a formal study protocol which we intend to submit to the FDA for comment before the study is conducted. Following review of the results from these post-approval studies, any concerns with respect to endophthalmitis that we are unable to address due to the lack of completion of the study would negatively affect our

ability to commercialize ReSure Sealant. Failure by us to conduct the Device Exposure Registry Study to the FDA's satisfaction may result in withdrawal of the FDA's approval of ReSure Sealant or other regulatory action.

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs applicable to drug and biologic manufacturers or quality assurance standards applicable to medical device manufacturers, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, any contract manufacturers we may engage in the future, our current or future collaborators and their contract manufacturers will also be subject to other regulatory requirements, including submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements regarding the distribution of samples to physicians, recordkeeping, and costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product such as the requirement to implement a risk evaluation and mitigation strategy.

Accordingly, assuming we, or any current or future collaborators, receive marketing approval for one or more of our product candidates, we, and any current or future collaborators, and our and their contract manufacturers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control. If we, and any current or future collaborators, are not able to comply with post-approval regulatory requirements, we, and any current or future collaborators, could have the marketing approvals for our products withdrawn by regulatory authorities and our, or any current or future collaborators', ability to market any products could be limited, which could adversely affect our ability to achieve or sustain profitability. Further, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

We may be subject to substantial penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products.

Violations of the FDCA relating to the promotion or manufacturing of drug products, biologics or medical devices may lead to investigations by the FDA, Department of Justice, or DOJ, and state attorneys general alleging violations of the FDCA, federal and state healthcare fraud and abuse laws, as well as state consumer protection laws. In addition, later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use of a product;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of our products;
- product seizure or detention;
- injunctions or the imposition of civil or criminal penalties;

- damage to relationships with any potential collaborators;
- unfavorable press coverage and damage to our reputation; or
- litigation involving patients using our products.

Non-compliance with European Union requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, can also result in significant financial penalties. Similarly, failure to comply with the European Union's requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

Our relationships with healthcare providers, physicians and third-party payors will be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which, in the event of a violation, could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors will play a primary role in the recommendation and prescription and use of DEXTENZA, ReSure Sealant and any product candidates for which we obtain marketing approval. Our future arrangements with healthcare providers, physicians and third-party payors may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute any products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- the federal Anti-Kickback Statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation or arranging of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- the federal False Claims Act imposes criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, false or fraudulent claims for payment by a federal healthcare program or making a false statement or record material to payment of a false claim or avoiding, decreasing or concealing an obligation to pay money to the federal government, with potential liability including mandatory treble damages and significant per-claim penalties, currently set at $5,500 to $11,000 per false claim;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal Physician Payments Sunshine Act requires applicable manufacturers of covered products to report payments and other transfers of value to physicians and teaching hospitals, with data collection beginning in August 2013; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws and transparency statutes, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require

product manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

If our operations or the operations of our present and future collaborators are found to be in violation of any of the laws described above or any governmental regulations that apply to us or them, we or they may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment or restructuring of our operations could adversely affect our or their financial results. We are developing and implementing a corporate compliance program designed to ensure that we will market and sell any future products that we successfully develop from our product candidates in compliance with all applicable laws and regulations, but we cannot guarantee that this program will protect us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Efforts to ensure that our business with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. We do not have a fully developed compliance program and will need to establish a more robust compliance infrastructure to address our needs in this area. We may fail to establish appropriate compliance measures, and even with a stronger program in place, it is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion of products from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

The provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of medicinal products is also prohibited in the European Union. The provision of benefits or advantages to physicians is governed by the national anti-bribery laws of European Union Member States, such as the U.K. Bribery Act 2010. Infringement of these laws could result in substantial fines and imprisonment.

Payments made to physicians in certain European Union Member States must be publicly disclosed. Moreover, agreements with physicians often must be the subject of prior notification and approval by the physician’s employer, his or her competent professional organization and/or the regulatory authorities of the individual European Union Member States. These requirements are provided in the national laws, industry codes or professional codes of conduct, applicable in the European Union Member States. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

The collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data, is subject to the European Union General Data Protection Regulation, or GDPR, which became effective on May 25, 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States, and permits data protection authorities to impose large penalties for violations of the GDPR, including potential fines of up to €20 million or 4% of annual global revenues, whichever is greater. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. Compliance with the GDPR will continue to be a rigorous and time-intensive process that may increase our cost of doing business or require us to change our business practices, and despite those efforts, there is a risk that we may be subject to fines and penalties, litigation, and reputational harm in connection with our European activities.

Under the Cures Act and the Trump Administration's regulatory reform initiatives, the FDA's policies, regulations and guidance may be revised or revoked in a manner that could prevent, limit or delay regulatory approval of our product candidates, which would impact our ability to generate revenue.

In December 2016, the 21st Century Cures Act, or Cures Act, was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and spur innovation, but its ultimate implementation is unclear. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the Trump administration may impact our business and industry. Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. An under-staffed FDA could result in delays in the FDA's responsiveness or in its ability to review submissions or applications, issue regulations or guidance, or implement or enforce regulatory requirements in a timely fashion or at all. Moreover, on January 30, 2017, President Trump issued an Executive Order, applicable to all executive agencies, including the FDA, which requires that for each notice of proposed rulemaking or final regulation to be issued in fiscal year 2017, the agency shall identify at least two existing regulations to be repealed, unless prohibited by law. These requirements are referred to as the "two-for-one" provisions. This Executive Order includes a budget neutrality provision that requires the total incremental cost of all new regulations in the 2017 fiscal year, including repealed regulations, to be no greater than zero, except in limited circumstances. For fiscal years 2018 and beyond, the Executive Order requires agencies to identify regulations to offset any incremental cost of a new regulation and approximate the total costs or savings associated with each new regulation or repealed regulation. In interim guidance issued by the Office of Information and Regulatory Affairs within OMB on February 2, 2017, the administration indicates that the "two-for-one" provisions may apply not only to agency regulations, but also to significant agency guidance documents. In addition, on February 24, 2017, President Trump issued an executive order directing each affected agency to designate an agency official as a "Regulatory Reform Officer" and establish a "Regulatory Reform Task Force" to implement the two-for-one provisions and other previously issued executive orders relating to the review of federal regulations, however it is difficult to predict how these requirements will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

Current and future legislation may increase the difficulty and cost for us and any current or future collaborators to obtain marketing approval of and commercialize our products or product candidates and affect the prices we, or they, may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could, among other things, prevent or delay marketing approval of our drug candidates, restrict or regulate post-approval activities and affect our ability, or the ability of any future collaborators, to profitably sell any drugs for which we, or they, obtain marketing approval. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we, or any future collaborators, may receive for any approved drugs.

Among the provisions of the Patient Protection and Affordable Care Act, or ACA, of potential importance to our business and our drug candidates are the following:

- an annual, non-deductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;

- expansion of healthcare fraud and abuse laws, including the civil False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for noncompliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report certain financial arrangements with physicians and teaching hospitals;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

Other legislative changes have been proposed and adopted since the ACA was enacted. These changes include the Budget Control Act of 2011, which, among other things, led to aggregate reductions to Medicare payments to providers of up to 2% per fiscal year that started in 2013 and will stay in effect through 2024 unless additional Congressional action is taken, and the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several types of providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate or product is prescribed or used. Further, there have been several recent U.S. congressional inquiries and proposed state and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products.

We expect that these healthcare reforms, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product and/or the level of reimbursement physicians receive for administering any approved product we might bring to market. Reductions in reimbursement levels may negatively impact the prices we receive or the frequency with which our products are prescribed or administered. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors.

With enactment of the Tax Cuts and Jobs Act of 2017, or the 2017 Tax Act, which was signed by President Trump on December 22, 2017, Congress repealed the "individual mandate." The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, has become effective. According to the Congressional Budget Office, the repeal of the individual mandate will cause 13 million fewer Americans to be insured in 2027 and premiums in insurance markets may rise. Moreover, on December 14, 2018, a United States District Court judge in the Northern District of Texas ruled that the individual mandate portion of the ACA is an essential and inseverable feature of the ACA, and therefore because the mandate was repealed as part of the 2017 Tax Act, the remaining provisions of the ACA are invalid as well. The Trump administration and CMS have both stated that the ruling will have no immediate effect, and on December 30, 2018 the same judge issued an order staying the judgment pending appeal. It is unclear how this decision and any subsequent appeals and other efforts to repeal and replace the ACA will impact the ACA and our business. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results.

Furthermore, since January 2017, President Trump has signed two Executive Orders designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. One Executive Order directs federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a

fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. The second Executive Order terminates the cost-sharing subsidies that reimburse insurers under the ACA. Several state Attorneys General filed suit to stop the administration from terminating the subsidies, but their request for a restraining order was denied by a federal judge in California on October 25, 2017. The loss of the cost share reduction payments is expected to increase premiums on certain policies issued by qualified health plans under the ACA. Further, on June 14, 2018, the United States Court of Appeals for the Federal Circuit ruled that the federal government was not required to pay more than $12 billion in ACA risk corridor payments to third-party payors who argued were owed to them. The effects of this gap in reimbursement on third-party payors, the viability of the ACA marketplace, providers, and potentially our business, are not yet known.

In addition, the CMS has recently proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through such marketplaces. On November 30, 2018, CMS announced a proposed rule that would amend the Medicare Advantage and Medicare Part D prescription drug benefit regulations to reduce out of pocket costs for plan enrollees and allow Medicare plans to negotiate lower rates for certain drugs. Among other things, the proposed rule changes would allow Medicare Advantage plans to use pre authorization, or PA, and step therapy, or ST, for six protected classes of drugs, with certain exceptions, permit plans to implement PA and ST in Medicare Part B drugs; and change the definition of “negotiated prices” while adding a definition of “price concession” in the regulations. It is unclear whether these proposed changes we be accepted, and if so, what effect such changes will have on our business. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results. We continue to evaluate the effect that the ACA and its possible repeal and replacement has on our business.

We will continue to evaluate the effect that the ACA and its possible repeal and replacement could have on our business. It is possible that such initiatives, if enacted into law, could ultimately result in fewer individuals having health insurance coverage or in individuals having insurance coverage with less generous benefits. While the timing and scope of any potential future legislation to amend the ACA is highly uncertain in many respects, it is also possible that some of the ACA provisions that generally are not favorable for the research-based pharmaceutical industry could also be repealed along with ACA coverage expansion provisions. Accordingly, such reforms, if enacted, could have an adverse effect on anticipated revenue from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop or commercialize product candidates.

The costs of prescription pharmaceuticals in the United States has also been the subject of considerable discussion in the United States, and members of Congress and the Administration have stated that they will address such costs through new legislative and administrative measures. The pricing of prescription pharmaceuticals is also subject to governmental control outside the United States. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost effectiveness of our product candidates to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our ability to generate revenues and become profitable could be impaired.

In addition, on May 11, 2018, the Administration issued a plan to lower drug prices. Under this blueprint for action, the Administration indicated that the Department of Health and Human Services, or the HHS, will: take steps to end the gaming of regulatory and patent processes by drug makers to unfairly protect monopolies; advance biosimilars and generics to boost price competition; evaluate the inclusion of prices in drug makers’ ads to enhance price competition; speed access to and lower the cost of new drugs by clarifying policies for sharing information between insurers and drug makers; avoid excessive pricing by relying more on value-based pricing by expanding outcome-based payments in Medicare and Medicaid; work to give Part D plan sponsors more negotiation power with drug makers; examine which Medicare Part B drugs could be negotiated for a lower price by Part D plans, and improving the design of the Part B Competitive Acquisition Program; update Medicare’s drug-pricing dashboard to increase transparency; prohibit Part D contracts that include “gag rules” that prevent pharmacists from informing patients when they could pay less out-of-pocket by not using insurance; and require that Part D plan members be provided with an annual statement of plan payments, out-of-pocket spending, and drug price increases.

At the same time, the Trump administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. Additionally, the Trump administration released a "Blueprint" to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products and reduce the out of pocket costs of drug products paid by consumers. While any proposed measures will require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures are increasingly passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional health care authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. Increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

Governments outside the United States tend to impose strict price controls, which may adversely affect our revenues, if any.

In some countries, such as the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control and access. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we, or any current or future collaborators, may be required to conduct a clinical trial that compares the cost-effectiveness of our product to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be materially harmed.

Laws and regulations governing any international operations we may have in the future may preclude us from developing, manufacturing and selling certain products outside of the United States and require us to develop and implement costly compliance programs.

If we expand our operations outside of the United States, we must dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate. The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial civil and criminal penalties and suspension or debarment from government contracting. The Securities and Exchange Commission also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with manufacturing standards we have established, to comply with federal and state health-care fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a code of business conduct and ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

If we, our collaborators or any third-party manufacturers we engage in the future fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur significant costs.

We, our collaborators and any third-party manufacturers we may engage in the future are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. From time to time and in the future, our operations may involve the use of hazardous materials, including chemicals and biological materials, and produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

Although we maintain general liability insurance as well as workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Further, with respect to the operations of any current or future collaborators or third-party contract manufacturers, it is possible that if they fail to operate in compliance with applicable environmental, health and safety laws and regulations or properly dispose of wastes associated with our products, we could be held liable for any resulting damages, suffer reputational harm or experience a disruption in the manufacture and supply of our product candidates or products.

The comprehensive tax reform bill enacted in 2017 could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed the 2017 Tax Act into law, which significantly revised the Internal Revenue Code of 1986, as amended. The 2017 Tax Act, among other things, contains significant changes to corporate federal income taxation, including the reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, the limitation of the tax deduction for net interest expense to 30% of adjusted earnings (except for certain small businesses), the limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, in each case, for losses arising in taxable years beginning after December 31, 2017 (though any such net operating losses may be carried forward indefinitely), the one-time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, the elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modification or repeal many business deductions and credits. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the 2017 Tax Act is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain how various states will respond to the 2017 Tax Act. The impact of the 2017 Tax Act on holders of our common stock is also uncertain and could be adverse. We urge our stockholders to consult with their legal and tax advisors with respect to the 2017 Tax Act and the potential tax consequences of investing in or holding our common stock

We might not be able to utilize a significant portion of our net operating loss carryforwards and research and development tax credit carryforwards.

As of December 31, 2018, we had federal and state net operating loss carryforwards of $190.6 million, which begin to expire in 2026, and state net operating loss carryforwards of $161.8 million, which begin to expire in 2026. As of December 31, 2018, we also had federal research and development tax credit carryforwards of $7.0 million and state research and development tax credit carryforwards $3.6 million, which begin to expire in 2026 and 2025, respectively. These net operating loss and tax credit carryforwards could expire unused and be unavailable to offset our future income tax liabilities. Under the 2017 Tax Act, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain how various states will respond to the 2017 Tax Act. If our ability to use our historical net operating loss and tax credit carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.

We remain highly dependent on the research and development, clinical and business development expertise of Amar Sawhney, Ph.D., our Chairman of the Board of Directors and former President and Chief Executive Officer, as well as the other principal members of our management, scientific and clinical team, including Antony Mattessich, our President and Chief Executive Officer. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. We do not maintain “key person” insurance for any of our executives or other employees.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to

successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

We expect to expand our development, regulatory and manufacturing capabilities and potentially implement sales, marketing and distribution capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

Although we had a reduction in workforce in 2017 primarily related to sales and marketing personnel, we expect our drug development, clinical, regulatory affairs, and manufacturing teams to grow in the short-term and may regrow our sales and marketing capabilities in the longer term as we commercialize DEXTENZA. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. In 2016, we entered into a lease agreement for new general office research and development and manufacturing space. We relocated our corporate headquarters to the new leased premises during June 2017 and are evaluating the relocation of our manufacturing operations to the new leased premises. Due to our limited financial resources and our limited experience in managing such anticipated growth, we may not be able to effectively manage the expansion of our operations, or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Our internal computer systems, or those of our collaborators or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs.

Our internal computer systems and those of our current and any future collaborators, contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, our competitive position could be harmed and the further development and commercialization of our products and product candidates could be delayed.

Risks Related to Our Common Stock

Our executive officers, directors and principal stockholders, if they choose to act together, have the ability to control all matters submitted to stockholders for approval.

Our executive officers, directors and principal stockholders, in the aggregate, beneficially own a large portion of our capital stock. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets.

This concentration of voting power may:

- delay, defer or prevent a change in control;
- entrench our management and the board of directors; or
- delay or prevent a merger, consolidation, takeover or other business combination involving us on terms that other stockholders may desire.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our certificate of incorporation and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- provide for a classified board of directors such that only one of three classes of directors is elected each year;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from our board of directors;
- provide for advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal specified provisions of our certificate of incorporation or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

We are currently subject to legal proceedings related to the decline in our stock price, which could distract our management and could result in substantial costs or large judgments against us.

In July 2017, we experienced a decline in our stock price following our announcement that we had received notice of the FDA’s determination that it could not approve our NDA for DEXTENZA in its then present form. In addition, the market prices of securities of companies in the biotechnology and pharmaceutical industry have been extremely volatile

and have experienced fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. These fluctuations could adversely affect the market price of our common stock. In the past, securities class action litigation has often been brought against companies following periods of volatility in the market prices of their securities. In July and August 2017, class action lawsuits were filed against us and certain of our current and former executive officers in the United States District Court for the District of New Jersey, which were transferred to the United States District Court for the District of Massachusetts at our request and were subsequently consolidated. The court dismiss the consolidated cases in April 2019; that dismissal may be subject to appeal. In addition, in July 2017, shareholder derivative actions were filed against certain of our current and former executive officers, certain of our current and former board members, and two of our investors and against the company as a nominal defendant, in the United States District Court for the District of Massachusetts and in Massachusetts Superior Court (Suffolk County). These actions were re-filed in October and December 2017, were consolidated by court order in January 2018, and are now pending under one docket in Massachusetts Superior Court (Suffolk County). In January 2018, a third shareholder derivative action was filed against us, certain of our current and former executive officers, and certain of our current and former board members in the United States District Court for the District of Massachusetts. In February 2018, a fourth shareholder derivative action was filed against us, certain of our current and former executive officers, certain of our current and former board members, and two of our investors in the United States District Court for the District of Delaware. We also received subpoenas from the SEC in December 2017 and August 2018 seeking documents and information concerning DEXTENZA, including related communications with the FDA and investors. In May 2019, the SEC notified us that the SEC had concluded its investigation. Due to the volatility in our stock price, we may be the target of similar proceedings in the future.

In connection with such legal proceedings, we could incur substantial costs and such costs and any related settlements or judgments may not be covered by insurance. We could also suffer an adverse impact on our reputation and a diversion of management's attention and resources, which could cause serious harm to our business, operating results and financial condition.

An active trading market for our common stock may not be sustained.

Our shares of common stock began trading on the Nasdaq Global Market on July 25, 2014. Given the limited trading history of our common stock, there is a risk that an active trading market for our shares will not be sustained, which could put downward pressure on the market price of our common stock and thereby affect the ability of our stockholders to sell their shares.

The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for holders of our common stock.

Our stock price may be volatile. The stock market in general and the market for smaller biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance. As a result of this volatility, our stockholders may not be able to sell their common stock at or above the price at which they purchased it. The market price for our common stock may be influenced by many factors, including:

- our success in commercializing DEXTENZA, ReSure Sealant and any product candidates for which we obtain marketing approval;
- the success of competitive products or technologies;
- results of clinical trials of our product candidates;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key scientific or management personnel;
- the level of expenses related to any of our product candidates or clinical development programs;

- the results of our efforts and the efforts of our current and future collaborators to discover, develop, acquire or in-license additional products, product candidates or technologies for the treatment of ophthalmic diseases or conditions, the costs of commercializing any such products and the costs of development of any such product candidates or technologies;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- the ability to secure third-party reimbursement for our products or product candidates;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. We also may face securities class-action litigation if we cannot obtain regulatory approvals for or if we otherwise fail to commercialize DEXTENZA, OTX-TP or our other product candidates. As described in "Item 1— Legal Proceedings," we and certain of our current and former executive officers and current and former board members have been named as defendants in purported class action lawsuits and derivative lawsuits. These proceedings and other similar litigation, if instituted against us, could cause us to incur substantial costs to defend such claims and divert management's attention and resources.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

Persons who were our stockholders prior to our initial public offering continue to hold a substantial number of shares of our common stock. If such persons sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline.

In addition, shares of common stock that are either subject to outstanding options or reserved for future issuance under our stock incentive plans will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules and Rule 144 and Rule 701 under the Securities Act of 1933, as amended, and, in any event, we have filed a registration statement permitting shares of common stock issued on exercise of options to be freely sold in the public market. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Certain holders of our common stock have rights, subject to specified conditions, to require us to file registration statements covering their shares or, along with certain holders of shares of our common stock issuable upon exercise of warrants issued to lenders, to include their shares in registration statements that we may file for ourselves or other stockholders. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

We are an "emerging growth company" and a "smaller reporting company" and the reduced disclosure requirements applicable to such companies may make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company until December 31, 2019, provided that, if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time or if we have annual gross revenues of $1.07 billion or more in any fiscal year, we would cease to be an emerging growth company as of December 31 of the applicable year. We also would cease to be an emerging growth company if we issue more than

$1 billion of non-convertible debt over a three-year period. As an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We expect to continue to take advantage of some or all of the available exemptions.

We are also a "smaller reporting company," as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended. We would cease to be a smaller reporting company if we have a non-affiliate public float in excess of $250 million and annual revenues in excess of $100 million, or a non-affiliate public float in excess of $700 million, determined on an annual basis. Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company, which would allow us to take advantage of many of the same exemptions from disclosure requirements. In addition to the above reduced disclosure requirements applicable to EGCs, as a smaller reporting company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not smaller reporting companies. These exemptions include:

- being permitted to provide only two years of audited consolidated financial statements in this Annual Report on Form 10-K, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to furnish a contractual obligations table in "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and
- not being required to furnish a stock performance graph in our annual report.

We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, the JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to delay such adoption of new or revised accounting standards, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for public companies that are not emerging growth companies.

We incur increased costs as a result of operating as a public company, and our management is now required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, and particularly after we are no longer an emerging growth company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The Nasdaq Global Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these

rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly.

For as long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies as described in the preceding risk factor.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we will be required to furnish a report by our management on our internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses in our internal control over financial reporting, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be our stockholders' sole source of gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of our credit facility and any future debt agreements that we may enter into, may preclude us from paying dividends without the lenders' consent or at all. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain for the foreseeable future.

Item 5. Other Information.

On April 4, 2019, we entered into a sublease agreement, which we refer to as the Lease Agreement, with Holcim (US) Inc. for approximately 30,036 square feet of general office space located at 24 Crosby Drive in Bedford, Massachusetts and accompanying parking spaces. The lease term commenced on April 17, 2019 and expires on March 31, 2024. The Lease Agreement does not include any renewal option and is subordinate to the master lease to which Holcim is a party.

No base rent is due under the Lease Agreement until July 2019. The initial annual base rent is approximately $0.6 million and will increase annually beginning on April 1 of each year. We are obligated to pay all real estate taxes and costs related to the premises, and the Lease Agreement is non-cancelable. We posted a customary letter of credit in the amount of approximately $0.2 million as a security deposit.

The Lease Agreement contains certain events of default, including failure to pay rent or other payments when due, failure to maintain insurance, and certain events of insolvency. In the event of a default by the Company, the Landlord may, subject to certain limitations, terminate the Lease and recover from the Company, as and for liquidated damages, the sum of (a) an amount equal to the then-present value of the rent remaining under the term of the Lease Agreement including any amounts treated as additional rent and other sums payable by us under the Lease Agreement, minus the fair rental value of the premises; (b) the value of the time and expenses necessary to obtain a replacement tenant and recover and release the premises; and (c) the cost of performing any covenants which otherwise would have been performed by us under our tenancy.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the following Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
4.1	Registration Rights Agreement, dated as of March 1, 2019, by and among Ocular Therapeutix, Inc. and the Purchasers identified therein	10-K	001-36554	3/7/2019	4.2	
10.1	Note Purchase Agreement (including Form of Senior Subordinated Convertible Note), dated as of February 21, 2019, by and among Ocular Therapeutix, Inc. and the Purchasers listed therein.	8-K	001-36554	2/21/2019	10.1	
10.2	First Amendment to Third Amended and Restated Credit and Security Agreement, dated as of February 21, 2019, by and among Ocular Therapeutix, Inc., MidCap Financial Trust, as administrative agent, and the Lenders listed therein.	8-K	001-36554	2/21/2019	10.3	
10.3	Subordination Agreement, dated as of February 21, 2019, by and among Ocular Therapeutix, Inc., MidCap Financial Trust, as administrative agent, and the Lenders listed therein.	8-K	001-36554	2/21/2019	10.4	
10.4	Sublease, dated as of April 4, 2019, by and among Ocular Therapeutix, Inc. and Holcim (US) Inc.					X
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
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					X

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
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					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Database					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X

SIGNATURES

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

OCULAR THERAPEUTIX, INC.

Date: May 10, 2019

By: /s/ Donald Notman
Donald Notman
Chief Financial Officer
(Principal Financial and Accounting Officer)

SUBLEASE

THIS SUBLEASE ("**Sublease**") is dated for reference purposes as of April 4, 2019, and is made by and between HOLCIM (US) INC., a Delaware corporation ("**Sublessor**") and OCULAR THERAPEUTIX, INC., a Delaware corporation ("**Sublessee**").

R E C I T A L S:

A. Reference is hereby made to that certain Lease by and between CCC INVESTORS LLC, a Delaware limited liability company, as successor in interest to RAR2-CROSBY CENTER QRS, INC., a Maryland corporation ("**Master Lessor**"), and Sublessor as "Tenant", dated March 18, 2013 (the "**Original Lease**"), for space stipulated to consist of thirty thousand and thirty-six (30,036)rentable square feet (the "**Premises**") in that certain office building known as 24 Crosby Drive, Bedford, Massachusetts 01730 and described more particularly in the Master Lease (the "**Building**"). The Original Lease is referred to herein collectively as the "**Master Lease**". A true and complete copy of the Master Lease is attached hereto as **Exhibit "A"**.

B. Sublessee wishes to sublease the entirety of the Premises from Sublessor, which Premises are shown on Exhibit A to the Master Lease, on the terms and conditions contained herein. Sublessor wishes to sublease the Premises to Sublessee on the terms and conditions contained herein.

C. All initially capitalized terms used in this Sublease and not otherwise defined herein shall have the same meanings given to such terms in the Master Lease.

A G R E E M E N T:

Accordingly, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Premises, Parking and Representation, Warranties and Covenants: Subject to the condition precedent contained in Section 10 below, Sublessor hereby subleases to Sublessee, and Sublessee hereby subleases from Sublessor, the Premises and Parking on the terms and conditions contained herein. Sublessor represents and warrants to Sublessee that (i) the Master Lease has not been amended or modified, (ii) Sublessor is not in default of any of its obligations pursuant to the Master Lease and (iii) no event has occurred and is continuing which, with notice or the lapse of time, would constitute an event of default by Sublessor or Master Lessor pursuant to the Master Lease. Sublessor covenants and agrees that Sublessor (i) will pay and perform all of its obligations pursuant to the Master Lease as and when due, (ii) will not terminate or surrender the Master Lease without the prior written consent of Sublessee, (iii) will not amend or modify the Master Lease in a way that increases Sublessee's obligations or diminishes Sublessee's rights hereunder, (iv) will deliver to Sublessee a copy of any such amendment or modification to the Master Lease within five (5) business days of execution of any such amendment on modifications of the Master Lease; and (v) will use commercially reasonable efforts to deliver to Sublessee within five (5) business days of receipt all notices from Master

Lessor to Sublessor. This Section shall survive the expiration or earlier termination of this Sublease.

2. Term:

2.1 Term: The term (the "**Term**") of this Sublease shall commence on that day which is one (1) business day after receipt by Sublessee of the Consent and Waiver (as such term is hereinafter defined) (as so determined, the "**Commencement Date**") and shall end, without notice, on March 31, 2024 (the "**Expiration Date**"), unless this Sublease is sooner terminated pursuant to its terms or unless the Master Lease is sooner terminated pursuant to its terms.

2.2 No Option to Extend: Sublessee hereby acknowledges that: (i) the expiration date of this Sublease is March 31, 2024, (ii) Sublessor has no obligations whatsoever to exercise any option that it may have under the Master Lease to renew or extend the term thereof, and (iii) Sublessee must vacate the Premises fully and completely on or before the Expiration Date, in accordance with all terms and conditions of this Sublease and the Master Lease as incorporated herein. Sublessee shall have the obligation to surrender the Premises in accordance with the terms and conditions of the Master Lease, including removal of any cabling as required by Master Lessor and Personal Property as defined herein.

2.3 Access: Sublessee shall have access to the Premises twenty-four (24) hours per day, seven (7) days a week, 365 days per year, subject however, to Master Lessor's after hours security measures and events beyond the reasonable control of Master Lessor and Sublessor. Sublessee shall be responsible for furnishing its own security for the Premises at Sublessee's sole cost and expense.

3. Rent:

3.1 Gross Rent: Subject to the terms and conditions of this Section 3.1 and Section 10 hereof, Sublessee shall pay to Sublessor the total Monthly Installments of Rent set forth below ("**Total Gross Rent**"). Within five (5) business days after the parties' receipt of Master Lessor's consent and waiver pursuant to Section 10 below, Sublessee shall deliver to Sublessor pursuant to Section 3.5 below, a security deposit in the form of a letter of credit in the amount of $150,000.00 ("**Security Deposit**"). The Security Deposit shall be held and returned pursuant to Section 3.5 hereof. Subject to Section 10 hereof, beginning on July __, 2019, and continuing on or before the first (1st) of each month thereafter throughout the Term, Sublessee shall pay to Sublessor installments of the Total Gross Rent as monthly base rent for the Premises as follows:

From	Through	RSF	Annual Rent Per RSF	Annual Rent	Monthly Installment of Rent
Commencement Date	the three (3) month anniversary of the Commencement Date (the "Rent Commencement Date")	30,036	$0.00	$0.00	$0.00
Rent Commencement Date	3/31/2020	30,036	$19.00	$570,684.00	$47,557.00
4/1/2020	3/31/2021	30,036	$19.50	$585,702.00	$48,808.50
4/1/2021	3/31/2022	30,036	$20.00	$600,720.00	$50,060.00
4/1/2022	3/31/2023	30,036	$20.50	$615,738.00	$51,311.50
4/1/2023	3/31/2024	30,036	$21.00	$630,756.00	$52,563.00

plus all sales taxes levied or assessed against all Rent which Sublessee is obligated to pay hereunder ("**Rent Tax**"), (collectively "**Monthly Gross Rent**"). Monthly Gross Rent (and all other Rent, as defined in Section 3.2, below) for any partial month shall be prorated based on a thirty (30) day month. To the extent, if any, that Base Rent (as defined in the Master Lease) and/or other rent due pursuant to the Master Lease and payable by Sublessor for the Premises is abated under the Master Lease, including without limitation, pursuant to Sections 7.3 and Article 22 of the Master Lease, for any period(s) during the Term, Sublessee shall be entitled to an equitable abatement of Rent in the same percentage amount. Sublessee shall not be required to pay any Rent (as such term is hereinafter defined) with respect to Parking, except as identified in Section 30.1.5 of the Master Lease.

3.2 Additional Rent and Electricity: Any monetary obligations of Sublessee provided hereunder shall be considered "**Additional Rent**" and along with the Total Gross Rent may be referred to herein collectively at times as "**Rent**". Each of Sublessor and Sublessee agrees that fiscal year 2019 shall be considered the base year (the "**Base Year**") for calculating Sublessee's obligation to Sublessor with respect to Taxes and Expenses pursuant to this Sublease. Sublessor shall notify Sublessee in writing of the amounts which Sublessee is required to pay to Sublessor with respect to Expenses and Taxes at least thirty (30) days prior to the due date thereof. Subject to the foregoing, commencing as of August 1, 2019 and continuing thereafter through the Expiration Date, Sublessee shall pay to Sublessor on the dates when Monthly Gross Rent is due and payable (i) Tenant's Proportionate Share for Expenses in excess of Tenant's Proportionate Share for Expenses for the Base Year (as such term is defined in this Sublease) paid by Sublessor to Master Lessor pursuant to the Master Lease and (ii) Tenant's Proportionate Share for Taxes in excess of Tenant's Proportionate Share for Taxes for the Base Year (as such term is defined in this Sublease) paid by Sublessor to Master Lessor pursuant to

the Master Lease. Sublessor shall use commercially reasonable efforts to deliver to Sublessee within five (5) business days after Sublessor's receipt thereof true and complete copies of all notices, communications and determinations which Sublessor receives from Master Lessor pursuant to Section 4 of the Master Lease. Subject to the foregoing, Sections 4.2 through 4.6, inclusive, of the Master Lease shall be applicable to Sublessee's obligation to pay the foregoing amounts. If Sublessor conducts an audit pursuant to Section 4.3 of the Master Lease, Sublessor shall provide Sublessee with the results thereof forthwith upon completion of such audit. Sublessor agrees that Sublessee may elect to conduct an audit pursuant to Section 4.3 of the Master Lease at Sublessee's expense and as attorney-in-fact (which shall be coupled with an interest and irrevocable during the Term) for Sublessor. As of the date of execution of this Sublease, Sublessor is paying to Master Lessor $1,951.00 per month on account of Tenant's Proportionate Share for Expenses and $2,316.00 per month on account of Tenant's Proportionate Shares for Taxes.

Sublessee shall also pay to Sublessor $1.50 per rentable square foot for electricity serving the Premises with such amount to be increased or decreased from time to time by Master Lessor pursuant to Section 13.1.1 of the Master Lease. Sublessor represents and warrants to Sublessee that as of the date of execution of this Sublease, Sublessor is paying to Master Lessor $1,014.00 per month for electricity pursuant to Section 13.1.1 of the Master Lease. If and to the extent that Master Lessor increases or decreases the amount to be paid by Sublessor pursuant to Section 13.1.1 of the Master Lease, Sublessee's payment to Sublessor for electricity shall be increased or decreased by the same amount.

3.3 Payments of Rent: Rent shall be payable without notice or demand and , except as set forth in this Sublease, without any deduction, offset, or abatement, in lawful money of the United States of America. Rent shall be paid directly to Sublessor by wire transfer as follows:

Account Name:	Holcim (US) Inc.
Bank:	JPMorgan Chase, N.A.
Location:	1 Chase Manhattan Plaza
	New York, NY 10005
Swift Code:	CHASUS33
Routing No.:	021000021
Account No.:	500008656

or at such other address as may be designated in writing by Sublessor. If Sublessee fails to pay any Rent under this Sublease within five (5) business days after the same becomes due and payable, in addition to the delinquent Rent, Section 3.2 of the Master Lease shall be applicable thereto.

3.4 Personal Property Taxes: In addition to Total Gross Rent, Sublessee shall be obligated to pay as Additional Rent within twenty (20) days after its receipt of a written statement from Sublessor setting forth the applicable taxes, all assessments, license fees, and other charges which are levied against Sublessee's personal property, fixtures, equipment, and alterations located within the Premises.

3.5 Security Deposit: The Security Deposit shall be held by Sublessor as security for the faithful performance by Sublessee of all the terms, covenants and conditions of this Sublease to be kept and performed by Sublessee and not as an advance rental deposit or as a measure of Sublessor's damage in case of Sublessee's default. If Sublessee defaults beyond the expiration of applicable notice and cure periods with respect to any provision of this Sublease, Sublessor may use any part of the Security Deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Sublessor may spend or become obligated to spend by reason of Sublessee's default, or to compensate Sublessor for any other loss or damage which Sublessor may suffer by reason of Sublessee's default. If any portion is so used, Sublessee shall within five (5) business days after written demand from Sublessor to Sublessee, deposit with Sublessor an amount sufficient to restore the Security Deposit to its original amount and Sublessee's failure to do so shall be a material breach of this Sublease. Except to such extent, if any, as shall be required by law, Sublessor shall not be required to keep the Security Deposit separate from its general funds, and Sublessee shall not be entitled to interest on such deposit. If Sublessee is not in default of its obligations pursuant to this Sublease on the Expiration Date, the Security Deposit or any balance thereof shall be returned to Sublessee within thirty (30) days after the Expiration Date. Sublessee shall be required to deliver a letter of credit in substantially the same form as required by Section 5 of the Master Lease (specifically excluding the amount of the Security Deposit which shall be governed by this Sublease).

4. Master Lease:

4.1 Incorporation of Master Lease: The terms, conditions and respective obligations of Sublessor and Sublessee to each other under this Sublease shall be the terms of the Master Lease, except as otherwise set forth in this Sublease. Except in Section 19.9 of the Master Lease, wherever else in the Master Lease the word "Tenant" appears, for the purposes of this Sublease, the word "Sublessee" shall be substituted; wherever in the Master Lease the word "Lease" appears, for the purposes of this Sublease, the word "Sublease" shall be substituted; except where the word "Landlord" appears in the definition of "PARKING" in the Reference Pages of the Master Lease, in Sections 1.3 and 1.4 of the Master Lease, in Articles 6, 7, 9, 13, 15, 16 and 17 of the Master Lease, in Section 19.9 of the Master Lease, in Articles 22, 23, 24 and 25 of the Master Lease, and in Sections 30.1.1 through 30.2, inclusive of the Master Lease, wherever else in the Master Lease the word "Landlord" appears, for the purposes of this Sublease, the word "Sublessor" shall be substituted; and wherever in the Master Lease the word "Term" appears for purposes of this Sublease the Term (as defined in Section 2.1 hereof) shall be substituted. Sublessee hereby acknowledges that it has read and is familiar with the terms of the Master Lease and agrees that this Sublease is subordinate and subject to the Master Lease, and that any termination of the Master Lease shall likewise terminate this Sublease. Anything in this Sublease to the contrary notwithstanding, the following provisions of the Master Lease are not incorporated herein (the "**Excluded Provisions**") and Sublessee shall have no liability or obligation with respect to any Excluded Provisions:

- All of the defined terms included in the Reference Pages other than BUILDING, PREMISES ADDRESS, PREMISES, PREMISES RENTABLE AREA, BUILDING RENTABLE AREA, TERMINATION DATE, TENANT'S PROPORTIONATE SHARE FOR EXPENSES, TENANT'S PROPORTIONATE SHARE FOR TAXES,

ASSIGNMENT/ SUBLETTING FEE, AFTER-HOUSE HVAC COST, PARKING, and BUILDING BUSINESS HOURS;

- Sections 2 and 2.2 (Term);
- Section 3 (Rent);
- Article 5 (Security Deposit);
- Section 19.3 (Remedies);
- Article 27 (Notices);
- Article 34 (Commissions);
- Article 40 (Option to Extend);
- Article 42 (Termination Option);
- Article 43 (Non-Compete); and
- Exhibit B, Schedule II (Initial Alterations).

4.2 Time Allowances; Consents: Except for the payment of Rent by Sublessee to Sublessor pursuant to this Sublease and the Excluded Provisions, Sublessee shall perform all other obligations which are imposed on Sublessee to the extent of incorporation of the Master Lease into this Sublease on or before the date which is one (1) business day prior to the date on which Sublessor is required to perform such obligation as Tenant under the Master Lease. All other time limits, cure periods, notice periods and the like which are incorporated herein from the Master Lease shall expire on the date which is two (2) business days prior to the date on which such periods expire with respect to Sublessor as Tenant under the Master Lease. In the event of any conflict between the terms and provisions of (i) the Master Lease and/or the Consent and Waiver and (ii) this Sublease, the terms and provisions of this Sublease shall prevail and control.

4.3 Master Lease Modification: Anything in this Sublease to the contrary notwithstanding, with respect to the rights and obligations of Sublessor and Sublessee under this Sublease, the provisions of the Master Lease which are operative as between Sublessor and Sublessee are modified as follows:

(a) Sublessee shall have no obligation to pay any Monthly Installment of Rent or additional rent to Master Lessor pursuant to the Master Lease, all of which shall be paid by Sublessor to Master Lessor as and when due. Sublessee shall have the right to exercise all of Sublessor's rights pursuant to Articles 22 and 23 of the Master Lease and with respect to all of Sublessor's rights to parking as set forth in the Master Lease, in each case as attorney in fact for Sublessor, which right shall be coupled with an interest and irrevocable during the Term. Except

as otherwise modified by the terms and conditions of this Sublease and except for any negligent act or omission of Sublessor, Sublessee hereby covenants and agrees to comply with and perform all obligations of Sublessor under the Master Lease first arising or accruing during the Term and pertaining to the Premises, including, without limitation, all maintenance and repair obligations, all insurance obligations, all indemnification obligations of Tenant thereunder, and any liability accruing from Sublessee's failure to pay the same when due thereunder. Sublessee agrees that whenever the consent of Master Lessor is required under the terms of the Master Lease with respect to any action, Sublessee shall obtain the consent of Sublessor (which consent shall not be unreasonably withheld, conditioned or delayed, and if Master Lessor consents to such request pursuant to the terms and conditions of the Master Lease, Sublessor shall also give its consent to such Sublessee request) and of Master Lessor prior to taking such action and that Sublessor shall, in no event, be liable to Sublessee for any claim, liability, loss, expense or damages whatsoever in the event Master Lessor should fail to give its consent. In no event shall Sublessor be liable to Sublessee for any liability, loss, or damage whatsoever if Master Lessor should fail to perform its obligations under the Master Lease, nor shall Sublessee be entitled to withhold the payment of Rent or terminate this Sublease. Sublessor shall have no obligations to Sublessee with respect to the Premises, the Building, the Common Areas or Master Lessor's obligations under the Master Lease. Sublessee shall have the right to enforce the Master Lease against Master Lessor or at Sublessee's request (and at Sublessee's cost and expense, which cost shall be preapproved by Sublessee), Sublessor shall enforce the Master Lease against Master Lessor if, in either case, Master Lessor shall default in its obligations under the Master Lease. Prior to Sublessor or Sublessee making a claim against or filing a suit against Master Lessor, all of the following shall have occurred: (a) as to any alleged default under the Master Lease by Master Lessor which affects the Premises, Sublessee shall have first notified Sublessor in writing of such claim against Master Lessor for such default (which notice shall include a reasonably detailed description of Master Lessor's alleged default under the Master Lease), and (b) all applicable cure periods available under the Master Lease to Master Lessor with respect to such alleged default shall have expired without Master Lessor's cure of such alleged default. In addition, Sublessee shall indemnify, protect, defend and hold Sublessor harmless from and against any and all claims, actions, demands, damages, judgments, losses, costs, and expenses (including, without limitation, reasonable attorneys' fees and costs) which arise from or are in any way connected with any action, claim or suit brought by Sublessor (at the request of Sublessee) or Sublessee against Master Lessor for any reason whatsoever in connection with the Master Lease, including without limitation, an action to cause Master Lessor to cure a default thereunder. Nothing set forth in this Sublease shall affect or impair Sublessee's right to seek or obtain equitable relief from a court of competent jurisdiction against Master Lessor and/or Sublessor with respect to any breach or threatened breach of the Master Lease and/or this Sublease.

4.4 Use; Surrender: Sublessee may use the Premises only for general office use, and in no event for any other use prohibited or restricted by the Master Lease or by applicable law. Sublessee shall not commit (or permit to be committed by or on behalf of Sublessee or any of its employees, agents, contractors, visitors, invitees, licensees, subtenants or assigns (collectively, "**Sublessee Parties**")) in or on the Premises, the Building, or the Common Areas, any acts or omissions which shall violate any term or condition of the Master Lease. Without limitation of the foregoing, Sublessee agrees not to commit any waste or damage, or allow any waste or damage to be committed by the Sublessee Parties, in or on any portion of the

Premises, the Building, or the Common Areas. On or before the Expiration Date or sooner termination of this Sublease, Sublessee shall deliver up the Premises to Sublessor in the condition required under Section 26 of the Master Lease which is incorporated herein (including, without limitation, if required under the Master Lease, the removal of any and all Alterations, Tenant improvements and Tenant's furniture, fixtures, equipment and other Personal Property, installed or placed upon the Premises by Sublessee on or after the Commencement Date and to the extent required by the Master Lease). Sublessee shall arrange to meet Master Lessor and Sublessor for two (2) joint inspections of the Premises, the first to occur at least thirty (30) days (but not more than sixty (60) days) before the Expiration Date, and the second to occur not later than forty-eight (48) hours after Sublessee has vacated the Premises, time being of the essence as to each such date. Sublessee's obligations with respect to the surrender of the Premises shall be as set forth in Sections 26.2 and 26.3 of the Master Lease, except that Sublessee shall have no obligation to remove any Alterations to the Premises made by Master Lessor and Sublessee shall have no obligation pursuant to Section 26.3 of the Master Lease for any repair or restoration of the Premises as provided in the Master Lease due to Alterations made to the Premises by Master Lessor prior to the Commencement Date.

5. Right to Cure Defaults:

5.1 Sublessor's Rights: If Sublessee fails to pay any sum of money to Sublessor which is due from Sublessee to Sublessor pursuant to the terms of this Sublease, or fails to perform any other act on its part to be performed hereunder, then Sublessor may, but shall not be obligated to, after the passage of any applicable notice and cure periods, make such payment or perform such act. All such sums paid, and all reasonable costs and expenses of performing any such act, shall be deemed Rent payable by Sublessee to Sublessor upon demand, together with interest thereon at the Interest Rate, from the date of the expenditure until repaid.

5.2 Sublessor Default: Sublessor shall not be in default or breach of this Sublease unless and until it has received written notice from Sublessee identifying the default or breach and, in the case of any monetary default by Sublessor pursuant to this Sublease or the Master Lease, five (5) days have elapsed from Sublessor's receipt of such notice and the default or breach has not been cured within such five-day period, and in the case of any nonmonetary default thirty (30) days have elapsed from the date of Sublessor's receipt of such notice and the default or breach has not been cured within such 30-day period; provided, however, that if the nature of the nonmonetary default or breach reasonably requires more than thirty (30) days to cure, Sublessor shall not be in default or breach of this Sublease so long as it has commenced to cure the nonmonetary default or breach within such 30-day period and is diligently prosecuting the same to completion but in no event shall such cure period exceed ninety (90) days. The foregoing provisions of this Section 5.2 shall not affect or impair any obligation of Sublessor pursuant to the Master Lease. Under no circumstance shall Sublessor be deemed in default or breach of this Sublease as a result of Master Lessor's default or breach of its obligations under the Master Lease provided, however, that Sublessor has notified Master Lessor thereof and Sublessor has provided a copy of such notice to Sublessee at the same time.

6. Indemnification: Sublessee shall indemnify, defend, protect and hold Sublessor harmless from and against all costs, expenses (including reasonable attorneys' fees), fines, suits,

claims, demands, liabilities and actions resulting from any breach, violation or non-performance of any covenant or condition hereof by Sublessee or any Sublessee Parties, or from the use or occupancy of the Premises, the Building, or the Common Areas by Sublessee or any Sublessee Parties but expressly excluding those arising or resulting from Master Lessor's or Sublessor's negligence or willful misconduct and those arising from the presence or release of Hazardous Materials in or from the Premises, the Building and/or the Common Areas prior to the Commencement Date. Sublessor shall indemnify, defend, protect and hold Sublessee harmless from and against all costs, expenses (including reasonable attorneys' fees), fines, suits, claims, demands, liabilities and actions resulting from any breach, violation or non-performance of any covenant or condition hereof or of the Master Lease by Sublessor and those arising from the presence or release of Hazardous Materials in or from the Premises, the Building and/or the Common Areas prior to the Commencement Date, but expressly excluding those arising from the negligence or willful misconduct of Sublessee after the Commencement Date. In no event, however, shall Sublessor or Sublessee be liable for consequential, indirect, punitive or statutory damages. Sublessee's and Sublessor's obligations under this Section shall expressly survive the expiration or earlier termination of this Sublease.

7. Broker: Sublessor and Sublessee each represent to the other that they have dealt with no real estate brokers other than Cushman & Wakefield, Inc. and Newmark Knight Frank, Inc. (collectively, the "**Brokers**"). Each party agrees to hold the other party harmless from and against all claims for brokerage commissions, finder's fees or other compensation made by any other agent, broker, salesman or finder as a consequence of said party's actions or dealings with such agent, broker, salesman, or finder. Sublessor shall pay the commissions due to the Brokers pursuant to a separate agreement and hereby indemnifies Sublessee with respect thereto. The parties' obligations under this Section shall survive the expiration or earlier termination of this Sublease.

8. Authority to Execute: Sublessee and Sublessor each represents and warrants to the other that each person executing this Sublease on behalf of each party is duly authorized to execute and deliver this Sublease on behalf of that party.

9. Holdover: Sublessee has no right to retain possession of the Premises or any part thereof beyond the Expiration Date or sooner termination of this Sublease. Any penalties to Sublessor caused by Sublessee's hold over shall be for the account of Sublessee.

10. Condition Precedent: This Sublease and Sublessor's and Sublessee's obligations hereunder are subject to: (i) Sublessor providing written notice to Master Lessor (with a simultaneous copy to Sublessee) in accordance with the Master Lease within one (1) business day after execution of this Sublease by Sublessor and Sublessee (the "**Notice**") and requesting Master Lessor's consent to this Sublease and thereafter obtaining the written consent of Master Lessor on terms and conditions acceptable to both Sublessor and Sublessee, each in their sole and unfettered discretions, and (ii) Master Lessor waiving its right to terminate the Master Lease pursuant to Section 9.3 of the Master Lease (the "**Consent and Waiver**"). If such Consent and Waiver of Master Lessor is not obtained within fifteen (15) days after the execution of this Sublease, then upon written notice from Sublessee to Sublessor (a "**Termination Notice**"), this Sublease shall terminate and be void and of no force or effect, and neither Sublessor nor

Sublessee shall have any claims against or obligation to the other under this Sublease. If the Consent and Waiver of Master Lessor is not obtained within fifteen (15) days after the execution of this Sublease, and Sublessee do not elect to terminate this Sublease, then this Sublease shall continue until the earlier to occur of the giving of a Termination Notice or the receipt of such Consent and Waiver. If such Consent and Waiver is obtained on terms and conditions acceptable to Sublessor and Sublessee as aforesaid, neither Sublessor or Sublessee shall thereafter have any right to terminate this Sublease on account of such Consent and Waiver. Sublessee shall have no obligation to pay any Monthly Installment of Total Gross Rent until that date which is three (3) months after the Commencement Date. Without limiting the unfettered discretion of the parties to accept or reject Master Lessor's Consent and Waiver, neither Sublessor (except as hereinafter set forth) nor Sublessee shall have any obligation to expend any sums in order to obtain Master Lessor's Consent and Waiver, and shall have no liability for the failure of Master Lessor to provide its Consent and Waiver, provided however, that Sublessor and Sublessee shall use commercially reasonable efforts to obtain such Consent and Waiver as soon as possible and Sublessor shall pay the Assignment/Subletting Fee to Master Lessor at the time of the Notice, any outstanding commission obligation due pursuant to Section 9.3 of the Master Lease, and any amount due to Master Lessor pursuant to Section 9.6 of the Master Lease upon Master Lessor's demand or notice. Such Consent and Waiver shall specifically include Master Lessor's acknowledgment of the parking rights of Sublessee hereunder.

11. As-Is; No Warranties: Sublessor has made no representations or warranties of any kind, whether express or implied, as to the condition of the Premises, the Building, the Common Areas, the Personal Property (as defined below), or any other property, or the suitability of the Premises, the Building, the Common Areas, or the Personal Property for Sublessee's activities and use. Sublessee acknowledges that prior to signing this Sublease, it has had the opportunity to inspect and research the Premises, the Building, and the Common Areas and to contact the Master Lessor in order to independently satisfy itself as to the condition of same, including without limitation, the presence or absence of Hazardous Materials. Sublessee enters and agrees to use the Premises at its own risk, "as is", and subject to any defects (whether patent or latent, known or unknown). Sublessee waives and disclaims all warranties with respect to the Premises, the Building, and the Common Areas, whether express or implied, and assumes the risk that its inspections and inquiry of the Master Lessor did not reveal adverse or unexpected conditions. Anything herein to the contrary notwithstanding, Sublessor hereby assigns to Sublessee all warranties of Master Lessor made pursuant to the Master Lease.

12. Sublessee's Insurance: Sublessee shall maintain at its expense at all times while this Sublease remains in effect all policy or policies of insurance required of the Tenant under the Master Lease, in the policy limits and in the form required thereunder. To the extent the Master Lessor is required to be named as an "additional insured" under the Master Lease, both Master Lessor and Sublessor shall be named as "additional insureds" by way of policy endorsement (ISO Form CG 20 11 01 96 with respect to the public liability and property damage policy) under all such insurance policies obtained by Sublessee. Sublessee shall provide Sublessor and Master Lessor with satisfactory evidence of such policy or policies prior to the Commencement Date, and thereafter promptly after request by Sublessor or Master Lessor. Sublessee's worker's compensation insurer shall waive all rights of subrogation against Sublessor.

13. Personal Property: During the Term of this Sublease, Sublessee shall have the right to use the personal property located in the Premises as of the Commencement Date and as set forth on the list of Personal Property attached hereto as **Exhibit C-1** (collectively, the "**Personal Property**"). Sublessor acknowledges that Sublessee is taking possession of the Personal Property on an "as is, where is, with all faults" basis, and that Sublessee is not relying on any representations or warranties of any kind whatsoever with respect to the Personal Property, express or implied, including, without limitation, any implied warranties as to merchantability or fitness for a particular purpose; provided, however, that Sublessor represents and warrants for the benefit of Sublessee that Sublessor owns the Personal Property free and clear of all liens and security interests. Sublessor shall have no obligation to repair, maintain, replace or insure the Personal Property, all of which shall be at the sole election of Sublessee and Sublessee may dispose of all or any part of the Personal Property at any time. On the first day of the second to last month of the Term of this Sublease, title to the Personal Property shall automatically transfer to Sublessee so long as Sublessee is not then in default under the Sublease beyond all applicable notice and cure periods. Notwithstanding that the foregoing transfer of title to the Personal Property shall be automatic and self-executing, Sublessor agrees to promptly execute and deliver to the Bill of Sale attached hereto as **Exhibit "C"**, and incorporated herein ("**Bill of Sale**"); provided, however, that Sublessor's failure to deliver the Bill of Sale shall in no way limit or otherwise affect the transfer of title to the Personal Property. Sublessee has paid One Dollar ($1.00) to Sublessor for the Personal Property to be transferred as provided herein.

14. Maintenance Obligations: Sublessee shall at its sole cost, perform all maintenance, repair and replacement obligations of Tenant under the Master Lease with respect to the Premises.

15. Air Conditioning and Heating: Sublessee shall be responsible for and shall pay as Additional Rent, the costs for heating and air conditioning service to the Premises at times other than during "Normal Business Hours" for the Building pursuant to the Master Lease. Any Air Conditioning and Heating for time outside Normal Business Hours shall be for the account of Sublessee and shall be considered Additional Rent hereunder.

16. Signage: Sublessee shall have no right to place, install, or maintain signage on the Building, or within the Common Areas, provided, however, that Sublessor will request Master Lessor to install Building Standard identification signage for Sublessee outside the principal entry to the Premises and on the building directory signage (but Sublessee agrees and acknowledges that Sublessor provides no assurance or indication of the likelihood that such signage request will be approved by Master Lessor). If Master Lessor agrees to the request or otherwise allows Sublessee to install signage outside the Premises and/or on the Building directory, then all costs and expenses related to the production, installation and removal of such signage shall be borne solely by Sublessee.

17. Subleasing: Sublessee shall have no right to sub-sub-lease the Premises without the prior written consent of Sublessor and Master Lessor, which consent may be withheld in either of their sole discretion. Sublessee's rights to assign this Sublease shall otherwise be governed by Article 9 of the Master Lease.

18. Miscellaneous:

18.1 Entire Sublease; Amendment: This Sublease (which includes all exhibits hereto) embodies the entire Sublease and understanding between the parties relating to the subject matter hereof, and all prior negotiations, agreements and understandings, oral or written, are hereby revoked, cancelled and rescinded and are all merged herein and superseded hereby. Any amendment to this Sublease, including, without limitation, any oral modification supported by new consideration, must be reduced to writing and signed by both parties in order to be effective.

18.2 Counterparts; Waiver: This Sublease may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Any waiver of the performance of any covenant, condition or promise by either party, in order to be effective, must be in a writing signed by the party who has allegedly waived the covenant, condition or promise in question.

18.3 Severability: Should any part, term or provision of this Sublease or any document required herein to be executed or delivered be declared invalid, void or unenforceable, all remaining parts, terms and provisions hereof shall remain in full force and effect and shall in no way be invalidated, impaired or affected thereby.

18.4 Interpretation: The neuter gender includes the feminine and masculine, and vice-versa, and the singular number includes the plural. The word "person" includes, in addition to any natural person, a corporation, partnership, firm, trust, association, governmental body or other entity. Whether expressly stated or not in this Sublease, any indemnification, release, waiver, hold harmless, covenant to protect or covenant to defend made in this Sublease by one party in favor of the other party shall benefit not only such other party but each and all of its officers, directors, agents, employees, successors and assigns. The captions of the sections of this Sublease are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, or aid in the interpretation, construction or meaning of the provisions of this Sublease.

18.5 Attorneys' Fees: Subject to Section 4.1 of this Sublease, Section 19.4 of the Master Lease shall be applicable to any litigation arising out of or in connection with this Sublease.

18.6 Construction: The parties hereto agree that each party and its counsel or advisor have reviewed and revised this Sublease and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Sublease or any amendments or exhibits hereto.

18.7 Notice: Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party or any other person shall be in writing and served personally, sent by certified first-class mail, return receipt requested or sent by a commercial overnight courier service (e.g. FedEx). Any notice, demand,

request, consent, approval or communication that either party desires or is required to give to the other party shall be addressed to the other party at the address set forth below:

If to Sublessee:

Ocular Therapeutix, Inc.
McCarter & English, LLP
265 Franklin Street
Boston, MA 02110
Attn: Jonathan Sparks, Esquire

If to Sublessor:

Holcim (US) Inc.
6211 N. Ann Arbor Rd.
Dundee, MI 48131
Attn: Facilities Manager

With copies to:

Holcim (US) Inc.
6211 N. Ann Arbor Rd.
Dundee, MI 48131
Attn: Legal Department

If to Master Lessor:

CCC Investors LLC
c/o National Development
2310 Washington Street
Newton Lower Falls, MA 02462
Attn: Check Landry, Vice President, Asset Management

Either party may change its address by notifying the other party of the change of address. Notices shall be effective when received or refused, as evidenced by return receipt or courier's receipt slip.

18.8 Limitation of Liability: No personal liability or personal responsibility is assumed by, or shall at any time be asserted or enforceable against, Sublessor's or Sublessee's respective directors, officers, employees, consultants or advisors on account of this Sublease or on account of any covenant, undertaking or agreement of Sublessor or Sublessee contained in this Sublease.

18.9 No Press Release: Except as may be required by applicable law, neither Sublessor nor Sublessee shall intentionally issue any public press release announcing the signing or existence of this Sublease.

18.10 Intentionally Omitted.

18.11 Alterations and Signage: Sublessor recognizes and agrees that Sublessee is making certain internal reconfigurations of the Premises in order to prepare the Premises for its intended occupancy and is also seeking to erect certain external signage on the Building. Accordingly, Sublessor consents to such internal reconfigurations and external signage subject to receiving more detailed plans of the same and will reasonably cooperate with Sublessee to obtain the consent of Master Sublessor to Sublessee's proposed internal alterations and exterior signage. The internal alterations are targeted to create an open workspace environment including, without limitation, a lounge area to foster such open workspace. The alterations will include demolition of several offices and the training area on the first level, south end of the Building. Prior to commencing the internal alterations, design plans will be prepared and submitted to Sublessor and Master Lessor. With respect to the exterior signage, signage similar to the Sublessee's signage located at 15 Crosby Drive, Bedford, is substantially being proposed for the Building.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Sublease as of the day and year first above written.

SUBLESSEE: OCULAR THERAPEUTIX, INC.

By: /s/ Donald Notman
Name: Donald Notman
Its: Chief Financial Officer

SUBLESSOR: HOLCIM (US) INC.

By: /s/ Ian Johnston
Name: Ian Johnston
Its: Chief Financial Officer

Exhibit A

Master Lease – Attached

LEASE

RAR2-CROSBY CORPORATE CENTER QRS, INC.,
a Maryland corporation

Landlord,

and

HOLCIM (US) INC.,
a Delaware corporation

Tenant

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(continued)

OFFICE LEASE

REFERENCE PAGES

BUILDING:	24 Crosby Drive Bedford, Massachusetts 01730
LANDLORD:	RAR2-CROSBY CORPORATE CENTER QRS, INC., a Maryland corporation
LANDLORD'S ADDRESS:	c/o RREEF 4 Technology Drive Westborough, Massachusetts 01581
WIRE INSTRUCTIONS AND/OR ADDRESS FOR RENT PAYMENT:	RAR2-CROSBY CORPORATE CENTER QRS, INC. 61.L46003-Crosby Corp. Ctr.-24 P.O. Box 9046 Addison, TX 75001-9046
LEASE REFERENCE DATE:	March 18, 2013
TENANT:	HOLCIM (US) INC., a Delaware corporation
TENANT'S NOTICE ADDRESS:	
(a) As of beginning of Term:	24 Crosby Drive Bedford, Massachusetts 01730 Attn: Legal Department
(b) Prior to beginning of Term (if different):	201 Jones Road Waltham, Massachusetts 02451 Attn: Legal Department
PREMISES ADDRESS:	24 Crosby Drive Bedford, Massachusetts 01730
PREMISES:	The portion of the Building shown on the location plan attached hereto as **Exhibit A**, but specifically excluding the exterior portions thereof.
PREMISES RENTABLE AREA:	Approximately 30,036 rentable square feet.
BUILDING RENTABLE AREA:	Approximately 30,036 rentable square feet.
COMMENCEMENT DATE:	December 1, 2013.
TERM OF LEASE:	Approximately ten (10) years, four (4) months, beginning on the Commencement Date and ending on the Termination Date.
TERMINATION DATE:	March 31, 2024
RENT COMMENCEMENT DATE:	April 1, 2014

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ANNUAL RENT and MONTHLY INSTALLMENT OF RENT(Article 3):

Period		Rentable Square Footage	Annual Rent Per Square Foot	Annual Rent	Monthly Installment of Rent
From	Through				
Commencement Date	March 31, 2014 (the "Free Base Rent Period")	30,036	$0.00*	$0.00*	$0.00*
Rent Commencement Date	November 30, 2014	30,036	$21.50	$645,774.00	$53,814.50
December 1, 2014	November 30, 2015	30,036	$22.00	$660,792.00	$55,066.00
December 1, 2015	November 30, 2016	30,036	$22.50	$675,810.00	$56,317.50
December 1, 2016	November 30, 2017	30,036	$23.00	$690,828.00	$57,569.00
December 1, 2017	November 30, 2018	30,036	$23.50	$705,846.00	$58,820.50
December 1, 2018	November 30, 2019	30,036	$24.00	$720,864.00	$60,072.00
December 1, 2019	November 30, 2020	30,036	$24.50	$735,882.00	$61,323.50
December 1, 2020	November 30, 2021	30,036	$25.00	$750,900.00	$62,575.00
December 1, 2021	November 30, 2022	30,036	$25.50	$765,918.00	$63,826.50
December 1, 2022	Termination Date	30,036	$26.00	$780,936.00	$65,078.00

*Notwithstanding anything to the contrary set forth above, except during the Early Access Period (as defined in **Exhibit B**), Tenant shall pay for its electricity for the Premises during the Free Base Rent Period in accordance with the terms and provisions of this Lease.

BASE YEAR (EXPENSES):	Calendar Year 2014 (January 1, 2014 through December 31, 2014).
BASE YEAR (TAXES):	Fiscal Year 2014 (July 1, 2013 through June 30, 2014).
TENANT'S PROPORTIONATE SHARE FOR EXPENSES:	One Hundred and 00/100 percent (100%).
TENANT'S PROPORTIONATE SHARE FOR TAXES:	Nine and 04/100 percent (9.04%) (which is the percentage derived by dividing the Premises Rentable Area by the Rentable Square Footage of the "Parcel" (as such term is defined in Section 4.1.3) and multiplying the result thereof by 100).
SECURITY DEPOSIT:	One Hundred Fifty Thousand and No/100 Dollars ($150,000.00), in the form of a letter of credit pursuant to Article 5.
ASSIGNMENT/SUBLETTING FEE:	One Thousand and No/100 Dollars ($1,000.00).
AFTER-HOURS HVAC COST:	$40.00 per hour, subject to reasonable adjustment by Landlord from time to time.
PARKING:	One hundred two (102) non-exclusive parking spaces (based upon a parking ratio of 3.4 parking spaces per 1,000 rentable square feet of Premises Rentable Area) and three (3) exclusive parking spaces, which three (3) exclusive parking spaces are located in the locations identified on **Exhibit F** attached hereto at the front entrance of the Building with appropriate signage therefor provided by Landlord, all subject to the terms

Initials

	and provisions of Article 30.
REAL ESTATE BROKERS DUE COMMISSIONS:	Cushman & Wakefield of Massachusetts, Inc. and Cassidy Turley.
TENANT'S NAICS CODE:	238110
BUILDING BUSINESS HOURS:	8 a.m. to 6 p.m., Monday through Friday; 8 a.m. to 1 p.m., Saturday.
AMORTIZATION RATE:	Eleven percent (11%).
ALLOWANCE:	One Million Three Hundred Fifty-Nine Thousand Three Hundred Seventy Three and 45/100 Dollars ($1,359,373.45), subject to the terms and provisions of **Exhibit B.**

The Reference Pages information is incorporated into and made a part of the Lease. In the event of any conflict between any Reference Pages information and the Lease, the Lease shall control. This Lease includes **Exhibits A** through **G**, all of which are made a part of this Lease.

LANDLORD:

RAR2-CROSBY CORPORATE CENTER QRS, INC., a Maryland corporation

By: RREEF America, LLC, a Delaware limited liability company, its Authorized Agent

By: David H Crane
Name: David H Crane
Title: Vice President
Dated: 3/18/13

TENANT:

HOLCIM (US) INC., a Delaware corporation

By: JAY TANGLEY
Name: JAY TANGLEY
Title: Senior Vice President Chief Legal Officer
Dated: 3/14/13

Initials

LEASE

By this Lease Landlord leases to Tenant and Tenant leases from Landlord the Premises in the Building as set forth and described on the Reference Pages. The Premises are depicted on the floor plan attached hereto as **Exhibit A**, and the Building is depicted on the site plan attached hereto as **Exhibit A-1**. The Reference Pages, including all terms defined thereon, are incorporated as part of this Lease.

1. **USE AND RESTRICTIONS ON USE.** The Premises are to be used solely for general office purposes, all only to the extent permitted by applicable law (collectively, the "Permitted Uses"). Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure, annoy, or disturb them, or allow the Premises to be used for any improper, immoral, unlawful, or objectionable purpose, or commit any waste. Tenant shall not do, permit or suffer in, on, or about the Premises the sale of any alcoholic liquor without the written consent of Landlord first obtained. Tenant shall comply with all governmental laws, ordinances and regulations applicable to the use of the Premises and its occupancy and shall promptly comply with all governmental orders and directions for the correction, prevention and abatement of any violations in the Building or appurtenant land, caused or permitted by, or resulting from the specific use by, Tenant, or in or upon, or in connection with, the Premises, all at Tenant's sole expense. Tenant shall not do or permit anything to be done on or about the Premises or bring or keep anything into the Premises which will in any way increase the rate of, invalidate or prevent the procuring of any insurance protecting against loss or damage to the Building or any of its contents by fire or other casualty or against liability for damage to property or injury to persons in or about the Building or any part thereof. On the Delivery Date (as hereinafter defined), Landlord shall deliver the Premises to Tenant in compliance with the Americans With Disabilities Act of 1990, and any amendments thereto (the "ADA"), at Landlord's sole cost and expense, but specifically excluding Tenant's layout of its personal property, including without limitation, partitions, cubicles and equipment. Subject to the foregoing obligation of Landlord, following the Delivery Date, Tenant shall be responsible for ensuring that the Premises comply with the ADA at Tenant's sole cost and expense. Subject to emergencies, Landlord's after-hours security measures and events beyond Landlord's reasonable control, Tenant shall have access to the Premises on a twenty-four (24) hour per day, seven (7) day per week basis; provided, however, that Tenant shall be responsible for furnishing its own security for the Premises at Tenant's sole cost and expense.

1.2 Tenant shall not, and shall not direct, suffer or permit any of its agents, contractors, employees, licensees or invitees (collectively, the "Tenant Entities") to at any time handle, use, manufacture, store or dispose of in or about the Premises or the Building any flammables, explosives, radioactive materials, hazardous wastes or materials, toxic wastes or materials, or other similar substances, petroleum products or derivatives or any substance subject to regulation by or under any federal, state and local laws and ordinances relating to the protection of the environment or the keeping, use or disposition of environmentally hazardous materials, substances, or wastes (collectively "Hazardous Materials"), presently in effect or hereafter adopted, all amendments to any of them, and all rules and regulations issued pursuant to any of such laws or ordinances (collectively "Environmental Laws"), nor shall Tenant suffer or permit any Hazardous Materials to be used in any manner not fully in compliance with all Environmental Laws, in the Premises or the Building and appurtenant land or allow the environment to become contaminated with any Hazardous Materials. Notwithstanding the foregoing, Tenant may handle, store, use or dispose of products containing small quantities of Hazardous Materials (such as aerosol cans containing insecticides, toner for copiers, paints, paint remover and the like) to the extent customary and necessary for the use of the Premises for general office purposes; provided that Tenant shall always handle, store, use, and dispose of any such Hazardous Materials in a safe and lawful manner and never allow such Hazardous Materials to contaminate the Premises, Building and appurtenant land or the environment. Tenant shall protect, defend, indemnify and hold each and all of the Landlord Entities (as defined in Article 31) harmless from and against any and all loss, claims, liability or costs (including court costs and attorney's fees) incurred by reason of any actual or asserted failure of Tenant to fully comply with all applicable Environmental Laws, or the presence, handling, use or disposition in or from the Premises of any Hazardous Materials by Tenant or any Tenant Entity (even though permissible under all applicable Environmental Laws or the provisions of this Lease), or by reason of any actual or asserted failure of Tenant to keep, observe, or perform any provision of this Section 1.2.

1.3 During the Term, Tenant and the Tenant Entities will be entitled to the non-exclusive use, in common with others entitled thereto, of: (a) the common areas of the Building as they exist from time to time during the Term; (b) the Parking Facility (as hereinafter defined) serving the Building, subject to the terms and provisions of Article 30 and Landlord's rules and regulations regarding such use; (c) the full-service cafeteria located (i) between the buildings known as and numbered 20 Crosby Drive and 22 Crosby Drive (collectively, the "Amenity Complex"), and (ii) in the building located at 34 Crosby Drive, subject to Landlord's and any operator's rules and regulations regarding such use and subject to any expenses or fees charged by Landlord or such operator from time to time in connection therewith; (d) the conference center for the Crosby Corporate Center (the "Park") located within the Amenity Complex, subject to Landlord's and any operator's

rules and regulations regarding such use and subject to any expenses or fees charged by Landlord or such operator from time to time in connection therewith; and (e) the fitness center for the Park located within the Amenity Complex, subject to Landlord's and any operator's rules and regulations regarding such use and subject to any expenses or fees charged by Landlord or such operator from time to time in connection therewith. During the Term of this Lease, Landlord shall (1) use commercially reasonable efforts to cause a full-service cafeteria, conference center and fitness center to be operated at the Park in the same manner as the same are being operated as of the Lease Reference Date, including without limitation, providing an unstaffed fitness center in the Park for general availability to Tenant and Tenant's employees, with no user or membership fees being charged to Tenant and its employees, and which fitness center will contain men's and women's locker rooms with shower facilities, cardiovascular equipment, free weights, strength training equipment and stretching areas; and (2) in any event, cause at least one (1) full-service cafeteria to be operated at the Park; all as described above in this Section 1.3. Notwithstanding the foregoing, in no event will Tenant or the Tenant Entities park more vehicles in the Parking Facility than provided in the Reference Pages. Except for the Exclusive Parking Spaces (as hereinafter defined) and as otherwise expressly set forth in this Lease, the foregoing shall not be deemed to provide Tenant with an exclusive right to any parking spaces.

1.4 Tenant will not place on the exterior of the Premises (including both interior and exterior surfaces of doors and interior surfaces of windows) or on any part of the Building outside the Premises or any portion of the Premises visible from outside the Premises, any sign, symbol, advertisement or the like visible to public view outside of the Premises. Landlord will not withhold consent for any signs and lettering to the entry doors to the Premises, provided that such signs or lettering comply with law, and provided that Tenant has submitted to Landlord a plan or sketch in reasonable detail (showing, without limitation, size, color, location, materials and method of affixation) of the sign to be placed on such entry doors. Notwithstanding the foregoing to the contrary, Landlord shall provide Building standard signage for Tenant on the building directory and main entrance to the Premises, as well as interior directional signage in the Building and identification signage at the Exclusive Parking Spaces, all at Landlord's sole cost and expense, all of which signage shall be non-exclusive. Notwithstanding anything to the contrary set forth in this Section 1.4, so long as (a) Tenant has submitted to Landlord a plan or sketch in reasonable detail (showing, without limitation, size, color, location, materials and method of affixation) of the moderate Tenant identification sign that Tenant may desire to install on the exterior of the Building in a location to be mutually agreed upon by Landlord and Tenant (the "Tenant's Exterior Building Signage"), (b) Tenant obtains all necessary permits, approvals and licenses with respect to Tenant's Exterior Building Signage from all applicable governmental authorities, (c) Tenant obtains Landlord's prior written consent (which may be granted or withheld in Landlord's reasonable discretion), and (d) Tenant has not assigned this Lease with respect to more than twenty-five percent (25%) of the original Premises or subleased more than twenty-five percent (25%) of the original Premises in the aggregate (whether pursuant to a single transaction or through multiple transactions) during the period that Tenant's Exterior Building Signage will remain in place on the exterior of the Building, then Tenant shall have the right, at Tenant's sole cost and expense, to install Tenant's Exterior Building Signage on the Building in accordance with the provisions of this Section 1.4. Upon the expiration or earlier termination of the Term, Tenant shall remove Tenant's Exterior Building Signage, at Tenant's sole cost and expense, and repair and restore the exterior portion of the Building where Tenant's Exterior Building Signage was located to a condition consistent with the remaining exterior portion of the Building where Tenant's Exterior Building Signage was located. Tenant hereby acknowledges and agrees that if at any time following the Commencement Date, Tenant has assigned this Lease with respect to more than twenty-five percent (25%) of the original Premises or subleased more than twenty-five percent (25%) of the original Premises in the aggregate (whether pursuant to a single transaction or through multiple transactions), then Landlord may, at its option, require that Tenant's Exterior Building Signage be removed by Tenant, at Tenant's sole cost and expense, in accordance with the foregoing terms and provisions.

2. **TERM**. The Term of this Lease shall begin on the Commencement Date and shall terminate on the Termination Date, unless sooner terminated or extended pursuant to the provisions of this Lease. Landlord shall tender possession of the Premises to Tenant on the first (1st) day after the Landlord's Work (as hereinafter defined) has been substantially completed in accordance with the plans attached hereto as Schedule IV to **Exhibit B** as certified by Landlord's engineer, except for items of work that can be completed after delivery of the Premises to Tenant has occurred without preventing Tenant from performing the Tenant's Work (as hereinafter defined) (i.e., so-called "punch list" items) and Tenant has been given notice thereof (the "Delivery Date"). Landlord shall complete all such "punch list" items within a reasonable time after the date of such notice, and Tenant shall afford Landlord access to the Premises for such purposes. Tenant shall also have the right to deliver a punch list of items not completed within thirty (30) days after the Delivery Date and Landlord agrees to proceed with due diligence to perform its obligations regarding such items. Tenant shall, at Landlord's request, execute and deliver a memorandum agreement provided by Landlord in the form of **Exhibit C** attached hereto, setting forth the actual Delivery Date, Commencement Date, Rent Commencement Date, Termination Date, Termination Option Deadline (as hereinafter defined), Early Termination Date (as hereinafter defined), Termination Fee (as hereinafter defined), and, if necessary, a revised rent schedule (the "Commencement Date Memorandum"). Should Tenant fail to do so within thirty (30) days after

Landlord's request, the information set forth in such Commencement Date Memorandum provided by Landlord shall be conclusively presumed to be agreed and correct.

2.2 Subject to any Force Majeure Events (as hereinafter defined) and/or any Tenant Delay (as hereinafter defined), including, without limitation, during the Early Access Period, Landlord shall use reasonable efforts to (a) complete ninety percent (90%) of the Landlord's Work on or before July 1, 2013, and (b) cause the Delivery Date to occur by August 1, 2013 (the "Scheduled Delivery Date"). Except as otherwise set forth hereinbelow, Tenant agrees that in the event of the inability of Landlord to deliver possession of the Premises by the Scheduled Delivery Date or any other particular date with the Landlord's Work substantially completed for any reason, Landlord shall not be liable for any damage resulting from such inability, but Tenant shall not be liable for any rent until the time when Landlord can, after notice to Tenant, deliver possession of the Premises to Tenant, and no such failure to give possession of the Premises to Tenant by any particular date shall affect the other obligations of Tenant under this Lease. Notwithstanding the foregoing, in the event that Landlord has not caused the Delivery Date to occur by July 1, 2013, then Landlord shall grant Tenant the right to access the Premises during the Early Access Period to perform the Tenant's Work subject to, and in accordance with, the terms and provisions of Section 5.3 of **Exhibit B**. If any delay in Landlord's completion of the Landlord's Work is the result of a Tenant Delay, the Commencement Date and the Rent Commencement Date under this Lease shall be accelerated by the number of days of such Tenant Delay, but in no event to a date earlier than the original Commencement Date. Without limiting the foregoing, in the event that Landlord does not deliver possession of the Premises to Tenant by the Scheduled Delivery Date in the condition required hereunder, then, subject to delays caused by any Force Majeure Event, Tenant Delay, casualty or taking by eminent domain (in which case, the Scheduled Delivery Date shall be postponed one (1) day for each one (1) day of such delay), in addition to the Free Annual Rent Period, Tenant shall be entitled to an abatement of one (1) day's initial Annual Rent for each one (1) day following the Scheduled Delivery Date that Landlord does not deliver possession of the Premises to Tenant by in the condition required hereunder; provided, however, that Landlord's installation of a sub-meter for the Premises shall not be subject to the foregoing penalties unless it is not installed on or before the Commencement Date. As used herein, the term "Tenant Delay" shall mean (i) Tenant's unreasonable failure to agree to any reasonable applicable plans and specifications relating to the Landlord's Work (if any), (ii) Tenant's request for materials, finishes or installations other than Landlord's standard except those, if any, that Landlord shall have expressly agreed to furnish without extension of time agreed by Landlord, (iii) Tenant's change in any plans or specifications relating to the Landlord's Work, (iv) the performance or completion by Tenant, or any person or entity employed by Tenant, of any work on or about the Premises, including, without limitation, the Tenant's Work or any disharmony, labor disturbance or interference with the Landlord's Work caused by such performance or completion, or (v) any other act or omission by Tenant or any of its agents, employees, representatives or contractors.

2.3 Intentionally Omitted.

3. **RENT**. Tenant agrees to pay to Landlord the Annual Rent in effect from time to time by paying the Monthly Installment of Rent then in effect on or before the first (1st) day of each full calendar month during the Term, except that the first (1st) full month's rent shall be paid upon the execution of this Lease. Rent for any period during the Term which is less than a full month shall be a prorated portion of the Monthly Installment of Annual Rent based upon a 365-day calendar year (consistent with Section 4.6). Said rent shall be paid to Landlord, without deduction or offset and without notice or demand, at the Rent Payment Address, as set forth on the Reference Pages, or to such other person or at such other place as Landlord may from time to time designate in writing. Unless specified in this Lease to the contrary, all amounts and sums payable by Tenant to Landlord pursuant to this Lease shall be deemed additional rent. If an Event of Default occurs, Landlord may require by notice to Tenant that all subsequent rent payments be made by an automatic payment from Tenant's bank account to Landlord's account, without cost to Landlord. Tenant must implement such automatic payment system prior to the next scheduled rent payment or within ten (10) days after Landlord's notice, whichever is later. Unless specified in this Lease to the contrary, all amounts and sums payable by Tenant to Landlord pursuant to this Lease shall be deemed additional rent.

3.2 Tenant recognizes that late payment of any rent or other sum due under this Lease will result in administrative expense to Landlord, the extent of which additional expense is extremely difficult and economically impractical to ascertain. Tenant therefore agrees that if rent or any other sum is not paid when due and payable pursuant to this Lease more than once in any twelve (12) month period, a late charge shall be imposed in an amount equal to the greater of: (a) Fifty Dollars ($50.00); or (b) five percent (5%) of the unpaid rent or other payment. The amount of the late charge to be paid by Tenant shall be reassessed and added to Tenant's obligation for each successive month until paid. The provisions of this Section 3.2 shall in no way relieve Tenant of the obligation to pay rent or other payments on or before the date on which they are due, nor do the terms of this Section 3.2 in any way affect Landlord's remedies pursuant to Article 19 of this Lease in the event said rent or other payment is unpaid after the date due.

4. **RENT ADJUSTMENTS**. For the purpose of this Article 4, the following terms are defined as follows:

4.1.1 **Lease Year:** Each January 1 through December 31 falling partly or wholly within the Term.

4.1.2 **Expenses:** All costs of operation, maintenance, repair, replacement and management of the Building (including the amount of any credits which Landlord may grant to particular tenants of the Building in lieu of providing any standard services or paying any standard costs described in this Section 4.1.2 for similar tenants), as determined in accordance with generally accepted accounting principles, including the following costs by way of illustration, but not limitation: water and sewer charges; insurance charges of or relating to all insurance policies and endorsements deemed by Landlord to be reasonably necessary or desirable and relating in any manner to the protection, preservation, or operation of the Building or any part thereof; utility costs, including, but not limited to, the cost of heat, light, power, steam, gas; waste disposal; the cost of janitorial services; the cost of security and alarm services (including any central station signaling system); the Building's pro-rata share of the costs of cleaning, repairing, replacing and maintaining the common areas, including parking and landscaping, the Amenity Complex, window cleaning costs; labor costs; costs and expenses of managing the Building including management fees; air conditioning maintenance costs; elevator maintenance fees and supplies; material costs; equipment costs including the cost of maintenance, repair and service agreements and rental and leasing costs; purchase costs of equipment; current rental and leasing costs of items which would be capital items if purchased; tool costs; licenses, permits and inspection fees; wages and salaries; employee benefits and payroll taxes; accounting and legal fees; any sales, use or service taxes incurred in connection therewith; and any repair, management, insurance and maintenance costs and expenses related to the common areas of all buildings in the Park, including the parking areas and other properties surrounding such buildings. In addition, and except as otherwise expressly set forth hereinbelow in this Section 4.1.2, Landlord shall be entitled to recover, as additional rent (which, along with any other capital expenditures constituting Expenses, Landlord may either include in Expenses or cause to be billed to Tenant along with Expenses and Taxes but as a separate item), Tenant's Proportionate Share of: (a) an allocable portion of the cost of capital improvement items which are reasonably calculated to reduce operating expenses; and (b) other capital expenses which are required under any governmental laws, regulations or ordinances which were not applicable to the Building as of the Delivery Date; but the costs described in this sentence shall be amortized over the reasonable life of such expenditures in accordance with such reasonable life and amortization schedules as shall be determined by Landlord in accordance with generally accepted accounting principles, with interest on the unamortized amount at one percent (1%) in excess of the Wall Street Journal prime lending rate announced from time to time. Landlord agrees that any income generated solely from the Amenity Complex shall first be used by Landlord to off-set the costs of operating the Amenity Complex and only any additional costs following such set-off shall be considered Expenses hereunder. Notwithstanding the foregoing to the contrary, Expenses shall not include: (i) depreciation or amortization of the Building or equipment in the Building except as expressly provided herein; (ii) loan principal payments; (iii) costs of alterations of tenants' premises; (iv) leasing commissions; (v) interest expenses on long-term borrowings; (vi) legal fees or other expenses incurred in connection with enforcing leases with tenants in the Building other than Tenant; (vii) rental on ground leases or other underlying leases and the costs of providing the same; (viii) salaries and benefits of (A) personnel above the grade of property manager and (B) other employees of Landlord or its agent(s) not directly employed in the management or operation of the Building or the Park; (ix) any liabilities, costs or expenses associated with or incurred in connection with the removal, enclosure, encapsulation or other handling of Hazardous Materials and the cost of defending against claims in regard to the existence or release of Hazardous Materials at the Building or the Park (except with respect to those costs for which Tenant is otherwise responsible pursuant to the express terms of this Lease); (x) costs of any items for which Landlord is or is entitled to be paid or reimbursed by insurance; (xi) increased insurance or Taxes assessed specifically to any tenant of the Building or the Park for which Landlord is entitled to reimbursement from any other tenant (excluding Tenant in both instances); (xii) charges for electricity, water, or other utilities, services or goods and applicable taxes for which Tenant or any other tenant, occupant, person or other party is obligated to reimburse Landlord or to pay to third parties; (xiii) costs of any HVAC, janitorial or other services provided to tenants on an extra cost basis after Building Business Hours; (xiv) cost of any work or services performed for any facility other than the Building or the Park; (xv) amounts paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services for the Building or the Park to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis; (xvi) except as expressly provided in this Lease, the cost of any item that, under generally accepted accounting principles, is properly classified as a capital expense; (xvii) late fees or charges incurred by Landlord due to late payment of any Expenses or Taxes, except to the extent attributable to Tenant's actions or inactions; (xviii) costs of acquiring, securing, cleaning or maintaining sculptures, paintings and other works of art; (xix) Taxes or taxes on Landlord's business (such as income, excess profits, franchise, capital stock, estate and inheritance taxes); (xx) charitable or political contributions; (xxi) reserve funds; (xxii) Landlord's general corporate overhead and general and administrative expenses and any portion of Expenses that are not directly attributable to the operation or management of the Building and the Park (e.g., the activities of Landlord's officers and executives or professional development expenditures), except to the extent included in the management fee permitted hereby; (xxiii) costs related to public transportation, transit or vanpools;

(xxiv) advertising costs; and (xxv) management fees paid or charged by Landlord in connection with the management of the Building and the Park to the extent such management fee is in excess of competitive market management fees customarily paid or charged by landlords of comparable buildings in the vicinity of the Building (but not to exceed five percent (5%) of gross base rent and additional rent from the Building during the particular Lease Year in question). Further notwithstanding anything to the contrary contained herein, during the initial Term of this Lease, Expenses shall not include, and Landlord shall not be entitled to recover from Tenant, the cost of replacing the roof of the Building or any HVAC units located on the roof of the Building or in the Building (unless such replacement is necessitated by the negligent acts or omissions of Tenant or Tenant's willful misconduct) and Tenant shall have the benefit of any construction warranties relating to the Landlord's Work, including, without limitation, those relating to the VAV boxes and HVAC controls.

4.1.3 **Taxes:** Real estate taxes and any other taxes, charges and assessments which are levied with respect to the Parcel and the buildings thereon, or with respect to any improvements, fixtures and equipment or other property of Landlord, real or personal, located on the Parcel and used in connection with the operation of such buildings and said land, any payments to any ground lessor in reimbursement of tax payments made by such lessor; and all fees, expenses and costs incurred by Landlord in investigating, protesting, contesting or in any way seeking to reduce or avoid increase in any assessments, levies or the tax rate pertaining to any Taxes to be paid by Landlord in any Lease Year. Taxes shall not include any corporate franchise, or estate, inheritance or net income tax, or tax imposed upon any transfer by Landlord of its interest in this Lease or the Parcel (or any individual components thereof) or any taxes to be paid by Tenant pursuant to Article 28. For purposes of determining Tenant's Proportionate Share For Taxes, the "Parcel" shall mean, collectively, the six (6) buildings located at 20 Crosby Drive (consisting of approximately 78,689 rentable square feet), 22 Crosby Drive (consisting of approximately 54,067 rentable square feet), 24 Crosby Drive (consisting of approximately 30,036 rentable square feet), 26 Crosby Drive (consisting of approximately 38,863 rentable square feet), 28 Crosby Drive (consisting of approximately 121,063 rentable square feet) and 30 Crosby Drive (consisting of approximately 9,449 rentable square feet), and the connecting corridors, all located in Bedford, Massachusetts, it being understood and agreed that all of the foregoing buildings, collectively, are treated as a single parcel for purposes of determining Taxes. In calculating Tenant's Proportionate Share For Taxes with respect to the Premises, the "Rentable Square Footage of the Parcel" described in the Reference Pages above reflects the combined rentable area in the foregoing buildings, collectively, and "Tenant's Proportionate Share For Taxes" with respect to the Premises, as described above, is based upon the foregoing Rentable Square footage of the Parcel (i.e., 332,167). However, notwithstanding the foregoing, if one or more buildings are removed from the group of buildings comprising the Parcel, as described above in this Section, whether as a result of a sale or demolition of the building(s), a reconfiguration of the Parcel or otherwise, or if one or more buildings owned by Landlord are added to the group of buildings comprising the Parcel, as described above in this Section, then the definition of "Parcel" and the "Rentable Square Footage of the Parcel," as described above, and "Tenant's Proportionate Share For Taxes" with respect to the Premises, shall be appropriately modified or adjusted to reflect the deletion or addition of such buildings, and, if Tenant's Proportionate Share For Taxes with respect to the Premises is based upon increases in Taxes over a Base Year, then Taxes for the Base Year shall be restated on a going forward basis effective as of the date such buildings are deleted or added to the definition of Parcel as described in this Section.

4.2 If in any Lease Year, Expenses paid or incurred shall exceed Expenses paid or incurred in the Base Year (Expenses), Tenant shall pay, as additional rent for such Lease Year, Tenant's Proportionate Share For Expenses of such excess. If in any Lease Year, Taxes paid or incurred by Landlord in any Lease Year shall exceed the amount of such Taxes which become due and payable in the Base Year (Taxes), Tenant shall pay as additional rent for such Lease Year, Tenant's Proportionate Share For Taxes of such excess.

4.3 Landlord will use reasonable efforts to make the annual determination of Expenses within one hundred fifty (150) days after the end of each Lease Year and such determination shall be (a) prepared in reasonable line item detail, consistently applied, on an accrual basis, and (b) binding upon Landlord and Tenant, subject to the provisions of this Section 4.3. During the Term, Tenant may review, at Tenant's sole cost and expense, the books and records supporting such determination in an office of Landlord, or Landlord's agent, during normal business hours, upon giving Landlord five (5) days advance written notice within ninety (90) days after receipt of such determination, but in no event more often than once in any one (1) year period, subject to execution of a confidentiality agreement acceptable to Landlord, and provided that if Tenant utilizes an independent accountant or other qualified real estate consultant to perform such review it shall be one which is reasonably acceptable to Landlord, is not compensated on a contingency basis and is also subject to such confidentiality agreement. If Tenant fails to object to Landlord's determination of Expenses within ninety (90) days after receipt of such determination, or if any such objection fails to state with specificity the reason for the objection, Tenant shall be deemed to have approved such determination and shall have no further right to object to or contest such determination. Should any such audit reveal that Landlord has overcharged Tenant for any Expenses during the Lease Year in question, Landlord shall credit the difference against the then next due payments to be made by Tenant under this Article 4, or, if the

Lease has been terminated, refund the difference in cash within sixty (60) days. Should any such audit reveal that the total additional rent that Tenant actually paid pursuant to this Article 4 during such period on account of Expenses for the Lease Year in question is less than Tenant's liability for Expenses for such Lease Year, then Tenant shall pay such deficiency to Landlord as additional rent in one lump sum within thirty (30) days. In the event that Tenant's review indicates that Tenant was overcharged in the aggregate for such Expenses for such applicable Lease Year by an amount that is greater than five percent (5%) of the Expenses that Tenant should have paid for such Lease Year, then Landlord shall pay the reasonable and actual costs of Tenant's review for such applicable Lease Year as evidenced by invoices provided by Tenant to Landlord for such costs, up to Four Thousand and No/100 Dollars ($4,000.00). In the event that during all or any portion of any Lease Year or Base Year, the Building is not fully rented and occupied Landlord shall make an appropriate adjustment in occupancy-related Expenses for such year for the purpose of avoiding distortion of the amount of such Expenses to be attributed to Tenant by reason of variation in total occupancy of the Building, by employing consistent and sound accounting and management principles to determine Expenses that would have been paid or incurred by Landlord had the Building been one hundred percent (100%) rented and occupied, and the amount so determined shall be deemed to have been Expenses for such Lease Year.

4.4 By May 1st of each Lease Year, Landlord will use reasonable efforts to time estimate Tenant's liability for Expenses and/or Taxes under Section 4.2, Article 6 and Article 28 for the Lease Year or portion thereof. Landlord will give Tenant written notification of the amount of such estimate and Tenant agrees that it will pay, by increase of its Monthly Installments of Rent due in such Lease Year, additional rent in the amount of such estimate. Any such increased rate of Monthly Installments of Rent pursuant to this Section 4.4 shall remain in effect until further written notification to Tenant pursuant hereto.

4.5 When the above mentioned actual determination of Tenant's liability for Expenses and/or Taxes is made for any Lease Year and when Tenant is so notified in writing, then:

4.5.1 If the total additional rent Tenant actually paid pursuant to Section 4.3 on account of Expenses and/or Taxes for the Lease Year is less than Tenant's liability for Expenses and/or Taxes, then Tenant shall pay such deficiency to Landlord as additional rent in one lump sum within thirty (30) days of receipt of Landlord's bill therefor; and

4.5.2 If the total additional rent Tenant actually paid pursuant to Section 4.3 on account of Expenses and/or Taxes for the Lease Year is more than Tenant's liability for Expenses and/or Taxes, then Landlord shall promptly credit the difference against the then next due payments to be made by Tenant under this Article 4, or, if the Lease has terminated, refund the difference in cash within sixty (60) days. Tenant shall not be entitled to a credit by reason of actual Expenses and/or Taxes in any Lease Year being less than Expenses and/or Taxes in the Base Year (Expenses and/or Taxes).

4.6 If the Commencement Date is other than January 1 or if the Termination Date is other than December 31, Tenant's liability for Expenses and Taxes for the Lease Year in which said Commencement Date occurs shall be prorated based upon a three hundred sixty-five (365) day year.

5. **SECURITY DEPOSIT**. The required Security Deposit shall be in the form of an Irrevocable Standby Letter of Credit (the "letter of credit") in the amount set forth in the Reference Pages and substantially in the form attached hereto as **Exhibit E**. Under any circumstance under which Landlord is entitled to the use of all or any part of the Security Deposit, then Landlord, in addition to all other rights and remedies provided under this Lease, shall have the right to draw down all or a portion of the full balance of the letter of credit and retain the proceeds. The following terms and conditions shall govern the letter of credit:

5.1 Upon expiration of the Term, the letter of credit shall be returned to Tenant when Tenant is entitled to a return of its Security Deposit pursuant to Section 5.9 below.

5.2 The letter of credit shall be in favor of Landlord, shall be issued by a commercial bank reasonably acceptable to Landlord, shall comply with all of the terms and conditions of this Article 5, shall be substantially in the form attached hereto as **Exhibit E** and shall otherwise be reasonably acceptable to Landlord. If, at any time while the letter of credit is outstanding, (a) the issuing bank is declared insolvent or taken into receivership by the Federal Deposit Insurance Corporation or any other governmental agency, or is closed for any reason, or (b) Landlord reasonably believes that the issuing bank may be or become insolvent or otherwise unable to meet its obligations, then, not later than thirty (30) days after written notice from Landlord, Tenant shall cause the existing letter of credit to be replaced by a new letter of credit issued by another commercial bank reasonably acceptable to Landlord, with such new letter of credit to comply with all of the terms and conditions of this Section 5.2. If Tenant fails to deliver an acceptable replacement letter of credit within such thirty (30)

day period, Landlord shall have the right to present the existing letter of credit to the issuing bank for payment, and the entire sum so obtained shall be paid to Landlord, to be held by Landlord until Tenant provides a replacement letter of credit or Tennant would otherwise be entitled to the return of the Security Deposit, and shall be retained by Landlord if a default of Tenant should occur hereunder.

5.3 The initial letter of credit shall have an expiration date not earlier than twelve (12) months after the Commencement Date. A draft of the form of letter of credit must be submitted to Landlord for its approval prior to issuance.

5.4 The letter of credit or any replacement letter of credit shall be irrevocable for the term thereof and shall automatically renew on a year to year basis until a period ending not earlier than three (3) months after the Termination Date ("End Date") without any action whatsoever on the part of Landlord; provided that the issuing bank shall have the right not to renew the letter of credit by giving written notice to Landlord not less than sixty (60) days prior to the expiration of the then current term of the letter of credit that it does not intend to renew the letter of credit. Tenant understands that the election by the issuing bank not to renew the letter of credit shall not, in any event, diminish the obligation of Tenant to maintain such an irrevocable letter of credit in favor of Landlord through such date.

5.5 Upon and during the continuance of any Event of Default, Landlord or its then managing agent, shall have the right from time to time to make one or more draws on the letter of credit at any time that Landlord has the right to use all or a part of the Security Deposit pursuant to this Article 5, and the proceeds may be applied as permitted under this Article 5. The letter of credit must state that it can be presented for payment at the office of the issuer or an approved correspondent in the metropolitan area in which the Building is located. Funds may be drawn down on the letter of credit upon presentation to the issuing or corresponding bank of Landlord's (or Landlord's then managing agent's) certificate stating as follows:

> ""[Beneficiary] is entitled to the use of Applicant's Security Deposit pursuant to that certain Lease dated March ___, 2013, between RAR2-Crosby Corporate Center QRS, Inc., as Landlord, and Holcim (US) Inc., as Tenant, as amended from time to time."

It is understood that if Landlord or its managing agent be a corporation, partnership or other entity, then such statement shall be signed by an officer (if a corporation), a general partner (if a partnership), or any authorized party (if another entity).

5.6 Tenant acknowledges and agrees (and the letter of credit shall so state) that the letter of credit shall be honored by the issuing bank without inquiry as to the truth of the statements set forth in such draw request and regardless of whether the Tenant disputes the content of such statement.

5.7 In the event of a transfer of Landlord's interest in the Premises, Landlord shall have the right to transfer the letter of credit to the transferee and Tenant shall take whatever action reasonably necessary to effectuate such transfer and thereupon the Landlord shall, without any further agreement between the parties, be released by Tenant from all liability related to the letter of credit and it is agreed that the provisions hereof shall apply to every transfer or assignment of said letter of credit to a new landlord; provided, however, that Landlord or the new landlord pays all fees to the issuer necessary to evidence such transfer.

5.8 Without limiting the generality of the foregoing, if the letter of credit expires earlier than the End Date, or the issuing bank notifies Landlord that it will not renew the letter of credit, Landlord shall accept a renewal thereof or substitute letter credit (such renewal or substitute letter of credit to be in effect not later than ten (10) days prior to the expiration of the expiring letter of credit), irrevocable and automatically renewable as above provided to the End Date upon the same terms as the expiring letter of credit or upon such other terms as may be acceptable to Landlord. However, if (a) the letter of credit is not timely renewed, or (b) a substitute letter of credit, complying with all of the terms and conditions of this Section is not timely received, then Landlord may present the expiring letter of credit to the issuing bank, and the entire sum so obtained shall be paid to Landlord, to be held by Landlord in accordance with this Article 5. Notwithstanding the foregoing, Landlord shall be entitled to receive from Tenant reimbursement for Landlord's actual and reasonable attorneys' fees incurred in connection with the review of any proposed substitute letter of credit pursuant to this Section 5.8, not to exceed One Thousand Five Hundred and No/100 Dollars ($1,500.00) in each instance.

5.9 The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant and not as an advance rental deposit or as a measure of Landlord's damage in case of Tenant's default. If Tenant defaults beyond the expiration of applicable notice and cure periods with respect to any provision of this Lease, Landlord may use any part of the Security Deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to

spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion is so used, Tenant shall within five (5) days after written demand therefor, deposit with Landlord an amount sufficient to restore the Security Deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Except to such extent, if any, as shall be required by law, Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant at such time after termination of this Lease when Landlord shall have determined that all of Tenant's obligations under this Lease have been fulfilled.

6. **ALTERATIONS.** Except for the Tenant's Work, Tenant shall not make or suffer to be made any alterations, additions, or improvements, including, but not limited to, the attachment of any fixtures or equipment in, on, or to the Premises or any part thereof or the making of any improvements as required by Article 7, without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Landlord's prior consent shall not be required, but prior written notice shall be provided to Landlord, for painting the interior walls of the Premises, putting wallpaper or other covering on the interior walls of the Premises, installing and/or replacing carpeting within the Premises, or performing other cosmetic or decorative alterations or additions within the Premises, but not for hanging signs and decorative items, such as art work and pictures, on the interior walls within the Premises (which actions shall be subject to the terms and provisions of Article 43 and the rules and regulations).

6.2 In the event Landlord consents to the making of any such alteration, addition or improvement by Tenant, the same shall be made by using, at Tenant's option, either Landlord's contractor or a contractor reasonably approved by Landlord, in either event at Tenant's sole cost and expense. If Tenant shall employ any contractor other than Landlord's contractor and such other contractor or any subcontractor of such other contractor shall employ any non-union labor or supplier, Tenant shall be responsible for and hold Landlord harmless from any and all delays, damages and extra costs suffered by Landlord as a result of any dispute with any labor unions concerning the wage, hours, terms or conditions of the employment of any such labor. In any event, Landlord may charge Tenant a construction management fee not to exceed (a) five percent (5%) of the hard and soft cost of any work with a value and/or cost of One Hundred Thousand and No/100 Dollars ($100,000.00) or less, or (b) three percent (3%) of the hard and soft cost of any work with a value and/or cost in excess of One Hundred Thousand and No/100 Dollars ($100,000.00), in each case in order to cover its overhead as it relates to such proposed work, plus third-party costs actually incurred by Landlord in connection with the proposed work and the design thereof, with all such amounts being due twenty (20) days after Landlord's demand therefor.

6.3 All alterations, additions or improvements proposed by Tenant shall be constructed in accordance with all government laws, ordinances, rules and regulations, using Building standard materials where applicable, and Tenant shall, prior to construction, provide the additional insurance required under Article 11 in such case, and also all such assurances to Landlord as Landlord shall reasonably require to assure payment of the costs thereof, including but not limited to, notices of non-responsibility, waivers of lien, surety company performance bonds and funded construction escrows and to protect Landlord and the Building and appurtenant land against any loss from any mechanic's, materialmen's or other liens. Tenant shall pay in addition to any sums due pursuant to Article 4, any increase in real estate taxes attributable to any such alteration, addition or improvement for so long, during the Term, as such increase is ascertainable; at Landlord's election said sums shall be paid in the same way as sums due under Article 4. Landlord will, in connection with reviewing any particular request for alterations, additions or improvements, provide Tenant with a written statement as to whether the particular alteration, addition or improvement being requested will be required to be removed or restored by Tenant at the expiration or earlier termination of this Lease. In the event that Landlord fails to notify Tenant whether it approves or disapproves of Tenant's proposed alterations, additions or improvements within ten (10) business days following Tenant's request for Landlord's consent therefor, then Tenant shall have the right to send a second (2nd) written notice to Landlord requesting such consent and stating in bold uppercase letters at the top of such notice: "**TIME SENSITIVE RESPONSE REQUIRED WITHIN TEN (10) DAYS FOLLOWING LANDLORD'S RECEIPT OF THIS LETTER OR DEEMED APPROVAL MAY OCCUR. PER SECTION 6.3 OF THE LEASE, LANDLORD HAS TEN (10) DAYS FROM ITS RECEIPT OF THIS LETTER TO APPROVE OR DISAPPROVE THE PROPOSED ALTERATIONS, ADDITIONS OR IMPROVEMENTS REQUESTED UNDER THIS LETTER OR SUCH ALTERATIONS, ADDITIONS OR IMPROVEMENTS REQUESTED MAY BE DEEMED APPROVED.**" Notwithstanding the foregoing to the contrary, the foregoing time periods for Landlord's approval or disapproval shall not commence unless and until Landlord has received all of the items required to be provided by Tenant pursuant to this Article 6 in connection with such proposed alterations, additions or improvements.

7. **REPAIR.** Landlord shall have no obligation to alter, remodel, improve, repair, decorate or paint the Premises, except for the Landlord's Work specified in **Exhibit B** to this Lease and except that Landlord shall repair and maintain in

good working order, condition and repair (including making any reasonably necessary replacements) and in compliance with all applicable laws, the structural portions of the Building, including, without limitation, the roof, roof membrane, roof covering, concrete slab, footings, foundation, exterior walls of the Building, and plumbing, air conditioning, heating and electrical systems installed or furnished by Landlord throughout the Term, all subject to the terms and provisions of Article 4. Furthermore, Landlord shall maintain the Park in compliance with all applicable laws. By accepting delivery of the Premises on the Delivery Date, Tenant accepts them as being in good order, condition and repair and in the condition in which Landlord is obligated to deliver them, except as set forth in the punch list to be delivered pursuant to Section 2.1. It is hereby understood and agreed that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant, except as specifically set forth in this Lease.

7.2 Tenant shall, at all times during the Term, keep the Premises in good condition and repair excepting damage by fire or other casualty and reasonable wear and tear, and in compliance with all applicable governmental laws, ordinances and regulations, promptly complying with all governmental orders and directives for the correction, prevention and abatement of any violations or nuisances in or upon, or connected with, the Premises, all at Tenant's sole expense.

7.3 Notwithstanding the terms and provisions of this Article 7, if, for more than five (5) consecutive business days following written notice from Tenant to Landlord, Landlord shall fail to commence and diligently pursue to completion the making of any repairs or the performance of any maintenance required of Landlord under this Lease, and the making of such repairs or the performance of such maintenance is within Landlord's reasonable control and not caused by Tenant's negligence or willful misconduct (subject in all cases to delays caused by Force Majeure Events), and as a result of such failure (a) Tenant shall not be reasonably able to use and occupy, or to have access to, the Premises, or a material portion of the Premises, as the case may be, for the normal conduct of Tenant's business operations, and (b) Tenant does not use or occupy the same during said period, then the obligation of Tenant to pay Annual Rent and additional rent hereunder shall be abated in proportion to the portion of the Premises that Tenant is unable to use as a result of such failure from the date such use and occupancy is impaired until the date immediately following the day on which such repairs or maintenance have been performed to allow Tenant to use such portion of the Premises (Landlord agreeing that it shall diligently pursue the making of such repairs and the performance of such maintenance until completion). The provisions of this Section 7.3 shall not limit or affect in any way the abatement rights of Tenant under Article 22.

7.4 Except as otherwise provided in Section 7.3 or Article 22, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Premises. Except to the extent, if any, prohibited by law, Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect.

8. **LIENS.** Tenant shall keep the Premises, the Building and appurtenant land and Tenant's leasehold interest in the Premises free from any liens arising out of any services, work or materials performed, furnished, or contracted for by Tenant, or obligations incurred by Tenant. In the event that Tenant fails, within ten (10) days following the imposition of any such lien, to either cause the same to be released of record or provide Landlord with insurance against the same issued by a major title insurance company or such other protection against the same as Landlord shall accept (such failure to constitute an Event of Default), Landlord shall have the right to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith shall be payable to it by Tenant within five (5) days of Landlord's demand.

9. **ASSIGNMENT AND SUBLETTING.** Except as otherwise expressly set forth hereinbelow, Tenant shall not have the right to assign or pledge this Lease or to sublet the whole or any part of the Premises whether voluntarily or by operation of law, or permit the use or occupancy of the Premises by anyone other than Tenant, and shall not make, suffer or permit such assignment, subleasing or occupancy without the prior written consent of Landlord, such consent not to be unreasonably withheld or delayed, and said restrictions shall be binding upon any and all assignees of the Lease and subtenants of the Premises. In the event Tenant desires to sublet, or permit such occupancy of, the Premises, or any portion thereof, or assign this Lease, Tenant shall give written notice thereof to Landlord at least ten (10 days prior to the proposed commencement date of such subletting or assignment, which notice shall set forth the name of the proposed subtenant or assignee, the relevant terms of any sublease or assignment and copies of financial reports and other relevant financial information of the proposed subtenant or assignee. Notwithstanding the foregoing to the contrary, either (a) a merger or consolidation of Tenant with another entity, (b) the assignment of this Lease or a sublease of a portion of the Premises to a subsidiary or Affiliate (as hereinafter defined) of Tenant, or (c) a transaction with a corporation to which substantially all of Tenant's assets are transferred, shall all be deemed an assignment of this Lease or a sublease of a portion of the Premises, as the case may be (any of such entity being, for the purposes of this Lease, a "Permitted Transferee"), but (i) not subject to any recapture rights of Landlord under Section 9.3, and (ii) Landlord's consent shall not be required therefor so long as: (A) such Permitted

Transferee executes an assignment and assumption agreement or a sublease agreement with Tenant, as the case may be, and such agreement contains (1) an assumption by such Permitted Transferee of all of the obligations of Tenant hereunder with respect to such assignment or sublease, as the case may be, including without limitation, the obligation to pay the Annual Rent, the additional rent and all other amounts provided for under this Lease in case of an assignment, and (2) an agreement by such Permitted Transferee to be and remain liable, jointly and severally, for all of Tenant's obligations under this Lease (and in the event that Holcim (US) Inc. remains a separate entity from such Permitted Transferee following such transaction, Holcim (US) Inc. shall so agree in writing as well), and in either case a copy of such agreement is delivered to Landlord within ten (10) days of such transaction; and (B) in the case of an assignment pursuant to item (b) hereinabove or a transaction described in item (c) hereinabove, at the time of such assignment or transaction, the Permitted Transferee has a tangible net worth, computed in accordance with generally accepted accounting principles consistently applied, at least equal to the tangible net worth of Tenant on the Lease Reference Date, and proof of such net worth satisfactory to Landlord shall have been delivered to Landlord at least ten (10) days prior to the effective date of any such assignment or transaction. For the purposes hereof, an "Affiliate" of Tenant shall mean any entity which (v) controls, is controlled by or is under common control with Tenant, (w) results from a merger or consolidation with Tenant, (x) acquires the business being conducted on the Premises by Tenant, (y) has entered into a management contract with Tenant, or (z) has at least a ten percent (10%) ownership interest in Tenant.

9.2 Notwithstanding any assignment or subletting, permitted or otherwise, Tenant shall at all times remain directly, primarily and fully responsible and liable for the payment of the rent specified in this Lease and for compliance with all of its other obligations under the terms, provisions and covenants of this Lease. Upon the occurrence of an Event of Default, if the Premises or any part of them are then assigned or sublet, Landlord, in addition to any other remedies provided in this Lease or provided by law, may, at its option, collect directly from such assignee or subtenant all rents due and becoming due to Tenant under such assignment or sublease and apply such rent against any sums due to Landlord from Tenant under this Lease, and no such collection shall be construed to constitute a novation or release of Tenant from the further performance of Tenant's obligations under this Lease.

9.3 In addition to Landlord's right to approve of any subtenant or assignee, Landlord shall have the option, in its sole discretion, in the event of any proposed subletting or assignment, to terminate this Lease, or in the case of a proposed subletting of more than fifty percent (50%) but less than the entire Premises for the balance of the Term, to recapture the portion of the Premises to be sublet, as of the date the subletting or assignment is to be effective. The option shall be exercised, if at all, by Landlord giving Tenant written notice given by Landlord to Tenant within thirty (30) days following Landlord's receipt of Tenant's written notice as required above. However, if Tenant notifies Landlord, within five (5) business days after receipt of Landlord's termination notice, that Tenant is rescinding its proposed assignment or sublease, the termination notice shall be void and the Lease shall continue in full force and effect. If this Lease shall be terminated with respect to the entire Premises pursuant to this Section, the Term of this Lease shall end on the date stated in Tenant's notice as the effective date of the sublease or assignment as if that date had been originally fixed in this Lease for the expiration of the Term. If Landlord recaptures under this Section only a portion of the Premises, the rent to be paid from time to time during the unexpired Term shall abate proportionately based on the proportion by which the approximate square footage of the remaining portion of the Premises shall be less than that of the Premises as of the date immediately prior to such recapture. Tenant shall, at Tenant's own cost and expense, discharge in full any outstanding commission obligation which may be due and owing as a result of any proposed assignment or subletting, unless the Premises are recaptured pursuant to this Section 9.3 and rented by Landlord to the proposed tenant or any other tenant, in which case Landlord shall be responsible for any such leasing commission.

9.4 In the event that Tenant sells, sublets, assigns or transfers this Lease, Tenant shall pay to Landlord as additional rent an amount equal to fifty percent (50%) of any Increased Rent (as hereinafter defined), less the Costs Component (as hereinafter defined), when and as such Increased Rent is received by Tenant. As used in this Section, "Increased Rent" shall mean the excess of (i) all rent and other consideration which Tenant is entitled to receive by reason of any sale, sublease, assignment or other transfer of this Lease, over (ii) the rent otherwise payable by Tenant under this Lease at such time. For purposes of the foregoing, any consideration received by Tenant in form other than cash shall be valued at its fair market value as determined by Landlord in good faith. The "Costs Component" is that amount which, if paid monthly, would fully amortize on a straight-line basis, over the entire sublease term (in the case of a sublease) or the remainder of the Lease Term (in connection with an assignment), all reasonable and customary transaction costs actually incurred by Tenant in connection with such sublease or assignment.

9.5 Notwithstanding any other provision hereof, it shall be considered reasonable for Landlord to withhold its consent to any assignment of this Lease or sublease of any portion of the Premises if at the time of either Tenant's notice of the proposed assignment or sublease or the proposed commencement date thereof, there shall exist any uncured default of

Tenant beyond applicable cure periods, if any, or if the proposed assignee or sublessee is an entity: (a) with which Landlord is already in negotiation (meaning, Landlord or its brokers or representatives have provided such proposed assignee or sublessee with a term sheet, letter of intent, offer, or written proposal to which such prospective assignee or sublessee has submitted a written counter proposal to lease or sublease space in the Park during the immediately preceding six (6) month period); (b) is already an occupant of the Building unless Landlord is unable to provide the amount of space required by such occupant; (c) is a governmental agency; (d) is unreputable or incompatible with the character of occupancy of the Building and/or the Park in Landlord's commercially reasonable opinion; (e) with which the payment for the sublease or assignment is determined in whole or in part based upon its net income or profits; or (f) would subject the Premises to a use which would: (i) involve increased personnel or wear upon the Building; (ii) violate any exclusive right granted to another tenant of the Building; (iii) require any addition to or modification of the Premises or the Building in order to comply with building code or other governmental requirements; or (iv) involve a violation of Section 1.2. Tenant expressly agrees that for the purposes of any statutory or other requirement of reasonableness on the part of Landlord, Landlord's refusal to consent to any assignment or sublease for any of the reasons described in this Section 9.5, shall be conclusively deemed to be reasonable.

9.6 Upon any request to assign or sublet, Tenant will pay to Landlord, on demand, a sum equal to all of Landlord's reasonable and actual out-of-pocket costs and expenses, including reasonable attorney's fees, incurred in investigating and considering any proposed or purported assignment or pledge of this Lease or sublease of any of the Premises, regardless of whether Landlord shall consent to, refuse consent, or determine that Landlord's consent is not required for, such assignment, pledge or sublease. Any purported sale, assignment, mortgage, transfer of this Lease or subletting which does not comply with the provisions of this Article 9 shall be void.

10. **INDEMNIFICATION**. None of the Landlord Entities shall be liable and Tenant hereby waives all claims against them for any damage to any property or any injury to any person in or about the Premises or the Building by or from any cause whatsoever (including without limiting the foregoing, rain or water leakage of any character from the roof, windows, walls, basement, pipes, plumbing works or appliances, the Building not being in good condition or repair, gas, fire, oil, electricity or theft), except to the extent caused by or arising from the negligence or willful misconduct of Landlord or its agents, employees or contractors or other tenants. Tenant shall protect, indemnify and hold the Landlord Entities harmless from and against any and all loss, claims, liability or costs (including court costs and attorney's fees) incurred by reason of (a) any damage to any property (including but not limited to property of any Landlord Entity) or any injury (including but not limited to death) to any person occurring in, on or about the Premises or the Building to the extent that such injury or damage shall be caused by or arise from any actual or alleged act, neglect, fault, or omission by or of Tenant or any Tenant Entity to meet any standards imposed by any duty with respect to the injury or damage; (b) the conduct or management of any work or thing whatsoever done by the Tenant in or about the Premises or from transactions of the Tenant concerning the Premises; (c) Tenant's failure to comply with any and all governmental laws, ordinances and regulations applicable to the condition or use of the Premises or its occupancy; or (d) any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of the Tenant to be performed pursuant to this Lease. The provisions of this Article shall survive the termination of this Lease with respect to any claims or liability accruing prior to such termination.

11. **INSURANCE**. Tenant shall keep in force throughout the Term: (a) a Commercial General Liability insurance policy or policies to protect the Landlord Entities against any liability to the public or to any invitee of Tenant or a Landlord Entity incidental to the use of or resulting from any accident occurring in or upon the Premises with a limit of not less than $1,000,000 per occurrence and not less than $3,000,000 in the annual aggregate, or such higher amount as Landlord may reasonably and prudently require from time to time, covering bodily injury and property damage liability and $1,000,000 products/completed operations aggregate; (b) Business Auto Liability covering owned, non-owned and hired vehicles with a limit of not less than $1,000,000 per accident; (c) Worker's Compensation Insurance with limits as required by statute with Employers Liability and limits of $500,000 each accident, $500,000 disease policy limit, $500,000 disease--each employee; (d) All Risk or Special Form coverage protecting Tenant against loss of or damage to Tenant's alterations, additions, improvements, carpeting, floor coverings, panelings, decorations, fixtures, inventory and other business personal property situated in or about the Premises to the full replacement value of the property so insured; and (e) Business Interruption Insurance with limit of liability representing loss of at least approximately six (6) months of income.

11.2 The aforesaid policies shall (a) be provided at Tenant's expense; (b) name the Landlord Entities as additional insureds (General Liability) and loss payee (Property—Special Form); (c) be issued by an insurance company with a minimum Best's rating of "A-:VII" during the Term; and (d) provide that said insurance shall not be canceled unless thirty (30) days prior written notice (ten (10) days for non-payment of premium) shall have been given to Landlord; a certificate of Liability insurance on ACORD Form 25 and a certificate of Property insurance on ACORD Form 27 shall be delivered to Landlord by Tenant upon the Commencement Date and at least thirty (30) days prior to each renewal of said insurance.

11.3 Whenever Tenant shall undertake any alterations, additions or improvements in, to or about the Premises ("Work") the aforesaid insurance protection must extend to and include injuries to persons and damage to property arising in connection with such Work, without limitation including liability under any applicable structural work act, and such other insurance as Landlord shall require; and the policies of or certificates evidencing such insurance must be delivered to Landlord prior to the commencement of any such Work.

11.4 Landlord shall purchase and maintain during the Term with insurance companies qualified to do business in the Commonwealth of Massachusetts (except as otherwise set forth hereinbelow) such insurance in amounts and with deductibles as a reasonably prudent landlord would purchase and maintain with respect to a similar class of building as the Building in the Bedford, Massachusetts market area, including the following: (a) commercial general liability insurance for incidents occurring in the common areas of the Park, with coverage for premises/operations, personal injury, and for bodily injury and property damage per occurrence, together with such other coverages and risks as Landlord shall reasonably decide or a mortgagee may require; and (b) property insurance covering property damage to the Building and the Building structure (but excluding the Tenant's Work and any other alterations, additions or improvements performed by Tenant), for eighty percent (80%) of replacement cost value. The cost of any such insurance shall be included in Expenses pursuant to Section 4.1.2.

12. **WAIVER OF SUBROGATION**. So long as their respective insurers so permit, Tenant and Landlord hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage, All Risks or other insurance now or hereafter existing for the benefit of the respective party but only to the extent of the net insurance proceeds payable under such policies. Each party shall obtain any special endorsements required by their insurer to evidence compliance with the aforementioned waiver.

13. **SERVICES AND UTILITIES**. Landlord agrees to furnish to the Premises at all times during the Term and in a manner consistent with a similar class office building as the Building in the Bedford, Massachusetts market area, the following services and utilities subject to the rules and regulations of the Building prescribed from time to time: (a) hot and cold water suitable for normal office use of the Premises; (b) heat and air conditioning required in Landlord's judgment for the use and occupation of the Premises during Building Business Hours (with Landlord being obligated to activate such heat and air-conditioning systems at no additional cost to Tenant in advance of Building Business Hours so that the Premises is maintained at comfortable temperatures during Building Business Hours); (c) nightly cleaning and janitorial service in accordance with the cleaning specifications attached hereto as **Exhibit G**; (d) elevator service by nonattended automatic elevators, if applicable; and (e) equipment to bring to the Premises electricity for lighting, convenience outlets and other normal office use. Landlord agrees to furnish cleaning and janitorial services after Building Business Hours on generally recognized business days (but exclusive of Saturdays, Sundays and national and local legal holidays). Landlord shall be responsible for snow removal in a manner consistent with properties of a similar caliber to the Park in the Bedford, Massachusetts area. Landlord will include electricity costs to operate the HVAC system serving the Premises in Expenses. To the extent that Tenant is not billed directly by a public utility, Tenant shall pay, within twenty (20) days of Landlord's demand, for all electricity used by Tenant in the Premises as measured by a submeter, including, all electricity for lights and plugs and supplemental HVAC. Except as otherwise set forth below in Section 13.1.1, the charge shall be at the rates charged for such services by the local public utility. Notwithstanding the terms and provisions of this Article 13, if, for more than five (5) consecutive business days following written notice from Tenant to Landlord, Landlord shall fail to commence and diligently pursue to completion the restoration of any utility or other service required to be provided by Landlord under this Lease following the interruption, curtailment or suspension of such utility or other service, and the restoration of any such utility or other service is within Landlord's reasonable control and not caused by Tenant's negligence or willful misconduct (subject in all cases to delays caused by Force Majeure Events), and as a result of such failure (i) Tenant shall not be reasonably able to use and occupy, or to have access to, the Premises, or a material portion of the Premises, as the case may be, for the normal conduct of Tenant's business operations without extraordinary and unreasonable measures being required to be taken by Tenant in order to do so, and (ii) Tenant does not use or occupy the same during said period, then the obligation of Tenant to pay Annual Rent and additional rent hereunder shall be abated in proportion to the portion of the Premises that Tenant is unable to use as a result of such failure from the date such use and occupancy is impaired until the date immediately following the day on which such interruption, curtailment or suspension ends and such service is restored (Landlord agreeing that it shall diligently pursue the restoration of any such utility or other service until restored).

13.1.1 Notwithstanding the foregoing to the contrary, if and to the extent that electricity for the Premises is submetered by Landlord then as payment for such electricity, Tenant shall remit to Landlord as additional rent a sum equal to $1.50 per rentable square foot of the Premises per annum, which is Landlord's estimate of the appropriate electricity charge for the Premises as of the Lease Reference Date, with such amount to be increased from time to time by notice from Landlord to Tenant based on historical usage and cost or to the extent that the market therefor increases based upon

Landlord's judgment (the "Estimated Electricity Submeter Charge"), with 1/12 of such amount being due and payable in monthly installments concurrently with Tenant's payment of Monthly Installment of Rent hereunder.

13.1.2 Landlord shall use reasonable efforts to review the total Estimated Electricity Submeter Charge paid by Tenant during the immediately preceding Lease Year within one hundred fifty (150) days after the end of such Lease Year and if the Estimated Electricity Submeter Charge that Tenant pays pursuant to Section 13.1.1 is less than the actual charges as measured by Landlord's submetering for such electricity for such applicable billing period, then Tenant shall pay such deficiency to Landlord as additional rent in one lump sum within thirty (30) days of receipt of Landlord's bill therefor. If the Estimated Electricity Submeter Charge that Tenant pays during such applicable billing period pursuant to Section 13.1.1 is more than the actual charges as measured by Landlord's submetering for such electricity, then Landlord shall credit the difference against the then next due payments to be made by Tenant under this Section 13.1, or, if the Lease has been terminated, refund the difference to Tenant in cash within sixty (60) days of the applicable billing period.

13.2 Should Tenant require any additional work or service, as described above, including services furnished outside ordinary business hours specified above, Landlord may, on terms to be agreed, upon reasonable advance notice by Tenant, furnish such additional service and Tenant agrees to pay Landlord such charges as may be agreed upon, including any tax imposed thereon, but in no event at a charge more than Landlord's actual cost. The current charge for after-hours HVAC service, which is subject to change at any time, is specified on the Reference Pages.

13.3 Wherever heat-generating machines or equipment are used by Tenant in the Premises which affect the temperature otherwise maintained by the air conditioning system or Tenant allows occupancy of the Premises by more persons than the heating and air conditioning system is designed to accommodate, in either event whether with or without Landlord's approval, Landlord reserves the right to install supplementary heating and/or air conditioning units in or for the benefit of the Premises and the cost thereof, including the cost of installation and the cost of operations and maintenance, shall be paid by Tenant to Landlord within twenty (20) days of Landlord's demand.

13.4 Tenant will not, without the written consent of Landlord, use any equipment or device in the Premises that will cause Tenant's aggregate usage of machines, equipment or devices to exceed 400 amps at 480 volts in the aggregate for lights, plugs and supplemental HVAC (but excluding the standard HVAC serving the Premises), or which will in any way increase the amount of electricity or water usually furnished or supplied for use of the Premises for the Permitted Uses, nor connect with electric current, except through existing electrical outlets in the Premises, or water pipes, any apparatus or device for the purposes of using electrical current or water. If Tenant shall require water or electric current in excess of that usually furnished or supplied for use of the Premises for the Permitted Uses, Tenant shall procure the prior written consent of Landlord for the use thereof, which Landlord may refuse, and if Landlord does consent, Landlord may cause a water meter or electric current meter to be installed so as to measure the amount of such excess water and electric current. The cost of any such meters shall be paid for by Tenant. Tenant agrees to pay to Landlord within five (5) days of Landlord's demand, the cost of all such excess water and electric current consumed (as shown by said meters, if any, or, if none, as reasonably estimated by Landlord) at the rates charged for such services by the local public utility or agency, as the case may be, furnishing the same, plus any additional expense incurred in keeping account of the water and electric current so consumed.

13.5 Tenant will not, without the written consent of Landlord, contract with a utility provider to service the Premises with any utility, including, but not limited to, telecommunications, electricity, water, sewer or gas, which is not previously providing such service to other tenants in the Building. Subject to Landlord's reasonable rules and regulations and the provisions of Articles 6 and 26, Tenant shall be entitled to the use of wiring ("Communications Wiring"), at its own risk, from the existing telecommunications nexus in the Building to the Premises, sufficient for the Permitted Uses. Tenant shall not install any additional Communications Wiring, nor remove any Communications Wiring, without in each instance obtaining the prior written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion. Landlord shall in no event be liable for disruption in any service obtained by Tenant pursuant to this Section.

14. **HOLDING OVER.** Tenant shall pay Landlord for each day Tenant retains possession of the Premises or part of them after termination of this Lease by lapse of time or otherwise at the rate ("Holdover Rate") which shall be one hundred fifty percent (150%) of the greater of (a) the amount of the Annual Rent for the last period prior to the date of such termination plus all Rent Adjustments under Article 4; and (b) the then market rental value of the Premises as determined by Landlord assuming a new lease of the Premises of the then usual duration and other terms, in either case, prorated on a daily basis, and also pay all damages sustained by Landlord by reason of such retention. If Landlord gives notice to Tenant of Landlord's election to such effect, such holding over shall constitute renewal of this Lease for a period from month to month at the Holdover Rate, but if the Landlord does not so elect, no such renewal shall result notwithstanding acceptance by Landlord of any sums due hereunder after such termination; and instead, a tenancy at sufferance at the Holdover Rate shall be

deemed to have been created. In any event, no provision of this Article 14 shall be deemed to waive Landlord's right of reentry or any other right under this Lease or at law.

15. **SUBORDINATION**. Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, this Lease shall be subject and subordinate at all times to ground or underlying leases and to the lien of any mortgages or deeds of trust now or hereafter placed on, against or affecting the Building, Landlord's interest or estate in the Building, or any ground or underlying lease; provided, however, that (a) if the lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have Tenant's interest in this Lease be superior to any such instrument, then, by notice to Tenant, this Lease shall be deemed superior, whether this Lease was executed before or after said instrument, and (b) Landlord shall use commercially reasonable efforts to obtain a subordination, non-disturbance and attornment agreement with Tenant on such ground lessor's, mortgagee's, trustee's or holder's standard form. Notwithstanding the foregoing, Tenant covenants and agrees to execute and deliver within ten (10) days of Landlord's request such further instruments evidencing such subordination or superiority of this Lease as may be required by Landlord, subject to Landlord using such commercially reasonable efforts to obtain a subordination, non-disturbance and attornment agreement on such ground lessor's, mortgagee's, trustee's or holder's standard form as aforesaid. Notwithstanding the foregoing to the contrary, Landlord hereby represents and warrants to Tenant that there are no mortgages encumbering the Building as of the Lease Reference Date.

16. **RULES AND REGULATIONS**. Tenant shall faithfully observe and comply with all the rules and regulations as set forth in **Exhibit D** to this Lease and all reasonable and non-discriminatory modifications of and additions to them from time to time put into effect by Landlord. Landlord shall not be responsible to Tenant for the non-performance by any other tenant or occupant of the Building of any such rules and regulations.

17. **REENTRY BY LANDLORD**. Upon at least twenty-four (24) hours prior notice (which may be oral) and during Building Business Hours or outside of Building Business Hours if in the presence of a Tenant representative (except in the case of an emergency when no such notice or representative shall be required), Landlord shall have the right to re-enter the Premises to inspect the same, to supply janitor service and any other service to be provided by Landlord to Tenant under this Lease, to show said Premises to prospective purchasers, mortgagees or tenants (but only during the last twelve (12) months of the Term for prospective tenants), and to alter, improve or repair the Premises and any portion of the Building, without abatement of rent, and may for that purpose erect, use and maintain scaffolding, pipes, conduits and other necessary structures and open any wall, ceiling or floor in and through the Building and Premises where reasonably required by the character of the work to be performed, provided entrance to the Premises shall not be blocked thereby, and further provided that the business of Tenant shall not be interfered with unreasonably. Landlord shall have the right at any time to change the arrangement and/or locations of entrances, or passageways, doors and doorways, and corridors, windows, elevators, stairs, toilets or other public parts of the Building and to change the name, number or designation by which the Building is commonly known. In the event that Landlord damages any portion of any wall or wall covering, ceiling, or floor or floor covering within the Premises, Landlord shall repair or replace the damaged portion to match the original as nearly as commercially reasonable but shall not be required to repair or replace more than the portion actually damaged. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by any action of Landlord authorized by this Article 17.

17.2 For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in the Premises, excluding Tenant's vaults and safes or special security areas (designated in advance), and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency to obtain entry to any portion of the Premises. As to any portion to which access cannot be had by means of a key or keys in Landlord's possession, Landlord is authorized to gain access by such means as Landlord shall reasonably elect and the cost of repairing any damage occurring in doing so shall be borne by Tenant and paid to Landlord within twenty (20) days of Landlord's demand.

18. **DEFAULT**. Except as otherwise provided in Article 20, the following events shall be deemed to be Events of Default under this Lease:

18.1.1 Tenant shall fail to pay when due any sum of money becoming due to be paid to Landlord under this Lease, whether such sum be any installment of the rent reserved by this Lease, any other amount treated as additional rent under this Lease, or any other payment or reimbursement to Landlord required by this Lease, whether or not treated as additional rent under this Lease, and such failure shall continue for a period of five (5) business days after written notice that such payment was not made when due, but if any two (2) such notices shall be given, for the twelve (12) month period

commencing with the date of the second (2nd) of such notices, the failure to pay within five (5) days after due any additional sum of money becoming due to be paid to Landlord under this Lease during such period shall be an Event of Default, without notice.

18.1.2 Tenant shall fail to comply with any term, provision or covenant of this Lease which is not provided for in another Section of this Article and shall not cure such failure within thirty (30) days (forthwith, if the failure involves a hazardous condition) after written notice of such failure to Tenant provided, however, that such failure shall not be an event of default if such failure could not reasonably be cured during such thirty (30) day period, Tenant has commenced the cure within such thirty (30) day period and thereafter is diligently pursuing such cure to completion, but the total aggregate cure period shall not exceed ninety (90) days.

18.1.3 Tenant shall fail to vacate the Premises immediately upon termination of this Lease, by lapse of time or otherwise, or upon termination of Tenant's right to possession only.

18.1.4 Tenant shall become insolvent, admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy or a petition to take advantage of any insolvency statute, make an assignment for the benefit of creditors, make a transfer in fraud of creditors, apply for or consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable law or statute of the United States or any state thereof.

18.1.5 A court of competent jurisdiction shall enter an order, judgment or decree adjudicating Tenant bankrupt, or appointing a receiver of Tenant, or of the whole or any substantial part of its property, without the consent of Tenant, or approving a petition filed against Tenant seeking reorganization or arrangement of Tenant under the bankruptcy laws of the United States, as now in effect or hereafter amended, or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of entry thereof.

18.2 Except as otherwise expressly set forth in Section 7.3, Landlord shall in no event be in default under this Lease unless Landlord shall neglect or fail to perform any of its obligations hereunder and shall fail to remedy the same within thirty (30) days after written notice to Landlord specifying such neglect or failure, or if such failure is of such a nature that Landlord cannot reasonably remedy the same within such thirty (30) day period, Landlord shall fail to commence promptly (and in any event within such thirty (30) day period) to remedy the same and to prosecute such remedy to completion with diligence and continuity.

19. **REMEDIES**. Except as otherwise provided in Article 20, upon the occurrence of any of the Events of Default described or referred to in Article 18, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever, concurrently or consecutively and not alternatively:

19.1.1 Landlord may, at its election, terminate this Lease or terminate Tenant's right to possession only, without terminating the Lease.

19.1.2 Upon any termination of this Lease, whether by lapse of time or otherwise, or upon any termination of Tenant's right to possession without termination of the Lease, Tenant shall surrender possession and vacate the Premises immediately, and deliver possession thereof to Landlord, and Tenant hereby grants to Landlord full and free license to enter into and upon the Premises in such event and to repossess Landlord of the Premises as of Landlord's former estate and to expel or remove Tenant and any others who may be occupying or be within the Premises and to remove Tenant's signs and other evidence of tenancy and all other property of Tenant therefrom without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, and without incurring any liability for any damage resulting therefrom, Tenant waiving any right to claim damages for such re-entry and expulsion, and without relinquishing Landlord's right to rent or any other right given to Landlord under this Lease or by operation of law.

19.1.3 Upon any termination of this Lease, whether by lapse of time or otherwise, Landlord shall be entitled to recover as damages, all rent, including any amounts treated as additional rent under this Lease, and other sums due and payable by Tenant on the date of termination, plus as liquidated damages and not as a penalty, an amount equal to the sum of: (a) an amount equal to the then present value of the rent reserved in this Lease for the residue of the stated Term of this Lease including any amounts treated as additional rent under this Lease and all other sums provided in this Lease to be paid by Tenant, minus the fair rental value of the Premises for such residue; (b) the value of the time and expense necessary to obtain a replacement tenant or tenants, and the estimated expenses described in Section 19.1.4 relating to recovery of the

Premises, preparation for reletting and for reletting itself; and (c) the cost of performing any other covenants which would have otherwise been performed by Tenant.

19.1.4 Upon any termination of Tenant's right to possession only without termination of the Lease:

19.1.4.1 Neither such termination of Tenant's right to possession nor Landlord's taking and holding possession thereof as provided in Section 19.1.2 shall terminate the Lease or release Tenant, in whole or in part, from any obligation, including Tenant's obligation to pay the rent, including any amounts treated as additional rent, under this Lease for the full Term, and if Landlord so elects Tenant shall continue to pay to Landlord the entire amount of the rent as and when it becomes due, including any amounts treated as additional rent under this Lease, for the remainder of the Term plus any other sums provided in this Lease to be paid by Tenant for the remainder of the Term.

19.1.4.2 Landlord shall use commercially reasonable efforts to relet the Premises or portions thereof to the extent required by applicable law. Landlord and Tenant agree that nevertheless Landlord shall at most be required to use only the same efforts Landlord then uses to lease premises in the Building generally and that in any case that Landlord shall not be required to give any preference or priority to the showing or leasing of the Premises or portions thereof over any other space that Landlord may be leasing or have available and may place a suitable prospective tenant in any such other space regardless of when such other space becomes available and that Landlord shall have the right to relet the Premises for a greater or lesser term than that remaining under this Lease, the right to relet only a portion of the Premises, or a portion of the Premises or the entire Premises as a part of a larger area, and the right to change the character or use of the Premises. In connection with or in preparation for any reletting, Landlord may, but shall not be required to, make repairs, alterations and additions in or to the Premises and redecorate the same to the extent Landlord deems necessary or desirable, and Tenant shall pay the cost thereof, together with Landlord's expenses of reletting, including, without limitation, any commission incurred by Landlord, within five (5) days of Landlord's demand. Landlord shall not be required to observe any instruction given by Tenant about any reletting or accept any tenant offered by Tenant unless such offered tenant has a credit-worthiness acceptable to Landlord and leases the entire Premises upon terms and conditions including a rate of rent (after giving effect to all expenditures by Landlord for tenant improvements, broker's commissions and other leasing costs) all no less favorable to Landlord than as called for in this Lease, nor shall Landlord be required to make or permit any assignment or sublease for more than the current term or which Landlord would not be required to permit under the provisions of Article 9.

19.1.4.3 Until such time as Landlord shall elect to terminate the Lease and shall thereupon be entitled to recover the amounts specified in such case in Section 19.1.3, Tenant shall pay to Landlord upon demand the full amount of all rent, including any amounts treated as additional rent under this Lease and other sums reserved in this Lease for the remaining Term, together with the costs of repairs, alterations, additions, redecorating and Landlord's expenses of reletting and the collection of the rent accruing therefrom (including reasonable attorney's fees and broker's commissions), as the same shall then be due or become due from time to time, less only such consideration as Landlord may have received from any reletting of the Premises; and Tenant agrees that Landlord may file suits from time to time to recover any sums falling due under this Article 19 as they become due. Any proceeds of reletting by Landlord in excess of the amount then owed by Tenant to Landlord from time to time shall be credited against Tenant's future obligations under this Lease but shall not otherwise be refunded to Tenant or inure to Tenant's benefit.

19.2 Upon the occurrence of an Event of Default, Landlord may (but shall not be obligated to) cure such default at Tenant's sole expense. Without limiting the generality of the foregoing, Landlord may, at Landlord's option, enter into and upon the Premises if Landlord determines in its sole discretion that Tenant is not acting within a commercially reasonable time to maintain, repair or replace anything for which Tenant is responsible under this Lease or to otherwise effect compliance with its obligations under this Lease and correct the same, without being deemed in any manner guilty of trespass, eviction or forcible entry and detainer and without incurring any liability for any damage or interruption of Tenant's business resulting therefrom and Tenant agrees to reimburse Landlord within five (5) days of Landlord's demand as additional rent, for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, plus interest from the date of expenditure by Landlord at the Wall Street Journal prime rate.

19.3 Tenant understands and agrees that in entering into this Lease, Landlord is relying upon receipt of all the Annual and Monthly Installments of Rent to become due with respect to all the Premises originally leased hereunder over the full initial Term of this Lease for amortization, including interest at the Amortization Rate. For purposes hereof, the "Concession Amount" shall be defined as the aggregate of all amounts forgone or expended by Landlord as free rent under this Lease, under **Exhibit B** hereof for the Landlord's Work, the Allowance, and for brokers' commissions and legal fees payable by reason of this Lease. Accordingly, Tenant agrees that if this Lease or Tenant's right to possession of the Premises

leased hereunder shall be terminated as of any date ("Default Termination Date") prior to the expiration of the full initial Term hereof by reason of a default of Tenant, there shall be due and owing to Landlord as of the day prior to the Default Termination Date, as rent in addition to all other amounts owed by Tenant as of such Default Termination Date, the amount ("Unamortized Amount") of the Concession Amount determined as set forth below; provided, however, that in the event that such amounts are recovered by Landlord pursuant to any other provision of this Article 19, Landlord agrees that it shall not attempt to recover such amounts pursuant to this Section 19.3. For the purposes hereof, the Unamortized Amount shall be determined in the same manner as the remaining principal balance of a mortgage with interest at the Amortization Rate payable in level payments over the same length of time as from the effectuation of the Concession Amount concerned to the end of the full initial Term of this Lease would be determined. The foregoing provisions shall also apply to and upon any reduction of space in the Premises, as though such reduction were a termination for Tenant's default, except that (i) the Unamortized Amount shall be reduced by any amounts paid by Tenant to Landlord to effectuate such reduction, and (ii) the manner of application shall be that the Unamortized Amount shall first be determined as though for a full termination as of the effective date of the elimination of the portion, but then the amount so determined shall be multiplied by the fraction of which the numerator is the rentable square footage of the eliminated portion and the denominator is the rentable square footage of the Premises originally leased hereunder; and the amount thus obtained shall be the Unamortized Amount.

19.4 In the event of any litigation arising out of or in connection with this Lease or the rights of the parties hereto relative to the Premises or the Park, the non-prevailing party will reimburse the prevailing party for the reasonable expenses incurred therein, including, but not limited to, court costs and reasonable attorneys' fees and expenses. In the event of any conflict between this provision and any other provision of this Lease concerning payment or reimbursement of attorneys' fees, costs and expenses, such other specific provision of this Lease will control. **TENANT AND LANDLORD EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY**.

19.5 Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies provided in this Lease or any other remedies provided by law (all such remedies being cumulative), nor shall pursuit of any remedy provided in this Lease constitute a forfeiture or waiver of any rent due to Landlord under this Lease or of any damages accruing to Landlord or Tenant by reason of the violation of any of the terms, provisions and covenants contained in this Lease.

19.6 No act or thing done by Landlord or its agents during the Term shall be deemed a termination of this Lease or an acceptance of the surrender of the Premises, and no agreement to terminate this Lease or accept a surrender of said Premises shall be valid, unless in writing signed by Landlord. No waiver by either party of any violation or breach of any of the terms, provisions and covenants contained in this Lease shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants contained in this Lease. Landlord's acceptance of the payment of rental or other payments after the occurrence of an Event of Default shall not be construed as a waiver of such Event of Default, unless Landlord so notifies Tenant in writing. Forbearance by either party in enforcing one or more of the remedies provided in this Lease upon an Event of Default shall not be deemed or construed to constitute a waiver of such Event of Default or of Landlord's right to enforce any such remedies with respect to such Event of Default or any subsequent Event of Default.

19.7 Intentionally Deleted.

19.8 Any and all property which may be removed from the Premises by Landlord pursuant to the authority of this Lease or of law, to which Tenant is or may be entitled, may be handled, removed and/or stored, as the case may be, by or at the direction of Landlord but at the risk, cost and expense of Tenant, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay to Landlord, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. Any such property of Tenant not retaken by Tenant from storage within thirty (30) days after removal from the Premises shall, at Landlord's option, be deemed conveyed by Tenant to Landlord under this Lease as by a bill of sale without further payment or credit by Landlord to Tenant.

19.9 If (1) Landlord defaults in its obligations under this Lease to repair structural portions of the Building or certain portions of the plumbing, air conditioning, heating and electrical systems and (2) such default results in Tenant not being reasonably able to use and occupy, or to have access to, the Premises, or a material portion of the Premises, as the case may be, for the normal conduct of Tenant's business operations and (3) such default remains uncured after the expiration of any applicable notice and cure periods as set forth in Section 7.3 or Section18.2 (subject in all cases to extension of such time periods due to Force Majeure Events), then, in addition to the remedies provided in Section 7.3 and Section 18.2, upon any failure of Landlord to cure any such default within five (5) business days after notice from Tenant to Landlord as specifically

set forth below, Tenant shall have the right to cure such default of Landlord at Landlord's expense, whereupon Landlord shall reimburse Tenant for the amount of all reasonable costs actually incurred by Tenant in curing any such failure of Landlord within thirty (30) days following Landlord's receipt of an invoice therefor from Tenant (provided that Tenant had timely and properly given Landlord advance notice of its intention to exercise its self-help rights as required in the foregoing sentence and conducted such work in a good and workmanlike manner) (the "Offset Costs"). Tenant shall be deemed to have properly given written notice to Landlord under this Section 19.9 and to be entitled to exercise self-help pursuant to this Section 19.9 only if the notice to Landlord states the following in capitalized and bold type on the first page of such notice: **"LANDLORD IS HEREBY NOTIFIED THAT IT HAS FAILED TO PERFORM ITS OBLIGATIONS UNDER THE LEASE BEYOND APPLICABLE NOTICE AND CURE PERIODS AS DETAILED IN THIS LETTER AND IF SUCH FAILURE IS NOT CURED WITHIN FIVE (5) BUSINESS DAYS OF LANDLORD'S RECEIPT HEREOF, THEN SUCH FAILURE SHALL, UNDER THE CIRCUMSTANCES SET FORTH IN SECTION 19.9 OF THE LEASE, PERMIT TENANT TO EXERCISE SELF-HELP UNDER SAID SECTION 19.9."**.

19.10 Intentionally deleted.

20. **TENANT'S BANKRUPTCY OR INSOLVENCY.** If at any time and for so long as Tenant shall be subjected to the provisions of the United States Bankruptcy Code or other law of the United States or any state thereof for the protection of debtors as in effect at such time (each a "Debtor's Law"):

20.1.1 Tenant, Tenant as debtor-in-possession, and any trustee or receiver of Tenant's assets (each a "Tenant's Representative") shall have no greater right to assume or assign this Lease or any interest in this Lease, or to sublease any of the Premises than accorded to Tenant in Article 9, except to the extent Landlord shall be required to permit such assumption, assignment or sublease by the provisions of such Debtor's Law. Without limitation of the generality of the foregoing, any right of any Tenant's Representative to assume or assign this Lease or to sublease any of the Premises shall be subject to the conditions that:

20.1.1.1 Such Debtor's Law shall provide to Tenant's Representative a right of assumption of this Lease which Tenant's Representative shall have timely exercised and Tenant's Representative shall have fully cured any default of Tenant under this Lease.

20.1.1.2 Tenant's Representative or the proposed assignee, as the case shall be, shall have deposited with Landlord as security for the timely payment of rent an amount equal to the Security Deposit, and shall have provided Landlord with adequate other assurance of the future performance of the obligations of the Tenant under this Lease. Without limitation, such assurances shall include, at least, in the case of assumption of this Lease, demonstration to the satisfaction of the Landlord that Tenant's Representative has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that Tenant's Representative will have sufficient funds to fulfill the obligations of Tenant under this Lease; and, in the case of assignment, submission of current financial statements of the proposed assignee, audited by an independent certified public accountant reasonably acceptable to Landlord and showing a net worth and working capital in amounts determined by Landlord to be sufficient to assure the future performance by such assignee of all of the Tenant's obligations under this Lease.

20.1.1.3 The assumption or any contemplated assignment of this Lease or subleasing any part of the Premises, as shall be the case, will not breach any provision in any other lease, mortgage, financing agreement or other agreement by which Landlord is bound.

20.1.1.4 Landlord shall have, or would have had absent the Debtor's Law, no right under Article 9 to refuse consent to the proposed assignment or sublease by reason of the identity or nature of the proposed assignee or sublessee or the proposed use of the Premises concerned.

21. **QUIET ENJOYMENT.** Landlord represents and warrants that it has full right and authority to enter into this Lease and that Tenant, while paying the rental and performing its other covenants and agreements contained in this Lease, shall peaceably and quietly have, hold and enjoy the Premises for the Term without hindrance or molestation from Landlord subject to the terms and provisions of this Lease. Landlord shall not be liable for any interference or disturbance by other tenants or third persons, nor shall Tenant be released from any of the obligations of this Lease because of such interference or disturbance.

22. **CASUALTY.** In the event the Premises or the Building are damaged by fire or other cause and in Landlord's reasonable estimation such damage can be materially restored within two hundred forty (240) days, Landlord shall forthwith

repair the same and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate abatement in rent from the date of such damage. Such abatement of rent shall be made pro rata in accordance with the extent to which the damage and the making of such repairs shall interfere with the use and occupancy by Tenant of the Premises from time to time. Within forty-five (45) days from the date of such damage, Landlord shall notify Tenant, in writing, of Landlord's reasonable estimation of the length of time within which material restoration can be made, and Landlord's determination shall be binding on Tenant. For purposes of this Lease, the Building or Premises shall be deemed "materially restored" if they are in such condition as would not prevent or materially interfere with Tenant's use of the Premises for the purpose for which it was being used immediately before such damage.

22.2 If such repairs cannot, in Landlord's reasonable estimation, be made within two hundred forty (240) days, Landlord and Tenant shall each have the option of giving the other, at any time within ninety (90) days after such damage, notice terminating this Lease as of the date of such damage. In the event of the giving of such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate as of the date of such damage as if such date had been originally fixed in this Lease for the expiration of the Term. In the event that neither Landlord nor Tenant exercises its option to terminate this Lease, then Landlord shall repair or restore such damage, this Lease continuing in full force and effect, and the rent hereunder shall be proportionately abated as provided in Section 22.1.

22.3 Landlord shall not be required to repair or replace any damage or loss by or from fire or other cause to any panelings, decorations, partitions, additions, railings, ceilings, floor coverings, office fixtures or any other property or improvements installed on the Premises by, or belonging to, Tenant. Any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or Premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

22.4 In the event that Landlord should fail to complete such repairs and material restoration within sixty (60) days after the date estimated by Landlord therefor as extended by this Section 22.4, Tenant may at its option and as its sole remedy terminate this Lease by delivering written notice to Landlord, within fifteen (15) days after the expiration of said period of time, whereupon the Lease shall end on the date of such notice or such later date fixed in such notice as if the date of such notice was the date originally fixed in this Lease for the expiration of the Term; provided, however, that if construction is delayed because of changes, deletions or additions in construction requested by Tenant, strikes, lockouts, casualties, Acts of God, war, material or labor shortages, government regulation or control or other causes beyond the reasonable control of Landlord (each, a "Force Majeure Event"), the period for restoration, repair or rebuilding shall be extended for the amount of time Landlord is so delayed.

22.5 Notwithstanding anything to the contrary contained in this Article: (a) Landlord shall not have any obligation whatsoever to repair, reconstruct, or restore the Premises when the damages resulting from any casualty covered by the provisions of this Article 22 occur during the last twelve (12) months of the Term or any extension thereof, but if Landlord determines not to repair such damages Landlord shall notify Tenant and if such damages shall render any material portion of the Premises untenantable Tenant shall have the right to terminate this Lease by notice to Landlord within fifteen (15) days after receipt of Landlord's notice; and (b) in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises or Building requires that any insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made by any such holder, whereupon this Lease shall end on the date of such damage as if the date of such damage were the date originally fixed in this Lease for the expiration of the Term.

22.6 In the event of any damage or destruction to the Building or Premises by any peril covered by the provisions of this Article 22, it shall be Tenant's responsibility to properly secure the Premises and upon notice from Landlord to remove forthwith, at its sole cost and expense, such portion of all of the property belonging to Tenant or its licensees from such portion or all of the Building or Premises as Landlord shall request.

23. **EMINENT DOMAIN.** If all or any substantial part of the Premises which shall materially adversely interfere Tenant's use of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, or conveyance in lieu of such appropriation, either party to this Lease shall have the right, at its option, of giving the other, at any time within thirty (30) days after such taking, notice terminating this Lease. If neither party to this Lease shall so elect to terminate this Lease, the rental thereafter to be paid shall be adjusted on a fair and equitable basis under the circumstances. In addition to the rights of Landlord above, if any substantial part of the Building shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, and regardless of whether the Premises or any part thereof are so taken or appropriated, Landlord shall have the right, at its sole option, to terminate this Lease. Landlord shall be entitled to any and all income, rent, award, or any interest whatsoever in or

upon any such sum, which may be paid or made in connection with any such public or quasi-public use or purpose, and Tenant hereby assigns to Landlord any interest it may have in or claim to all or any part of such sums, other than any separate award which may be made with respect to Tenant's trade fixtures and moving expenses. Tenant shall make no claim for the value of any unexpired Term.

24. **SALE BY LANDLORD**. In event of a sale or conveyance by Landlord of the Building, the same shall operate to release Landlord from any future liability upon any of the covenants or conditions, expressed or implied, contained in this Lease in favor of Tenant, and in such event Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. Except as set forth in this Article 24, this Lease shall not be affected by any such sale and Tenant agrees to attorn to the purchaser or assignee. If any security has been given by Tenant to secure the faithful performance of any of the covenants of this Lease, Landlord may transfer or deliver said security, as such, to Landlord's successor in interest and thereupon Landlord shall be discharged from any further liability with regard to said security.

25. **ESTOPPEL CERTIFICATES**. Within ten (10) business days following any written request which Landlord may make from time to time, Tenant shall execute and deliver to Landlord or mortgagee or prospective mortgagee a sworn statement certifying: (a) the date of commencement of this Lease; (b) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications to this Lease, that this Lease is in full force and effect, as modified, and stating the date and nature of such modifications); (c) the date to which the rent and other sums payable under this Lease have been paid; (d) the fact that there are no current defaults under this Lease by either Landlord or Tenant except as specified in Tenant's statement; and (e) such other matters as may be requested by Landlord. Landlord and Tenant intend that any statement delivered pursuant to this Article 25 may be relied upon by any mortgagee, beneficiary or purchaser. Tenant irrevocably agrees that if Tenant fails to execute and deliver such certificate within such ten (10) day period Landlord or Landlord's beneficiary or agent may execute and deliver such certificate on Tenant's behalf, and that such certificate shall be fully binding on Tenant.

26. **SURRENDER OF PREMISES**. Tenant shall arrange to meet Landlord for two (2) joint inspections of the Premises, the first to occur at least thirty (30) days (but no more than sixty (60) days) before the last day of the Term, and the second to occur not later than forty-eight (48) hours after Tenant has vacated the Premises. In the event of Tenant's failure to arrange such joint inspections and/or participate in either such inspection, Landlord's inspection at or after Tenant's vacating the Premises shall be conclusively deemed correct for purposes of determining Tenant's responsibility for repairs and restoration.

26.2 All alterations, additions, and improvements in, on, or to the Premises made or installed by or for Tenant, including, without limitation, carpeting (collectively, "Alterations"), shall be and remain the property of Tenant during the Term. Upon the expiration or sooner termination of the Term, all Alterations shall become a part of the realty and shall belong to Landlord without compensation, and title shall pass to Landlord under this Lease as by a bill of sale. At the end of the Term or any renewal of the Term or other sooner termination of this Lease, Tenant will peaceably deliver up to Landlord possession of the Premises, together with all Alterations by whomsoever made, in the same conditions received or first installed, broom clean and free of all debris, excepting only ordinary wear and tear and damage by fire or other casualty. Notwithstanding the foregoing, if Landlord elects by notice given to Tenant at the time of Landlord's initial consent to any Alterations, Tenant shall, at Tenant's sole cost, remove any such Alterations, including carpeting, so designated by Landlord's notice, and repair any damage caused by such removal; provided, however, that, Tenant (a) shall not be required to remove customary building standard office Alterations (e.g., drywall partitions separating offices within the Premises), and (b) Tenant must, at Tenant's sole cost, remove upon termination of this Lease, any and all of Tenant's furniture, furnishings, equipment, movable partitions of less than full height from floor to ceiling and other trade fixtures and personal property, as well as all data/telecommunications cabling and wiring installed by or on behalf of Tenant, whether inside walls, under any raised floor or above any ceiling (collectively, "Personalty"). Personalty not so removed shall be deemed abandoned by the Tenant and title to the same shall thereupon pass to Landlord under this Lease as by a bill of sale, but Tenant shall remain responsible for the cost of removal and disposal of such Personalty, as well as any damage caused by such removal. In lieu of requiring Tenant to remove Alterations and Personalty and repair the Premises as aforesaid, Landlord may, by written notice to Tenant delivered at least thirty (30) days before the Termination Date, require Tenant to pay to Landlord, as additional rent hereunder, the cost of such removal and repair in an amount reasonably estimated by Landlord.

26.3 All obligations of Tenant under this Lease not fully performed as of the expiration or earlier termination of the Term shall survive the expiration or earlier termination of the Term. Upon the expiration or earlier termination of the Term, Tenant shall pay to Landlord the amount, as estimated by Landlord, necessary to repair and restore the Premises as provided in this Lease and/or to discharge Tenant's obligation for unpaid amounts due or to become due to Landlord. All such amounts shall be used and held by Landlord for payment of such obligations of Tenant, with Tenant being liable for any

additional costs upon demand by Landlord, or with any excess to be returned to Tenant after all such obligations have been determined and satisfied. Any otherwise unused Security Deposit shall be credited against the amount payable by Tenant under this Lease.

27. **NOTICES**. Any notice or document required or permitted to be delivered under this Lease shall be addressed to the intended recipient, by fully prepaid registered or certified United States Mail return receipt requested, or by reputable independent contract delivery service furnishing a written record of attempted or actual delivery, and shall be deemed to be delivered when tendered for delivery to the addressee at its address set forth on the Reference Pages, or at such other address as it has then last specified by written notice delivered in accordance with this Article 27, or if to Tenant at either its aforesaid address or its last known registered office or home of a general partner or individual owner, whether or not actually accepted or received by the addressee. Any such notice or document may also be personally delivered if a receipt is signed by and received from, the individual, if any, named in Tenant's Notice Address.

28. **TAXES PAYABLE BY TENANT**. In addition to rent and other charges to be paid by Tenant under this Lease, Tenant shall reimburse to Landlord, upon demand, any and all taxes payable by Landlord (other than net income taxes) whether or not now customary or within the contemplation of the parties to this Lease: (a) upon, allocable to, or measured by or on the gross or net rent payable under this Lease, including without limitation any gross income tax or excise tax levied by the State, any political subdivision thereof, or the Federal Government with respect to the receipt of such rent; (b) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Premises or any portion thereof, including any sales, use or service tax imposed as a result thereof; (c) upon or measured by Tenant's gross receipts or payroll or the value of Tenant's equipment, furniture, fixtures and other personal property of Tenant or leasehold improvements, alterations or additions located in the Premises; or (d) upon this transaction or any document to which Tenant is a party creating or transferring any interest of Tenant in this Lease or the Premises. In addition to the foregoing, Tenant agrees to pay, before delinquency, any and all taxes levied or assessed against Tenant and which become payable during the term hereof upon Tenant's equipment, furniture, fixtures and other personal property of Tenant located in the Premises.

29. **INTENTIONALLY DELETED.PARKING**. During the Term of this Lease, Tenant agrees to lease from Landlord and Landlord agrees to lease to Tenant, the number and type of parking spaces as set forth on the Reference Pages of this Lease. Except with respect to the three (3) exclusive parking spaces that Tenant shall be entitled to use in locations near the front entrance to the Premises as determined by Landlord from time to time during the Term (together, the "Exclusive Parking Spaces"), this right to park in the Building's parking facilities (the "Parking Facility") shall be on an unreserved, nonexclusive, "first come, first served basis," for passenger-size automobiles in the Parking Facility, subject to the following terms and conditions:

30.1.1 Tenant shall at all times abide by and shall cause each of Tenant's employees, agents, customers, visitors, invitees, licensees, contractors, assignees and subtenants (collectively, "Tenant's Parties") to abide by any rules and regulations ("Rules") for use of the Parking Facility that Landlord or Landlord's garage operator reasonably establishes from time to time, and otherwise agrees to use the Parking Facility in a safe and lawful manner. Landlord reserves the right to adopt, modify and enforce the Rules governing the use of the Parking Facility from time to time including any key-card, sticker or other identification or entrance system and hours of operation. Landlord may refuse to permit any person who violates such Rules to park in the Parking Facility, and any violation of the Rules shall subject the car to removal from the Parking Facility.

30.1.2 Unless specified to the contrary in Section 30.1 above, the parking spaces hereunder shall be provided on a non-designated "first-come, first-served" basis. Landlord reserves the right to assign specific spaces, and to reserve spaces for visitors, small cars, disabled persons or for other tenants or guests, and Tenant shall not park and shall not allow Tenant's Parties to park in any such assigned or reserved spaces. Tenant may validate visitor parking by such method as Landlord may approve, at the validation rate from time to time generally applicable to visitor parking. Tenant acknowledges that the Parking Facility may be closed entirely or in part in order to make repairs or perform maintenance services, or to alter, modify, re-stripe or renovate the Parking Facility, or if required by casualty or any other Force Majeure Event.

30.1.3 Tenant acknowledges that to the fullest extent permitted by law, Landlord shall have no liability for any damage to property or other items located in the parking areas of the Parcel (including without limitation, any loss or damage to tenant's automobile or the contents thereof due to theft, vandalism or accident), nor for any personal injuries or death arising out of the use of the Parking Facility by Tenant or any Tenant's Parties, unless such loss or damage results directly from Landlord's negligence or willful misconduct. Without limiting the foregoing, if Landlord arranges for the

parking areas to be operated by an independent contractor not affiliated with Landlord, Tenant acknowledges that Landlord shall have no liability for claims arising through acts or omissions of such independent contractor. Except as otherwise set forth in the preceding sentences in this Section 30.1.3, Tenant and Tenant's Parties each hereby voluntarily releases, discharges, waives and relinquishes any and all actions or causes of action for personal injury or property damage occurring to Tenant or any of Tenant's Parties arising as a result of parking in the Parking Facility, or any activities incidental thereto, wherever or however the same may occur, and further agrees that Tenant will not prosecute any claim for personal injury or property damage against Landlord or any of its officers, agents, servants or employees for any said causes of action and in all events, Tenant agrees to look first to its insurance carrier and to require that Tenant's Parties look first to their respective insurance carriers for payment of any losses sustained in connection with any use of the Parking Facility. Tenant hereby waives on behalf of its insurance carriers all rights of subrogation against Landlord or Landlord's agents.

30.1.4 Tenant's right to park as described in this Article and this Lease is exclusive to Tenant and shall not pass to any assignee or sublessee without the express written consent of Landlord. Such consent is at the sole discretion of the Landlord.

30.1.5 In the event any surcharge or regulatory fee is at any time imposed by any governmental authority with reference to parking, Tenant shall (commencing after two (2) weeks' notice to Tenant) pay, per parking pass, such surcharge or regulatory fee to Landlord in advance on the first day of each calendar month concurrently with the month installment of rent due under this Lease. Landlord will enforce any surcharge or fee in an equitable manner amongst the Building tenants.

30.2 If Tenant violates any of the terms and conditions of this Article, the operator of the Parking Facility shall have the right to remove from the Parking Facility any vehicles hereunder which shall have been involved or shall have been owned or driven by parties involved in causing such violation, without liability therefor whatsoever. In addition, Landlord shall have the right to cancel Tenant's right to use the Parking Facility pursuant to this Article upon ten (10) days' written notice, unless within such ten (10) day period, Tenant cures such default. Such cancellation right shall be cumulative and in addition to any other rights or remedies available to Landlord at law or equity, or provided under this Lease.

31. **DEFINED TERMS AND HEADINGS.** The Article headings shown in this Lease are for convenience of reference and shall in no way define, increase, limit or describe the scope or intent of any provision of this Lease. The terms "Tenant" and "Landlord" or any pronoun used in place thereof shall indicate and include the masculine or feminine, the singular or plural number, individuals, firms or corporations, and their and each of their respective successors, executors, administrators and permitted assigns, according to the context hereof. The term "rentable area" shall mean the rentable area of the Premises or the Building as calculated by the Landlord on the basis of the plans and specifications of the Building including a proportionate share of any common areas. Tenant hereby accepts and agrees to be bound by the figures for the rentable square footage of the Premises and Tenant's Proportionate Share shown on the Reference Pages; however, Landlord may adjust either or both figures if there is manifest error, addition or subtraction to the Building or any business park or complex of which the Building is a part, remeasurement or other circumstance reasonably justifying adjustment. The term "Building" refers to the structure in which the Premises are located and the common areas (parking lots, sidewalks, landscaping, etc.) appurtenant thereto. If the Building is part of a larger complex of structures, the term "Building" may include the entire complex, where appropriate (such as shared Expenses or Taxes) and subject to Landlord's reasonable discretion.

32. **TENANT'S AUTHORITY.** If Tenant signs as a corporation, partnership, trust or other legal entity each of the persons executing this Lease on behalf of Tenant represents and warrants that Tenant has been and is qualified to do business in the state in which the Building is located, that the entity has full right and authority to enter into this Lease, and that all persons signing on behalf of the entity were authorized to do so by appropriate actions. Tenant agrees to deliver to Landlord, simultaneously with the delivery of this Lease, a corporate resolution, proof of due authorization by partners, opinion of counsel or other appropriate documentation reasonably acceptable to Landlord evidencing the due authorization of Tenant to enter into this Lease.

Tenant hereby represents and warrants that neither Tenant, nor any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (i) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury ("OFAC"); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: "List of Specially Designated Nationals and Blocked Persons." If the foregoing representation is untrue at any time during the Term, an Event of Default will be deemed to have occurred, without the necessity of notice to Tenant.

33. **FINANCIAL STATEMENTS AND CREDIT REPORTS**. At Landlord's request, but not more often than once in any calendar year (except in the case of a sale, financing or refinancing of the Building when no such limitation shall apply), Tenant shall deliver to Landlord a copy, certified by an officer of Tenant as being a true and correct copy, of Tenant's most recent audited financial statement, or, if unaudited, certified by Tenant's chief financial officer as being true, complete and correct in all material respects. Tenant hereby authorizes Landlord to obtain one or more credit reports on Tenant at any time, and shall execute such further authorizations as Landlord may reasonably require in order to obtain a credit report.

34. **COMMISSIONS**. Each of the parties represents and warrants to the other that it has not dealt with any broker or finder in connection with this Lease, except as described on the Reference Pages.

35. **TIME AND APPLICABLE LAW**. Time is of the essence of this Lease and all of its provisions. This Lease shall in all respects be governed by the laws of the state in which the Building is located.

36. **SUCCESSORS AND ASSIGNS**. Subject to the provisions of Article 9, the terms, covenants and conditions contained in this Lease shall be binding upon and inure to the benefit of the heirs, successors, executors, administrators and assigns of the parties to this Lease.

37. **ENTIRE AGREEMENT**. This Lease, together with its exhibits, contains all agreements of the parties to this Lease and supersedes any previous negotiations. There have been no representations made by the Landlord or any of its representatives or understandings made between the parties other than those set forth in this Lease and its exhibits. This Lease may not be modified except by a written instrument duly executed by the parties to this Lease.

38. **EXAMINATION NOT OPTION**. Submission of this Lease shall not be deemed to be a reservation of the Premises. Landlord shall not be bound by this Lease until it has received a copy of this Lease duly executed by Tenant and has delivered to Tenant a copy of this Lease duly executed by Landlord, and until such delivery Landlord reserves the right to exhibit and lease the Premises to other prospective tenants. Notwithstanding anything contained in this Lease to the contrary, Landlord may withhold delivery of possession of the Premises from Tenant until such time as Tenant has paid to Landlord any security deposit required by Article 5, the first month's rent as set forth in Article 3 and any sum owed pursuant to this Lease.

39. **RECORDATION**. Tenant shall not record or register this Lease or a short form memorandum hereof without the prior written consent of Landlord, and then shall pay all charges and taxes incident such recording or registration.

40. **OPTION TO EXTEND**. Provided that (a) this Lease is in full force and effect and Tenant is not in default under any of the other terms and conditions of this Lease at the time of notification and commencement, beyond applicable notice and cure periods, if any, and (b) Holcim (US) Inc. is leasing the entire original Premises at the time of notification and commencement, then Tenant shall have the option (the "Extension Option") to extend the Term of this Lease for a period of five (5) years (the "Extension Term"), commencing on the day immediately following the original Termination Date and expiring on the five (5) year anniversary of the original Termination Date, for the portion of the Premises being leased by Tenant as of the date the Extension Term is to commence, on the same terms and conditions as set forth in this Lease, except as modified by the terms, covenants and conditions as set forth herein below:

40.1 If Tenant elects to exercise the Extension Option, then Tenant shall provide Landlord with written notice no earlier than the date which is fifteen (15) months prior to the original Termination Date, but no later than the date which is twelve (12) months prior to the original Termination Date. If Tenant fails to timely provide such written notice, Tenant shall have no further or additional right to extend the Term of the Lease for the Extension Term.

40.2 The Annual Rent and Monthly Installment in effect as of the day immediately preceding the Termination Date shall be adjusted to reflect the current fair market rental for comparable space in the Building and in other similar buildings in the same rental market as of the date the Extension Term is to commence, taking into account the specific provisions of the Lease which will remain constant. Landlord shall advise Tenant of the new Annual Rent and Monthly Installment for the Premises no later than thirty (30) days after receipt of Tenant's written request therefor. Said request shall be made no earlier than thirty (30) days prior to the first date on which Tenant may exercise its Extension Option under this Article 40. If Tenant and Landlord are unable to agree on a mutually acceptable rental rate not later than sixty (60) days prior to the Termination Date, then Landlord and Tenant shall each appoint a qualified MAI appraiser doing business in the area, in turn those two (2) independent MAI appraisers shall appoint a third (3rd) MAI appraiser and the majority shall decide upon the fair market rental for the Premises as of the Termination Date. Landlord and Tenant shall equally share in the expense of

this appraisal except that in the event the Annual Rent and Monthly Installment is found to be within fifteen percent (15%) of the original rate quoted by Landlord, then Tenant shall bear the full cost of all the appraisal process.

40.3 This Extension Option is not transferable; the parties hereto acknowledge and agree that they intend that the aforesaid Extension Option shall be "personal" to Holcim (US) Inc. as set forth above and that in no event will any assignee or sublessee have any rights to exercise the aforesaid Extension Option.

41. **LIMITATION OF LANDLORD'S LIABILITY**. Redress for any claim against Landlord under this Lease shall be limited to and enforceable only against and to the extent of Landlord's interest in the Building, any insurance carried by Landlord for the Building, any rent payable by the tenants of the Park or the Building, and/or any sale proceeds from the sale of all or any portion of the Park, for the enforcement of a judgment (or other judicial decree) requiring the payment of money by Landlord to Tenant by reason of default, breach or event of default of Landlord in performance of its obligations under this Lease or Landlord's negligence. The obligations of Landlord under this Lease are not intended to be and shall not be personally binding on, nor shall any resort be had to the private properties of, any of its or its investment manager's trustees, directors, officers, partners, beneficiaries, members, stockholders, employees, or agents, and in no case shall Landlord be liable to Tenant hereunder for any lost profits, damage to business, or any form of special, indirect or consequential damages. The obligations of Tenant under this Lease are not intended to be and shall not be personally binding on, nor shall any resort be had to the private properties of, any of its trustees, directors, officers, partners, beneficiaries, members, stockholders, employees, or agents, and in no case shall Tenant be liable to Landlord hereunder for any lost profits, damage to business, or any form of special, indirect or consequential damages except as set forth in Article 14.

42. **TERMINATION OPTION**. Subject to the terms and conditions set forth in this Article 42, Tenant shall have the one-time option (the "Termination Option"), exercisable by written notice to Landlord (the "Termination Notice") given no later than March 31, 2019 (the "Termination Option Deadline"), to terminate the Lease Term as of March 31, 2020 (the "Early Termination Date"), time being of the essence with respect thereto. In connection with its exercise of the Termination Option, Tenant shall pay to Landlord a "Termination Fee" of One Million One Hundred Sixty-Four Thousand One Hundred Fifty-One and No/100 Dollars ($1,164,151.00), which is equal to the sum of (a) all of Landlord's unamortized transaction costs with respect to brokerage fees and the Allowance (collectively, the "Transaction Costs") based upon an interest factor of eight percent (8%) per annum for such amortization calculation, totaling Eight Hundred Three Thousand Seven Hundred Nineteen and No/100 Dollars ($803,719.00), and (b) the amount of Monthly Base Rent payable by Tenant as of the Termination Option Deadline multiplied by six (6), totaling Three Hundred Sixty Thousand Four Hundred Thirty-Two and No/100 Dollars ($360,432.00). The Termination Fee shall be paid by Tenant at the time of delivery of the Termination Notice. If Tenant fails to (i) timely exercise the Termination Option in accordance with the provisions of this Article 42, or (ii) timely deliver to Landlord the Termination Fee, then the Termination Option and this Article 42 shall be null and void and without further force and effect. Tenant's right to terminate this Lease as set forth herein is conditioned upon (A) no Event of Default having occurred either on or before the date the Termination Notice is delivered to Landlord or the Early Termination Date, (B) this Lease being in full force and effect on the date the Termination Notice is delivered to Landlord and on the day immediately preceding the Early Termination Date, (C) Holcim (US) Inc. occupying the entire Premises from the Commencement Date through the date of Landlord's receipt of the Termination Notice, and (D) Landlord having received the Termination Fee when required as aforesaid. Notwithstanding the foregoing provisions of this Article 42, if Tenant timely exercises the Termination Option and thereafter an Event of Default occurs, then Landlord may elect to nullify the exercise of the Termination Option by giving written notice thereof to Tenant on or before the Early Termination Date. Should Tenant effectively exercise its Termination Option as set forth herein, (1) the Term of this Lease shall automatically terminate on the Early Termination Date, with all the terms and conditions of this Lease, including, without limitation, the obligation to pay Annual Rent and the Monthly Installment of Rent, remaining in full force and effect until the Early Termination Date, and (2) Tenant shall relinquish, yield up and surrender the Premises on the Early Termination Date in accordance with the provisions of this Lease.

43. **NON-COMPETE**. Except as otherwise set forth in this Article 43, so long as (a) Tenant is not in default beyond applicable notice and cure periods under any term, covenant or condition of this Lease, (b) this Lease is then in full force and effect, and (c) Holcim (US) Inc. is the holder of the tenant's interest under this Lease and is occupying at least fifty percent (50%) of the Building for the Permitted Uses, then Landlord agrees that it shall not lease (and, unless Landlord may not unreasonably withhold consent, Landlord shall not approve any sublease or assignment of), any space in the Building or the Park to (i) the following concrete companies: (1) MacClellan, and (2) Benevento Concrete; and (ii) the following cement companies: (1) Lafarge, (2) Lehigh, (3) Cemex, (4) Oldcastle, (5) Dragon Cement, (6) Esroc, and (7) Buzzi (each, a "Prohibited Tenant") without first obtaining the written consent of Tenant, which Tenant may withhold in its sole discretion. Notwithstanding the foregoing, the foregoing requirements in this Article 43 shall (A) not be deemed to prohibit any (x) merger or consolidation between any tenant of the Building or the Park from time to time with any Prohibited Tenant, (y)

corporate acquisition of any tenant of the Building or the Park from time to time by any Prohibited Tenant, or (z) corporate acquisition by any tenant of the Building or the Park from time to time of any Prohibited Tenant; and (B) be personal to Holcim (US) Inc. and shall not pass to any subtenant of the Premises or assignee of the Lease that is not an Affiliate of Holcim (US) Inc.

[SIGNATURES ON FOLLOWING PAGE]

LANDLORD:

RAR2-CROSBY CORPORATE CENTER QRS, INC., a Maryland corporation

By: RREEF America, LLC, a Delaware limited liability company, its Authorized Agent

By: _____
Name: David F Crane
Title: Vice President
Dated: 3/18/13

TENANT:

HOLCIM (US) INC., a Delaware corporation

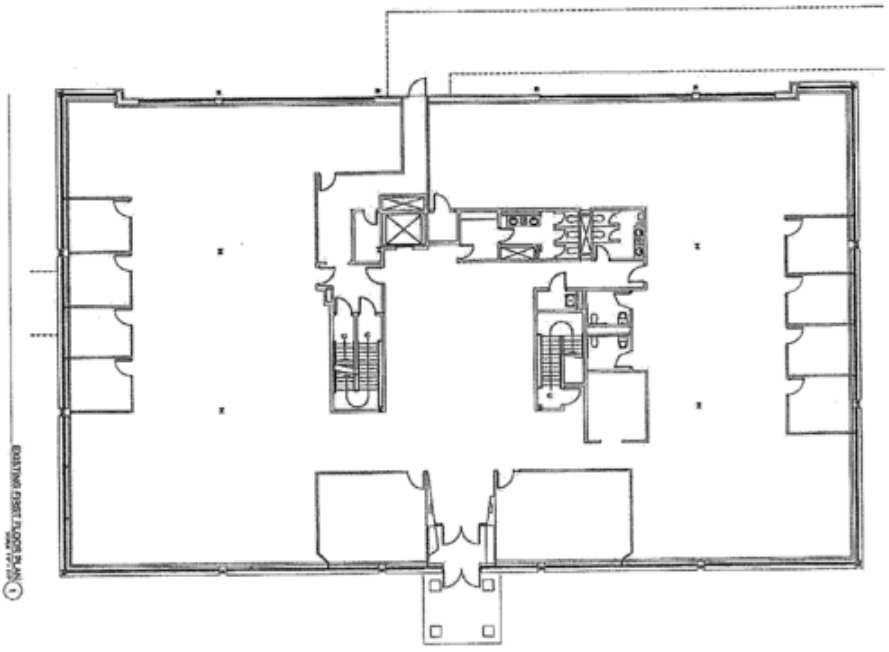
By: _____
Name: JAY TANGNEY
Title: Senior Vice President, Chief Legal officer
Dated: 3/14/13

EXHIBIT A – FLOOR PLAN DEPICTING THE PREMISES
attached to and made a part of Lease bearing the
Lease Reference Date of March ___, 2013 between
RAR2-CROSBY CORPORATE CENTER QRS, INC., as Landlord, and
HOLCIM (US) INC., as Tenant

Exhibit A is intended only to show the general layout of the Premises as of the beginning of the Term of this Lease. It does not in any way supersede any of Landlord's rights set forth in Article 17 with respect to arrangements and/or locations of public parts of the Building and changes in such arrangements and/or locations. It is not to be scaled; any measurements or distances shown should be taken as approximate.

[See Attached]

Initials


EXISTING FIRST FLOOR PLAN
SCALE: 1/4" = 1'-0"

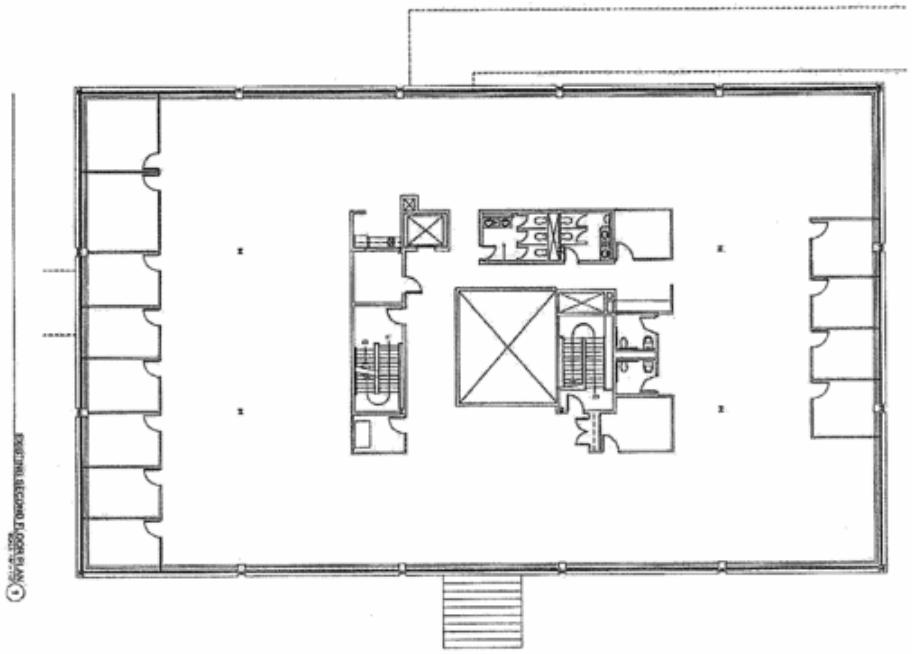


EXHIBIT A-1 – SITE PLAN
attached to and made a part of Lease bearing the
Lease Reference Date of March ___, 2013 between
RAR2-CROSBY CORPORATE CENTER QRS, INC., as Landlord, and
HOLCIM (US) INC., as Tenant

Exhibit A-1 is intended only to show the general location of the Building as of the Lease Reference Date. It does not in any way supersede any of Landlord's rights set forth in Article 17 with respect to arrangements and/or locations of public parts of the Building and changes in such arrangements and/or locations. It is not to be scaled; any measurements or distances shown should be taken as approximate.

[See Attached]

Initials

CROSBY CORPORATE CENTER - BEDFORD, MASSACHUSETTS

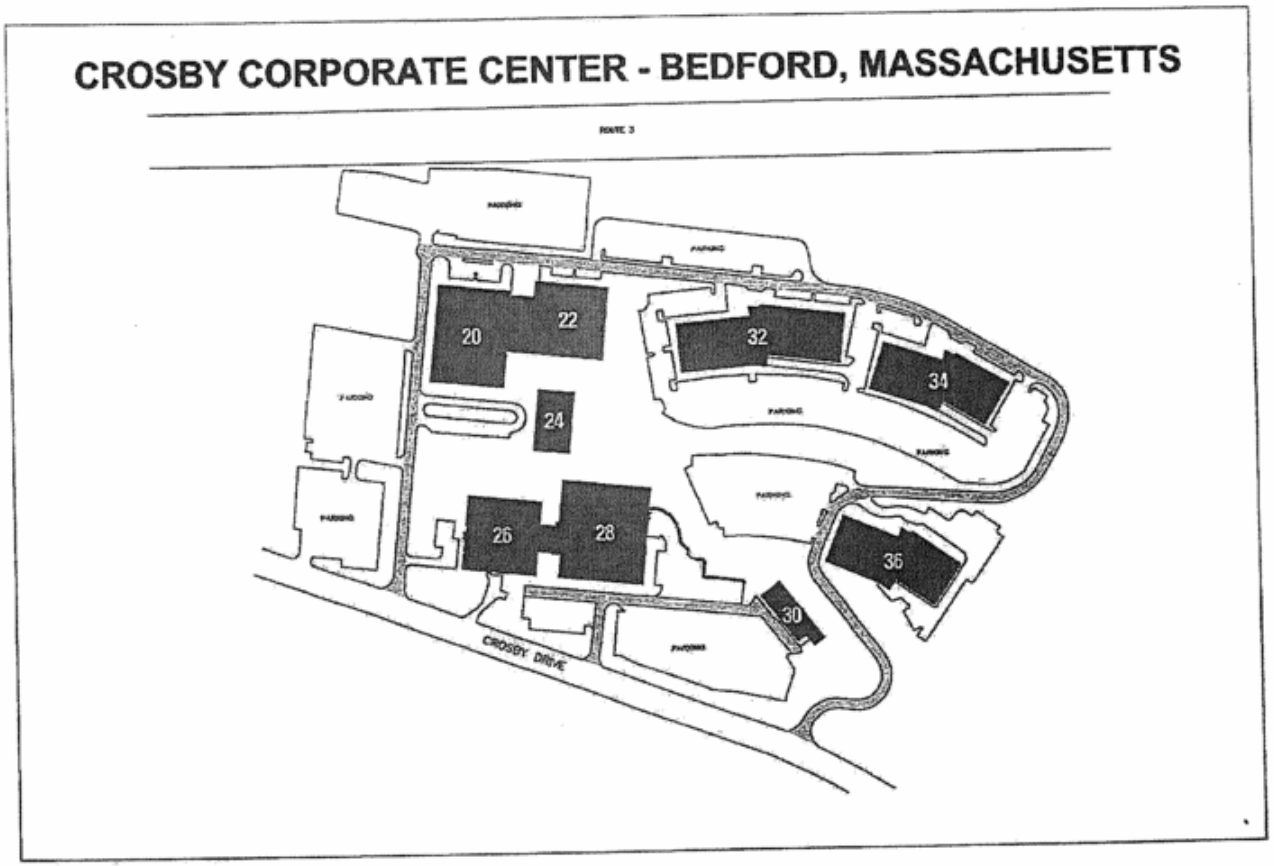


EXHIBIT B – INITIAL ALTERATIONS
attached to and made a part of Lease bearing the
Lease Reference Date of March ___, 2013 between
RAR2-CROSBY CORPORATE CENTER QRS, INC., as Landlord, and
HOLCIM (US) INC., as Tenant

1. Delivery of Premises. Landlord, at its sole cost and expense, including related architectural and engineering expenses, shall use commercially reasonable efforts to deliver the Premises to Tenant with the base building work set forth on Schedule III attached hereto substantially completed pursuant to the plans attached to Schedule IV attached hereto and Section 2.1 of the Lease (collectively, the "Landlord's Work"), and Tenant shall not interfere with Landlord's performance of the Landlord's Work. With the exception of Landlord's performance of the Landlord's Work, the Premises shall be delivered to Tenant on the Delivery Date "as is, where is," without any representation or warranty by Landlord, and with no additional improvements, repairs or alterations. Tenant acknowledges and agrees that it has inspected the Premises and agrees to accept the Premises in their existing condition and that, with the exception of Landlord's performance of the Landlord's Work, Landlord shall have no obligation to construct any improvements therein.

2. Plans and Specifications. With Landlord's prior written approval and in accordance with this Lease, Tenant shall perform the work necessary to fit-up the Premises for the Permitted Uses (collectively, the "Tenant's Work"). Tenant shall prepare, at Tenant's sole cost and expense and in accordance with the requirements set forth in Schedule I attached hereto, all architectural, mechanical, and electrical plans and specifications relating to the construction of the Tenant's Work (collectively, the "Tenant's Plans"), first in preliminary form (collectively, the "Preliminary Plans"), and thereafter in working form (collectively, the "Working Drawings"), which Tenant's Plans shall be furnished to Landlord for Landlord's review and approval. Tenant shall hire consultants approved by Landlord for the preparation of Tenant's Plans.

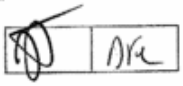
2.1 Upon submittal of any portion of the Tenant's Plans, Landlord shall review the Tenant's Plans and shall either approve the Tenant's Plans or advise Tenant in writing of any aspect of the design, engineering, construction or installation which is not acceptable to Landlord. Landlord shall advise Tenant of its approval or comments on the Tenant's Plans within ten (10) business days after Landlord's receipt of the Tenant's Plans. In the event that Landlord shall disapprove of any portion of the Tenant's Plans, Tenant shall have five (5) business days after Landlord's notification of its disapproval to revise the Tenant's Plans and resubmit them to Landlord. In the event Landlord fails to approve or disapprove the Tenant's Plans or any changes thereto within the time period set forth above, and if such failure continues thereafter for five (5) business days after Landlord's receipt of notice from Tenant requesting action on the Tenant's Plans, the Tenant's Plans or the changes shall be deemed to be approved.

2.2 After approval of the Tenant's Plans or any portion thereof, Tenant shall not in any way modify, revise or change such Tenant's Plans without the prior written consent of Landlord. If Landlord approves such request, the entire cost of such change, including, without limitation, the cost of revising the Tenant's Plans or preparing new plans, shall be borne by Tenant and any delay occasioned thereby shall not delay the Commencement Date.

2.3 It shall be Tenant's responsibility that the Tenant's Plans comply with all applicable governmental and municipal laws, codes and regulations and to procure and deliver to Landlord upon request all such licenses, permits and approvals from all governmental authorities as are necessary to permit the Tenant's Work to be commenced and continued to completion and the so constructed Premises to be occupied.

3. Intentionally Deleted.

4. Contracts and Contractors for the Tenant's Work. Tenant shall make all such contracts and arrangements as shall be necessary or desirable for the construction and installation of the Tenant's Work. Tenant shall provide Landlord with a list of all contractors, subcontractors and materialmen to be utilized by or for Tenant with respect to the Tenant's Work, and, if requested by Landlord, Tenant shall promptly provide Landlord with true, correct and complete copies of all construction and architect's contracts relating to the Tenant's Work. Such contractors, subcontractors and materialmen must be satisfactory to Landlord in Landlord's reasonable discretion, and shall not be employed without Landlord's written approval first obtained. Tenant and Tenant's contractors shall use qualified craftsmen and laborers who are compatible with the trade unions operating in the Building (if any) and Tenant shall take promptly upon Landlord's demand all measures necessary to avoid labor unrest in the Premises and in the Building which is caused by Tenant or Tenant's contractors. Tenant shall cause all contractors to procure performance bonds and shall provide Landlord with evidence thereof.



Initials

5. Construction.

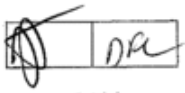
5.1 Promptly upon Landlord's approval of the Tenant's Plans, Tenant shall apply for, and supply to Landlord upon issuance, a building permit and any other required governmental permits, licenses or approvals required in order to perform the Tenant's Work. Upon issuance of such approvals, Tenant shall commence the Tenant's Work and shall diligently prosecute the Tenant's Work to completion. Tenant agrees to complete the Tenant's Work on or before December 1, 2013. Tenant agrees to cause the Tenant's Work to be constructed in a good and workmanlike manner using first-class quality materials and in accordance with all applicable governmental and municipal laws, codes and regulations in accordance with the terms and provisions of this Lease. Upon completion of the Tenant's Work, Tenant shall provide to Landlord, if applicable: (a) an architect's certificate of final completion; (b) copies of all necessary governmental permits, including, but not limited to, a temporary or permanent certificate of occupancy (the "Certificate of Occupancy"); (c) the sworn statement of the general contractor; (d) final lien waivers from all contractors, subcontractors and materialmen; and (e) any other information or documentation reasonably requested by Landlord to evidence lien-free completion of the Tenant's Work and payment of all of the costs and expenses thereof. Landlord shall have the right to observe the performance of the Tenant's Work and Tenant shall take all such actions with respect thereto as Landlord may, in its good faith determination, deem advisable from time to time to assure that the Tenant's Work and the manner of performance thereof shall not be injurious to the engineering and construction of the Building or the electrical, plumbing, heating, mechanical, ventilating or air-conditioning systems of the Building and shall be in accordance with the Tenant's Plans and the provisions of this Lease.

5.2 Landlord shall charge Tenant (and Tenant shall pay to Landlord) a construction management fee of 75/100ths percent (0.75%) of the aggregate of the entire hard and soft costs of the Tenant's Work, inclusive of the Allowance, but specifically excluding the cost of any furniture and moving expenses (the "Construction Management Fee"). The Construction Management Fee shall be paid by Tenant within ten (10) days of Tenant's receipt of an invoice therefor or, at Landlord's option, shall be deducted from the Allowance. Subject to the application of the Allowance, the entire cost of the Tenant's Work shall be borne by Tenant, to be paid as provided in Section 7 below.

5.3 Landlord shall permit Tenant and Tenant's agents or contractors to enter the Premises following the earlier of (a) Landlord's substantial completion of the Landlord's Work, or (b) July 1, 2013, so that Tenant may install its trade fixtures, furniture and telecommunications and commence the performance of the Tenant's Work (the "Early Access Period"). Such license to enter the Premises shall be subject to the condition that Tenant and Tenant's agents, contractors, workmen, mechanics, suppliers, and invitees shall work in harmony and not interfere with Landlord and its agents and contractors in performing any remaining aspects of the Landlord's Work or with other tenants and occupants of the Building. If at any time such entry shall cause or threaten to cause such disharmony or interference, Landlord, in its sole discretion, shall have the right to withdraw and cancel such license upon twenty-four (24) hours written notice to Tenant and any further prior entry shall be prohibited. Tenant agrees that any entry into and any occupation of the Premises shall be deemed to be under all of the terms, covenants, conditions and provisions of the Lease, except as to the covenant to pay the Monthly Installment of Rent and any utilities during the Early Access Period. In addition to any other conditions or limitations on such license to enter the Premises during the Early Access Period, Tenant expressly agrees that neither it nor any of Tenant's agents or contractors shall enter the Premises prior to the Commencement Date unless and until each of them shall furnish such assurances to Landlord, including but not limited to, insurance coverages, waivers of lien, surety company performance bonds and personal guaranties of individuals of substance, as Landlord shall require to protect Landlord against any loss, casualty, liability, liens or claims.

5.4 Within ninety (90) days following Tenant's completion of the Tenant's Work, Tenant shall deliver to Landlord final as-built drawings, in CAD and .pdf format, reflecting the Tenant's Work, and prepared by the same architects that prepared the Tenant's Plans.

6. Tenant's Default. If Tenant shall fail to comply with any term, provision or agreement hereunder, and if any such matter is not remedied or resolved within fifteen (15) days following written notice to Tenant, then, in addition to any other remedies granted to Landlord under this Lease in the case of default by Tenant and any other remedies available at law or in equity, Landlord may elect, upon notice to Tenant, to: (a) require Tenant to discontinue all work hereunder, and Tenant's obligation to pay rent shall commence effective as of the Commencement Date, without any abatement on account of any delay in connection with any work relating to the Premises; or (b) complete the construction of the Tenant's Work pursuant to the Tenant's Plans, tendering possession to Tenant upon substantial completion thereof, and Tenant shall immediately upon demand reimburse Landlord, as additional rent, for Landlord's costs of completing the Tenant's Work; or (c) cancel the Lease, effective immediately after Tenant receives notice thereof, without incurring any liability on account thereof and the



Initials

term granted under the Lease is expressly limited accordingly. If Landlord cancels the Lease pursuant to the terms hereof or as a result of Tenant's default under the Lease, such cancellation shall not affect Tenant's liability for any sums payable under the Lease.

7. Construction Allowance.

7.1 Provided this Lease is in full force and effect and Tenant is not in default beyond the expiration of applicable notice and cure periods, if any, hereunder, Landlord hereby agrees to pay to Tenant toward the cost of the Tenant's Work an amount equal to the lesser of: (a) the actual cost of the Tenant's Work; or (b) the Allowance. At Tenant's request, but no more often than once every thirty (30) days, Landlord shall disburse to Tenant portions of the Allowance upon the satisfaction of each of the following conditions as of the time of each such disbursement:

a. Receipt by Landlord of a disbursement request in substantially the form attached hereto as Schedule V and otherwise reasonably satisfactory to Landlord, together with an itemized summary and copies of all paid invoices relating to such disbursement request and any other supplemental documents relating thereto;

b. Landlord's reasonable satisfaction that the Tenant's Work has an aggregate value at least equal to the aggregate amount of the portion of the Allowance requested to be disbursed;

c. Receipt by Landlord of satisfactory evidence that all sums due in connection with the Tenant's Work then completed to date have been paid in full and that no party claims any statutory or common law lien arising out of the Tenant's Work or the supplying of labor, material, and/or services in connection therewith;

d. Receipt by Landlord and the title insurer of sworn statements, waivers of lien and other documents and assurances pertaining to the Tenant's Work sufficient to protect Landlord against mechanics' and other liens;

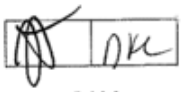
e. Receipt by Landlord of copies of all licenses and permits not previously delivered by Tenant to Landlord that are required in connection with the portion of the Tenant's Work relating to the disbursement being requested;

f. Receipt of such other information as Landlord may reasonably and in good faith require to verify the substance of the disbursement request; and

g. Tenant is then in full compliance with all the terms and provisions of the Lease and has not committed or suffered any act or omission which constitutes, or will constitute with the passage of time, an Event of Default of Tenant under this Lease or a breach by Tenant of any term or provision of this Lease.

7.2 Notwithstanding the foregoing, Landlord shall be entitled to withhold up to ten percent (10%) of the final disbursement of the Allowance to be disbursed upon completion of any so-called "punch list" items relating to the Tenant's Work as an assurance that such punch lists items will be properly completed. Any final disbursement of the Allowance will also be conditioned upon Tenant's satisfaction of the obligations under Section 5 above with respect to the completion of the Tenant's Work, including without limitation, Landlord's receipt of a true and complete copy of the Certificate of Occupancy for the Premises, and shall be paid by Landlord within thirty (30) days following Landlord's receipt, and the satisfaction of, such items.

7.3. Notwithstanding anything to the contrary contained in the Lease or this **Exhibit B**, and subject to the terms and provisions set forth hereinbelow, Landlord hereby agrees to pay to Tenant out of the Allowance (to the extent available) an amount not to exceed Ninety Thousand One Hundred Eight and No/100 Dollars ($90,108.00) (the "Tenant's Allowance Expenses Allocation") to reimburse Tenant for Tenant's actual costs and expenses incurred in connection with (a) Tenant's data/telecommunications wiring or systems required by Tenant in the Premises for the Permitted Uses ("Tenant's Tel/Data Expenses"), and/or (b) moving Tenant's personal property from its previous location at 201 Jones Road in Waltham, Massachusetts ("Tenant's Moving Expenses," and together with Tenant's Tel/Data Expenses, "Tenant's Allowance



Initials

Expenses"). At Tenant's request, within sixty (60) days following Landlord's receipt of documentation of said costs reasonably satisfactory to Landlord, and provided that Tenant is then in full compliance with all the terms and provisions of the Lease and has not committed or suffered any act or omission which constitutes, or will constitute with the passage of time, an Event of Default of Tenant under this Lease or a breach by Tenant of any term or provision of this Lease, Landlord reimburse Tenant for the Tenant's Allowance Expenses up to the amount of the Tenant's Allowance Expenses Allocation.

7.4 Notwithstanding the foregoing to the contrary, all amounts of the Allowance shall be either disbursed or applied within ninety (90) days following the Commencement Date, or such amounts shall be deemed forfeited by Tenant and Landlord shall have no further obligation with respect thereto. Tenant hereby acknowledges and agrees that (a) in the event that the cost of Tenant's Allowance Expenses exceeds the amount of the Tenant's Allowance Expenses Allocation, then Tenant shall be solely responsible for the amount of such excess (it being understood that Landlord is providing no more than the Tenant's Allowance Expenses Allocation out of the Allowance to cover Tenant's Allowance Expenses), and (b) no portion of the Allowance shall be applied to any other costs or expenses of Tenant (including, without limitation, rent or additional rent) other than towards the Tenant's Work and/or the Tenant's Allowance Expenses, subject to the foregoing terms.

8. Miscellaneous.

8.1 All rights and remedies of Landlord herein created or otherwise existing at law or in equity are cumulative, and the exercise of one or more such rights or remedies shall not be deemed to exclude or waive the right to the exercise of any other rights or remedies. All such rights and remedies may be exercised and enforced concurrently and whenever and as often as deemed desirable.

8.2 This **Exhibit B** shall not be deemed applicable to any additional space added to the original Premises at any time or from time to time, whether by any options under this Lease or otherwise, or to any portion of the original Premises or any additions thereto in the event of a renewal or extension of the original term of this Lease, whether by any options under this Lease or otherwise.

8.3 Tenant shall, before commencing any portion of the Tenant's Work, and for so long as any Tenant's Work shall continue, comply with the insurance requirements in Schedule II hereto. In the event Tenant fails to so comply, Landlord shall have the option, but not the obligation, to procure the required insurance and charge Tenant the cost of such compliance as additional rent.

Initials

SCHEDULE I

STANDARDS FOR TENANT'S PLANS

1. The Tenant's Plans shall contain the following information:

   a. A layout of the Premises showing demising, corridor and exterior walls in relationship to the Building core. The locations of exterior window mullions, columns, stairways and other building features shall also be shown on the Tenant's Plans.

   b. The location and composition of all walls. Non-standard improvements, such as walls requiring insulation, half walls, vinyl wall coverings or walls requiring special construction must be clearly noted on the Tenant's Plans. Sectional details must be provided to adequately describe the construction of any non-standard wall.

   c. The location, size and swing of all doors. All doors shall conform with Landlord's standard door specifications, unless otherwise noted on the Tenant's Plans.

   d. A description of flooring materials.

   e. A reflected ceiling plan showing the layout of lighting fixtures, switches, and any other non-standard improvements which are to be located within the ceiling system.

   f. The location of all telephone and electrical outlets. Non-standard improvements, such as outlets to be located more than twelve (12) inches above the floor, dedicated circuit outlets or high amperage/voltage outlets must be clearly noted on the Tenant's Plans.

2. The Working Drawings shall be prepared at a scale of not less than 1/8"=1 foot and in accordance with Landlord's design/build specification.

3. All Working Drawings shall be prepared based upon the use of Landlord's Building Standard Improvements. All improvements must conform to Landlord's design/build specifications.

4. The Tenant's Plans shall contain sufficient notations, specifications and details to describe all improvements, including but not limited to:

   a. Insulated walls, special wall coverings, graphics, special painting or special wall materials such as plate glass or glass block.

   b. Door dimensions, thickness, hardware or locks.

   c. Flooring materials.

   d. Electrical outlets requiring a dedicated circuit, more than 120 volts or more than 15 amperes.

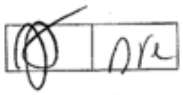
   e. Telephone outlets requiring more than 3/4 inch diameter conduit.

   f. Light fixtures, exhaust fans, ceiling heights, or ceiling designs using non-standard materials.

   g. Any special conduits, receptacles or electrical devices necessary to serve communications equipment, computers or other facilities to be installed by Tenant.

   h. Any special requirements to accommodate handicapped employees of Tenant within the Premises.

   i. Any requirements for fire protection of computers, other equipment or materials installed by Tenant.



Initials

j. Any requirements for special fire detection or life safety equipment not required by applicable building codes in effect at the time of construction.

k. Any special reinforcing of the floor system which will be necessary to support computers, filing systems, equipment or furnishings having a load exceeding fifty (50) pounds per square foot of floor area.

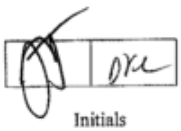
l. Any special requirements for humidity control, temperature control, extra air-conditioning capacity, ventilation or heating which would not be provided by Landlord's standard building systems. Such special requirements may arise as a result of Tenant's desire to install a computer or other equipment which generates heat, food preparation facilities, bathrooms, laboratories, microfilm storage or other special facilities, equipment or products.

m. Any private bathrooms, wet-bars, kitchens, vending machines or other installations requiring plumbing work or ventilation.

n. Any cabinetry, wood paneling, reception desks, built-in shelving or furniture.

o. Any improvement which will require modification of the Building's structural, mechanical or electrical components.

p. Sufficient details, specifications and other information as may be necessary for accurate pricing of any other non-standard improvements.



Initials

SCHEDULE II

INSURANCE REQUIREMENTS

1. Tenant shall cause to be maintained for Landlord's benefit insurance in an insurance company or companies which are "A" rated, Class VII or better in Best's Key Rating Guide or such lesser standard as shall be acceptable to Landlord and authorized to transact business in the state in which the Building is located, protecting Landlord against liabilities arising out of the operations of subcontractors and sub-subcontractors as well as Tenant's contractor ("Contractor") with respect to all the Tenant's Work, including at least and in amounts not less than:

   a. Worker's Compensation & Employers Liability: Statutory limits required by applicable Worker's Compensation Law and $500,000 per occurrence for Employers Liability, without limitation including all liability arising under any applicable structural work act and any other statute for the protection of employees.

   b. Commercial or Comprehensive Liability including Landlord's and Contractor's Protective, products, and completed operations coverage, contractual liability including Contractor's indemnity agreements contained in the Contract Documents, personal injury (employees' exclusion deleted) $5,000,000 per occurrence Bodily Injury and Property Damage, $5,000,000 combined single limit. Landlord may require deletion of the "x, c, u" exclusion, if applicable.

   c. Comprehensive Auto Liability including owned, non-owned, and hired vehicles coverage: $1,000,000 per occurrence Bodily Injury and Property Damage Liability (Combined Single Limit).

   d. Builder's Risk in an "all risk" form covering the Tenant's Work against loss by fire and other casualty in an amount equal to the full insurable value of the Tenant's Work.

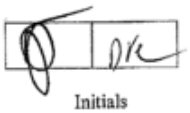
   Notwithstanding the foregoing, upon Tenant's request Landlord shall provide the coverages set forth in subparagraph (d) above and Tenant shall reimburse Landlord for the actual cost thereof.

2. Contractor shall either have the Landlord added as an additional named insured to the preceding Commercial or Comprehensive General Liability insurance policy or shall supply a separate Landlord's Protective policy, with limits as specified, naming the Landlord as named insured, and said General Liability or Landlord's Protective policy shall be maintained in force until the completion of the Tenant's Work.

3. Each insurance policy shall be written to cover all claims arising out of occurrences taking place within the period of coverage; insurance written to cover only claims made within the policy period is not acceptable without the express advance written consent of Landlord. To the extent the policy is not a Landlord's Protective policy, it shall be endorsed to indicate that it is primary as respects Landlord, not contributory with any other insurance available to the Landlord and not subject to reduction of coverage as to Landlord by reason of any claim asserted against Contractor other than in connection with the Tenant's Work or by reason of any misstatement, act or omission of any party other than Landlord applying for or insured by such insurance.

4. Each insurance policy and any certificate furnished in lieu of a policy shall state that it will not be cancelled, reduced or materially changed without twenty (20) days' prior written notice to Landlord. In the event Tenant fails to provide replacement coverage at least fifteen (15) days prior to the expiration of any policy of insurance, Landlord may at its option secure such insurance and Tenant shall reimburse Landlord for the cost thereof as additional rent; but Landlord shall not have any obligation to secure any such insurance.

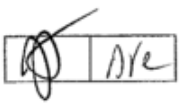
5. Each of the aforesaid insurance coverages shall be placed into effect before any of the Tenant's Work is commenced and shall be maintained in force at all times while and for at least so long as any of the Tenant's Work is carried on, including without limitation, any and all activities performed in fulfillment of any obligation of Contractor or any Subcontractor to correct defects in the Tenant's Work or under any other warranty. Before commencing any of the Tenant's Work, and as often thereafter as reasonably requested by Landlord, Tenant shall



Initials

supply Landlord with either the policies themselves or certificates of insurance satisfactory to Landlord, evidencing compliance with all the foregoing requirements.

6. No insurance policy purporting to insure Landlord or Landlord's lender, as the case may be, shall without the prior written consent of said party be so written as to limit or condition any of the insurer's obligations to said party with respect to any insured loss or liability by any condition or requirement that said party bear, assume or pay any portion of such loss or liability before the insurer's obligation to said party shall come into effect.



Initials

SCHEDULE III

LANDLORD'S WORK

1. Install a new HVAC VAV system (the "New HVAC System"), including installation of new VAV boxes (based on existing HVAC drawings provided by Landlord to Tenant prior to the Lease Reference Date), all required medium pressure ductwork and controls (Trane Tracer control system) and any necessary structural support required for new rooftop units. The New HVAC System shall include sixteen (16) fan-powered VAV boxes with hot water reheat coils around the perimeter and eight (8) cooling-only VAV boxes at interior spaces.

2. Remove and dispose of existing ceiling tiles, lighting and ductwork that is not slated for reuse within the Premises and all other materials and infrastructure required to install the New HVAC System.

3. Remove the two (2) private toilet rooms on the first (1st) and second (2nd) floors of the Premises.

4. Intentionally deleted.

5. Renovate the existing elevator cab and complete any required code compliance upgrades with specifications to be further defined and mutually agreed upon between Landlord and Tenant.

6. Perform any required code compliance upgrades to existing fire stairwells.

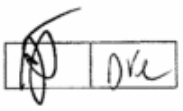
7. Remove any existing communications wiring located within the Building.

8. Remove any existing Hazardous Materials within the Premises.

9. Demolish all hard wall partitions (i.e., existing offices and conference rooms) on the first (1st) and second (2nd) floors of the Premises.

10. Deliver existing window coverings in clean and good condition.

11. Separately sub-meter the Premises.



Initials

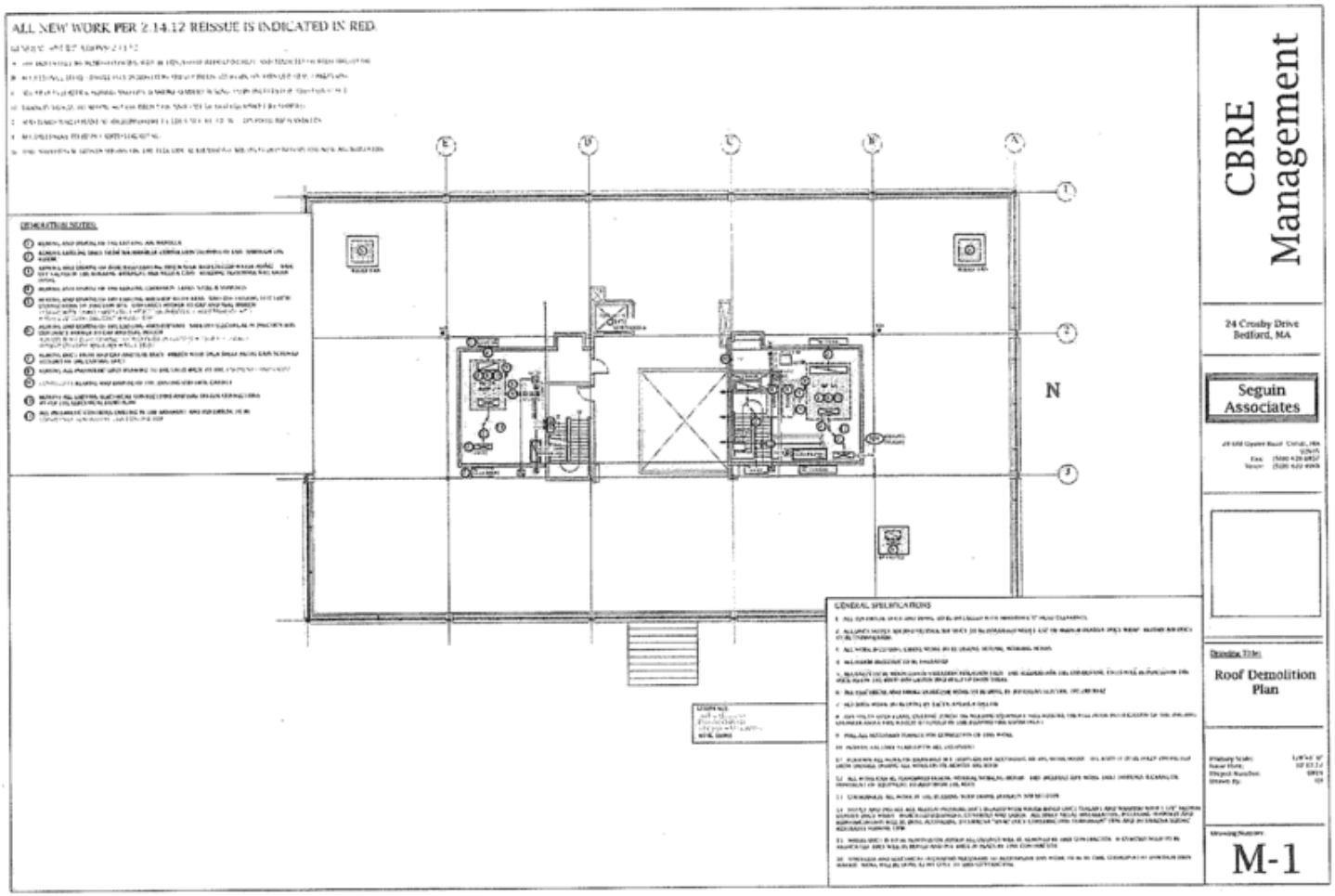
SCHEDULE IV

PLANS FOR LANDLORD'S WORK

[See Attached]

Initials

ALL NEW WORK PER 2.14.12 REISSUE IS INDICATED IN RED.



CBRE Management

24 Crosby Drive
Bedford, MA

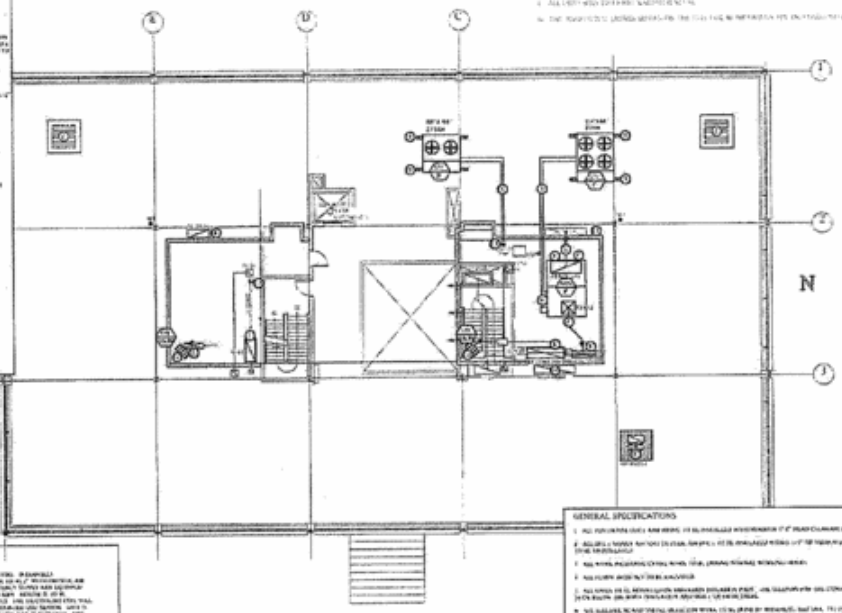
Seguin Associates

Drawing Title:
Roof Demolition Plan

Drawing Number:
M-1

ALL NEW WORK PER 2.14.12 REISSUE IS INDICATED IN RED.

NEW WORK NOTES:



EQUIPMENT KEY:

GENERAL SPECIFICATIONS

HVAC KEY:

CBRE Management

24 Crosby Drive
Bedford, MA

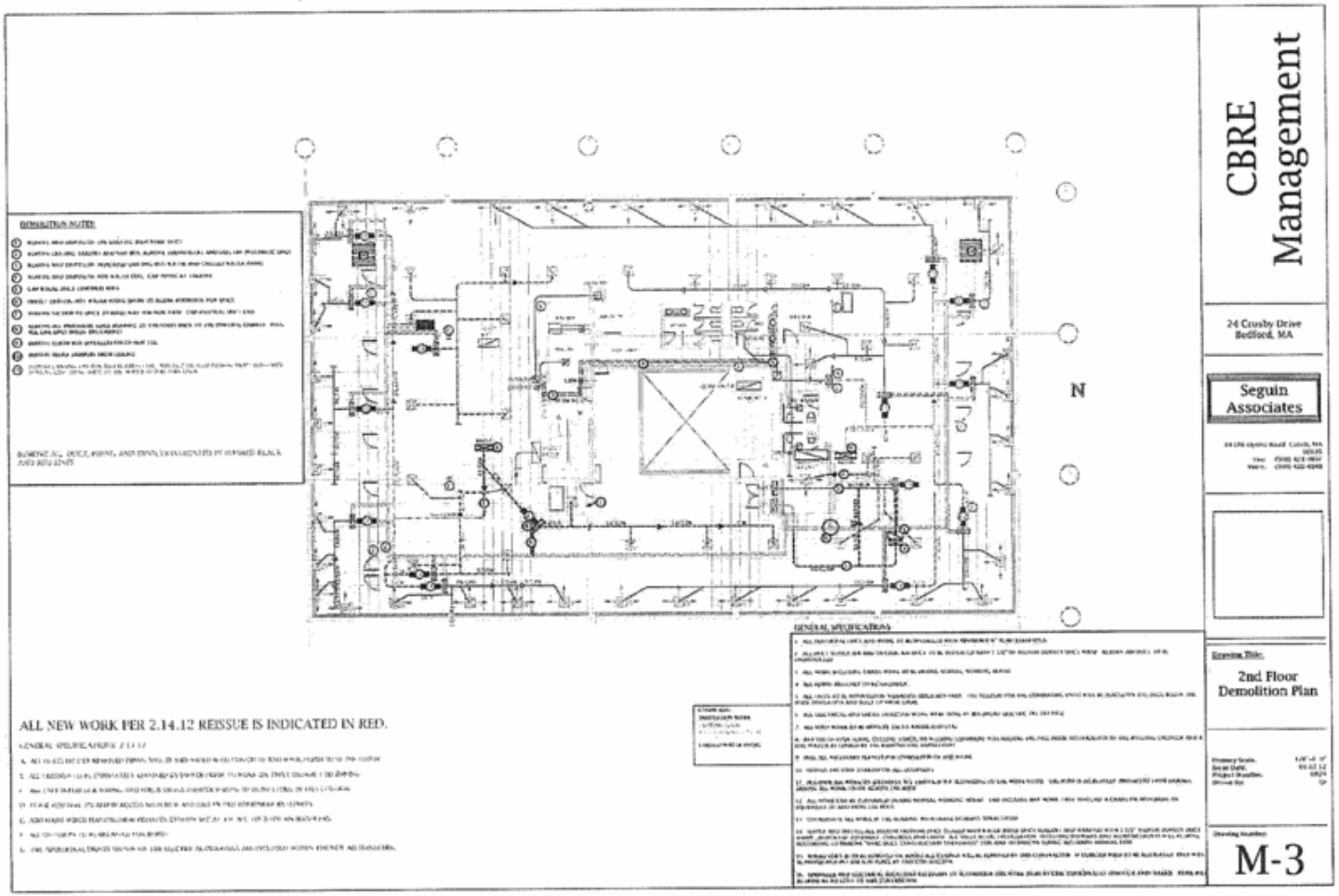
Seguin Associates

Drawing Title:

Roof New Work Plan

Drawing Number:

M-2


DEMOLITION NOTES:
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GENERAL SPECIFICATIONS
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CBRE Management
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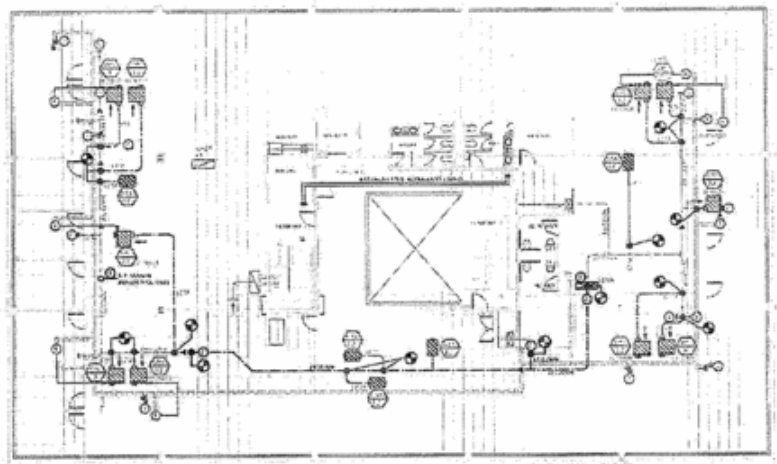
Bedford, MA
Seguin Associates
Drawing Title:
2nd Floor
Demolition Plan
Drawing Number:
M-3

ALL NEW WORK PER 2.14.12 REISSUE IS INDICATED IN RED.



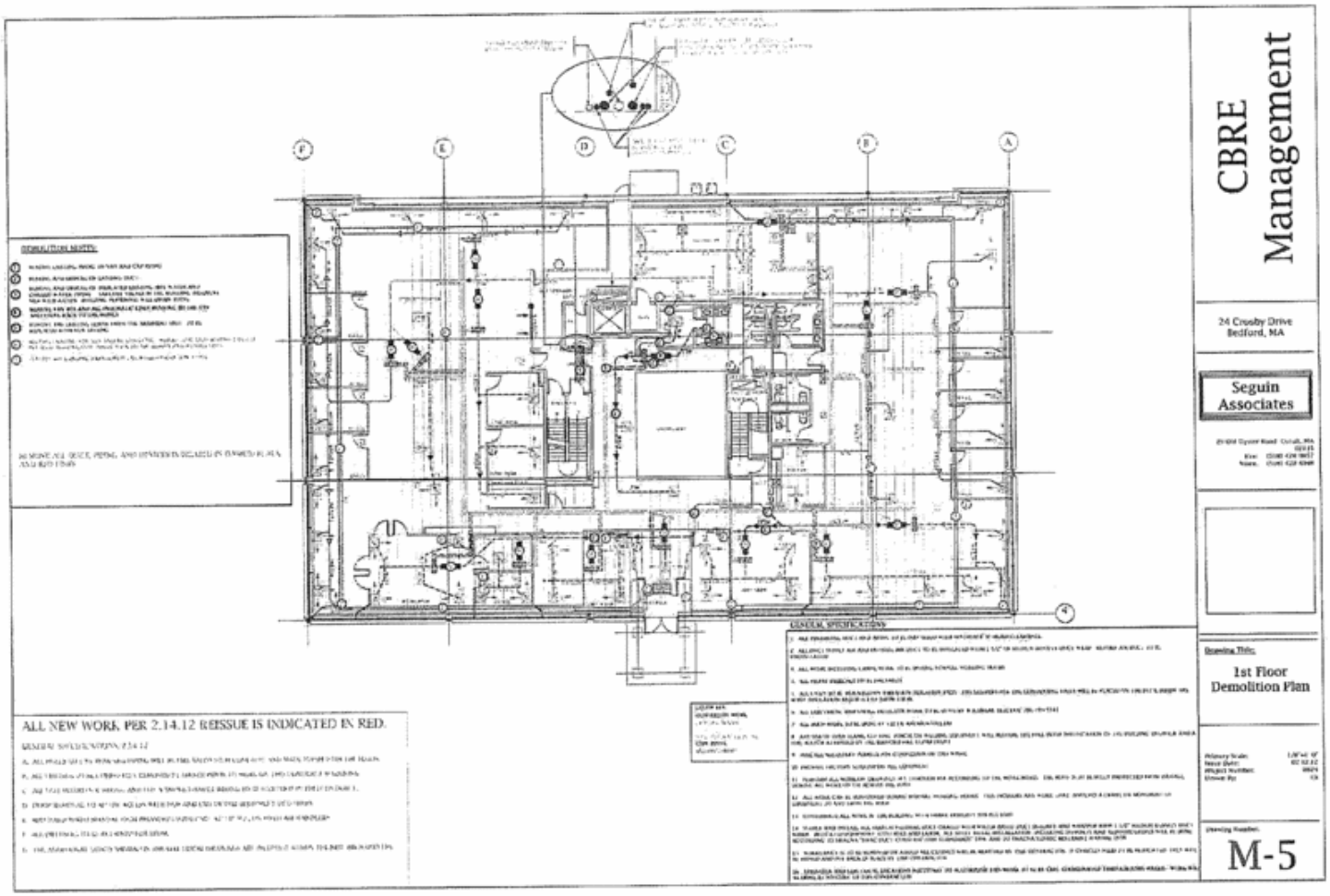
CBRE Management

24 Crosby Drive
Bedford, MA

Seguin Associates

Drawing Title:
2nd Floor New Work Plan

Drawing Number:
M-4



ALL NEW WORK PER 2.14.12 REISSUE IS INDICATED IN RED.

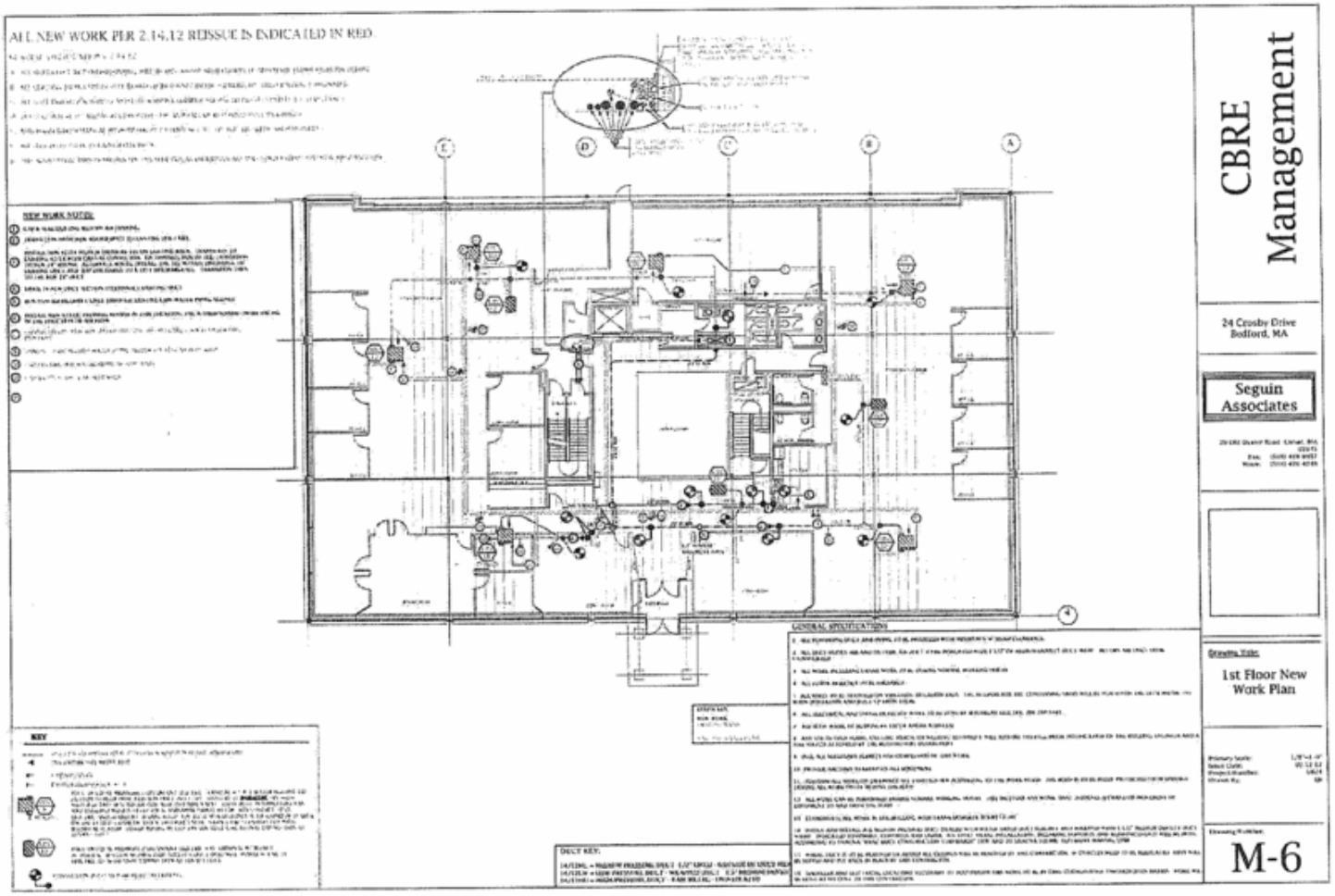
CBRE Management

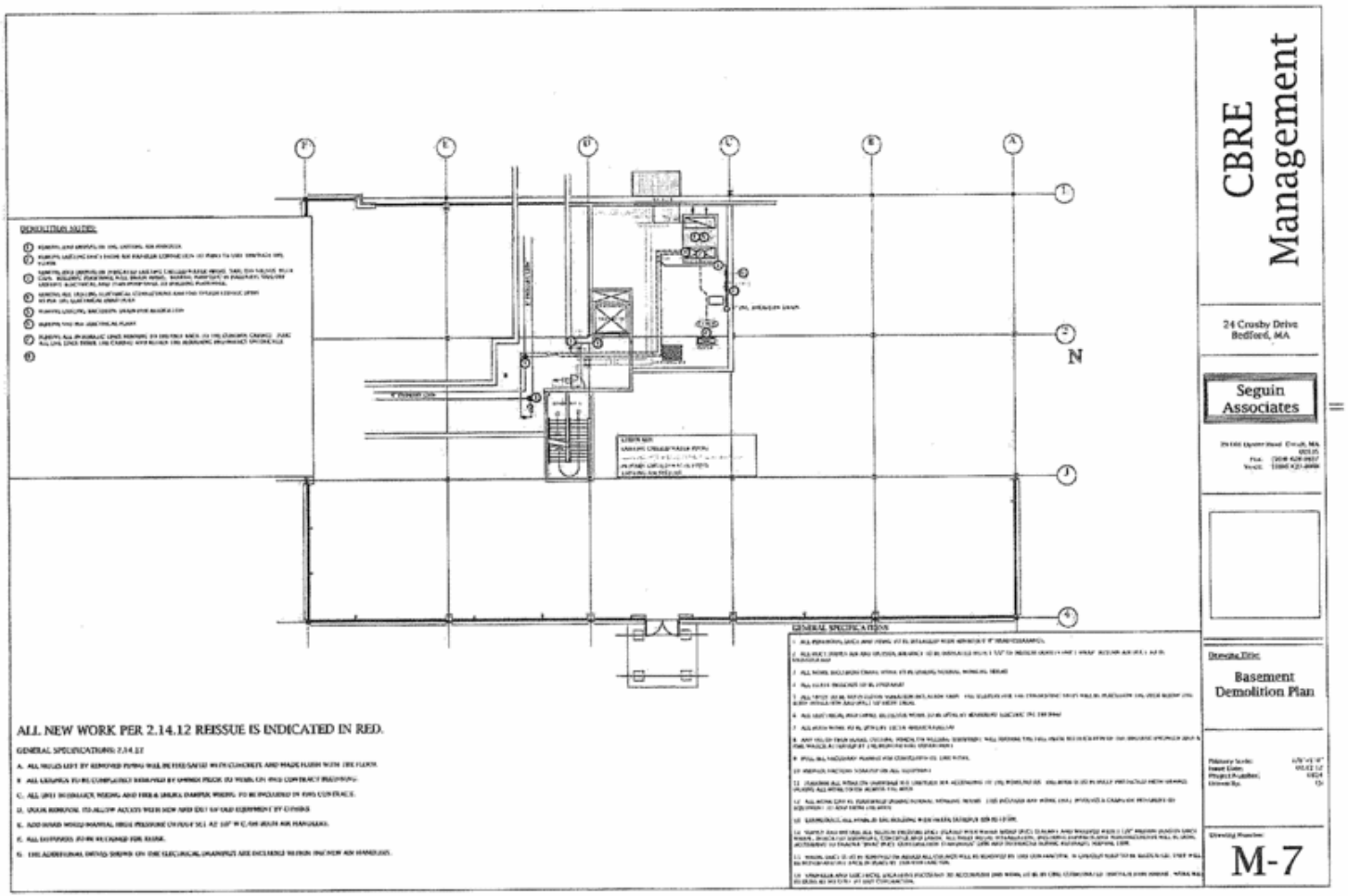
24 Crosby Drive
Bedford, MA

Seguin Associates

Drawing Title:
1st Floor Demolition Plan

Drawing Number:
M-5


ALL NEW WORK PER 2.14.12 REISSUE IS INDICATED IN RED
NEW WORK NOTES:
KEY
GENERAL SPECIFICATIONS
DUCT KEY:
CBRE Management
24 Crosby Drive
Bedford, MA
Seguin Associates
Drawing Title:
1st Floor New Work Plan
Drawing Number:
M-6



ALL NEW WORK PER 2.14.12 REISSUE IS INDICATED IN RED.

GENERAL SPECIFICATIONS: 2.14.12

A. ALL HOLES LEFT BY REMOVED PIPING WILL BE FILLED/SEALED WITH CONCRETE AND MADE FLUSH WITH THE FLOOR.

B. ALL DEBRIS TO BE COMPLETELY REMOVED BY OWNER PRIOR TO WORK ON THIS CONTRACT (RECEIPTS).

C. ALL DRY SCRUBBER, PIPING AND FIRE & SMOKE DAMPER WORK TO BE INCLUDED IN THIS CONTRACT.

D. DOOR REMOVAL TO ALLOW ACCESS WITH AND EXIT OF LOAD EQUIPMENT BY OTHERS

E. ADD HAND WHEEL MANUAL HOSE PRESSURE CONTROL AT 110" W.C. FOR BOOM AIR HANDLERS.

F. ALL EXPENSES TO BE RECHARGE FOR REIMB.

G. THE ADDITIONAL DETAILS SHOWN ON THE MECHANICAL DRAWINGS ARE INCLUDED WITHIN THIS BOOM AIR HANDLERS.

CBRE Management

24 Crosby Drive
Bedford, MA

Seguin Associates

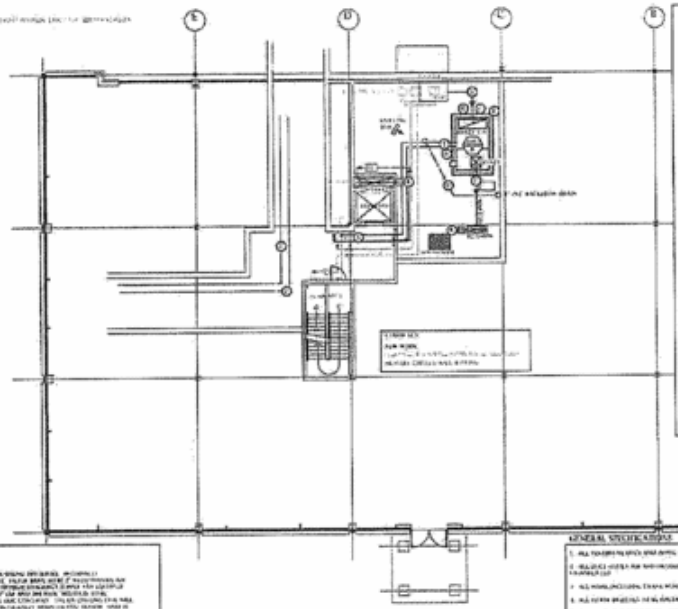
Drawing Title:

Basement Demolition Plan

Drawing Number:

M-7

ALL NEW WORK PER 2.14.12 REISSUE IS INDICATED IN RED.



CBRE Management

24 Crosby Drive
Bedford, MA

Seguin Associates

Drawing Title:

Basement New Work Plan

Drawing Number:

M-8

GENERAL NOTES

LEGEND

PANEL "EP1", 400 AMP, 277/480 VOLT, 3Ø, 4W

RREEF Management

24 Crosby Drive
Bedford, MA

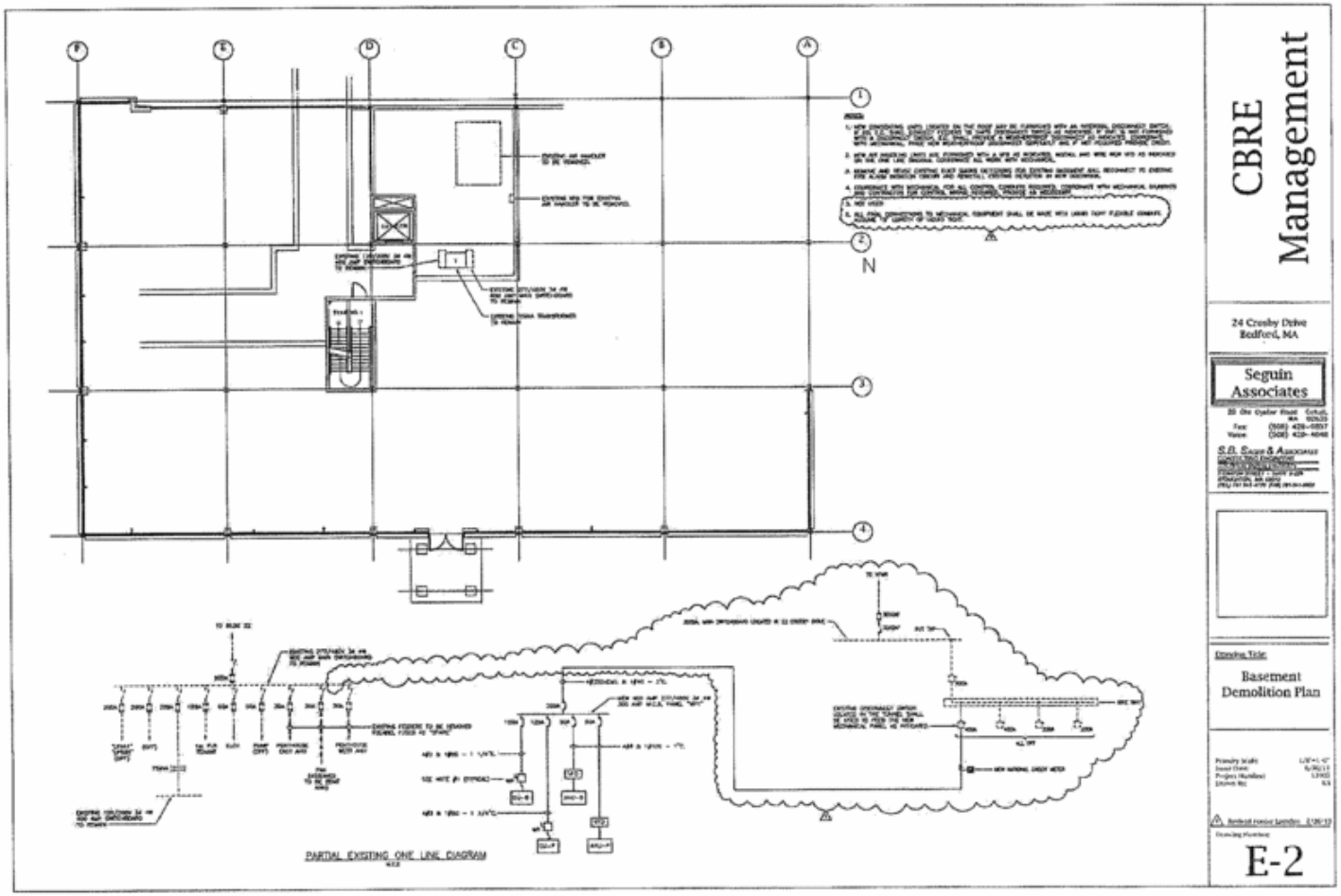
Seguin Associates

Drawing Title:

Electrical Legend, Schedule, General Notes

Drawing Number:

E-1



CBRE Management

24 Crosby Drive
Bedford, MA

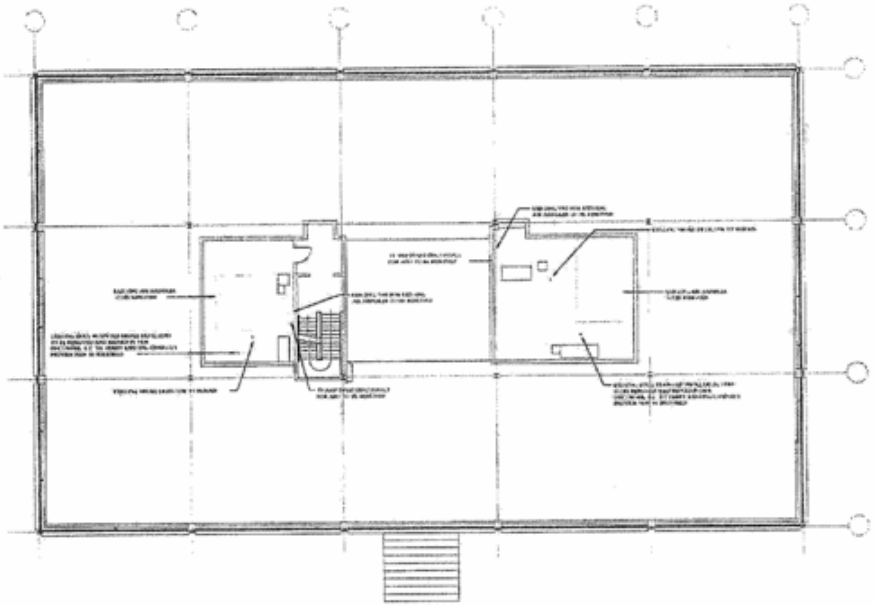
Seguin Associates

Drawing Title:

Basement Demolition Plan

Drawing Number:

E-2



RREEF Management

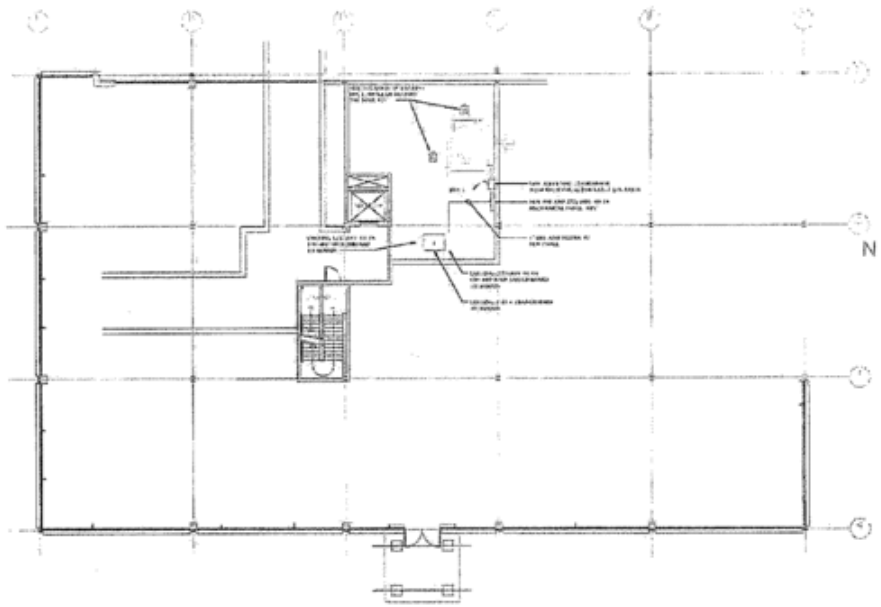
24 Crosby Drive
Bedford, MA

Seguin Associates

Drawing Title:

Penthouse Demo Plan

E-3



RREEF Management

24 Crosby Drive
Bedford, MA

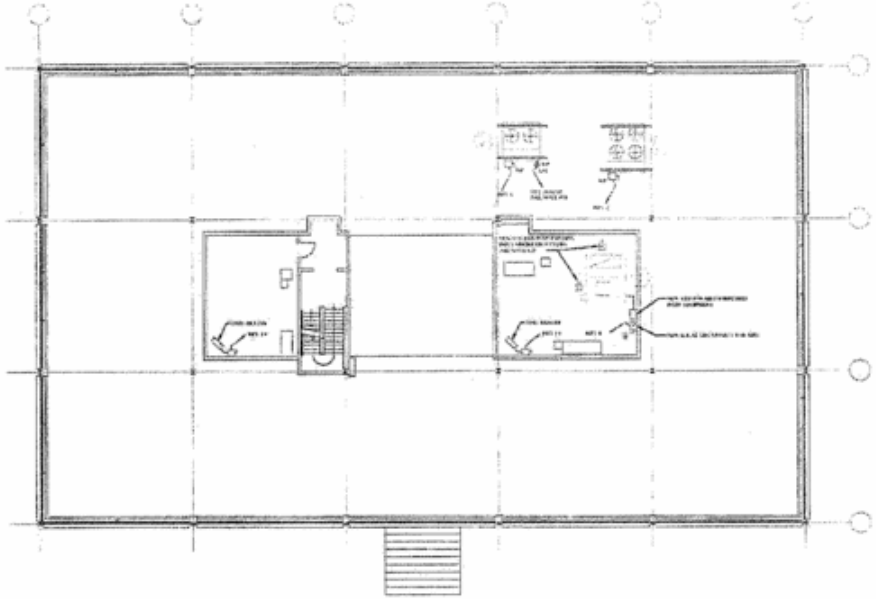
Seguin Associates

Drawing Title:

Basement New Work Plan

Drawing Number:

E-4



RREEF Management

24 Crosby Drive
Bedford, MA

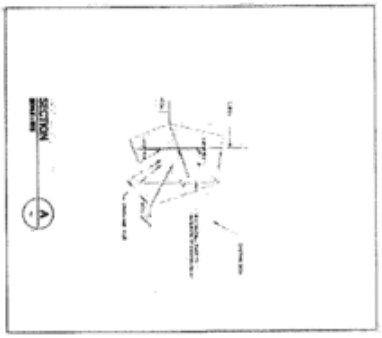
Seguin Associates

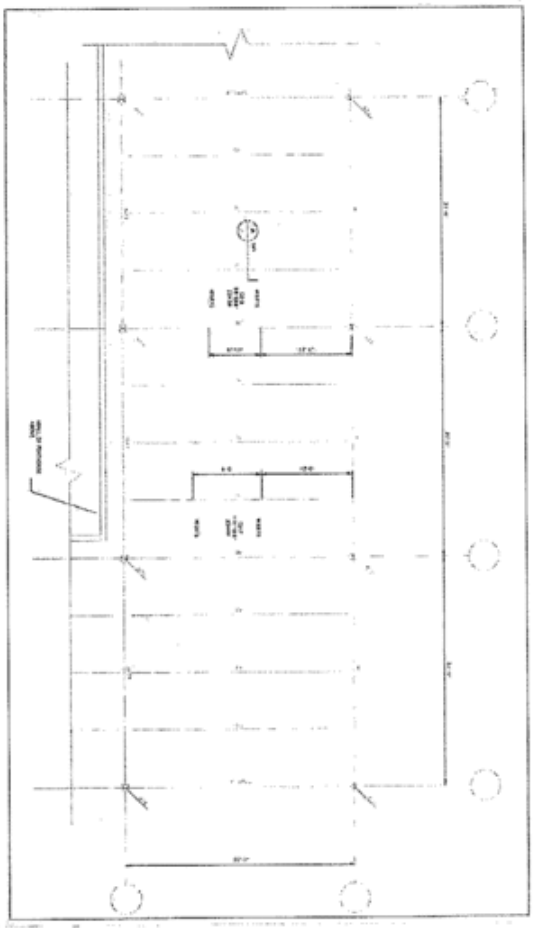
Drawing Title:

Penthouse New Work Plan

Drawing Number:

E-5





RIVERMOOR ENGINEERING LLC
10 NEW DRIFTWAY - SUITE 101
SCITUATE, MASSACHUSETTS 02066
TEL: (781) 545-0966
FAX: (781) 544-7729

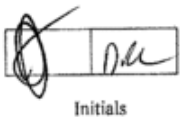
ROOF FRAMING PLAN, SECTIONS AND DETAILS

SEGUIN ASSOCIATES

SCHEDULE V

FORM OF DISBURSEMENT REQUEST FORM

[See Attached]



Initials

AIA® Document G702™ – 1992

Application and Certificate for Payment

TO OWNER:	**PROJECT:** sample	**APPLICATION NO:** 001	**Distribution to:**
		PERIOD TO:	OWNER:
		CONTRACT FOR: General Construction	ARCHITECT:
FROM CONTRACTOR:	**VIA ARCHITECT:**	**CONTRACT DATE:**	CONTRACTOR:
		PROJECT NOS: / /	FIELD:
			OTHER:

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.
Continuation Sheet, AIA Document G703, is attached.

1. **ORIGINAL CONTRACT SUM**		$ 0.00
2. **NET CHANGE BY CHANGE ORDERS**		$ 0.00
3. **CONTRACT SUM TO DATE** (Line 1 ± 2)		$ 0.00
4. **TOTAL COMPLETED & STORED TO DATE** (Column G on G703)		$ 0.00
5. **RETAINAGE:**		
a. 0 % of Completed Work (Column D + E on G703)	$ 0.00	
b. 0 % of Stored Material (Column F on G703)	$ 0.00	
Total Retainage (Lines 5a + 5b or Total in Column I of G703)		$ 0.00
6. **TOTAL EARNED LESS RETAINAGE** (Line 4 Less Line 5 Total)		$ 0.00
7. **LESS PREVIOUS CERTIFICATES FOR PAYMENT** (Line 6 from prior Certificate)		$ 0.00
8. **CURRENT PAYMENT DUE**		$ 0.00
9. **BALANCE TO FINISH, INCLUDING RETAINAGE** (Line 3 less Line 6)	$ 0.00	

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	$ 0.00	$ 0.00
Total approved this Month	$ 0.00	$ 0.00
TOTALS	$ 0.00	$ 0.00
NET CHANGES by Change Order	$ 0.00	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: _____ Date: _____

State of:

County of:

Subscribed and sworn to before me this day of

Notary Public:

My Commission expires:

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ..... $ 0.00

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: _____ Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

AIA Document G703™ – 1992

Continuation Sheet

AIA Document, G702™–1992, Application and Certification for Payment, or G736™–2009, Project Application and Project Certificate for Payment, Construction Manager as Adviser Edition, containing Contractor's signed certification is attached.
In tabulations below, amounts are in US dollars.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 001
APPLICATION DATE:
PERIOD TO:
ARCHITECT'S PROJECT NO:

A	B	C	D	E	F	G		H	I
			WORK COMPLETED						
ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G ÷ C)	BALANCE TO FINISH (C - G)	RETAINAGE (IF VARIABLE RATE)
01	DEMOLITION	50,000.00	0.00	10,000.00	0.00	10,000.00	20.00 %	40,000.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
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		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
	GRAND TOTAL	$50,000.00	$0.00	$10,000.00	$0.00	$10,000.00	20.00 %	$40,000.00	$0.00

EXHIBIT D – RULES AND REGULATIONS
attached to and made a part of Lease bearing the
Lease Reference Date of March ___, 2013 between
RAR2-CROSBY CORPORATE CENTER QRS, INC., as Landlord, and
HOLCIM (US) INC., as Tenant

1. Intentionally Omitted.

2. If Landlord objects in writing to any curtains, blinds, shades or screens attached to or hung in or used in connection with any window or door of the Premises, Tenant shall immediately discontinue such use. No awning shall be permitted on any part of the Premises. Tenant shall not place anything or allow anything to be placed against or near any glass partitions or doors or windows which may appear unsightly, in the opinion of Landlord, from outside the Premises.

3. Tenant shall not obstruct any sidewalks, halls, passages, exits, entrances, elevators, or stairways of the Building. No tenant and no employee or invitee of any tenant shall go upon the roof of the Building.

4. Any directory of the Building, if provided, will be exclusively for the display of the name and location of tenants only and Landlord reserves the right to exclude any other names. Landlord reserves the right to charge for Tenant's directory listing.

5. All cleaning and janitorial services for the Building and the Premises shall be provided exclusively through Landlord. Tenant shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Premises. Except as otherwise expressly set forth in the Lease, Landlord shall not in any way be responsible to any Tenant for any loss of property on the Premises, however occurring, or for any damage to any Tenant's property by the janitor or any other employee or any other person.

6. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed. No foreign substance of any kind whatsoever shall be thrown into any of them, and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused it.

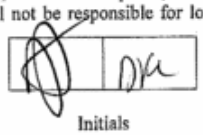
7. Tenant shall store all its trash and garbage within its Premises. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with directions issued from time to time by Landlord. Tenant will comply with any and all recycling procedures designated by Landlord.

8. Landlord will furnish Tenant two (2) keys free of charge to each door in the Premises that has a passage way lock. Landlord may charge Tenant a reasonable amount for any additional keys, and Tenant shall not make or have made additional keys on its own. Tenant shall not alter any lock or install a new or additional lock or bolt on any door of its Premises. Tenant, upon the termination of its tenancy, shall deliver to Landlord the keys of all doors which have been furnished to Tenant, and in the event of loss of any keys so furnished, shall pay Landlord therefor.

9. If Tenant requires telephone, data, burglar alarm or similar service, the cost of purchasing, installing and maintaining such service shall be borne solely by Tenant. No boring or cutting for wires will be allowed without the prior written consent of Landlord.

10. No equipment, materials, furniture, packages, bulk supplies, merchandise or other property will be received in the Building or carried in the elevators except between such hours and in such elevators as may be designated by Landlord. The persons employed to move such equipment or materials in or out of the Building must be acceptable to Landlord.

11. Tenant shall not place a load upon any floor which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Heavy objects shall stand on such platforms as determined by Landlord to be necessary to properly distribute the weight. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building or to any space in the Building to such a degree as to be objectionable to Landlord or to any tenants shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate the noise or vibration. Landlord will not be responsible for loss of or



Initials

damage to any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

12. Landlord shall in all cases retain the right to control and prevent access to the Building of all persons whose presence in the judgment of Landlord would be prejudicial to the safety, character, reputation or interests of the Building and its tenants, provided that nothing contained in this rule shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Landlord reserves the right to exclude from the Building between the hours of 6 p.m. and 7 a.m. the following day, or such other hours as may be established from time to time by Landlord, and on Sundays and legal holidays, any person unless that person is known to the person or employee in charge of the Building and has a pass or is properly identified. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person.

13. Tenant shall not use any method of heating or air conditioning other than that supplied or approved in writing by Landlord.

14. Tenant shall not waste electricity, water or air conditioning. Tenant shall keep corridor doors closed. Tenant shall close and lock the doors of its Premises and entirely shut off all water faucets or other water apparatus and electricity, gas or air outlets before Tenant and its employees leave the Premises. Tenant shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Landlord for noncompliance with this rule.

15. Tenant shall not install any radio or television antenna, satellite dish, loudspeaker or other device on the roof or exterior walls of the Building without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion, and which consent may in any event be conditioned upon Tenant's execution of Landlord's standard form of license agreement. Tenant shall be responsible for any interference caused by such installation.

16. Tenant shall not mark, drive nails, screw or drill into the partitions, woodwork, plaster, or drywall (except for pictures, tackboards and similar office uses) or in any way deface the Premises. Tenant shall not cut or bore holes for wires. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord. Tenant shall repair any damage resulting from noncompliance with this rule.

17. Tenant shall not install, maintain or operate upon the Premises any vending machine without Landlord's prior written consent, except that Tenant may install food and drink vending machines solely for the convenience of its employees.

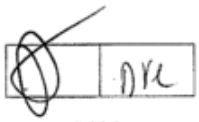
18. No cooking shall be done or permitted by any tenant on the Premises, except that Underwriters' Laboratory approved microwave ovens or equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted provided that such equipment and use is in accordance with all applicable federal, state and city laws, codes, ordinances, rules and regulations.

19. Tenant shall not use in any space or in the public halls of the Building any hand trucks except those equipped with the rubber tires and side guards or such other material-handling equipment as Landlord may approve. Tenant shall not bring any other vehicles of any kind into the Building.

20. Tenant shall not permit any motor vehicles to be washed or mechanical work or maintenance of motor vehicles to be performed in any parking lot.

21. Tenant shall not use the name of the Building or any photograph or likeness of the Building in connection with or in promoting or advertising Tenant's business, except that Tenant may include the Building name in Tenant's address. Landlord shall have the right, exercisable without notice and without liability to any tenant, to change the name and address of the Building.

22. Tenant requests for services must be submitted to the Building office by an authorized individual. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instruction from Landlord, and no employee of Landlord will admit any person (Tenant or otherwise) to any office without specific instructions from Landlord.



Initials

23. Tenant shall not permit smoking or carrying of lighted cigarettes or cigars other than in areas designated by Landlord as smoking areas.

24. Canvassing, soliciting, distribution of handbills or any other written material in the Building is prohibited and each tenant shall cooperate to prevent the same. No tenant shall solicit business from other tenants or permit the sale of any good or merchandise in the Building without the written consent of Landlord.

25. Tenant shall not permit any animals other than service animals, e.g. seeing-eye dogs, to be brought or kept in or about the Premises or any common area of the Building.

26. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of any premises in the Building. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Building.

27. Landlord reserves the right to make such other and reasonable rules and regulations as in its judgment may from time to time be needed for safety and security, for care and cleanliness of the Building, and for the preservation of good order in and about the Building. Tenant agrees to abide by all such rules and regulations herein stated and any additional rules and regulations which are adopted. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees and guests.

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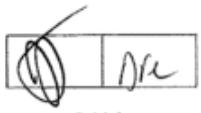


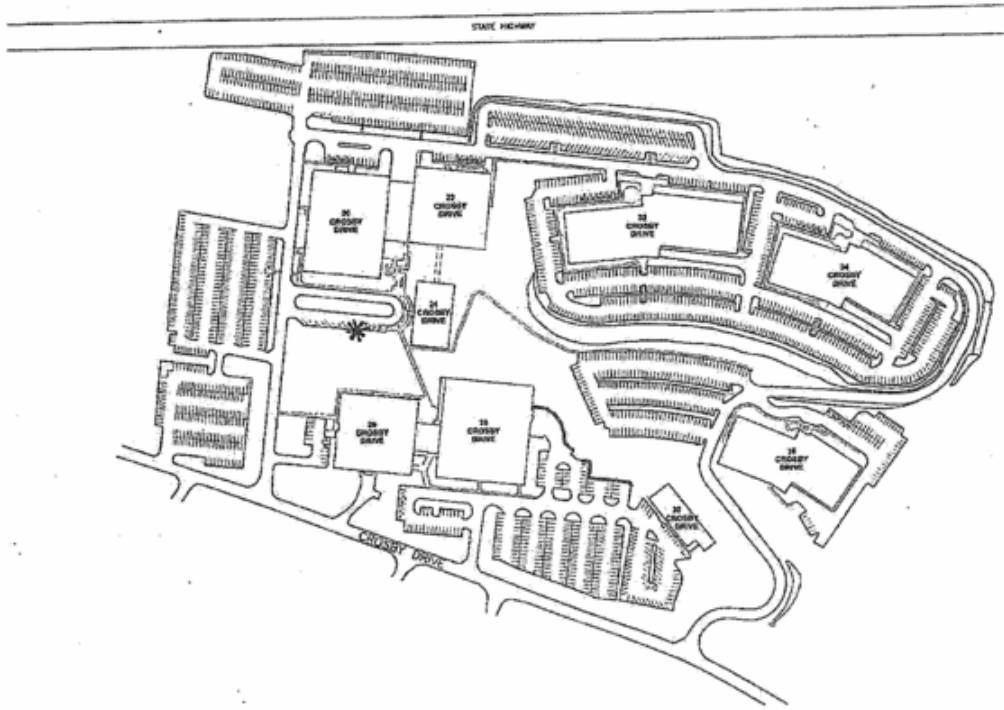
Initials

EXHIBIT F –TENANT'S EXCLUSIVE PARKING SPACES
attached to and made a part of Lease bearing the
Lease Reference Date of March ___, 2013 between
RAR2-CROSBY CORPORATE CENTER QRS, INC., as Landlord, and
HOLCIM (US) INC., as Tenant

[See Attached]

Initials

* LOCATION OF EXCLUSIVE PARKING ~~(2~~ 3 SPACES)



CROSBY CORPORATE CENTER - BEDFORD, MASSACHUSETTS

EXHIBIT G – CLEANING SPECIFICATIONS
attached to and made a part of Lease bearing the
Lease Reference Date of March ___, 2013 between
RAR2-CROSBY CORPORATE CENTER QRS, INC., as Landlord, and
HOLCIM (US) INC., as Tenant

I. OFFICE AREAS

A. Daily - business days (Mon-Fri, 6:00 pm – 10:00 pm, excluding holidays)

1. Thoroughly vacuum all carpeted areas including edges and corners.
2. Empty and clean all waste receptacles and remove waste material from the premises: change wastebasket liners as necessary. Wash receptacles as needed.
3. Sweep and dust mop all uncarpeted areas using a dust treated mop
4. Vacuum carpeting and rugs in all traffic and main areas. Check for, and vacuum all obvious debris under desks, behind and under waste containers, including interior walk-off mats if present.
5. Clean conference room tables, and place chairs under desks or tables in orderly fashion.
6. Spot clean glass on tenant entrance doors and interior glass partitions.
7. Spot clean by damp wiping fingerprints, smears and smudges on walls, doors, frames, kick and push plates, handles, and light switches.
8. Clean spots and stains on rug and V.C.T.
9. Damp wipe all Formica counter tops, sinks, and table tops.
10. Wash clean all water fountains and adjacent floor area.
11. Wipe clean all brass and other bright work.
12. Remove all finger marks from private doors, light switches, and doorways.
13. Upon completion of cleaning, all lights will be turned off, doors locked, and alarms engaged if applicable, leaving the premises in an orderly condition.
14. Hand dust and wipe clean with treated clothes, all horizontal surfaces, including furniture, office equipment, to include telephones and other lightweight desk equipment.

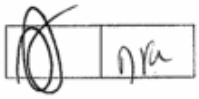
B. Weekly

1. Wash all glass at tenant entrance doors and sidelights.
2. Dust all closet shelving, coat racks, etc.
3. Brush and hand dust all carpet edges and other areas inaccessible to vacuum attachments.
4. Dust all ventilation and air conditioning louvers and grills.
5. Windowsills, door ledges, chair rails and countertops, cubicle partition tops (with particular attention not to move any personal belongings, papers or fragile objects).

C. Monthly

1. Render high dusting not reached in nightly cleaning to include, but not limited to:
   a. Dusting of all pictures, frames, charts, graphs, and similar wall hangings.
   b. Dusting of all vertical surfaces, such as walls, partitions, doors and door frames, etc.
   c. Dusting of all pipes, ducts, and high moldings.
   d. Dusting of all vertical and horizontal blinds

2. Move and vacuum clean underneath all furniture that can reasonably be moved.



Initials

II. LAVATORIES

A. Daily - business days (Mon-Fri, excluding holidays)

1. Sweep, wash and rinse all floors thoroughly, using a disinfectant.
2. Wash all basins, bowls, urinals, and shower stalls.
3. Empty and clean paper towel and sanitary disposal receptacles. Replace liners back into receptacles.
4. Refill and maintain cleanliness, tissue holders, soap dispensers, towel dispenser, toilet tissue, and sanitary dispensers.
5. A non-acidic sanitizing solution will be used in all lavatory cleaning.
6. Wash and polish all mirrors, powder shelves, bright work, flushometers, piping and toilet seat hinges.
7. Wash both sides of all toilet seats, clean basins and urinals
8. Remove waste paper and refuse to designated areas on the premises.
9. Check and refill, if necessary, all automatic deodorizing equipment

B. Weekly

1. Wash all partitions and walls
2. Vacuum all air vents.
3. Wipe down all high light fixtures.
4. Flush floor drains with disinfectant

C. Quarterly

1. Machine scrub floors
2. Wash all waste receptacle with germicidal solution

III. LOBBIES AND COMMON AREAS

A. Daily - business days (Mon-Fri, excluding holidays)

1. Empty all wastebaskets and change liners, empty exterior cigarette urns, and ash trays.
2. Vacuum rugs, mats and carpeted areas.
3. Inspect carpet for spots and stains, removing where possible.
4. Spot clean all interior glass in partitions, doors and lobbies.
5. Clean and sanitize drinking fountains.
6. Sweep and damp mop lobby floor and remove all excess water. (With special attention paid during winter months, to include vacuum walk-off mats and keep floors dry and safe).
7. Clean entrance glass doors.
8. Hand dust and wipe clean with treated cloths all furniture, window sills, railings, and planters.
9. Dust and wash all directory signs in lobby and on tenant floors.
10. Spot clean by damp wiping fingerprints, smears, smudges on walls, doors, and frames.
11. Clean any and all metal work inside lobby.
12. Clean any and all metal work surrounding building entrance doors.
13. Dust handrails.
14. Building exit stairways shall be policed nightly to remove all debris, damp mop as necessary to remove spills. Monthly dust mop landings and stairs. Spot clean and dust walls, handrails, and fixtures as necessary.

Initials

B. Weekly

1. Dust all artwork
2. Dust air vents

IV. CAFETERIA/DINING & KITCHEN AREAS (If Applicable)

A. Nightly

1. Remove all trash and replace liners nightly.
2. Remove dust from furniture, window ledges, radiators, coat racks, artificial plants, paintings and other wall decorations.
3. Thoroughly wipe down all tables and chairs, including legs and bases.
4. Put all tables and chairs back to original position.
5. Wipe down all trash containers.
6. Spot clean doors and walls especially around and behind trash receptacles.
7. Thoroughly vacuum all carpeting and spot clean daily.
8. Thoroughly dry-mop and damp mop all hard surfaces to remove all visible evidence of traffic patterns, dust, dirt, spills and stains.

B. Periodic

1. Spray buff or high speed burnish all hard surface floors weekly.
2. Clean and wash all ceiling vents as needed.
3. Machine scrub all hard surfaces monthly

DH

Initials

Exhibit B

Intentionally Omitted

Exhibit C

Bill of Sale

HOLCIM (US) INC., a Delaware corporation ("**Seller**"), for ONE DOLLAR ($1.00) paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby SELLS, TRANSFERS and DELIVERS to OCULAR THERAPEUTIX, INC., a Delaware corporation ("**Purchaser**"), its successors and assigns, the Personal Property owned by Seller and located in the Premises (as defined in the Sublease (defined below) located at 24 Crosby Drive, Bedford, Massachusetts 01730 and described more particularly in the Sublease (defined below) subleased by Seller to Purchaser (collectively, the "**Personal Property**").

This Bill of Sale is executed and delivered in connection with the surrender of the above-described subleased premises by Purchaser to Seller pursuant to a Sublease dated _____, 2019 (the "**Sublease**").

Seller hereby warrants to Purchaser that the Personal Property is owned by Seller and is not subject to any lien or security interest. Seller hereby sells, transfers and delivers, and Purchaser hereby accepts, the Personal Property in its "as-is, where-is" condition, without any warranty or representation except as set forth in the preceding sentence, and any warranty of merchantability or fitness is hereby expressly excluded.

IN WITNESS WHEREOF, Seller and Purchaser have duly executed this Bill of Sale this _____ day of _____, 2024.

SELLER:	**PURCHASER**:
HOLCIM (US) INC.	OCULAR THERAPEUTIX, INC.
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Exhibit C-1

List of Personal Property

All Personal Property in the Premises as of the Commencement Date

Exhibit 31.1

CERTIFICATIONS

I, Antony Mattessich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ocular Therapeutix, 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 10, 2019

By: /s/ Antony Mattessich
Antony Mattessich
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Donald Notman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ocular Therapeutix, 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 10, 2019

By: /s/ Donald Notman
Donald Notman
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ocular Therapeutix, Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Antony Mattessich, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

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

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

Date: May 10, 2019

By: /s/ Antony Mattessich
Antony Mattessich
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ocular Therapeutix, Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Donald Notman, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

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

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

Date: May 10, 2019

By: /s/ Donald Notman
Donald Notman
Chief Financial Officer
(Principal Financial and Accounting Officer)