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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, 2021

OR

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

For the transition period from _____ to _____

Commission file number: 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)**
24 Crosby Drive **Bedford, MA**	**01730**
(Address of principal executive offices)	**(Zip Code)**

(781) 357-4000

(Registrant's telephone number, including area code)

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

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

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 ☒

As of May 1, 2021, there were 76,292,065 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 ongoing and planned clinical trials, including our Phase 1 clinical trial of OTX-TKI for the treatment of wet age-related macular degeneration, or wet AMD, our Phase 1 clinical trial of OTX-TIC for the reduction of intraocular pressure in patients with primary open-angle glaucoma or ocular hypertension, our Phase 2 clinical trial of OTX-CSI for the chronic treatment of dry eye disease, and our Phase 2 clinical trial for OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease;

- our commercialization efforts for our product DEXTENZA®;

- our plans to develop, seek regulatory approval for and commercialize DEXTENZA for additional indications, including for the treatment of ocular itching associated with allergic conjunctivitis, for which we have been notified by the Food and Drug Administration of a target action date under the Prescription Drug User Fee Act of October 18, 2021; OTX-TKI; OTX-TIC; OTX-CSI; OTX-DED and our other product candidates based on our proprietary bioresorbable hydrogel technology platform;

- our ability to manufacture DEXTENZA, ReSure® Sealant and our product candidates in compliance with Current Good Manufacturing Practices;

- our ability to manage and scale 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, including the submission of a supplemental new drug application for the approval of the treatment of ocular itching associated with allergic conjunctivitis as an additional indication, and other product candidates;

- 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 our needs for additional financing;

- our plans to raise additional capital, including through equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements, royalty agreements and marketing and distribution arrangements;

- 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 and maintain reimbursement for our products;

- our estimates regarding the market opportunity for DEXTENZA, ReSure Sealant and our product candidates;

- 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, diabetic macular degeneration and retinal vein occlusion;

- our license agreement and collaboration with AffaMed Therapeutics Limited under which we are collaborating on the commercialization of DEXTENZA and our product candidate OTX-TIC in mainland China and certain other Asian countries;

- 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;

- the impact of government laws and regulations;

- the costs and outcomes of legal actions and proceedings;

- uncertainty regarding the extent to which the COVID-19 pandemic and related response measures will adversely affect our business, results of operations and financial condition; 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 that could cause actual results or events to differ materially from the forward-looking statements that we make. Additional discussion of these and other risks, uncertainties and factors may be found under the heading “Risk Factors” in Part II, Item 1A in this Quarterly Report on Form 10-Q. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, licensing agreements, collaborations, 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 this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements included in this Quarterly Report on Form 10-Q are made as of the date of this Quarterly Report on Form 10-Q. We do not assume, and we expressly disclaim, any obligation or undertaking to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

SUMMARY OF RISKS RELATED TO OUR BUSINESS

Our business, financial condition, results of operations, future growth prospects and common stock price are subject to numerous risks and uncertainties that you should be aware of before making an investment decision, as more fully described under the heading “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. These risks include, but are not limited to, the following:

- We have had a history of incurring significant losses since our inception. Our net losses were $86.4 million for the year ended December 31, 2019 and $155.6 million for the year ended December 31, 2020. For the three months ended March 31, 2021, we reported net income of $3.1 million, primarily due to a change of $25.0 million in the fair value of our derivative liability related to our outstanding unsecured senior subordinated convertible notes during the period. As of March 31, 2021, we had an accumulated deficit of $536.1 million. We expect to incur operating losses over the next several years and may never achieve or maintain profitability.

- We will need substantial additional funding. If we are unable to raise capital when needed or on attractive terms, we may be forced to delay, reduce or eliminate our research and development programs or our commercialization efforts.

- We depend heavily on the success of DEXTENZA and our product candidates. Our ability to generate product revenues sufficient to achieve profitability is dependent on our successful commercialization of DEXTENZA for the treatment of ocular inflammation and pain following ophthalmic surgery and our obtaining marketing approval for and commercializing other products with significant market potential, including DEXTENZA for additional indications.

- 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. For example, DEXTENZA is currently scheduled to lose transitional pass-through status in July 2022. If pass-through status were to lapse, DEXTENZA would no longer be reimbursed separately from the ophthalmic surgery; our net product revenues, which currently consist primarily of DEXTENZA sales in reliance on pass-through status, would decline significantly; and our ability to generate revenues from future sales of DEXTENZA to ambulatory surgical centers and hospital out-patient departments for the treatment of post-surgical ocular inflammation and pain would be adversely affected.

- The COVID-19 pandemic has disrupted, and is expected to continue to adversely affect, our operations, including the progress of our commercialization of DEXTENZA, our ability to generate revenue from sales of DEXTENZA or ReSure Sealant and our enrollment of certain clinical trials. We cannot be certain of the overall impact of COVID-19 on our business, financial condition and results of operations.

- Clinical trials of our product candidates may not be successful. We currently have several ongoing and planned clinical trials, including our Phase 1 clinical trial of OTX-TKI for the treatment of wet age-related macular degeneration, or wet AMD; our Phase 1 clinical trial of OTX-TIC for the reduction of intraocular pressure in patients with primary open-angle glaucoma or ocular hypertension; our Phase 2 clinical trial of OTX-CSI for the chronic treatment of dry eye disease; and our Phase 2 clinical trial for OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease. If these or other clinical trials of any product candidate that we develop fail to demonstrate safety and efficacy to the satisfaction of the FDA or other regulatory authorities or do not otherwise produce favorable results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such product candidate.

- 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 to expand the use of our bioresorbable hydrogel technology for treating additional diseases and conditions.

- 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.

- If we are unable to establish and maintain adequate sales, marketing and distribution capabilities, scale up our manufacturing processes and capabilities, maintain regulatory compliance for our manufacturing operations, obtain and maintain patent protection for or gain market acceptance by physicians, patients and third-party payors and others in the medical community of DEXTENZA, ReSure Sealant or any of our product candidates for which we obtain marketing approval, or experience significant delays in doing so, our business will be materially harmed and our ability to generate revenues from product sales will be materially impaired.

- Our products face and, if approved, our product candidates will face competition from generic and branded versions of existing drugs, many of which have achieved widespread acceptance among physicians, payors and patients for the treatment of ophthalmic diseases and conditions. In addition, 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, 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 patent rights.

- Even if we successfully obtain marketing approval for one or more of our product candidates, the approved product will be subject to ongoing review and extensive regulation.

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, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 209,378	$ 228,057
Accounts receivable, net	13,631	12,252
Inventory	1,123	1,201
Prepaid expenses and other current assets	4,000	4,650
Total current assets	228,132	246,160
Property and equipment, net	7,527	8,095
Restricted cash	1,764	1,764
Operating lease assets	5,617	5,844
Total assets	$ 243,040	$ 261,863
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,152	$ 2,709
Accrued expenses and other current liabilities	13,574	14,307
Operating lease liabilities	1,421	1,358
Notes payable, net of discount, current	8,290	8,290
Total current liabilities	27,437	26,664
Other liabilities:		
Operating lease liabilities, net of current portion	7,169	7,548
Derivative liability	73,297	98,313
Deferred revenue	12,000	12,000
Notes payable, net of discount	14,907	16,936
2026 convertible notes, net	24,822	24,307
Total liabilities	159,632	185,768
Commitments and contingencies (Note 14)		
Stockholders' equity (deficit):		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized and no shares issued or outstanding at March 31, 2021 and December 31, 2020, respectively	—	—
Common stock, $0.0001 par value; 100,000,000 shares authorized and 76,236,710 and 75,996,732 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	8	8
Additional paid-in capital	619,530	615,338
Accumulated deficit	(536,130)	(539,251)
Total stockholders' equity	83,408	76,095
Total liabilities and stockholders' equity	$ 243,040	$ 261,863

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

Ocular Therapeutix, Inc.

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

	Three Months Ended March 31,	
	2021	2020
Revenue:		
Product revenue, net	$ 7,342	$ 2,609
Total revenue, net	7,342	2,609
Costs and operating expenses:		
Cost of product revenue	892	819
Research and development	10,927	6,098
Selling and marketing	8,086	7,130
General and administrative	7,665	5,176
Total costs and operating expenses	27,570	19,223
Loss from operations	(20,228)	(16,614)
Other income (expense):		
Interest income	12	139
Interest expense	(1,679)	(1,633)
Change in fair value of derivative liability	25,016	(3,404)
Total other income (expense), net	23,349	(4,898)
Net income (loss) attributable to common stockholders	$ 3,121	$ (21,512)
Net income (loss) per share, basic	$ 0.04	$ (0.41)
Weighted average common shares outstanding, basic	76,071,017	51,900,882
Net income (loss) per share, diluted	$ (0.24)	$ (0.41)
Weighted average common shares outstanding, diluted	87,245,706	51,900,882

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,	
	2021	**2020**
Cash flows from operating activities:		
Net income (loss)	$ 3,121	$ (21,512)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Stock-based compensation expense	3,086	1,665
Non-cash interest expense	1,132	1,048
Change in fair value of derivative liability	(25,016)	3,404
Depreciation and amortization expense	646	734
Changes in operating assets and liabilities:		
Accounts receivable	(1,379)	(881)
Prepaid expenses and other current assets	650	(234)
Inventory	78	(153)
Operating lease assets	227	188
Accounts payable	1,523	(236)
Accrued expenses	(1,111)	(2,617)
Operating lease liabilities	(316)	(260)
Net cash used in operating activities	(17,359)	(18,854)
Cash flows from investing activities:		
Purchases of property and equipment	(158)	(249)
Net cash used in investing activities	(158)	(249)
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,197	128
Proceeds from issuance of common stock upon public offering, net of issuance costs	(275)	12,690
Repayment of notes payable	(2,083)	—
Net cash (used in) provided by financing activities	(1,162)	12,818
Net decrease in cash, cash equivalents and restricted cash	(18,679)	(6,285)
Cash, cash equivalents and restricted cash at beginning of period	229,821	56,201
Cash, cash equivalents and restricted cash at end of period	$ 211,142	$ 49,916
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 593	$ 585
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	$ 10	$ 21

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

Ocular Therapeutix, Inc.

Consolidated Statements of Stockholders' Equity
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value			
Balances at December 31, 2020	75,996,732	$ 8	$ 615,338	$ (539,251)	$ 76,095
Issuance of common stock upon exercise of stock options	228,241	—	1,197	—	1,197
Issuance of common stock upon cashless exercise of warrant	11,737	—	—	—	—
Issuance costs associated with common stock public offering	—	—	(91)	—	(91)
Stock-based compensation expense	—	—	3,086	—	3,086
Net income	—	—	—	3,121	3,121
Balances at March 31, 2021	76,236,710	$ 8	$ 619,530	$ (536,130)	$ 83,408

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

Ocular Therapeutix, Inc.

Consolidated Statements of Stockholders' Equity (Deficit)
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Par Value			
Balances at December 31, 2019	50,333,559	$ 5	$ 379,980	$ (383,615)	$ (3,630)
Issuance of common stock upon exercise of stock options	46,321	—	128	—	128
Issuance of common stock upon public offering, net of issuance costs	2,657,823	—	12,690	—	12,690
Stock-based compensation expense	—	—	1,665	—	1,665
Net loss	—	—	—	(21,512)	(21,512)
Balances at March 31, 2020	53,037,703	$ 5	$ 394,463	$ (405,127)	$ (10,659)

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

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 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 and launching its initial product.

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 and compliance, reimbursement, 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, 2021, the Company had two FDA-approved products in commercialization in the United States: DEXTENZA® (dexamethasone insert) 0.4mg, an intracanalicular insert for the treatment of post-surgical ocular inflammation and pain, and ReSure® Sealant, an ophthalmic device designed to prevent wound leaks in corneal incisions following cataract surgery. While ReSure Sealant is commercially available in the United States, it does not receive sales support and has not in the past generated, nor is it anticipated to in the future to generate, material revenues. 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 rapidly changing 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.

While net income was recorded for the three-month period ended March 31, 2021, the Company has a history of 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, 2021, the Company had an accumulated deficit of $536,130. The Company believes that its existing cash and cash equivalents of $209,378, as of March 31, 2021, along with its current operating plan, which includes revenues from the sale of DEXTENZA, will enable it to fund its planned operating expenses, debt service obligations and capital expenditure requirements through at least the next 12 months. The future viability of the Company beyond that point is dependent on its ability to generate cash flows from the sale of DEXTENZA and raise additional capital to finance its operations. The Company will need to finance its operations through public or private securities offerings, debt financings or other sources, which may include licensing, collaborations or other strategic transactions or arrangements. Although the Company has been successful in raising capital in the past, there is no assurance that it will be successful in obtaining such additional financing on terms acceptable to the Company, if at all. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate some or all of its research and development programs for product candidates, product portfolio expansion or commercialization efforts, which could adversely affect its business prospects, or the Company may be unable to continue operations.

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, 2020 was derived from audited financial statements but does not include all disclosures required by GAAP. The accompanying unaudited financial statements as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 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, 2020 included in the Company's Annual Report on Form 10-K filed with the SEC on March 11, 2021. 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, 2021 and results of operations and cash flows for the three months ended March 31, 2021 and 2020 have been made. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2021.

Risks and Uncertainties

The Company is monitoring the potential impact of the COVID-19 pandemic, if any, on the carrying value of certain assets. To date, the Company has not experienced material business disruption, nor has it incurred impairment of any assets as a result of the COVID-19 pandemic. The extent to which these events may impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted at this time. The duration and intensity of the COVID-19 pandemic and any resulting disruption to the Company's operations is uncertain, and the Company will continue to assess the impact of the COVID-19 pandemic on its financial position.

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 and the disclosure of contingent assets and liabilities at the date of the consolidated 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, clinical trial accruals and the fair value of derivatives. Actual results may differ from these estimates. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition, and those of its customers, vendors, suppliers, and collaboration partners, will depend on future developments that are highly uncertain, subject to change and difficult to predict, including new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international customers and markets.

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.

Concentration of Credit Risk and of Significant Suppliers and Customers

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company has all cash and cash equivalents balances at one accredited financial institution, in amounts that exceed federally insured limits. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

The Company is dependent on a small number of third-party manufacturers to supply products for research and development activities in its preclinical and clinical programs and for sales of its products. The Company's development programs as well as revenue from future sales of its product sales could be adversely affected by a significant interruption in the supply of any of the components of these products.

For the three months ended March 31, 2021, three specialty distributor customers accounted for 45%, 21%, and 12% of the Company's total revenue, and no other customer accounted for more than 10% of the Company's total revenue. At March 31, 2021, three specialty distributor customers accounted for 49%, 25% and 14% of the Company's total accounts receivable and no other customer accounted for more than 10% of the Company's total accounts receivable at March 31, 2021.

For the three months ended March 31, 2020, three specialty distributor customers accounted for 36%, 22% and 13% of the Company's total revenue and no other customer accounted for more than 10% of total revenue. At December 31, 2020, three specialty distributor customers accounted for 45%, 33% and 15% of the Company's total accounts receivable and no other customer accounted for more than 10% of the Company's total accounts receivable at December 31, 2020.

Recently Issued Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) ("ASU 2020-06"). This standard amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity and improves and amends the related earnings per share guidance for both Subtopics. The amendments in the ASU are effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The FASB also specified that an entity should adopt the guidance as of the beginning of its fiscal year and is not permitted to adopt the guidance in an interim period. The Company is assessing the potential impact of ASU 2020-06 on its consolidated financial statements.

3. Fair Value of Financial Assets and Liabilities

The following tables present information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020 and indicate the level of the fair value hierarchy utilized to determine such fair value:

	Fair Value Measurements as of March 31, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 203,378	$ —	$ —	$ 203,378
Liability:				
Derivative liability (Note 7)	$ —	$ —	$ 73,297	$ 73,297

	Fair Value Measurements as of December 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 213,372	$ —	$ —	$ 213,372
Liability:				
Derivative liability (Note 7)	$ —	$ —	$ 98,313	$ 98,313

4. Restricted Cash

The Company held restricted cash of $1,764 at March 31, 2021 and December 31, 2020, on its consolidated balance sheet. The Company held restricted cash as security deposits for the lease of its manufacturing space and corporate headquarters.

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, 2021	March 31, 2020
Cash and cash equivalents	$ 209,378	$ 48,152
Restricted cash	1,764	1,764
Total cash, cash equivalents and restricted cash	$ 211,142	$ 49,916

5. Inventory

The Company values its inventories at the lower of cost or estimated net realizable value.

Inventory consisted of the following:

	March 31, 2021	December 31, 2020
Raw materials	$ 373	$ 384
Work-in-process	402	232
Finished goods	348	585
	$ 1,123	$ 1,201

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of March 31, 2021 and December 31, 2020 consisted of the following:

	March 31, 2021	December 31, 2020
Accrued payroll and related expenses	$ 3,237	$ 5,853
Accrued rebates and programs	2,156	1,438
Accrued professional fees	1,279	868
Accrued research and development expenses	1,447	1,013
Accrued interest payable on 2026 convertible notes	4,756	4,194
Accrued other	699	941
	$ 13,574	$ 14,307

7. Derivative Liability

The unsecured senior subordinated convertible notes (the "2026 Convertible Notes") (Note 8) contained an embedded conversion option that met the criteria to be bifurcated and accounted for separately (the "Derivative Liability") from the 2026 Convertible Notes. The Derivative Liability was recorded at fair value 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 in the Company's consolidated balance sheet.

The estimated fair value of the 2026 Convertible Notes was $104,404 at March 31, 2021. 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 main input when determining the fair value for disclosure purposes is the bond yield which 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. The main inputs to valuing the 2026 Convertible Notes with the conversion option are as follows:

	As of	
	March 31, 2021	December 31, 2020
Company's stock price	$ 16.41	$ 20.70
Expected annual volatility	91.7 %	105.5 %
Bond yield	12.2 %	12.0 %

A roll-forward of the derivative liability is as follows:

	As of
Balance at December 31, 2020	$ 98,313
Change in fair value	(25,016)
Balance at March 31, 2021	$ 73,297

8. Convertible Notes

On March 1, 2019, the Company issued $37,500 of 2026 Convertible Notes. Each 2026 Convertible Note accrues 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 presents deferred interest in accrued current liabilities because the 2026 Convertible Notes are currently convertible and the interest is payable in cash. The effective annual interest rate for the 2026 Convertible Notes was 14.8% through March 31, 2021.

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 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) 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 7, 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, 2021 and December 31, 2020 is as follows:

	March 31, 2021	December 31, 2020
2026 Convertible Notes	$ 37,500	$ 37,500
Less: unamortized discount	(12,678)	(13,193)
Total	$ 24,822	$ 24,307

9. Income Taxes

The Company did not provide for any income taxes in its consolidated statement of operations and comprehensive income (loss) for the three month periods ended March 31, 2021 or 2020. While the Company has net income for the three months ended March 31, 2021, the Company is projecting book and tax losses for the full year ended 2021, for which it is more likely than not that the Company will not realize a benefit for, as the Company has recorded a full valuation allowance against its deferred tax assets. Thus, the Company has not recorded any income taxes for the three months ended March 31, 2021.The Company has provided a valuation allowance for the full amount of its net deferred tax assets because, at March 31, 2021 and December 31, 2020, 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, 2021 or December 31, 2020. As of March 31, 2021 and December 31, 2020, 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, 2017 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.

10. Collaboration Agreements

AffaMed License Agreement

On October 29, 2020, the Company entered into license agreement ("License Agreement") with AffaMed Therapeutic Limited ("AffaMed") for the development and commercialization of the Company's DEXTENZA product regarding ocular inflammation and pain following cataract surgery and allergic conjunctivitis (collectively, the "DEXTENZA Field") and for the Company's OTX-TIC product candidate (collectively with DEXTENZA, the "AffaMed Licensed Products") regarding open-angle glaucoma and ocular hypertension (collectively, the "TIC Field" and, with the DEXTENZA Field, each a "Field"), in each case in mainland China, Taiwan, Hong Kong, Macau, South Korea, and the countries of the Association of Southeast Asian Nations (collectively, the "Territories"). The Company retains development and commercialization rights for the AffaMed Licensed Products in the rest of the world.

Under the License Agreement, the Company received a non-refundable upfront payment of $12,000 in December 2020. The Company is also eligible to receive up to an additional $91,000 in aggregate, inclusive of a low-seven-figure clinical support payment, upon the achievement of certain regulatory, development and commercial milestones. The Company is also entitled to receive tiered, escalating royalties on the net sales of the AffaMed Licensed Products ranging from a low-teen to low-twenties percentage. Royalties under the License Agreement are payable on an AffaMed Licensed Product-by-AffaMed Licensed Product and jurisdiction-by-jurisdiction basis and are subject to potential reductions in specified circumstances, subject to a specified floor.

Under the License Agreement, the Company is generally responsible for expenses related to the development of the AffaMed Licensed Products in the applicable Fields in the Territories, provided that AffaMed (i) reimburse the Company a low-teen percentage of expenses incurred in connection with certain clinical trials conducted by the Company and designed to support marketing approval of the AffaMed Licensed Product by the FDA or the European Medicines Agency ("Global Studies"); (ii) is solely responsible for expenses incurred in connection with territory-specific clinical trials that it conducts in furtherance of the development plan agreed between the parties in the applicable Fields in the Territories ("Local Studies"); and (iii) reimburse the Company in full for expenses incurred in connection with obtaining and maintaining regulatory approvals of the AffaMed Licensed Products in the applicable Fields in the Territories. In the event AffaMed declines to participate in a Global Study or to conduct a Local Study in any jurisdiction in which the Company determines to conduct such a study, the Company is relieved of its obligation to provide AffaMed clinical data from such study, other than safety data, unless AffaMed subsequently reimburses the Company in the amounts described above plus a prespecified premium.

The License Agreement expires upon the expiration of the last royalty term for the last AffaMed Licensed Product in any applicable Field in the Territories. Either party may, subject to specified cure periods, terminate the License Agreement in the event of the other party's uncured breach. Either party may also terminate the License Agreement under specified circumstances relating to the other party's insolvency. AffaMed has the right to terminate the License Agreement at any time after completion of a Phase 3 clinical trial for OTX-TIC for any or no reason upon providing the Company three months' notice. During an established period following its change of control or its entry into a global licensing agreement that includes the Territories with a third party, the Company has the option to terminate the License Agreement, subject to a specified notice period and the repayment of any costs and expenses incurred by AffaMed in connection with the License Agreement, including upfront and milestone payments AffaMed has previously paid to the Company, at a prespecified premium.

The Company concluded that AffaMed is a customer in this arrangement, and as such, the arrangement falls within the scope of the revenue recognition guidance in ASC 606.

At the inception of the License Agreement, the Company identified the following performance obligations in the agreement:

- the license, regulatory filings and manufacturing of DEXTENZA;
- the license, regulatory filings and manufacturing for the Company's OTX-TIC product candidate regarding open-angle glaucoma and ocular hypertension in the Territories;
- obligations to participate on various joint research, development and project committees; and

- the conduct of a Phase 2 clinical trial of OTX-TIC

The Company has concluded there is a combined performance obligation for a development and commercialization license and manufacturing obligations for DEXTENZA Field and the Company's OTX-TIC product candidate regarding open-angle glaucoma and ocular hypertension in the Territories.

Further, AffaMed cannot exploit the value of the development and commercialization license for DEXTENZA Field and the Company's OTX-TIC product candidate regarding open-angle glaucoma and ocular hypertension in the Territories without receipt of supply as the development and commercialization license does not convey to AffaMed the right to manufacture and therefore the Company has combined the development and commercialization license and the manufacturing obligations into one performance obligation.

The Company has concluded that the right of AffaMed to opt into the Global Studies for DEXTENZA and OTX-TIC are options that do not convey a material right to AffaMed. Therefore, these have not been recognized as performance obligations upon the inception of the License Agreement.

With respect to the obligation of the Company to participate in joint research, development and project committees the Company has concluded that these obligations are not material.

The transaction price was allocated to the performance obligations based on the relative estimated standalone selling prices of each performance obligation.

The Company developed the estimated standalone selling price for the services and/or manufacturing and supply included in each of the performance obligation, as applicable, primarily based on the nature of the services to be performed and/or goods to be manufactured and estimates of the associated costs, adjusted for a reasonable profit margin that would be expected to be realized under similar contracts.

The Company has determined that any sales-based royalties and milestones will be recognized as the Company delivers the clinical and commercial manufactured product to AffaMed. Any changes in estimates may result in a cumulative catch-up based on the number of units of manufactured product delivered.

As of December 31, 2020, the transaction price was determined to be $12,000. All potential regulatory, development and commercial milestone payments in the amount of $91,000 did not meet the recognition criteria under the most likely method, because their achievement was highly dependent on factors outside the control of the Company and therefore, were excluded from the transaction price as of December 31, 2020. Furthermore, under the expected value method the Company excluded the potential royalties from the transaction price.

We recognize revenue related to the amounts allocated to the combined performance obligations for DEXTENZA Field and the Company's OTX-TIC product candidate based on the point in time upon which control of supply is transferred to AffaMed for each delivery of the associated supply. The Company currently expects to recognize the revenue over a period of approximately seven to eight years commencing on the date the Company begins delivering product to AffaMed. This estimate of this period considers the timing of development and commercial activities under the License Agreement and may be reduced or increased based on the various activities as directed by the joint committees, decisions made by AffaMed, regulatory feedback or other factors not currently known.

The Company has not recognized any revenue under the License Agreement as of March 31, 2021 as there has not been any delivery of product under the License Agreement. The Company does not expect to recognize material revenue from the License Agreement in 2021. The entire transaction price is recorded as deferred revenue as of March 31, 2021 and December 31, 2020.

Regeneron 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 vascular endothelial growth factor ("VEGF")-targeting compounds for the treatment of retinal diseases. The

Collaboration Agreement does not cover the development of any product candidates 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 ("Regeneron 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 be obligated to 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 Regeneron 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 the Company $10,000 upon the exercise of the Option. If Regeneron elects to exercise the Option, the Company is also eligible to receive up to $145,000 per Regeneron Licensed Product upon the achievement of specified development and regulatory milestones, $100,000 per Regeneron Licensed Product upon first commercial sale of such Regeneron Licensed Product and up to $50,000 based on the achievement of specified sales milestones for all Regeneron 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 Regeneron 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 subsequently reached an understanding that the proposed formulation was not final and ceased development of it.

On May 8, 2020, the Company entered into an amendment (the "Amendment") to the Collaboration Agreement. Pursuant to the Amendment, the Company and Regeneron have adopted a new work plan to transition joint efforts under the Collaboration Agreement to the research and development of an extended-delivery formulation of aflibercept to be delivered to the suprachoroidal space. Regeneron has agreed to pay personnel and material costs of the Company for specified preclinical development activities in connection with the revised work plan, as well as certain other costs. In addition, the Amendment provides for the modification of the terms of the Option previously granted to Regeneron under the Collaboration Agreement. As amended, the Option is exclusive for twenty-four months following May 8, 2020. Through March 31, 2021, the Option has not been exercised, and no payments have been made.

As of March 31, 2021, the Company has recorded $515 related to work performed for preclinical development activities in connection with the revised work plan which the Company has recorded as a reduction of research and development expense as this research is not an output of the Company's ordinary business activities. As of March 31, 2021 and December 31, 2020, the Company has included the $515 and $1,256, respectively in prepaid expenses and other current assets.

11. Notes Payable

The Company entered into a credit and security agreement in 2014 (as amended to date, the "Credit Agreement") establishing the Company's credit facility (the "Credit Facility"). The Company has a total borrowing capacity of $25,000 under the Credit Facility which has been fully drawn down as of March 31, 2021. The carrying value of the Company's variable interest rate notes payable are recorded at amortized costs, which approximates fair value due to their short-term nature.

In December 2018, the Company amended the terms of the Credit Agreement to increase total indebtedness under the Credit Facility to $25,000, which was used primarily to pay-off outstanding balances as of the closing date. The Company was required to make interest-only payments under the 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.

Amounts borrowed under the 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%. As of March 31, 2021, the interest rate was 9.25%. In addition, a final payment (exit fee) equal to 3.5% of amounts drawn under the 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.

There are no financial covenants associated with the Credit Agreement. However, the Credit Agreement does contain 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. As of March 31, 2021, the Company is not in violation of any of its covenants under the Credit Agreement. The obligations under the Credit Agreement 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 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, 2021	December 31, 2020
Borrowings outstanding	$ 22,917	$ 25,000
Accrued exit fee	399	355
Unamortized discount	(119)	(129)
	23,197	25,226
Less: current portion	(8,290)	(8,290)
Long-term notes payable	$14,907	$16,936

As of March 31, 2021, the annual repayment requirements for the Credit Facility, inclusive of the final payment of $875 due at expiration, were as follows:

Year Ending December 31,	Principal	Final Payment	Total
2021 (April 1 through December 31)	6,250	—	6,250
2022	8,333	—	8,333
2023	8,334	875	9,209
	$ 22,917	$ 875	$ 23,792

12. Net Income (Loss) Per Share

Basic net income (loss) per share was calculated as follows for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
	2021	2020
Numerator:		
Net income (loss) attributable to common stockholders	$ 3,121	$ (21,512)
Denominator:		
Weighted average common shares outstanding, basic	76,071,017	51,900,882
Net income (loss) per share	$ 0.04	$ (0.41)

For the three months ended March 31, 2020 there is no dilutive impact. Therefore, diluted net loss per share is the same as basic net loss per share. Diluted net income (loss) per share was calculated as follows for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021
Net income attributable to common stockholders, basic	$ 3,121
Interest expense on 2026 Convertible Notes	1,078
Change in fair value of derivative liability	(25,016)
Net loss attributable to common stockholders, diluted	$ (20,817)
Weighted average common shares outstanding, basic	76,071,017
Dilutive options (treasury stock method)	5,405,457
Shares issuable upon conversion of 2026 Convertible Notes, as if converted	5,769,232
Weighted average common shares outstanding, diluted	87,245,706
Net loss per share attributable to common stockholders, diluted	$ (0.24)

The Company excluded the following common stock equivalents, outstanding as of March 31, 2021 and 2020, from the computation of diluted net loss per share for the three months ended March 31, 2021 and 2020 because they had an anti-dilutive impact.

	As of March 31,	
	2021	2020
Options to purchase common stock	2,999,716	9,292,354
Shares issuable upon conversion of 2026 Convertible Notes, if converted	—	5,769,232
Warrants for the purchase of common stock	—	18,939
	2,999,716	15,080,525

13. 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 an amount determined by the Company’s board of directors. On January 1, 2021, the number of

shares available for issuance under the 2014 Plan was increased by 1,659,218. During the three months ended March 31, 2021, the Company granted options to purchase 2,479,369 shares of common stock, at a weighted exercise price of $18.35 per share. As of March 31, 2021, 131,334 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, 2021, the number of shares available for issuance under the 2014 Plan was increased by 207,402. During the three months ended March 31, 2021, no shares of common stock were issued under the ESPP. As of March 31, 2021, 731,596 shares remained available for issuance under the ESPP.

Inducement Stock Option Awards

On October 29, 2019, the 2019 Inducement Stock Incentive Plan (the "Inducement Plan") was approved by the Board of Directors of the Company. Initially, the maximum number of shares of common stock issuable under the Inducement Plan was 500,000. On December 10, 2020, the Board of Directors of the Company amended the 2019 Inducement Plan to increase the aggregate number of shares issuable from 500,000 to 1,054,000 shares of common stock. As of March 31, 2021, 504,126 shares of common stock remained available for issuance under the Inducement Plan.

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,	
	2021	2020
Research and development	$ 677	$ 375
Selling and marketing	755	371
General and administrative	1,654	919
	$ 3,086	$ 1,665

As of March 31, 2021, the Company had an aggregate of $30,054 of unrecognized stock-based compensation cost, which is expected to be recognized over a weighted average period of 3.4 years.

14. Commitments and Contingencies

Collaboration Agreement

On October 10, 2016, the Company entered into the Collaboration Agreement with Regeneron, which the parties amended in May 2020 (Note 10). If the Option to enter into an exclusive worldwide license is exercised, Regeneron will be obligated to 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; the timing of such payments are not known. 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 Regeneron 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.

15. Related Party Transactions

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. Jonathan M. Sparks, Ph.D., a partner at McCarter & English, also served as the Company’s in-house counsel from October 2017 through August 31, 2020. The Company incurred fees for legal services rendered by McCarter of $256 for the three months ended March 31, 2020. As of December 31, 2020, there was $47 recorded in accounts payable and $0 recorded in accrued expenses for McCarter.

Since November 2020, the Company has engaged Specialty Pharma Consulting, LLC (“Specialty Pharma”), an entity affiliated with Kevin Coughenour, to provide services for quality engineering and validation activities in the ordinary course of business. Mr. Coughenour is married to the Company’s former Chief Operating Officer Patricia Kitchen. The Company incurred fees for quality engineering and validation activities rendered by Specialty Pharma of $126 for the three months ended March 31, 2021. As of March 31, 2021, there was $86 recorded in accounts payable and $0 recorded in accrued expenses for Specialty Pharma. As of December 31, 2020, there was $47 recorded in accounts payable and $0 recorded in accrued expenses for Specialty Pharma. On April 26, 2021, the Company and Specialty Pharma terminated their relationship.

16. Warrants

On January 29, 2021, holders of warrants to purchase 18,939 shares of common stock at an exercise price of $7.92 exercised their right to purchase their warrants. The exercise price of the warrants was paid through a net share settlement mechanism and as a result the Company issued 11,737 shares of common stock to satisfy the exercise of all the warrants. There are no warrants outstanding as of March 31, 2021.

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 11, 2021. 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 and should be read together with the "Risk Factors" section of this Quarterly Report on Form 10-Q for a discussion of important factors that could cause actual results to 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 in our product candidates.

We currently incorporate therapeutic agents that have previously received regulatory approval from the U.S. Food and Drug Administration, or FDA, 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 intravitreal implants, suprachoroidal implants, intracameral implants and intracanalicular inserts. We have product candidates in preclinical and clinical development designed to utilize this technology to treat retinal diseases including wet age-related macular degeneration, or wet AMD; glaucoma and ocular hypertension; and ocular surface diseases and conditions including dry eye disease and ocular itching associated with allergic conjunctivitis. We also have two FDA-approved products in commercialization in the United States: DEXTENZA®, an intracanalicular insert for the treatment of post-surgical ocular inflammation and pain, and ReSure® Sealant, an ophthalmic device designed to prevent wound leaks in corneal incisions following cataract surgery.

Our core pipeline assets include four programs in clinical development:

- OTX-TKI, an intravitreal implant, administered by fine-gauge needle, of a hydrogel, anti-angiogenic formulation of axitinib, a tyrosine kinase inhibitor, or TKI, for the treatment of wet AMD;
- OTX-TIC, a travoprost intracameral implant for the reduction of intraocular pressure, or IOP, in patients with primary open-angle glaucoma or ocular hypertension;
- OTX-CSI, a cyclosporine intracanalicular insert for the chronic treatment of dry eye disease; and
- OTX-DED, a dexamethasone intracanalicular insert for the short-term treatment of the signs and symptoms of dry eye disease.

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 large molecule vascular endothelial growth factor, or VEGF, inhibitor aflibercept, currently marketed under the brand name Eylea. We also continue to assess the potential use of our hydrogel platform technology in other areas of the body.

Retinal Disease Programs

We are engaged in the development of formulations of our hydrogel administered via intravitreal injection to address large markets for diseases and conditions of the back of the eye which we believe have significant growth potential. Our initial development efforts for our retinal disease programs have focused on the use of our extended-delivery hydrogel in combination with anti-angiogenic drugs, such as TKIs or protein-based anti-VEGF drugs, for the

treatment of retinal diseases such as wet AMD; diabetic macular edema, or DME; and retinal vein occlusion, or RVO. Our initial goal for these programs is to provide extended delivery for at least six months, thereby reducing the frequency of the current monthly or bi-monthly immediate release intravitreal anti-VEGF injection regimens for wet AMD and other retinal diseases.

OTX-TKI (axitinib intravitreal implant)

Our product candidate OTX-TKI is a preformed, bioresorbable hydrogel fiber implant incorporating a small molecule tyrosine kinase inhibitor, or TKI, axitinib, with anti-angiogenic properties delivered by intravitreal injection and designed for a duration of six months or longer. TKIs have shown promise in the treatment of wet AMD. In the first quarter of 2019, we began dosing patients in a multi-center, open-label, dose-escalation Phase 1 clinical trial in Australia designed to evaluate the safety, durability and tolerability of OTX-TKI. We are evaluating biological activity by measuring retinal thickness using spectral domain optical coherence tomography, or OCT, and following visual acuity over time. Two cohorts were initially enrolled: a lower dose cohort of 200 µg with six subjects and a higher dose cohort of 400 µg with seven subjects. We are actively enrolling a third cohort of 12 subjects, split between parallel arms of six subjects each. Subjects in the first arm of the third cohort, which is now fully enrolled, will receive a dose of 600 µg, and subjects in the second arm will receive a 400 µg dose combined with an anti-VEGF induction injection.

On May 5, 2021 at the Association for Research in Vision and Ophthalmology (ARVO) annual meeting, Dr. James Wong presented interim data from the Phase 1 clinical trial. In the Phase 1 clinical trial, OTX-TKI was observed to have a generally favorable safety profile, with no reported ocular serious adverse events. Some subjects in the Phase 1 clinical trial have shown a decrease in intraretinal or subretinal fluid by two months, and interim data suggest that OTX-TKI might have an extended duration of action beyond that of the current standard of care. In addition, the implants in the first cohort consistently bio-resorbed by nine to ten and a half months. The observation of implant location suggests limited movement.

We plan to initiate a prospective, randomized, controlled Phase 1 clinical trial in the United States under an exploratory investigational new drug, or eIND, application in mid-2021 to evaluate a single implant 600 µg dose of OTX-TKI (combined with an anti-VEGF induction injection) in comparison with a 2 mg dose of aflibercept. At a pre-investigational new drug, or pre-IND, application meeting in April 2021, we discussed with the FDA the possibility of transitioning from an eIND application to a traditional investigational new drug application.

Pending our receipt and review of the topline data from the Phase 1 clinical trial in Australia and related regulatory discussions, we also plan to initiate a Phase 2 clinical trial in Australia to compare tolerability, durability and efficacy of the administration of a single implant 600 µg dose of OTX-TKI (combined with an anti-VEGF induction injection) to a 2 mg dose of aflibercept dosed every 8 weeks as the comparator.

OTX-AFS (aflibercept suprachoroidal injection) in collaboration with Regeneron

As described above, in October 2016, we entered into a strategic collaboration, option and license agreement with Regeneron for the development and potential commercialization of products using our local programmed-release hydrogel in combination with, among other things, Regeneron's large molecule VEGF-targeting compounds for the treatment of retinal diseases, with the initial focus on the VEGF trap aflibercept. We and Regeneron amended this agreement in May 2020 to, among other things, transition joint efforts under the collaboration to the research and development of an extended-delivery formulation of aflibercept to be delivered to the suprachoroidal space which we refer to as OTX-AFS. Under the amended agreement, we have provided certain formulations to Regeneron, which has agreed to perform preclinical assessments of OTX-AFS.

Glaucoma Program

Our development efforts for our glaucoma program have focused on the use of our extended-delivery hydrogel in combination with travoprost, an FDA-approved prostaglandin analog designed to lower elevated IOP. Our initial goal for this program is to provide extended delivery over at least four months with a single treatment.

OTX-TIC (travoprost intracameral implant)

Our product candidate 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. We are currently conducting a multi-center, open-label, dose-escalation, proof-of-concept Phase 1 clinical trial to evaluate the safety, biological activity, durability and tolerability of OTX-TIC compared to topical travoprost (eye drops) in patients with primary open-angle glaucoma or ocular hypertension. The trial consists of four patient cohorts: cohort 1 is 5 subjects who are receiving a 15 µg dose, cohort 2 is 4 subjects who are receiving a 26 µg dose, cohort 3 is 5 subjects who are receiving a 15 µg with a fast-degrading implant, and cohort 4 is 5 subjects who are receiving a 5 µg with a fast-degrading implant. Each of the four cohorts has been fully enrolled.

We presented interim data on all four patient cohorts at the Glaucoma360 Virtual Conference in January 2021 and presented incremental data in May 2021 at the ARVO annual meeting. In this Phase 1 clinical trial, with a single implant, several subjects were able to achieve a decrease in IOP at least as large as that of the current standard of care. Many subjects exhibited an IOP-lowering effect of more than six months in cohorts 1 and 2 and between three and six months in cohorts 3 and 4, the cohorts in which the fast-degrading implant was used. In the clinical trial, OTX-TIC was observed to have a generally favorable safety profile, with no reported ocular serious adverse events. Corneal health, as measured by endothelial cell counts, pachymetry assessments and slit lamp examinations did not indicate a clinically meaningful change from baseline.

In the fourth quarter of 2021, we plan to initiate a Phase 2 clinical trial to evaluate two formulations of OTX-TIC for the treatment of glaucoma or ocular hypertension in patients compared to Durysta (Allergan). Although we had planned to initiate this clinical trial by mid-2021, there have been minor delays related to the injector used to deliver OTX-TIC. Certain subjects in the Phase 2 clinical trial will receive the same formulation used in cohort 1 of the Phase 1 clinical trial, containing a 26 µg dose of drug and utilizing a standard implant, and others will receive the same formulation used in cohort 4 of the Phase 1 clinical trial, containing a 5 µg dose of drug and utilizing a fast-degrading implant. The non-study eye of each patient will receive a topical prostaglandin daily.

Ocular Surface Disease Programs

We are engaged in the development of formulations of our hydrogel administered via intracanalicular inserts to address large markets for diseases and conditions of the surface of the eye. Our initial development efforts are focused on the use of our extended-delivery hydrogel in combination with well-known and well-understood drugs (cyclosporine and corticosteroids) for the treatment of dry eye disease and allergic conjunctivitis.

Dry Eye Disease

OTX-CSI (cyclosporine intracanalicular insert)

Our product candidate, OTX-CSI, incorporates the FDA-approved immunomodulator cyclosporine as a preservative-free active pharmaceutical ingredient into a hydrogel, drug-eluting intracanalicular insert. The product candidate is designed for a duration of three to four months for patients suffering from moderate to severe dry eye and to be administered by a physician as a bioresorbable intracanalicular insert. We believe it has the potential for greater tolerability and a more rapid onset of action than therapies currently available on the market.

In October 2020, we reported topline data from our five subject Phase 1 clinical trial evaluating OTX-CSI in the treatment of dry eye disease. All subjects completed the 16-week study period with no drop-outs. There were no serious adverse effects reported. The inserts were observed to be generally well-tolerated, and there were no adverse events of stinging, irritation, blurred vision or tearing reported or observed.

In September 2020, we dosed the first patients in a Phase 2 clinical trial designed to assess the safety, tolerability, and durability and to evaluate the efficacy of OTX-CSI for the chronic treatment of dry eye disease. The Phase 2 clinical trial is a U.S.-based, randomized, double-masked, multi-center trial evaluating two different formulations of OTX-CSI compared to a vehicle insert in approximately 140 subjects who are to be followed for a period of approximately 16 weeks. Endpoints include tear production as measured by the Schirmer’s test; signs of dry eye disease as measured by corneal fluorescein staining; and symptoms of dry eye disease as measured by the visual analog scale, or

VAS, eye dryness severity score and the VAS dry eye frequency score. We completed enrollment in this Phase 2 clinical trial and currently anticipate receiving topline data in the fourth quarter of 2021.

OTX-DED (dexamethasone intracanalicular insert)

Our product candidate OTX-DED incorporates the FDA-approved corticosteroid dexamethasone as a preservative-free active pharmaceutical ingredient in a hydrogel, drug-eluting intracanalicular insert. OTX-DED incorporates the same active drug as DEXTENZA, but it includes a lower dose of the drug, delivers it via a smaller insert, and is designed to release it over a period of two to three weeks, compared with up to 30 days in the case of DEXTENZA. We believe that OTX-DED will address several of the current limitations of existing dry eye disease steroid treatments, the toxicity associated with preservatives, and the potential for abuse of topical steroids.

In February 2021, we dosed the first patient in a U.S.-based prospective, randomized, double-masked, vehicle-controlled Phase 2 clinical trial evaluating the safety and efficacy of two different formulations of OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease compared to a hydrogel insert in approximately 150 subjects. We anticipate receiving topline data from this Phase 2 clinical trial in the first half of 2022.

Allergic Conjunctivitis

DEXTENZA (dexamethasone ophthalmic insert) for the Treatment of Ocular Itching Associated with Allergic Conjunctivitis

DEXTENZA, incorporating the corticosteroid dexamethasone, is our FDA-approved intracanalicular insert for the treatment of post-surgical ocular inflammation and pain. We believe that allergic conjunctivitis represents a discrete potential market for DEXTENZA as a physician-administered, hands-free therapy administered in the office setting and designed to release preservative-free dexamethasone to the ocular surface for up to 30 days.

In April 2020, we reported topline results of a 96-subject, third pivotal Phase 3 clinical trial evaluating DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis. DEXTENZA-treated subjects demonstrated a statistically significant (p-value < 0.0001) difference in mean ocular itching scores, compared to vehicle-treated subjects, at all three pre-specified time points.

In the fourth quarter of 2020, we filed a supplemental new drug application, or sNDA, for DEXTENZA to include the treatment of ocular itching associated with allergic conjunctivitis as an additional indication. The FDA has accepted our sNDA for filing and has established a target action date under the Prescription Drug User Fee Act, commonly known as PDUFA, of October 18, 2021. If our sNDA is approved, we expect to launch DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis in the first half of 2022.

Post-Surgical Ocular Inflammation and Pain

DEXTENZA (dexamethasone ophthalmic insert) 0.4 mg for intracanalicular use for the Treatment of Post-Surgical Ocular Inflammation and Pain

As described above, DEXTENZA incorporates the FDA-approved corticosteroid dexamethasone as a preservative-free active pharmaceutical ingredient into a hydrogel, drug-eluting intracanalicular insert for the treatment of post-surgical ocular inflammation and pain. We commercially launched DEXTENZA in the United States in July 2019. DEXTENZA is the first FDA-approved intracanalicular insert delivering dexamethasone to treat post-surgical ocular inflammation and pain for up to 30 days with a single administration.

In September 2020, we announced that we had dosed the first patients in a Phase 3 clinical trial evaluating DEXTENZA for the treatment of post-surgical ocular inflammation and pain in children following cataract surgery. This planned clinical trial is a post-approval requirement of the FDA in accordance with the Pediatric Research Equity Act of 2003, in connection with the FDA's prior approval of DEXTENZA for the treatment of inflammation and pain following ophthalmic surgery in adults.

Additionally, we have received proposals for, and are supporting, several investigator-initiated trials evaluating DEXTENZA in different clinical situations. To date, third-party clinical investigators have initiated over 25 trials to

study the use of DEXTENZA in cataract surgery, other ophthalmic surgeries and other potential indications. Nine of the trials have completed enrollment, and the remaining trials are actively enrolling and treated patients are being followed.

ReSure Sealant

In 2014, we commercially launched ReSure Sealant in the United States as a device approved to prevent wound leaks in 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 FDA has confirmed that the first post-approval study, identified as the Clinical PAS, has been completed. The second post-approval study, which we refer to as the Device Exposure Registry Study, or DER, Study was a retrospective analysis of the IRIS Registry, comparing endophthalmitis rates from sites that purchased ReSure Sealant versus those sites that did not. We completed the retrospective study in accordance with our agreement with the FDA and submitted the final study report for the DER Study to the FDA in January 2021. In April 2021, the FDA confirmed that the DER Study had been completed and that our post-approval study requirements had been satisfied. The Instructions for Use (IFU or label) will be updated to reflect the results of the DER study.

While ReSure Sealant remains commercially available in the United States, commercial and sales support for this product are modest at this time. We have received only limited revenues from ReSure Sealant to date and anticipate only limited sales for 2021.

AffaMed License Agreement

In October 2020, we entered into a license agreement and collaboration with AffaMed Therapeutics Limited, or AffaMed, for the development and commercialization of DEXTENZA and OTX-TIC in mainland China, Hong Kong, Macau, and Taiwan; South Korea; and the ASEAN markets (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam). Under the terms of the agreement, we received an upfront payment of $12 million and are eligible to receive development, regulatory and commercial milestone payments and clinical development support payments of up to $91 million in the aggregate, as well as royalties from future product sales. Royalties are tiered and will range from the low teens to low twenty percent range. In return, we agreed to grant AffaMed exclusive rights to develop and commercialize DEXTENZA for the treatment of post-surgical inflammation and pain following ophthalmic surgery and ocular itching in patients with allergic conjunctivitis, and OTX-TIC for the reduction of elevated intraocular pressure in patients with primary open-angle glaucoma or ocular hypertension in specified Asian markets. We retain the right to develop and commercialize DEXTENZA and OTX-TIC in all other global markets.

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. 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 expanded the scope of our 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.

Business Update Regarding COVID-19

The pandemic caused by an outbreak of a new strain of coronavirus, or the COVID-19 pandemic, that is affecting the U.S. and global economy and financial markets and the related responses of government, businesses and individuals are also impacting our employees, patients, communities and business operations. The implementation of travel bans and restrictions, quarantines, shelter-in-place/stay-at-home and social distancing orders and shutdowns, for example, affected our business in 2020 and the first quarter of 2021. The full extent to which the COVID-19 pandemic will continue to directly or indirectly impact our business, results of operations and financial condition and those of our customers, vendors, suppliers, and collaboration partners in the remainder of 2021 and beyond will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning

COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets. Management continues to actively monitor this situation and the possible effects on our financial condition, liquidity, operations, suppliers, industry, and workforce. For additional information on risks posed by the COVID-19 pandemic, please see "Item 1A—Risk Factors—Risks Related to the Coronavirus Pandemic," included elsewhere in this Quarterly Report on Form 10-Q.

Financial Position

We have local programmed-release drug delivery product candidates in preclinical and clinical development, and we have two FDA-approved products—DEXTENZA, an intracanalicular insert for the treatment of post-surgical ocular inflammation and pain, and ReSure Sealant, an ophthalmic device designed to prevent wound leaks in corneal incisions following cataract surgery—in commercialization in the United States. Our ability to generate product revenues sufficient to achieve profitability will depend heavily on our continued commercialization of DEXTENZA for the treatment of ocular inflammation and pain following ophthalmic surgery and our obtaining marketing approval for and commercializing other products with significant market potential, including DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis, OTX-TKI for the treatment of wet AMD, OTX-TIC for the treatment of glaucoma and ocular hypertension, OTX-CSI for the chronic treatment of dry eye disease, and OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease. Our net income was $3.1 million and our net loss was $21.5 million for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, we had an accumulated deficit of $536.1 million.

Our total costs and operating expenses were $27.6 million for the three months ended March 31, 2021 including $3.1 million and $0.6 million in non-cash stock-based compensation expense and depreciation and amortization expense, respectively. Our operating expenses have grown as we continue to support the commercial launch of DEXTENZA following its entry into the market in July 2019; continue to pursue the clinical development of OTX-TKI, OTX-TIC, OTX-CSI, OTX-DED, and OTX-AFS; continue the research and development of our other product candidates; and seek marketing approval of DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis and 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 ongoing commercialization of DEXTENZA 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.

Although we expect to generate revenue from sales of DEXTENZA and limited revenue from sales of ReSure Sealant, we will need to obtain substantial additional funding to support our continuing operations and the commercialization 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.

Through March 31, 2021, 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, which has resulted in net proceeds of $637.2 million to us.

We primarily derive our product revenues from the sale of DEXTENZA in the United States to a network of specialty distributors, who then resell DEXTENZA to ambulatory surgical centers, or ASCs, and hospital outpatient departments, or HOPDs. In addition to distribution agreements with specialty distributors, we enter into arrangements with government payers that provide for government-mandated rebates and chargebacks with respect to the purchase of DEXTENZA. We have previously reported in-market unit sales figures—unit sales from specialty distributors to ASCs and HOPDs—for January, February and March 2021 of 4,582, 4,901 and 7,151 units, respectively. We estimate over 8,000 units were sold to ASCs and HOPDs in-market in April 2021.

We believe that our existing cash and cash equivalents of $209.4 million as of March 31, 2021 will enable us to fund our planned operating expenses, debt service obligations and capital expenditure requirements through 2023. This estimate is based on our current operating plan which includes estimates of anticipated cash inflows from DEXTENZA and ReSure Sealant product sales and cash outflows from operating expenses. These estimates are subject to various assumptions including those related to the severity and duration of the COVID-19 pandemic, the revenues and expenses associated with the commercialization of DEXTENZA, the pace of our research and clinical development programs, and

other aspects of our business. We have based our estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect and would therefore need to raise additional capital to support our ongoing operations or adjust our plans accordingly. See "—Liquidity and Capital Resources."

Financial Operations Overview

Revenue

From our inception through March 31, 2021, we have generated limited amounts of revenue from the sales of our products. We commenced sales of ReSure Sealant in the first quarter of 2014, but we have received only limited revenues from ReSure Sealant to date and anticipate only limited sales for 2021. Until June 2019, ReSure Sealant was our only source of revenue from product sales.

We began to recognize limited product revenue from DEXTENZA during the second quarter of 2019 with the first commercial shipments to customers in June 2019. As described above, we sell DEXTENZA in the United States to a network of specialty distributors, who then resell the product to ASCs and HOPDs. We refer to these resales from the specialty distributors to the ASCs and HOPDs as in-market unit sales. We may generate revenue in the future as we continue to commercialize DEXTENZA and develop and commercialize 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.

For the three months ended March 31, 2021, three specialty distributor customers accounted for 45%, 21% and 12% of our total revenue. At March 31, 2021, three specialty distributor customers accounted for 49%, 25% and 14% of our total accounts receivable. No other customer accounted for more than 10% of our total revenue or accounts receivable at March 31, 2021.

For the three months ended March 31, 2020, three specialty distributor customers accounted for 36%, 22% and 13% of our total revenue and no other customer accounted for more than 10% of our total revenue. At December 31, 2020, three specialty distributor customers accounted for 45%, 33% and 15% of our total accounts receivable and no other customer accounted for more than 10% of our total accounts receivable at December 31, 2020.

Operating Expenses

Cost of Product Revenue

Cost of product revenue consists primarily of costs of DEXTENZA and ReSure product revenue, which include:

- Direct materials costs;
- Royalties;
- Direct labor, which includes employee-related expenses, including salaries, related benefits and payroll taxes, travel and stock-based compensation expense for employees engaged in the production process;
- Manufacturing overhead costs, which includes rent, depreciation, and indirect labor costs associated with the production process;
- Transportation costs; and
- Cost of scrap material.

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 study 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 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 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. We anticipate that our research and development expenses will increase in the future as we support our continued development of our product candidates.

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

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, advertising and promotion costs. Selling and marketing expenses for DEXTENZA increased in 2020 due to the product's continued commercialization. We anticipate that our selling and marketing expenses associated with DEXTENZA will continue to increase, particularly as we plan to grow our salesforce supporting DEXTENZA in 2021.

Other Income (Expense)

Interest Income. Interest income consists primarily of interest income earned on cash and cash equivalents. In each of the three months ended March 31, 2021 and 2020, 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. We refer to the credit facility under which we drew down this indebtedness, as amended over time, as our Credit Facility. In December 2015, we amended our credit and security agreement, which we refer to, as amended, as our Credit Agreement, to increase the aggregate principal amount borrowed under our Credit Facility 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 Agreement to increase the aggregate principal amount borrowed under our Credit Facility 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 the Credit Agreement to increase the aggregate principal amount borrowed under our Credit Facility 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 the 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 period until the embedded derivative is settled. The changes in fair value are recorded through the consolidated statement of operations and comprehensive income (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. 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. 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 11, 2021 and the notes to the financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. There have been no significant changes to our critical accounting policies since the beginning of this fiscal year.

Results of Operations

Comparison of the Three Months Ended March 31, 2021 and 2020

The following table summarizes our results of operations for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,		Increase (Decrease)
	2021	2020	
	(in thousands)		
Revenue:			
Product revenue, net	$ 7,342	$ 2,609	$ 4,733
Total revenue, net	7,342	2,609	4,733
Costs and operating expenses:			
Cost of product revenue	892	819	73
Research and development	10,927	6,098	4,829
Selling and marketing	8,086	7,130	956
General and administrative	7,665	5,176	2,489
Total costs and operating expenses	27,570	19,223	8,347
Loss from operations	(20,228)	(16,614)	(3,614)
Other income (expense):			
Interest income	12	139	(127)
Interest expense	(1,679)	(1,633)	(46)
Change in fair value of derivative liability	25,016	(3,404)	28,420
Total other income (expense), net	23,349	(4,898)	28,247
Net loss	$ 3,121	$ (21,512)	$ 24,633

Gross-to-Net Deductions

We record DEXTENZA product sales net of estimated chargebacks, rebates, distribution fees and product returns. These deductions are generally referred to as gross-to-net deductions. Our total gross-to-net provisions for the three months ended March 31, 2021 and 2020 were 27.9% and 16.1%, respectively, of gross DEXTENZA product sales. In the three months ended March 31, 2020, we introduced a rebate program under a purchase volume-discount program that primarily relates to the change over the prior year in the gross-to-net provisions.

Chargebacks and Rebates

We record a provision for estimated chargebacks and rebates at the time we recognize DEXTENZA product sales revenue and reduce the accrual when payments are made or credits are granted. Our chargebacks are related to a pharmaceutical pricing agreement, a federal supply schedule agreement, a 340B prime vendor agreement, a Medicaid drug rebate agreement and beginning in the three months ended March 31, 2020, rebates under our purchase volume-discount programs.

Distribution Fees and Product Return Allowances

We pay our wholesalers a distribution fee for services they perform for us based on the dollar value of their purchases of DEXTENZA. We record a provision for these charges as a reduction to revenue at the time of sale to the wholesaler and we issue a credit memo to the wholesaler against its outstanding receivable to us.

We record a provision for returns upon sale of DEXTENZA to our wholesaler. When a return or claim is received, we issue a credit memo to the wholesaler and reduce the corresponding liability.

Net Revenue

We generated $7.3 million of revenue during the three months ended March 31, 2021 from sales of our products, of which $6.7 million was attributable to sales of DEXTENZA and $0.6 million was attributable to sales of ReSure Sealant. We generated $2.6 million of revenue during the three months ended March 31, 2020 from sales of our products, of which $2.1 million was attributable to sales of DEXTENZA and $0.5 million was attributable to sales of ReSure Sealant. We believe the growth in revenue for DEXTENZA was primarily due to increased market acceptance and commercialization efforts during 2020.

Research and Development Expenses

	Three Months Ended March 31,		Increase (Decrease)
	2021	2020	
	(in thousands)		
Direct research and development expenses by program:			
ReSure Sealant	$ 44	$ 27	$ 17
DEXTENZA for post-surgical ocular inflammation and pain	369	279	90
DEXTENZA for ocular itching associated with allergic conjunctivitis	32	759	(727)
OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease	560	—	560
OTX-TP for glaucoma and ocular hypertension	—	128	(128)
OTX-TIC for glaucoma or ocular hypertension	606	183	423
OTX-TKI for wet AMD	1,171	151	1,020
OTX-CSI for treatment of dry eye disease	1,090	—	1,090
OTX-AFS for wet AMD, DME and RVO	73	—	73
Preclinical programs	199	152	47
Unallocated expenses:			
Personnel costs	4,503	3,035	1,468
All other costs	2,280	1,384	896
Total research and development expenses.	$ 10,927	$ 6,098	$ 4,829

Research and development expenses were $10.9 million for the three months ended March 31, 2021, compared to $6.1 million for the three months ended March 31, 2020. The increase of $4.8 million was primarily due to an increase of $2.3 million in unallocated expenses and $2.5 million in clinical related programs. For the three months ended March 31, 2021, we incurred $4.1 million in direct research and development expenses for our product candidates compared to $1.7 million for the three months ended March 31, 2020. The increase of $2.5 million is related to timing and start of our various clinical trials for our product candidates and development activities related to our preclinical programs. We expect that clinical trial expenses will increase for our product candidates including for OTX-TKI due to the planned initiation of Phase 1 and Phase 2 clinical trials in mid-2021, for OTX-TIC due to the planned initiation of a Phase 2 clinical trial in mid-2021, for OTX-CSI due to the continuation of our Phase 2 clinical trial initiated in 2020, and for OTX-DED due to the initiation of our Phase 2 clinical trial in February 2021.

Selling and Marketing Expenses

	Three Months Ended March 31,		Increase
	2021	2020	(Decrease)
	(in thousands)		
Personnel related (including stock-based compensation)	$ 5,218	$ 4,196	$ 1,022
Professional fees	1,955	1,840	115
Facility related and other	913	1,094	(181)
Total selling and marketing expenses	$ 8,086	$ 7,130	$ 956

Selling and marketing expenses were $8.1 million for the three months ended March 31, 2021, compared to $7.1 million for the three months ended March 31, 2020. The increase of $1.0 million was primarily due to an increase in personnel costs, including stock-based compensation.

We expect our selling and marketing expenses to increase in the remainder of 2021 and beyond as we continue to support the commercialization of DEXTENZA. If our sNDA is approved, we would expect expenses to increase further in 2021 as we would seek to launch DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis in the first half of 2022.

General and Administrative Expenses

	Three Months Ended March 31,		Increase
	2021	2020	(Decrease)
	(in thousands)		
Personnel related (including stock-based compensation)	$ 3,873	$ 2,284	$ 1,589
Professional fees	3,129	1,999	1,130
Facility related and other	663	893	(230)
Total general and administrative expenses	$ 7,665	$ 5,176	$ 2,489

General and administrative expenses were $7.7 million for the three months ended March 31, 2021, compared to $5.2 million for the three months ended March 31, 2020. The increase of $2.5 million was primarily due to an increase of $1.6 million in personnel costs, including stock-based compensation, and an increase of $1.1 million in professional fees, including legal.

Other Income (Expense), Net

Other income, net was $23.4 million for the three months ended March 31, 2021, compared to other expense, net of $4.9 million for the three months ended March 31, 2020. The change of $28.2 million was due to the change in fair value of the derivative liability associated with the 2026 Convertible Notes of $28.4 million. The change in fair value of the derivative liability was a gain in the amount of $25.0 million during the three months ended March 31, 2021 due to changes in the underlying assumptions of the derivative liability, primarily related to a decrease in our common stock price. The change in fair value of the derivative liability was a loss in the amount of $3.4 million during the three months ended March 31, 2020 due to changes in the underlying assumptions of the derivative liability, primarily related to an increase in our common stock price. We expect 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.

Liquidity and Capital Resources

Since inception, we have had a history of incurring significant operating losses. Our net income was $3.1 million for the three months ended March 31, 2021, primarily due to a change of $25.0 million in the fair value of our derivative liability related to the Convertible Notes during the period. Our net loss was $21.5 million for the three months ended March 31, 2020, and our net losses were $155.6 million and $86.4 million for the years ended December 31, 2020 and 2019, respectively. As of March 31, 2021, we had an accumulated deficit of $536.1 million.

We have generated limited revenue to date. In 2014, we began recognizing revenue from sales of ReSure Sealant. We commercially launched DEXTENZA for post-surgical ocular inflammation and pain in July 2019. All of our other sustained drug delivery products are in various phases of clinical and preclinical development. Our ability to generate product revenues sufficient to achieve profitability will depend heavily on our continued commercialization of DEXTENZA for the treatment of ocular inflammation and pain following ophthalmic surgery and our obtaining marketing approval for and commercializing other products with significant market potential, including DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis, OTX-TKI for wet AMD, OTX-TIC for glaucoma or ocular hypertension, and OTX-CSI and OTX-DED for dry eye disease. While it is difficult to predict the extent or duration of the impact of the global COVID-19 pandemic on future financial results, we anticipate current guidelines and recommendations from the global health authorities, including the delay of elective surgeries, will impact revenue for the remainder of 2021 and potentially beyond.

Through March 31, 2021, 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, which has resulted in net proceeds of $637.2 million to us.

In December 2018, we amended the Credit Agreement to increase the aggregate principal amount borrowed under our Credit Facility to $25.0 million, extend the interest-only payment period through December 2020 and extend the maturity to December 2023. Amounts borrowed under the Credit Agreement are at a LIBOR base rate, subject to a 2.00% floor, plus 7.25%. Commencing in January 2021, the Company is required to make 36 equal monthly installments of principal, plus interest, through December 2023. As of March 31, 2021, the interest rate was 9.25%. In addition, a final payment (exit fee) equal to 3.5% of amounts drawn under the Credit Facility is due upon maturity. If we elect to prepay amounts borrowed under the Credit Agreement, we would also owe a prepayment fee of 2.00% of amounts prepaid until December 2021 or 1.00% of amounts prepaid thereafter.

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 the 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 our 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 our issued and outstanding common stock. The conversion rate is initially 153.8462 shares of our 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 our capitalization, none of which have occurred to date.

In April 2019, we entered into an Open Market Sales Agreement, or the 2019 Sales Agreement, with Jefferies LLC, acting as agent, for the issuance of up to $50.0 million of our common stock. Through May 1, 2021, we have sold 10,321,840 shares of common stock under the 2019 Sales Agreement, resulting in net proceeds of approximately $47.0 million after commissions and expenses. We have $1.3 million available for issuance as of May 1, 2021.

As of March 31, 2021, we had cash and cash equivalents of $209.4 million; outstanding debt of $22.8 million, net of unamortized discount; and unsecured senior subordinated convertible notes of $37.5 million of aggregate principal amount, plus accrued interest of $4.8 million.

Cash Flows

Based on our current plans and forecasted expenses, which includes estimates related to anticipated cash inflows from DEXTENZA and ReSure Sealant product sales and cash outflows from operating expenses, we believe that our

existing cash and cash equivalents, as of March 31, 2021, will enable us to fund our planned operating expenses, debt service obligations and capital expenditure requirements through 2023. 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.

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

	Three Months Ended March 31,	
	2021	2020
Cash used in operating activities	$ (17,359)	$ (18,854)
Cash used in investing activities	(158)	(249)
Cash (used in) provided by financing activities	(1,162)	12,818
Net increase in cash and cash equivalents	$ (18,679)	$ (6,285)

Operating activities. Net cash used in operating activities was $17.4 million for the three months ended March 31, 2021, primarily resulting from our net income of $3.1 million and changes in our operating activities of $17.4 million, our operating assets and liabilities of $0.3 million offset the gain on the change in the fair value of $25.0 million and $4.9 million of non-cash items. Our net income was related to the gain recorded on the change in fair value of the derivative liability and contributions from our revenues during the applicable period offset by 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, 2021 consisted primarily of $3.1 million of stock-based compensation expense, $0.6 million in depreciation and amortization expense and other non-cash expenses and the gain in fair value of the derivative liability of $25.0 million. Net cash used by changes in our operating assets and liabilities during the three months ended March 31, 2021 consisted primarily of increases in accrued expenses, accounts receivable, and inventories as we continue to commercialize DEXTENZA.

Net cash used in operating activities was $18.9 million for the three months ended March 31, 2020, primarily resulting from our net loss of $21.5 million and changes in our operating assets and liabilities of $4.2 million, partially offset by $6.9 million of non-cash items. Our net loss was primarily attributed to research and development activities, selling and marketing expenses, and our general and administrative expenses, which were significantly offset any contributions from our revenues to date. Our net non-cash charges during the three months ended March 31, 2020 consisted primarily of $3.4 million of stock-based compensation expense, depreciation expense and other non-cash expenses partially offset by the change in fair value of the derivative liability of $3.4 million. Net cash used by changes in our operating assets and liabilities during the three months ended March 31, 2020 consisted primarily of increases in accrued expenses, accounts receivable, accounts payable and inventories as we continue with the commercialization of DEXTENZA.

Investing activities. Net cash used in investing activities for the three months ended March 31, 2021 and 2020 totaled $0.2 million and $0.2 million, respectively. For the three months ended March 31, 2021, net cash used in investing activities is due to $0.2 million of purchases of property and equipment, which consisted primarily of laboratory equipment. For the three months ended March 31, 2020, net cash used in investing activities is due to $0.2 million of purchases of property and equipment, which consisted primarily of laboratory equipment.

Financing activities. Net cash used in financing activities for the three months ended March 31, 2021 was $1.2 million and net cash provided by financing activities for the three months ended March 31, 2020 was $12.8 million. Net cash provided by financing activities for the three months ended March 31, 2021 consisted primarily $1.2 million in proceeds from the exercise of stock options offset by payments on notes payable of $2.1 million. Net cash provided by financing activities for the three months ended March 31, 2020 consisted primarily of proceeds from the 2019 Sales Agreement of $12.7 million, net of commissions and other offering expenses and $0.1 million from the exercise of stock options.

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 to support the commercialization of DEXTENZA and the potential launch of our product candidates, subject to receiving FDA approval.

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

- continue to commercialize DEXTENZA in the United States;
- continue to develop and expand our sales, marketing and distribution capabilities for DEXTENZA and any of our products or product candidates;
- continue to pursue the clinical development of DEXTENZA for additional indications;
- continue ongoing clinical trials of our product candidates OTX-TKI, OTX-TIC, OTX-CSI and OTX-DED;
- initiate a planned Phase 1 clinical trial for our product candidate OTX-TKI in the United States and a planned Phase 2 clinical trials for each of our product candidates OTX-TKI and OTX-TIC;
- 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;
- conduct research and development activities on, and seek regulatory approvals for, DEXTENZA and OTX-TIC in certain Asian countries pursuant to our license agreement and collaboration with AffaMed Therapeutics Limited, or AffaMed;
- 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 front-of-the-eye and back-of-the-eye programs 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 any corresponding growth in personnel;
- renovate our existing facilities 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, which includes estimates related to anticipated cash inflows from DEXTENZA and ReSure Sealant product sales and cash outflows from operating expenses, we believe that our existing cash and cash equivalents, as of March 31, 2021, will enable us to fund our planned operating expenses, debt service obligations and capital expenditure requirements through 2023. 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 continue to commercialize and sell DEXTENZA in the United States;
- the costs, timing and outcome of regulatory review of our product candidates by the FDA, the European Medicines Agency, or 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 headcount;
- the progress, costs and outcome of our planned and ongoing clinical trials of our extended-delivery drug delivery product candidates, in particular DEXTENZA for additional indications, OTX-TIC for the treatment of glaucoma or ocular hypertension, OTX-TKI for the treatment of wet AMD, OTX-CSI for the chronic treatment of dry eye disease, and OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease;
- the scope, progress, costs and outcome of preclinical development and clinical trials of our other product candidates;
- the extent of our debt service obligations and our ability, if desired, to refinance any of our existing debt on terms that are more favorable to us;
- the amounts we are entitled to receive, if any, from Regeneron as potential option exercise fees, development, regulatory and sales milestone payments and royalty payments and the amounts we are obligated to pay to Regeneron as reimbursement if it chooses to exercise its option to advance a product candidate under our collaboration agreement;
- the amounts we are entitled to receive, if any, from AffaMed as reimbursements for clinical trial expenditures, development, regulatory, and sales milestone payments, and royalty payments under our license agreement with AffaMed;
- 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 any legal actions and 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 Regeneron's reimbursement of certain preclinical expenses incurred by us under our collaboration agreement and for our potential receipt of option exercise, development, regulatory and sales milestone payments and royalty payments and our license agreement with AffaMed provides for AffaMed's reimbursement of certain clinical expenses incurred by us in connection with our collaboration and for our potential receipt of development and sales milestone payments as well as royalty 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 Agreement and the pledge of our assets as collateral 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. In addition, the COVID-19 pandemic has already caused significant disruptions in the financial markets, and may continue to cause such disruptions, which could adversely impact our ability to raise additional funds through equity or debt financings. 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.

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, 2020, we had net operating loss, or NOL, carryforwards for federal and state income tax purposes of $354.7 million and $274.9 million, respectively. The federal and state NOLs generated for annual periods prior to January 1, 2018 begin to expire in 2026. Our federal NOLs generated for the years ended after December 31, 2018, which amounted to a total of $229.1 million, can be carried forward indefinitely. As of December 31, 2020, we also had available research and development tax credit carryforwards for federal and state income tax purposes of $9.2 million and $5.0 million , respectively, 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, 2021 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	$ 12,155	$ 2,500	4,782	4,366	507
Credit Agreement	27,007	10,224	16,783	—	—
2026 Convertible Notes	53,475	—	—	53,475	—
Total	$ 92,637	$ 12,724	$ 21,565	$ 57,841	$ 507

The table above includes our enforceable and legally binding obligations and future commitments at March 31, 2021, 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, 2021. 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 amounts we will actually pay in future periods may vary from those reflected in the table.

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 which are not included contractual obligations and commitments.

Operating lease commitments represent payments due under our leases of office, laboratory and manufacturing space in Bedford, Massachusetts under operating leases that expire in July 2023, March 2024 and July 2027. We expect lease costs under these commitments to total $2.5 million in 2021 and increase annually. We expect total costs of approximately $12.2 million over the terms of our current leases.

Under our Credit Agreement, we were permitted to make interest-only payments from December 2018 to December 2020. We are required to make 36 equal monthly installments of principal in the amount of $0.7 million, plus interest, beginning in January 2021 through December 2023.

In March 2019, we issued the 2026 Convertible Notes pursuant to a note purchase agreement, or the Purchase Agreement, with Cap 1 LLC, an affiliate of Summer Road LLC. 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 our 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 our issued and outstanding common stock. The conversion rate is initially 153.8462 shares of our 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 our 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.

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. We may receive $10.0 million under the Collaboration Agreement 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 in combination with Regeneron's large molecule, VEGF-targeting compounds, which we refer to as the Option. If the Option is exercised, Regeneron will be obligated to 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 any payments to Regeneron under this Collaboration Agreement above as the timing of such payments are not known. Regeneron will be responsible for funding an initial preclinical tolerability study. 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 May 8, 2020, we entered into an amendment to the Collaboration Agreement, which we refer to as the Regeneron Amendment. Pursuant to the Regeneron Amendment, we and Regeneron have adopted a new workplan to transition joint efforts under the Collaboration Agreement to the research and development of an extended-delivery formulation of aflibercept to be delivered to the suprachoroidal space. Regeneron has agreed to pay our personnel and material costs for specified preclinical development activities in connection with the revised workplan, as well as certain other costs. In addition, the Regeneron Amendment provides for the modification of the terms of the Option previously granted to Regeneron under the Collaboration Agreement.

On October 29, 2020, we entered into the License Agreement with AffaMed. Pursuant to the terms of the License Agreement, we are generally responsible for expenses related to the development and commercialization of DEXTENZA regarding ocular inflammation and pain following cataract surgery and allergic conjunctivitis, or collectively, the DEXTENZA Field, and for OTX-TIC, or collectively with DEXTENZA, the AffaMed Licensed Products, regarding open-angle glaucoma and ocular hypertension, or collectively, the TIC Field and, with the DEXTENZA Field, each a Field, in each case in mainland China, Taiwan, Hong Kong, Macau, South Korea, and the countries of the Association of Southeast Asian Nations, or collectively, the Territories, provided that AffaMed (i) reimburse us a low-teen percentage of expenses incurred in connection with certain clinical trials conducted by us and designed to support marketing approval of the AffaMed Licensed Product by FDA or the European Medicines Agency, or the Global Studies; (ii) is solely responsible for expenses incurred in connection with territory-specific clinical trials that it conducts in furtherance of the development plan agreed between the parties in the applicable Fields in the Territories, or the Local Studies; and (iii) reimburse us in full for expenses incurred in connection with obtaining and maintaining regulatory approvals of the AffaMed Licensed Products in the applicable Fields in the Territories. In the event AffaMed declines to participate in a Global Study or to conduct a Local Study in any jurisdiction in which we determine to conduct such a study, we are relieved of our obligation to provide AffaMed clinical data from such study, other than safety data, unless AffaMed subsequently reimburses us in the amounts described above plus a prespecified premium.

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, 2021, we had cash and cash equivalents of $209.4 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, 2021. 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, 2021, 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, 2021 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.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not presently a party to any material legal proceedings, nor to the knowledge of management are any material legal proceedings threatened against us.

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 the Coronavirus Pandemic

The coronavirus (COVID-19) pandemic has disrupted, and is expected to continue to adversely affect, our operations, including the progress of our commercialization of DEXTENZA, our ability to generate revenue from sales of DEXTENZA or ReSure Sealant, and our enrollment of certain clinical trials. In the future, it may have other adverse effects on our business and operations. In addition, this pandemic initially caused substantial disruption in the financial markets and has adversely impacted economies worldwide, both of which could result in adverse effects on our business, operations and ability to raise capital.

The COVID-19 coronavirus pandemic, which began in December 2019 and has spread worldwide, has caused many governments to implement measures to slow the spread of the outbreak through quarantines, strict travel restrictions, heightened border scrutiny, and other measures. The outbreak and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. The future progression of the pandemic and its effects on our business and operations are uncertain.

We believe the COVID-19 pandemic has adversely affected, and we expect it to continue to adversely affect, the progress of our commercialization of DEXTENZA and our ability to generate revenue from sales of DEXTENZA, as a result of many factors, including:

- a decrease in patients attending routine ophthalmology appointments or undergoing elective surgical procedures, including cataract surgery;
- diversion of healthcare resources away from elective surgical procedures, including cataract surgery, to focus on pandemic concerns;
- potential interruptions in global shipping affecting the transport of raw materials used in the manufacture of our product, drug product, patient samples and related literature; and
- the prolonged impact on travel that might continue to interrupt key commercialization activities, such as travel by our key account managers, which could adversely impact the progress of our commercialization of DEXTENZA.

The COVID-19 pandemic has delayed, and has the potential to further delay or otherwise adversely affect, our clinical development activities, including our ability to recruit or retain patients in our ongoing clinical trials, as a result of many factors, including:

- diversion of healthcare resources away from the conduct of our clinical trials to focus on pandemic concerns, including the availability of necessary materials, the attention of physicians serving as our clinical trial investigators, access to hospitals serving as our clinical trial sites, and availability of hospital staff supporting the conduct of our clinical trials;

- the inability or reluctance of patients enrolled in our clinical trials to visit clinical trial sites if patients are affected by the virus or are fearful of traveling to our clinical trial sites because of the outbreak;

- potential interruptions in global shipping affecting the transport of clinical trial materials, such as investigational drug product, patient samples, and raw materials used in the manufacture of our product candidates; medical and laboratory supplies used in our clinical trials or preclinical studies; or animals that are used for preclinical testing, and other supplies used in our clinical trials and preclinical studies;

- the impact of personnel shortages, further limitations on travel, or other operational challenges that could interrupt key clinical trial activities, such as clinical trial site initiations and monitoring and reporting activities, travel by our employees, contract research organizations, or CROs, or patients to clinical trial sites, or the ability of employees at our manufacturing facility to report to work, any of which could delay or adversely impact the conduct or progress of our clinical trials or limit the amount of clinical data we will be able to report; and

- any future interruption of, or delays in receiving, supplies of clinical trial material from our manufacturing facility due to stay-at-home orders, production slowdowns or stoppages, or disruptions in delivery systems.

Any negative impact that the COVID-19 pandemic has on recruiting or retaining patients in our clinical trials, the ability to provide materials for our product candidates, the operations of our clinical trials, or the regulatory review process could cause additional delays with respect to product development activities, which could materially and adversely affect our ability to obtain regulatory approval for and to commercialize our product candidates, increase our operating expenses, affect our ability to raise additional capital, and have a material adverse effect on our financial results. For example, we saw a slight slowdown in our enrollment in the fourth cohort of our Phase 1 clinical trial evaluating OTX-TIC due to COVID-19. As a result, we provided topline data for this clinical trial in the first quarter of 2021 instead of the fourth quarter of 2020 as originally planned. If similar delays affect our enrollment of our planned Phase 2 clinical trial for OTX-TIC or any of our ongoing or planned clinical trials, the completion of such trials could be delayed.

Additionally, in May 2020, we disclosed the receipt of interim data regarding our ongoing Phase 1 clinical trial of OTX-TKI for the potential treatment of wet AMD and other retinal diseases. The Phase 1 clinical trial is a multi-center, open-label, dose-escalation study in Australia designed to evaluate the safety, biological activity, durability and tolerability of OTX-TKI. At that time, two cohorts had been enrolled, a lower dose cohort of 200 µg and a higher dose cohort of 400 µg. We disclosed that, as of May 13, 2020, the first two patients in the second (400 µg) cohort had shown a clinically meaningful reduction in intraretinal and/or subretinal fluid out to six months with a single implant. In July 2020, we reported that the data collection and other administrative activities of the clinical trial site in Australia where these two patients were being treated had been adversely impacted by the effects of the COVID-19 pandemic. Specifically, the clinical trial site reported to us that one of these two patients showing a clinically meaningful reduction in intraretinal and/or subretinal fluid had been treated with anti-VEGF medication at a site visit at month 4.5 (in mid-March 2020) and at month 6 (in early May 2020). The administration of this anti-VEGF medication at the month 4.5 visit and at the month 6 visit was not entered into the clinical trial database until after a subsequent visit at month 7.5 in mid-June 2020. As a result, this information was not available to or known by us in connection with our prior disclosures.

The COVID-19 pandemic continues to evolve and its ultimate scope, duration and effects are unknown. The extent of the impact on our business, preclinical studies and clinical trials, commercialization activities and revenue will depend on future developments, which are highly uncertain and cannot be predicted with confidence. These include, but are not limited to, the duration of the outbreak; actions to contain the pandemic or treat its impact, such as travel restrictions,

vaccination campaigns, social distancing and quarantines or lock-downs in the United States and other countries; business closures or business disruptions; and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

The pandemic initially caused significant disruptions in the financial markets, and may cause additional disruptions in the future, any of which could adversely impact our ability to raise additional funds through public offerings or private placements or impact the volatility of our stock price and trading in our stock. Moreover, the pandemic has significantly impacted economies worldwide, which could result in adverse effects on our business and operations. We cannot be certain what the overall impact of the COVID-19 pandemic will be on our business and it has the potential to continue to adversely affect our business, financial condition, results of operations, and prospects.

Risks Related to Our Financial Position and Need for Additional Capital

We have had a history of incurring 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 $86.4 million for the year ended December 31, 2019 and $155.6 million for the year ended December 31, 2020. For the three months ended March 31, 2021, we reported net income of $3.1 million, primarily due to a change of $25.0 million in the fair value of our derivative liability related to our outstanding unsecured senior subordinated convertible notes, or the Convertible Notes, during the period. As of March 31, 2021, we had an accumulated deficit of $536.1 million. 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, and the commercialization of ReSure Sealant and DEXTENZA® for the treatment of ocular inflammation and pain following ophthalmic surgery. Although we expect to continue to generate revenue from sales of ReSure Sealant and DEXTENZA, 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:

- continue to commercialize DEXTENZA in the United States;
- continue to develop and expand our sales, marketing and distribution capabilities for DEXTENZA and any of our products or product candidates;
- continue to pursue the clinical development of DEXTENZA for additional indications;
- continue ongoing clinical trials of our product candidates OTX-TKI, OTX-TIC, OTX-CSI, and OTX-DED;
- initiate a planned Phase 1 clinical trial for our product candidate OTX-TKI in the United States and planned Phase 2 clinical trials for our product candidates OTX-TKI and OTX-TIC;
- 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;
- conduct research and development activities on, and seek regulatory approvals for, DEXTENZA and OTX-TIC in certain Asian countries pursuant to our license agreement and collaboration with AffaMed Therapeutics Limited, or AffaMed;
- 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 front-of-the-eye and back-of-the-eye programs 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 any corresponding growth in personnel;
- renovate our existing facilities 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.

Prior to our commercial launch of DEXTENZA in July 2019, ReSure Sealant was our only source of revenue from product sales. However, sales of ReSure Sealant have not generated, and we do not anticipate that they will ever generate, significant revenue. For us to become and remain profitable, we will need to continue to successfully commercialize DEXTENZA and to successfully develop and commercialize 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 continuing to commercialize DEXTENZA in the United States, including by further developing our sales force, marketing and distribution capabilities;
- successfully completing clinical development of our product candidates, including DEXTENZA for additional indications as well as OTX-TKI, OTX-TIC, OTX-CSI, and OTX-DED;
- obtaining marketing approval for these product candidates;
- manufacturing at commercial scale, marketing, selling and distributing DEXTENZA and any other 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. However, the successful commercialization of DEXTENZA in the United States is subject to many risks. The COVID-19 pandemic has reduced the number of elective ophthalmic surgeries performed since mid-March 2020. Although we have seen signs of a partial recovery in the number of cataract surgeries since that time, we believe the number of procedures currently being performed continues to be below the level performed prior to the COVID-19 pandemic. DEXTENZA is our first significant product launch, and we may not be able to continue to commercialize DEXTENZA successfully. 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 we have. We do not anticipate revenue from sales of DEXTENZA for the treatment of ocular inflammation and pain following ophthalmic surgery will be sufficient for us to become profitable for several years, if ever. Furthermore, if we are unable to achieve our revenue estimates for DEXTENZA, our ability to raise additional capital may be negatively impacted.

We may not succeed in our continued commercialization efforts and may never generate revenue that is sufficient 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 continue to commercialize DEXTENZA for the treatment of ocular inflammation and pain following ophthalmic surgery and any additional indications for which we receive marketing approval, including expanding our product manufacturing, sales, marketing and distribution capabilities, and advance OTX-TKI, OTX-TIC, OTX-CSI, and OTX-DED through Phase 2 clinical development. We also expect to devote substantial financial resources as we conduct late stage clinical trials for our local programmed-release drug delivery product candidates, including DEXTENZA for additional indications including ocular itching associated with allergic conjunctivitis, 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 ongoing commercialization efforts for 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, 2021, we had cash and cash equivalents of $209.4 million, outstanding debt of $22.8 million, net of unamortized discount, and $37.5 million aggregate principal amount of Convertible Notes plus accrued interest of $4.8 million. We believe that our existing cash and cash equivalents of $209.4 million as of March 31, 2021, will enable us to fund our planned operating expenses, debt service obligations and capital expenditure requirements through 2023. This estimate is based on our current operating plan which includes estimates of anticipated cash inflows from DEXTENZA and ReSure Sealant product sales and cash outflows from operating expenses. These estimates are subject to various assumptions including those related to the severity and duration of the COVID-19 pandemic, the revenues and expenses associated with the commercialization of DEXTENZA, variable expense reductions, the pace of our research and clinical development programs, and other aspects of our business. We have based our estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect and would therefore need to raise additional capital to support our ongoing operations or adjust our plans accordingly. Our future capital requirements will depend on many factors, including:

- our ability to continue to 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 headcount;
- the progress, costs and outcome of our planned and ongoing clinical trials of our extended-delivery drug delivery product candidates, in particular DEXTENZA for additional indications, OTX-TIC for the treatment of glaucoma or ocular hypertension, OTX-TKI for the treatment of wet AMD, OTX-CSI for the chronic treatment of dry eye disease, and OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease;
- the scope, progress, costs and outcome of preclinical development and clinical trials of our other product candidates;
- the extent of our debt service obligations and our ability, if desired, to refinance any of our existing debt on terms that are more favorable to us;
- the amounts we are entitled to receive, if any, from Regeneron as potential option exercise fees, development, regulatory and sales milestone payments and royalty payments and the amounts we are obligated to pay to Regeneron as reimbursement if it chooses to exercise its option to advance a product candidate under our collaboration agreement;
- the amounts we are entitled to receive, if any, from AffaMed as reimbursements for clinical trial expenditures, development, regulatory, and sales milestone payments, and royalty payments under our license agreement with AffaMed;
- 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 any legal actions and 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 processes that take 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.

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 Regeneron's reimbursement of certain preclinical expenses incurred by us under our collaboration agreement and for the potential receipt of option exercise, development, regulatory and sales milestone and royalty payments and our license agreement with AffaMed provides for AffaMed's reimbursement of certain clinical expenses incurred by us in connection with our collaboration and for our potential receipt of development and sales milestone payments and royalty payments. To the extent that we raise additional capital through the sale of equity, preferred 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 pursuant to which we have a total borrowing capacity of $25.0 million, which has been fully drawn down, or the Credit Facility, may limit our ability to obtain additional debt financing. 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. The COVID-19 pandemic initially caused significant disruptions in the financial markets, and may cause disruptions in the future, any of which could adversely impact our ability to raise additional funds through equity or debt financings.

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.

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 to date, we have $22.8 million, net of unamortized discount, of outstanding principal indebtedness. Under the accompanying credit and security agreement, as amended and/or restated to date, the Credit Agreement, we were permitted to make interest-only payments until January 1, 2021, at which time we became required to make 36 equal monthly installments of principal, plus interest, through December 2023. Our obligations under the Credit Agreement are secured by all of our assets, including our intellectual property. The Credit Agreement also includes 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 issued and outstanding 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 Agreement.

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 would reduce the amounts available to fund working capital, commercialization expenditures associated with DEXTENZA, 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 additional 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 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 Agreement 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 Agreement 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 Agreement and the pledge of our assets, including our intellectual property, as collateral limit our ability to obtain additional debt financing.

The elimination of LIBOR could adversely affect our business, results of operations or financial condition.

In July 2017, the head of the United Kingdom Financial Conduct Authority, or FCA, announced plans to phase out the use of LIBOR by the end of 2021. In November 2020, the International Exchange Benchmark Administration, the administrator of LIBOR, announced its decision to consult on ceasing the publication of rates for certain short-term LIBOR tenors effective December 31, 2021, and for the remaining tenors effective June 30, 2023. Financial regulatory agencies including the U.S. Federal Reserve and the FCA expressed support for announcement. Although the impact is uncertain at this time, the elimination of LIBOR could have an adverse impact on our business, results of operations, or financial condition. We may incur significant expenses to amend our LIBOR-indexed loans and other applicable financial or contractual obligations, including our Credit Facility, to a new reference rate, which may differ significantly from LIBOR. Accordingly, the use of an alternative rate could result in increased costs, including increased interest expense on our credit facilities, and increased borrowing and hedging costs in the future. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and we are unable to predict the effect of any such alternatives on our business, results of operations or financial condition.

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, and commercializing ReSure Sealant and DEXTENZA for the treatment of ocular inflammation and pain following ophthalmic surgery. We have a limited history of commercializing products. To date, we have not generated significant revenue from the sale of either ReSure Sealant or DEXTENZA or revenue that is sufficient to achieve profitability. 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 its use, our available cash may be invested 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. 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 maintain marketing approval or 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 for diseases and conditions of the front of the eye and for our other product candidates. In particular, we are investing substantial resources to complete the development of DEXTENZA for allergic conjunctivitis, OTX-TKI for wet AMD, OTX-TIC for glaucoma or ocular hypertension, OTX-CSI for the chronic treatment of dry eye disease, and OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease. We have received a target action date under the Prescription Drug User Fee Act, commonly known as PDUFA, of October 18, 2021, for our supplemental New Drug Application, or sNDA, to include ocular itching associated with allergic conjunctivitis as an additional indication. We currently have several ongoing and planned clinical trials, including our Phase 1 clinical trial of OTX-TKI, our Phase 1 clinical trial of OTX-TIC, our Phase 2 clinical trial of OTX-CSI, and our Phase 2 clinical trial for OTX-DED. If these or other clinical trials of any product candidate that we develop fail to demonstrate safety and efficacy to the satisfaction of the FDA or other regulatory authorities or do not otherwise produce favorable results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such product candidate. 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 inflammation and pain following ophthalmic surgery and our obtaining marketing approval for and commercializing other products with significant market potential, including DEXTENZA for additional indications.

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 and maintaining 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 and AffaMed;
- 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 collaborations with Regeneron and AffaMed, 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, intravitreal implant, intracameral implant, or suprachoroidal implant 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, 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 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 inflammation and pain 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 inflammation and pain 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 inflammation and pain in November 2016, which we used 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 inflammation and pain, 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 November 2018 for the pain indication pursuant to the initial NDA, we submitted an sNDA for DEXTENZA for the treatment of post-surgical ocular inflammation in January 2019, and the FDA approved the sNDA in June 2019.

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. Post-hoc analyses that we performed on the results of our two 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.

Even if we obtain favorable clinical trial results in an additional Phase 3 clinical trial of DEXTENZA for allergic conjunctivitis, such as our third Phase 3 clinical trial, 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. For example, in April 2020, we announced the topline results from our third Phase 3 clinical trial assessing ocular itching associated with allergic conjunctivitis in which DEXTENZA achieved its primary endpoint as treated subjects demonstrated a statistically significant (p-value < 0.0001) difference in mean ocular itching scores compared to vehicle-treated subjects at all three pre-specified time points compared with placebo-treated subjects. We believe that this efficacy data, considered in totality with a favorable safety profile and the data from the prior Phase 2, Phase 3a and Phase 3b clinical trials, which provided the basis for the submission of an sNDA for DEXTENZA in December 2020 to include the treatment of ocular itching associated with allergic conjunctivitis as an additional indication. However, the FDA may not agree with our view of the clinical meaningfulness of the data. We understand that the FDA has in the past considered, for trials similar to ours, clinical meaningfulness to be a 0.5 unit difference at all relevant time points and at least a 1.0 unit difference at a majority of time points assessed. DEXTENZA did not achieve these measures in the third Phase 3 clinical trial. Achievement of such differences is also affected by the statistical methodology we utilize to review the clinical trial data. As previously disclosed, in our first Phase 3 clinical trial for the treatment of ocular itching associated with allergic conjunctivitis, DEXTENZA achieved a 0.5 unit difference at all relevant time points and at least a 1.0 unit difference at a majority of time points assessed using the Markov Chain Monte Carlo, or MCMC, method where the basis for imputation was at the individual eye level. However, using the MCMC method specified in the applicable statistical analysis plan—where the basis for imputation is at the subject level (average of the two eyes)—DEXTENZA did not achieve all of these measures. If the FDA were to require that a product candidate achieve these measures of clinical meaningfulness, approval of our sNDA could be delayed or prevented.

From time to time, we may decide to conduct clinical trials to assess patients' clinical response to treatment and choose not to power such trials to measure the applicable efficacy endpoints with statistical significance, as we did in our Phase 2 clinical trials of our former product candidate OTX-TP for the treatment of glaucoma and ocular hypertension. In addition, post-hoc analyses such as those that we performed on certain results of Phase 2 clinical trials of OTX-TP may not be predictive of success in future clinical trials, including as a result of differences in trial design. Post-hoc analyses performed using an unlocked clinical trial database can also 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 certain of our clinical trials. If the retention rates for our inserts in future clinical trials 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 certain of our product candidates, we have chosen to conduct our initial or earlier-stage clinical trials outside the United States. We generally plan to conduct our later stage and pivotal clinical trials of our 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 often conducted our initial and earlier-stage clinical trials for our product candidates outside the United States. We are currently conducting a Phase 1 clinical trial for our product candidate OTX-TKI for the treatment of wet AMD in Australia, and pending our receipt and review of topline data in the Phase 1 clinical trial and related regulatory discussions, we plan to initiate a Phase 2 clinical trial for OTX-TKI in Australia. We generally plan to conduct our later stage and pivotal clinical trials of our 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 inflammation and pain 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 these indications, particularly in light of our decision announced in November 2019 to postpone our clinical trial to evaluate DEXTENZA in pediatric subjects following cataract surgery until the fourth quarter of 2020. 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 our ongoing Phase 1 clinical trial of OTX-TKI outside the United States in 2018, but we were unable to start dosing patients until 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;
- actual or threatened public health emergencies or outbreaks of disease (including, for example, the COVID-19 pandemic);
- 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.

Delays can be more pronounced with later-stage clinical trials because they tend to be larger than early-stage trials. For example, enrollment in our completed Phase 3 clinical trial of OTX-TP, the largest clinical trial we have conducted to date, was significantly slower than expected. It had a target enrollment of 550 patients and was conducted at approximately 49 sites in the United States.

Our inability to enroll a sufficient number of patients in any of our 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 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 inflammation and pain 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 inflammation and pain, 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.

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 most of our development efforts towards applying our proprietary, bioresorbable hydrogel technology platform to products and product candidates that are designed to provide local programmed-release hydrogel-based 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 ophthalmic diseases and conditions. These include intracanalicular inserts eluting drug product to the ocular surface; 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; and hydrogel drug delivery implants designed to release drug product into the anterior chamber of the eye via an intracameral injection for the treatment of diseases and conditions of the front of the eye. Our collaboration with Regeneron focuses on the development and potential commercialization of products to be delivered to the suprachoroidal space 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.

As part of our restructuring plan announced in November 2019, we decided to defer certain development programs as part of an initiative to reduce expenses and prioritize our resources to focus on commercializing DEXTENZA for post-surgical ocular inflammation and pain as well as completing the ongoing Phase 3 clinical trial of DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis, a Phase 1 clinical trial of OTX-TIC for the treatment of glaucoma and ocular hypertension, and a Phase 1 clinical trial of OTX-TKI for the treatment of wet AMD. Our prioritization of these programs, at the expense of others, during our restructuring may have delayed programs such as OTX-CSI and OTX-DED that we are now seeking to develop.

Similarly, we are now prioritizing the continued commercialization of DEXTENZA and the advancement through Phase 2 clinical development of each of OTX-TKI for the treatment of wet AMD, OTX-TIC for the treatment of glaucoma or ocular hypertension, OTX-CSI for the chronic treatment of dry eye disease, and OTX-DED for the short-term treatment of the signs and symptoms of dry eye disease. Although we believe such prioritization is currently the best use of our resources, we may not be correct.

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 the commercialization of our current products and the development and potential commercialization of our current and future product candidates, we will need to upgrade and expand our existing manufacturing facility, or relocate to another manufacturing facility; add manufacturing, quality and support personnel; ensure that new processes, systems, and facilities are qualified and validated; and ensure that any new processes and systems 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 including FDA audits of such new processes, systems, and facilities. 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 standards applicable to medical device and pharmaceutical manufacturers, such as cGMP, which are 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 systems and the maintenance of records and documentation. For example, between March 2015 and May 2018, we received multiple Form 483s from the FDA containing inspectional observations relating to inadequate procedures for documenting follow-up information pertinent to the investigation of complaints and for evaluation of complaints for adverse event reporting; process controls, analytical testing and physical security procedures related to manufacture of our drug product for stability and commercial production purposes; and procedures for manufacturing processes and analytical testing related to the manufacture of drug product for commercial production. In each of July 2016 and July 2017, we also received a Complete Response Letter, or CRL, from the FDA regarding our NDA for DEXTENZA pertaining to, among other things, the deficiencies in manufacturing processes, controls, and analytical testing identified during pre-NDA approval inspections of our manufacturing facility documented on Form 483s. We may be subject to similar inspections and requirements in connection with subsequent applications for other product candidates or DEXTENZA for additional indications or in connection with periodic, routine inspections for products for which we have received marketing authorization.

For example, as our facility is an approved pharmaceutical and medical device commercial manufacturing location, we are subject to routine inspections and system audits in connection with, among other things, our Safety, Identity, Strength, Purity, and Quality, or SISPQ; our process controls; and our standard operating procedures. If we fail to respond or comply in a satisfactory manner with any directives or observations that we may receive from the FDA as a result of inspections or informational requests, the FDA may take regulatory or other actions that would adversely impact our ability to continue manufacturing our commercial products and clinical or preclinical product candidates or to otherwise hinder or delay the clinical development and commercialization of our products and product candidates. In January and February 2021, the FDA requested information and records from us relating to our DEXTENZA commercial manufacturing operations and quality systems pursuant to Form 4003 in advance or in lieu of a drug inspection. In early March 2021, the FDA provided confirmation of receipt of the records that had been requested from us. Due to the COVID-19 pandemic, this Form 4003 process could be performed in lieu of an onsite inspection. However, the process is ongoing, will take time to complete, and is uncertain as to outcome. Regardless of the outcome of this informational request process, we could still be subject to an onsite inspection.

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, failure against SISPQ, or error discovered after products have been produced and distributed 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 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 $27.8 million and to cover business interruption and research and development restoration expenses in the amount of up to $15.8 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 our supply of the 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 DEXTENZA for the treatment of post-surgical ocular inflammation and pain in July 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 post-surgical ocular inflammation and pain following cataract surgery, it is possible that the market acceptance of DEXTENZA could be less than if we had conducted such a trial. We also have not conducted a clinical trial directly comparing the effectiveness of DEXTENZA to currently approved alternative treatments for ocular itching associated with allergic conjunctivitis. Although market research we have commissioned indicates that a majority of ophthalmologists believe DEXTENZA could become a new standard of care for post-surgical ocular inflammation and pain 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 focuses on ambulatory surgical centers responsible for the largest volumes of cataract surgery.

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 our existing sales force will be able to effectively market and sell DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis, if our sNDA is approved. We also intend to 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. For example, we intend to rely on AffaMed to commercialize DEXTENZA and OTX-TIC, if approved for marketing, in specified jurisdictions in Asia in connection with our collaboration agreement with AffaMed.

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, distribution or other marketing arrangements, including our collaboration with Regeneron, 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 lack of adequate number 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 as a device 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. DEXTENZA is currently considered a post-surgical product, in the same fashion as eye drops. However, if DEXTENZA were instead categorized as an intra-operative product, it would not be subject to separate reimbursement in ambulatory surgical centers and hospital out-patient departments, which could likewise limit its market acceptance. DEXTENZA is currently scheduled to lose transitional pass-through status in July 2022. If pass-through status were to lapse, DEXTENZA would no longer be reimbursed separately from the ophthalmic surgery; our net product revenues, which currently consist primarily of DEXTENZA sales in reliance on pass-through status, would decline significantly; and our ability to generate revenues from future sales of DEXTENZA to ambulatory surgical centers and hospital out-patient departments for the treatment of post-surgical ocular inflammation and pain would be adversely affected.

A specific and permanent J-Code for ophthalmic inserts containing dexamethasone including DEXTENZA is in effect. Separately, a CPT procedure code has been established for the administration of drug-eluting intracanalicular inserts to facilitate reimbursement for physicians for the procedure of inserting DEXTENZA into the canaliculus. There are no assurances that we will be successful in maintaining reimbursement for DEXTENZA or of obtaining or maintaining reimbursement for any products or product candidates for which we might receive marketing approval in the future.

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 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. We and Regeneron amended this agreement in May 2020 to, among other things, transition joint efforts under the collaboration to the research and development of an extended-delivery formulation of aflibercept to be delivered to the suprachoroidal space. We refer to the collaboration, option and license agreement, as amended to date, as the Regeneron Collaboration Agreement.

Our ability to generate revenues from the Regeneron Collaboration Agreement will depend on our and Regeneron's abilities to successfully perform the functions assigned to each of us under it. We did not receive any upfront payment under the Regeneron Collaboration Agreement. Regeneron has agreed to pay personnel and material costs for specified preclinical development activities under the collaboration, and 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. As amended, the option is now exclusive until May 8, 2022, twenty-four months from the effective date of the amendment. We are also entitled to receive under the terms of the Regeneron Collaboration Agreement specified development, regulatory and sales milestone payments, as well as royalty payments.

If Regeneron exercises the option, the Regeneron 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 Regeneron 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 Regeneron 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 Regeneron 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 intravitreal implant product candidates developed pursuant to the Regeneron Collaboration Agreement 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 collaborations with Regeneron and AffaMed, 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 collaborations with Regeneron and AffaMed, 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 collaborations with Regeneron and AffaMed pose, 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 the 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 have conducted 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 was 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 will 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 inflammation and pain following cataract surgery. However, we have relied on third parties, such as CROs, to conduct clinical trials of certain of our product candidates, including DEXTENZA for the treatment of ocular itching associated with allergic conjunctivitis, and we may continue to do so. 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. For example, in May 2020, we disclosed the receipt of interim data regarding our ongoing Phase 1 clinical trial of OTX-TKI for the potential treatment of wet AMD and other retinal diseases. In July 2020, however, we received further, and partially contradictory, information from the clinical trial site where certain patients were being treated. As the clinical trial site had not entered certain data concerning these patients into the clinical trial database in a timely manner, complete information was not available to or known by us at the time of our prior disclosures. 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 have already expired. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting our 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 a significant portion of the patent rights and 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.

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 an 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 other than those being developed pursuant to the Regeneron Collaboration Agreement 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 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 acquire or 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 have been made aware by a third party of 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 any claims 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 claims of invalidity. We initiated legal proceedings against one of these patents and administrative proceedings against the other two patents in order to show that DEXTENZA does not infringe the claims of these patents or that these patents are invalid. Legal proceedings

related to one of these patents has been dismissed by agreement of the parties without prejudice. The USPTO decided to proceed with the administrative proceeding related to one of the patents while declining to do so for the other after determining that we had not established a reasonable likelihood that we would prevail in establishing the unpatentability of certain claims. In June 2020, for the patent for which the USPTO decided to proceed with administrative proceedings, the PTAB, after an *inter partes* review, determined that we had proven by a preponderance of the evidence that all claims of the patent at issue held by such third party were invalid. The third party has appealed this decision and the parties are currently briefing the appeal. We continue to believe that DEXTENZA does not infringe the claims of these patents and that, if and to the extent it were asserted against DEXTENZA, such patent would be subject to a claim of invalidity. We have become aware that the USPTO has recently issued a patent filed by this third party related to intracanalicular inserts containing dexamethasone. If this patent were asserted against DEXTENZA or other of our product candidates, we believe such patent would be non-infringed and subject to a claim of invalidity.

If we are found to infringe a third party's intellectual property rights, such as the patents referred to in the preceding paragraph, we could be required to obtain a royalty-bearing 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 including our intracanalicular insert product and product candidates. 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 thereby causing delays, 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 a significant portion of our patent rights and 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 inflammation and pain following ophthalmic surgery and have not received approval to market DEXTENZA for any other indications. 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 CRLs from the FDA. We may be subject to similar inspections in the future for DEXTENZA or for other product candidates for which we seek FDA approval. For example, in February 2021, the FDA requested information and records from us relating to our DEXTENZA commercial manufacturing operations and quality systems pursuant to Form 4003 in advance or in lieu of a drug inspection. 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.

Finally, disruptions at the FDA and other agencies may prolong the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

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, including certain jurisdictions covered by our AffaMed collaboration, 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, we could face heightened risks with respect to seeking marketing approval in the United Kingdom as a result of the recent withdrawal of the United Kingdom from the European Union, commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements agreed between the United Kingdom and the European Union, the United Kingdom withdrew from the European Union, effective December 31, 2020. On December 24, 2020, the United Kingdom and European Union entered into a Trade and Cooperation Agreement. The agreement sets out certain procedures for approval and recognition of medical products in each jurisdiction. Since the regulatory framework for pharmaceutical products in the United Kingdom covering the quality, safety, and efficacy of pharmaceutical products, clinical trials, marketing authorization, commercial sales, and distribution of pharmaceutical products is derived from European Union directives and regulations, Brexit could materially impact the future regulatory regime that applies to products and the approval of product candidates in the United Kingdom. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would prevent us from commercializing any 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 any 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, or DER, Study, was 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 originally approved DER Study was required to include at least 4,857 patients. In December 2015, CMS denied our application for a tracking or research code for ReSure Sealant commercial use. In July 2016, the FDA approved the initial DER Study protocol. We are required to provide periodic reports to the FDA on the progress of this post-approval study until it was 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 were 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 DER Study requirements. In December 2019, we submitted the protocol for the agreed-upon retrospective study and the prospective study outline, as required per the terms of the warning letter. We received feedback from the FDA in February 2020 and responded to the FDA in March 2020. In May 2020, the FDA approved the protocol. Subsequently, we received a close-out letter from the FDA dated September 2, 2020, regarding the 2018 warning letter. We completed the retrospective study in accordance with our agreement with the FDA and submitted the final study report for the DER Study to the FDA in January 2021. In April 2021, the FDA confirmed that the DER Study had been completed and that we had fulfilled our post-approval study requirements.

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 United States Federal Food, Drug, and Cosmetic Act, or 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;

- 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; 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. For example, we are engaged in an ongoing effort to improve our healthcare compliance program and establish a more robust compliance infrastructure. 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.

Current and future legislation or executive actions 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.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2029 unless additional Congressional action is taken. The Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, suspended the 2% Medicare sequester from May 1, 2020 through December 31, 2020, and extended the

sequester by one year, through 2030. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several 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 is prescribed or used.

Since enactment of the ACA, there have been, and continue to be, numerous legal challenges and Congressional actions to repeal and replace provisions of the law. For example, with enactment of the Tax Cuts and Jobs Act of 2017, or the 2017 Tax Act, Congress repealed the "individual mandate." The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, became effective in 2019. Further, on December 14, 2018, a U.S. 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. On December 18, 2019, the Court of Appeals for the Fifth Circuit affirmed the lower court's ruling that the individual mandate portion of the ACA is unconstitutional and it remanded the case to the district court for reconsideration of the severability question and additional analysis of the provisions of the ACA. Thereafter, the U.S. Supreme Court agreed to hear this case. Oral argument in the case took place on November 10, 2020. On February 10, 2021, the Biden Administration withdrew the federal government's support for overturning the ACA. A ruling by the U.S. Supreme Court is expected sometime this year. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results.

In addition, the CMS has 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.

The Trump Administration also took executive actions to undermine or delay implementation of the ACA, including directing 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. On January 28, 2021, however, President Biden issued a new Executive Order which directs federal agencies to reconsider rules and other policies that limit Americans' access to healthcare, and consider actions that will protect and strengthen that access. Under this Executive Order, federal agencies are directed to re-examine: policies that undermine protections for people with pre-existing conditions, including complications related to COVID-19; demonstrations and waivers under Medicaid and the ACA that may reduce coverage or undermine the programs, including work requirements; policies that undermine the Health Insurance Marketplace or other markets for health insurance; policies that make it more difficult to enroll in Medicaid and the ACA; and policies that reduce affordability of coverage or financial assistance, including for dependents. This Executive Order also directs the U.S. Department of Health and Human Services to create a special enrollment period for the Health Insurance Marketplace in response to the COVID-19 pandemic.

The prices of prescription pharmaceuticals in the United States and foreign jurisdictions are subject to considerable legislative and executive actions and could impact the prices we obtain for our products, if and when licensed.

The prices of prescription pharmaceuticals have also been the subject of considerable discussion in the United States. To date, there have been several recent U.S. congressional inquiries, as well as proposed and enacted 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 products. To those ends, President Trump issued several Executive Orders intended to lower the costs of prescription drug products. Certain of these Executive Orders are reflected in recently promulgated regulations, including an interim final rule implementing President Trump's most favored nation model, but

such final rule is currently subject to a nationwide preliminary injunction. It remains to be seen whether these Executive Orders and resulting regulations will remain in force during the Biden Administration. Further, on September 24, 2020, the Trump Administration finalized a rulemaking allowing states or certain other non-federal government entities to submit importation program proposals to the FDA for review and approval. Applicants are required to demonstrate that their importation plans pose no additional risk to public health and safety and will result in significant cost savings for consumers. The FDA has issued draft guidance that would allow manufacturers to import their own FDA-approved drugs that are authorized for sale in other countries (multi-market approved products).

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 healthcare organizations 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 healthcare 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.

In countries outside of the United States, particularly the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. 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 candidate 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 harmed, possibly materially.

Compliance with global privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data globally, and the failure to comply with such requirements could subject us to significant fines and penalties, which may have a material adverse effect on our business, financial condition or results of operations.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Globally, virtually every jurisdiction in which we operate has established its own data security and privacy frameworks with which we must comply. For example, 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 EU General Data Protection Regulation, or the GDPR, which took effect across all member states of the European Economic Area, or EEA, in May 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 increases our obligations with respect to clinical trials conducted in the EEA by expanding the definition of personal data to include coded data and requiring changes to informed consent practices and more detailed notices for clinical trial subjects and investigators. In addition, the GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States and, as a result, increases the scrutiny that clinical trial sites located in the EEA should apply to transfers of personal data from such sites to countries that are considered to lack an adequate level of data protection, such as the United States. The GDPR also permits data protection authorities to require destruction of improperly gathered or used personal information and/or impose substantial fines for violations of the GDPR, which can be up to four percent of global revenues or 20 million Euros, whichever is greater, and it 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. In addition, the GDPR provides that European Union member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

Similar actions are either in place or under way in the United States. There are a broad variety of data protection laws that are applicable to our activities, and a wide range of enforcement agencies at both the state and federal levels that can review companies for privacy and data security concerns based on general consumer protection laws. The Federal Trade Commission and state Attorneys General all are aggressive in reviewing privacy and data security protections for consumers. New laws also are being considered at both the state and federal levels. For example, the California Consumer Privacy Act, or CCPA—which went into effect on January 1, 2020—is creating similar risks and obligations as those created by GDPR, though the CCPA does exempt certain information collected as part of a clinical trial subject to the Federal Policy for the Protection of Human Subjects, known as the Common Rule. Some other states have adopted, and many other states are considering similar legislation. A broad range of legislative measures also have been introduced at the federal level. Accordingly, failure to comply with federal and state laws (both those currently in effect and future legislation) regarding privacy and security of personal information could expose us to fines and penalties under such laws. There also is the threat of consumer class actions related to these laws and the overall protection of personal data. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

Given the breadth and depth of changes in data protection obligations, preparing for and complying with these requirements is rigorous and time intensive and requires significant resources and a review of our technologies, systems and practices, as well as those of any third-party collaborators, service providers, contractors or consultants that process or transfer personal data collected in the European Union. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information from our clinical trials, could require us to change our business practices and put in place additional compliance mechanisms, may interrupt or delay our development, regulatory and commercialization activities and increase our cost of doing business, and could lead to government enforcement actions, private litigation and significant fines and penalties against us and could have a material adverse effect on our business, financial condition or results of operations.

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.

As we expand our operations outside of the United States, such as we have begun to do with our collaboration with AffaMed, 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. Further, 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.

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.

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, 2020, we had net operating loss, or NOL, carryforwards for federal and state income tax purposes of $354.7 million and $274.9 million, respectively. The federal and state NOLs generated for annual periods prior to January 1, 2018 begin to expire in 2026. Our federal NOLs generated for the years ended after December 31, 2018, which amounted to a total of $229.1 million, can be carried forward indefinitely. As of December 31, 2020, we also had available research and development tax credit carryforwards for federal and state income tax purposes of $9.2 million and $5.0 million , respectively, which begin to expire in 2026 and 2025, respectively. These NOL and tax credit carryforwards could expire unused and be unavailable to offset our future income tax liabilities. As described below under the heading "*Changes in tax laws or in their implementation or interpretation may adversely affect our business and financial condition*," the 2017 Tax Act, as amended by the CARES Act, includes changes to U.S. federal tax rates and the rules governing NOL carryforwards that may significantly impact our ability to utilize our net operating losses, or NOLs, to offset taxable income in the future. Nor is it clear how various states will respond to the 2017 Tax Act; the Families First Coronavirus Response Act, or FFCR Act; or the CARES Act. In addition, state NOLs generated in one state cannot be used to offset income generated in another state. Furthermore, the use of NOL carryforwards may become subject to an annual limitation under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, and similar state provisions in the event of certain cumulative changes in the ownership interest of significant shareholders in excess of 50 percent over a three-year period. This could limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of a company immediately prior to the ownership change. We have not conducted a full study to assess whether a change of control has occurred or whether there have been multiple changes of control since inception due to the significant complexity and cost associated with such a study. As a result, we are uncertain as to whether we have completed one or more transactions since our inception which may have resulted in an ownership change under Section 382 of the Code. In addition, there may be changes in our stock ownership, some of which are outside of our control, that could result in ownership changes in the future. For these reasons, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes.

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 our 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 have in the past reduced the size of our organization, and we may be required to do so again in the future, which may cause us to encounter difficulties in managing our business as a result of any such reduction, or attrition that may occur following such reduction, which could disrupt our operations. In addition, we may not achieve anticipated benefits and savings from such a reduction.

In November 2019, we reduced our workforce by 55 employees, representing approximately 22% of our workforce. We completed the restructuring and recorded the restructuring charges in the fourth quarter of 2019. We may in the future be required to reduce the size of our organization as part of an initiative to reduce expenses and reprioritize our use of resources.

Any restructuring and additional measures we might take to reduce costs could divert management attention, yield attrition beyond our intended reduction if force, reduce employee morale, or cause us to delay, limit, reduce or eliminate certain product development plans.

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.

We expect our drug development, clinical, regulatory affairs, manufacturing and our sales and marketing capabilities to grow as we commercialize DEXTENZA and any product candidates that may receive marketing approval. 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. We relocated our corporate headquarters to 24 Crosby Drive, Bedford, Massachusetts to accommodate our growth. We are evaluating expanding our manufacturing operations into 15 Crosby Drive, Bedford, Massachusetts while maintaining our existing operations located at 36 Crosby Drive, Bedford, Massachusetts. 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.

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 have recently been subject to legal proceedings related to the decline in our stock price, and we could be subject to similar legal proceedings in the future, which could distract our management and could result in substantial costs or large judgments against us.

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 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 2017 and 2018, class action lawsuits were filed against us and certain of our current and former executive officers and 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. While these legal proceedings were ultimately resolved in our and/or the applicable defendants' favor, they were distracting and were both time-consuming and costly to defend. Around this time, we also received subpoenas from the Securities and Exchange Commission seeking documents and information concerning DEXTENZA, including related communications with the FDA and investors; in May 2019, the SEC notified us that it 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.

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, political and social, 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 or our other product candidates. 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.

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.

In addition, certain holders of our common stock have rights, subject to specified conditions, to require us to file registration statements covering their shares or 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 a "smaller reporting company" and the reduced disclosure requirements applicable to such companies may make our common stock less attractive to investors.

We are 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. 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 our Annual Report on Form 10-K, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- reduced disclosure obligations regarding executive compensation;
- 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 expect to continue to take advantage of some or all of the available exemptions until we cease to be a smaller reporting company.

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.

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

As a public company, we incur and will continue to 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 generate significant legal and financial compliance costs and make some activities more time-consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we are required to furnish a report by our management on our internal control over financial reporting. On January 1, 2020, we became subject to the requirement to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm because we were no longer an emerging growth company. Although the SEC has provided smaller reporting companies relief from this requirement to include an attestation report , we will continue to document and evaluate our internal control over financial reporting, which is both costly and challenging, to maintain compliance with other provisions of Section 404. In this regard, we will 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 neither we nor, if required, our independent registered public accounting firm will 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 or our independent registered public accounting firm 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 Agreement 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.

General Risk Factors

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.

Changes in tax laws or in their implementation or interpretation may adversely affect our business and financial condition.

Changes in tax law may adversely affect our business or 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, contained 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 NOLs to 80% of current year taxable income and elimination of NOL carrybacks, in each case, for losses arising in taxable years beginning after December 31, 2017 (though any such NOLs may be carried forward indefinitely), the imposition of 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), the allowance of immediate deductions for certain new investments instead of deductions for depreciation expense over time, and the modification or repeal many business deductions and credits.

As part of Congress' response to the COVID-19 pandemic, the FFCR Act was enacted on March 18, 2020, and the CARES Act was enacted on March 27, 2020. Both contain numerous tax provisions. In particular, the CARES Act retroactively and temporarily (for taxable years beginning before January 1, 2021) suspends application of the 80%-of-income limitation on the use of NOLs, which was enacted as part of the 2017 Tax Act. It also provides that NOLs arising in any taxable year beginning after December 31, 2017, and before January 1, 2021 are generally eligible to be carried back up to five years. The CARES Act also temporarily (for taxable years beginning in 2019 or 2020) relaxes the limitation of the tax deductibility for net interest expense by increasing the limitation from 30 to 50% of adjusted taxable income.

Regulatory guidance under the 2017 Tax Act, the FFCR Act and the CARES Act is and continues to be forthcoming, and such guidance could ultimately increase or lessen impact of these laws on our business and financial condition. It is also possible that Congress will enact additional legislation in connection with the COVID-19 pandemic, and as a result of the changes in the U.S. presidential administration and control of the U.S. Senate, additional tax legislation may also be enacted; any such additional legislation could have an impact on us. In addition, it is uncertain if and to what extent various states will conform to the 2017 Tax Act, the FFCR Act or the CARES Act.

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

Recent Sales of Unregistered Securities

Warrant Exercise

In April 2014, we entered into a credit facility with Silicon Valley Bank and MidCap Financial SBIC, LP, and 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 initial public offering 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, with Silicon Valley Bank and MidCap Financial SBIC, LP., each holding warrants of 18,939 shares of common stock.

On January 29, 2021, warrants covering 18,939 shares were exercised via net share settlement, and we issued 11,737 shares of common stock as a result of the exercise.

Inducement Grant

On February 1, 2021, we issued to Rabia Gurses Ozden, M.D., our Senior Vice President, Clinical Development, non-statutory stock options to purchase up to an aggregate of 150,000 shares of common stock, or the Ozden Grant, under our 2019 Inducement Stock Incentive Plan, as amended, as an inducement material to Dr. Ozden's acceptance of employment with us in accordance with Nasdaq Listing Rule 5635(c)(4). Of the 150,000 shares of our common stock underlying the Ozden Grant, 54,000 shares of our common stock were unregistered at the time of grant. The Ozden Grant consists of (i) a non-statutory stock option to purchase up to an aggregate of 100,000 shares of our common stock, or the Time-Based Option, and (ii) a non-statutory stock option to purchase up to an aggregate of 50,000 shares of our common stock, or the Performance-Based Option. Each stock option was issued at an exercise price of $18.70 per share.

Subject to Dr. Ozden's continued service to the company, the Time-Based 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 Performance-Based Option will vest upon the achievement of certain milestones and subject to Dr. Ozden's continued service to the company. We registered the previously unregistered shares under the Ozden Grant, none of which were vested, on a Form S-8 registration statement, File No. 333-254143, on March 11, 2021.

Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Item 5. Other Items.

As previously reported, Patricia Kitchen's employment as Chief Operating Officer was terminated as of April 27, 2021. Based on entry into a standard separation and release of claims agreement, Ms. Kitchen will be entitled to the severance benefits provided under her employment agreement in connection with a termination without cause. These severance benefits consist of payment of base salary and continuation of group health insurance, in each case, for a period of twelve months.

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	
10.1*	Supplement to License Agreement, by and between the Registrant and AffaMed Therapeutics Limited, dated as of January 18, 2021	10-K	001-36554	03/11/2021	10.36	
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
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	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document)					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Database					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL and contained in Exhibit 101					X

* Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

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 5, 2021

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

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 5, 2021

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 5, 2021

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, 2021 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 5, 2021

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, 2021 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 5, 2021

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