SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Apollo Endosurgery, Inc.

Form: 10-K

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

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: 001-35706

LPATH, INC.

(Name of small business issuer in its charter)

Nevada	**16-1630142**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4025 Sorrento Valley Blvd., San Diego, California	**92121**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number **(858) 678-0800**

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

Title of each class	Name of Exchange on which registered
Common Stock, $0.001 par value per share	The NASDAQ Stock Market LLC (NASDAQ Capital Market)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed based on the last sale price of $4.40 as reported on the NASDAQ Stock Market on June 30, 2013 is $50,135,000. For purposes of this calculation, shares of common stock held by each officer and director and by each person or group who owns 10% or more of the outstanding common stock have been excluded from the calculation of aggregate market value as such persons or groups may be deemed to be affiliates.

As of March 14, 2014, there were 14,978,095 shares of the issuer's $.001 par value common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes statements of our expectations, intentions, plans, and beliefs that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and are intended to come within the safe harbor protection provided by those sections. These forward-looking statements are principally, but not solely, contained in the section captioned "Business" below and the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "estimate," "project," "intend," "forecast," "anticipate," "plan," "planning," "expect," "believe," "will," "will likely," "should," "could," "would," "may" or words or expressions of similar meaning. All such forward-looking statements involve risks and uncertainties, including, but not limited to:

- Our interpretation of the results of the pre-clinical and clinical trials for our product candidates.
- Our ability to successfully complete additional clinical trials on a timely basis and obtain regulatory approvals for one or more of our product candidates.
- The potential biological effects and indications for our product candidates.
- The market opportunity for our product candidates.
- Our ability to complete additional discovery and development activities for drug candidates utilizing our proprietary ImmuneY2 drug discovery process.
- Our ability to satisfy the terms of our agreement with Pfizer Inc. (or any third party who acquires Pfizer's rights).
- The period of time for which our existing cash will enable us to fund our operations.
- The amount and timing of our future operating expenses.

In addition to the items described in this report under the heading "Risk Factors," many important factors affect our ability to achieve our stated objectives and to successfully develop and commercialize any product candidates, including, among other things:

- The results of our pre-clinical testing and our clinical trials may not support either further clinical development or the commercialization of our drug candidates.
- We may not successfully complete additional clinical trials for our product candidates on a timely basis, or at all.
- None of our drug candidates has received regulatory approval at this time, and we may fail to obtain required governmental approvals for our drug candidates.
- We have a history of net losses and we may never achieve or maintain profitability.
- We may not be successful in maintaining our commercial relationship with Pfizer Inc. (or any third party who acquires Pfizer's rights).
- We may not be able to obtain substantial additional financial resources in order to carry out our planned activities beyond the first quarter of 2015.
- Our products could infringe patent rights of others, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages or limit our ability to commercialize our products.

Therefore, investors are cautioned that the forward-looking statements included in this report may prove to be inaccurate and our actual results or performance may differ materially from any future results or performance expressed or implied by the forward-looking statements. In light of the significant uncertainties inherent to the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation or warranty by us or any other person that our objectives and plans will be achieved in any specified time frame, if at all. These forward-looking statements represent beliefs and assumptions only as of the date of this report. Except to the extent required by applicable laws or rules, we do not intend to update any forward-looking statements contained herein or to announce revisions to any of such forward-looking statements to reflect new information or future events or developments.

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PART I

ITEM 1. BUSINESS

Overview

We are a biotechnology company focused on the discovery and development of lipidomic-based therapeutic antibodies, an emerging field of medical science that targets bioactive signaling lipids to treat a wide range of human diseases. We have two product candidates that are currently in clinical development, and one in pre-clinical evaluation.

iSONEP

iSONEP™ is the ocular formulation of sonepcizumab, a humanized monoclonal antibody ("mAb") against sphingosine-1-phosphate ("S1P"). Sphingomab™ is the original mouse version of this monoclonal antibody. iSONEP is administered by intravitreal injection, and has demonstrated multiple mechanisms of action in ocular models of disease, including anti-angiogenesis, anti-inflammatory, anti-fibrotic and anti-vascular permeability. This combination of mechanisms would suggest: (i) iSONEP might have a comparative advantage over currently marketed products for "wet" age-related macular degeneration ("wet AMD") and (ii) iSONEP might demonstrate clinical efficacy in a broad range of retinal diseases where there is currently a significant unmet medical need, including diabetic retinopathy, dry AMD, and glaucoma-related surgery.

In 2009, we completed a Phase 1 clinical trial in which iSONEP was evaluated in patients with wet AMD. In that trial, iSONEP met its primary endpoint of being well tolerated in all 15 patients at dose levels ranging from 0.2 mg to 1.8 mg per intravitreal injection. No drug-related serious adverse events were reported in any of the patients. Positive biological effects were also observed in some patients in this clinical study, the most common being regression in choroidal neovascularization ("CNV"), which is the underlying cause of the disease that eventually leads to degeneration of the macula. Most of these positive effects appear to be largely independent of the effects seen when patients undergo treatment with the drugs that are in current use for the treatment of wet AMD.

In December 2010, we entered into an agreement providing Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP (the "Pfizer Agreement"). Under the terms of that agreement, Pfizer provided Lpath with an upfront option payment of $14 million and agreed to share the costs of the planned Phase 1b and Phase 2a clinical trials. Following completion of the two clinical trials, Pfizer has the right to exercise its option for worldwide rights to iSONEP. If Pfizer exercises its option, Lpath will be eligible to receive an option fee as well as development, regulatory and commercial milestone payments. In addition, if iSONEP eventually becomes a commercial product, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP.

Pursuant to the terms of the Pfizer Agreement, in September 2011 we began a Phase 1b/2a clinical trial of iSONEP in patients with retinal pigment epithelium detachment ("PED") (the"PEDigree trial"), a persistent complication in patients with the occult form of wet AMD. In October 2011, we also began a larger Phase 2a clinical trial, to test iSONEP as a treatment for wet-AMD in a broader population of patients, namely, those wet-AMD patients without PED (the "Nexus trial").

In January 2012, the Food and Drug Administration (FDA) placed the PEDigree and Nexus trials on clinical hold following a determination by the FDA that the fill-and-finish contractor that had filled the iSONEP clinical trial vials was not in compliance with the FDA's current Good Manufacturing Practice (''cGMP'') standards during the time period it provided those services to us. Thereafter, we manufactured new iSONEP drug substance with an alternate fill-and-finish contractor and resumed dosing patients in the Nexus trial in September 2012.

As a result of the clinical hold and the requirement to manufacture new drug substance, the projected costs to complete the iSONEP trials increased significantly and Pfizer requested the Company to consider potential alternatives to reduce the increased costs of the iSONEP trials. In December 2012, Lpath and Pfizer amended the Pfizer Agreement to among other things, reflect the parties' agreement to discontinue the PEDigree trial and to focus on the Nexus trial. The parties agreed to continue to pursue and share the cost of the iSONEP trials, including any costs associated with discontinuing the PEDigree trial.

In October 2013, Lpath announced that it had received notice from Pfizer that Pfizer would be seeking to divest certain ophthalmology research and development assets, including Pfizer's rights and obligations under the Pfizer Agreement. Lpath presented offers to Pfizer to reacquire those rights. However, in December 2013, Pfizer informed Lpath that its offers were not competitive with other offers. Therefore, Lpath believes that a number of third parties may have an interest in acquiring Pfizer's rights. Acquisition of Pfizer's rights and obligations under the terms of the Pfizer Agreement by a third party would not affect the terms of the Pfizer Agreement, as the existing rights and obligations currently held by Pfizer will be assumed by the third party or remain with Pfizer based on the terms of the agreement between Pfizer and the third party.

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As of December 31, 2013, Pfizer had paid the Company $20.0 million pursuant to the terms of the Pfizer Agreement, including the $14 million upfront payment. The amendment to the Pfizer Agreement did not modify the Company's obligation to fund $6.0 million of Nexus trial expenses, which it completed during 2013. The terms of the Pfizer Agreement specify that, since the Company has fulfilled its funding obligation, Pfizer (or any third party who acquires Pfizer's rights) will fund the remaining expenses necessary to complete the Nexus trial.

As of March 14, 2014, 135 patients have been enrolled in the Nexus trial, with 25 additional patients required to complete enrollment. The Company expects to complete dosing the last Nexus trial patient during the second half of 2014. The actual time required to complete our clinical trials will depend upon a number of factors outside of our direct control, including those discussed in "Risk Factors — We may have delays in completing our clinical trials, and we may not complete them at all."

Following completion of the Nexus study, Pfizer (or any third party who acquires Pfizer's rights) has the right to exercise the option for a worldwide license to iSONEP for an undisclosed option fee and, if Pfizer (or any third party who acquires Pfizer's rights) exercises its option, the Company will be eligible to receive development, regulatory and commercial milestone payments that could total up to $497.5 million. In addition, the Company will be entitled to receive tiered double-digit royalties based on sales of iSONEP.

ASONEP

ASONEP™ is the systemic formulation of sonepcizumab. In the first quarter of 2010, we completed a Phase 1 clinical trial in which ASONEP was evaluated in very late-stage cancer patients. In that trial, ASONEP was well tolerated at all dose-levels ranging from 1 mg/kg to 24 mg/kg., other than minor infusion-related reactions observed at the highest dose. More than half the patients that completed the initial four-treatment evaluation period showed stable disease, and durable stable disease was observed in several patients.

Based on ASONEP's safety profile and the observation of stable disease in several late-stage cancer patients, we believe that further investigation of ASONEP for efficacy in Phase 2 clinical trials is warranted. In collaboration with Beth Israel Deaconess Medical Center, Lpath has demonstrated efficacy of ASONEP in preclinical models of a form of human kidney cancer called renal cell carcinoma. We are collaborating with investigators at several medical research institutions on a Phase 2 clinical trial testing ASONEP as a treatment for renal cell carcinoma. The protocol for this Phase 2 study specifies that the number of patients in the study will be at least 37, with a maximum of 54. As of March 14, 2014, 20 patients have been enrolled in the study. We expect that at least 37 patients will complete the study by the end of 2014.

As part of the Pfizer Agreement, Lpath has granted to Pfizer (or any third party who may acquire Pfizer's rights) a time-limited right of first refusal for ASONEP, which period ends when the iSONEP Nexus clinical trial is completed.

Lpathomab

Lpathomab™, our pre-clinical product candidate, is a mAb against lysophosphatidic acid ("LPA"), a key bioactive lipid that has long been recognized as a significant promoter of cancer-cell growth and metastasis in a broad range of tumor types. Published research has also demonstrated that LPA is a significant contributor to neuropathic pain and traumatic brain injury, and plays a key role in pulmonary fibrosis. We have selected the clinical candidate mAb from among three humanized mAbs that inhibit LPA. These mAbs were tested against each other in various models of human disease to determine which mAb would be most likely to succeed in clinical trials. We are now engaged in the antibody manufacturing process development activities and expect to complete Investigational New Drug ("IND") enabling studies in 2014. We plan to file the IND in early 2015, and begin testing Lpathomab in clinical trials thereafter.

ImmuneY2™ Technology

We believe we are the only company to have developed functional therapeutic monoclonal antibodies against any bioactive lipid, of which there are estimated to be 1,000 or more. We produced these unique antibodies using our ImmuneY2™ technology, a series of proprietary processes we have developed. We are currently applying the ImmuneY2 process to other bioactive lipids that are validated targets for disease treatment, thereby expanding our potential pipeline of novel monoclonal antibody-based drug candidates.

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We have a strong intellectual-property position in the bioactive-lipid area, with 82 issued patents, including 53 foreign patents, and 114 patent applications, including 88 foreign patent applications. Most of these patents were developed in-house based on our pioneering research on bioactive lipid signaling. Our research partners to date include the UCLA Brain Injury Research Center, the M.D. Anderson Cancer Center, Johns Hopkins University, the Harvard Medical School, the University of Florida College of Medicine, the University of California — San Diego, the French National Centre for Scientific Research, the Center for Eye Research Australia, the University of Melbourne, Australia, the Beth Israel Deaconess Medical Center, the Walter Reed Army Institute for Research, the Medical University of South Carolina, the Virginia Commonwealth University, and the University of Kentucky.

The Emergence of Lipidomics

For many years the drug-development industry has been fundamentally protein-centric, and most drugs on the market (and most drug candidates in clinical trials) target proteins. The recognition among medical researchers that bioactive lipids play key roles in disease is a relatively recent development. "Although the concept of 'bioactive lipids' has been decades in the making, it has only started to gain traction in the past 20 years, and promises to occupy centre-stage in cell biology research in the twenty-first century." (*Nature Reviews*, February 2008)

In an article published in 2006, the *British Journal of Cancer* described the emergence of lipidomics in drug discovery:

The focus on proteins was a natural consequence of the science community's evolving understanding of biochemistry, which allowed researchers to identify potential protein targets involved in key metabolic and signaling pathways. Some of the first drugs developed by the rational-drug-design approach to the scientific method came after the discovery of key enzymes, receptors, and ion channels [all proteins] as they emerged in the basic science literature. One can argue that target identification now is driven by the technological developments of proteomics and genomics, both of which reflect the persistent 'protein-centric' view of drug discovery.

Now, the field of lipidomics (a subset of 'metabolomics') has emerged...and provides new opportunities for drug discovery. As was the case for proteomics and genomics, tools of measurement led the way. For lipidomics, the development of electrospray tandem mass spectrometry and other tools has facilitated our understanding of the cellular lipidome, and we now believe that there are over 1,000 members of the lipidome, opening up an entire array of new potential targets for therapeutic interventions.

It has been recognized that alterations in lipid metabolism can lead to cancer, cardiovascular disease, diabetes, neurodegenerative disorders, immune function, pain, mental disorders, and inflammation. (British Journal of Cancer, October 2006).

We believe that we are the leader in developing lipidomic-based therapeutics and humanizing related mAbs. This emerging field of medical science involves two areas of expertise:

1. *An understanding of the role of bioactive lipids in their respective signaling systems so that potentially important targets can be identified:* The study of lipidomics is complex, as bioactive lipids have a molecular weight significantly lower than proteins and, unlike proteins, are not water-soluble. As such, many of the measurement and analytical tools that exist in the protein-centric pharmaceutical industry are not effective when dealing with bioactive lipids. Because of our long-standing focus on bioactive lipids as targets for human disease, we are one of the few companies that have developed the expertise and assays to address the unique challenges of lipidomics.

2. *The ability to inhibit the identified bioactive-lipid targets:* Bioactive lipids are difficult to inhibit for the same reasons that make them difficult to study—they are extremely small and they are not water-soluble. As such, many companies have tried to generate monoclonal antibodies that inhibit the functional activity of bioactive lipids, only to have failed. We believe we are the only company to have developed functional monoclonal antibodies against bioactive lipids such as S1P or LPA. This capability is based on our proprietary ImmuneY2 technology.

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Product Opportunities

Our key product-development programs are summarized in Table 1:

Table 1. Primary Product-Development Programs

PRODUCT	Description	Indication	Status
iSONEP	mAb against S1P, a validated angiogenic growth factor & contributor to inflammation	AMD RPE Detachment Other retinal diseases	Phase 2 clinical trial of iSONEP in patients with Wet-AMD.
			Demonstrated *in vivo* mechanisms that contribute to progression of diabetic retinopathy and wet AMD.
ASONEP	mAb against S1P, a validated angiogenic factor and validated mediator of lymphocyte trafficking	Cancer—various tumor types	Phase 2 clinical trial of ASONEP in patients with renal cell carcinoma.
Lpathomab	mAb against LPA, a tumorigenic and metastatic agent and a validated contributor to neuropathic pain; in addition, the mAb was shown to inhibit fibrosis in a bleomycin model of pulmonary fibrosis	Neuropathic pain Traumatic brain injury Spinal cord injury Fibrosis Cancer	Antibody manufacturing and IND-enabling studies to be completed in 2014, with IND filing in early 2015.

iSONEP

iSONEP is the ocular formulation of sonepcizumab, a monoclonal antibody against S1P, a bioactive lipid implicated in the progression of many diseases including various angiogenic-related diseases and inflammatory-oriented indications, multiple sclerosis, and many types of cancer, iSONEP—and ASONEP as well (see below)—acts as a molecular sponge to selectively absorb S1P from blood and from certain tissues.

Pre-Clinical and Phase 1 Clinical Trial Results

iSONEP has demonstrated promising anti-angiogenic results in various eye models of wet AMD, as performed by Dr. Maria Grant (University of Florida) and Dr. Peter Campochiaro (Johns Hopkins University). Moreover, Dr. Peter Campochiaro also demonstrated that iSONEP has strong anti-vascular permeability effects in the eye, as well as promising anti-inflammatory properties. Studies that we performed in-house suggest iSONEP also may have anti-fibrotic effects.

In 2009, we completed a Phase 1 clinical trial in which iSONEP was evaluated in patients with wet AMD. In that trial, iSONEP met its primary endpoint of being well tolerated in all 15 patients at dose levels ranging from 0.2 mg to 1.8 mg per intravitreal injection. No drug-related serious adverse events were reported in any of the patients. Positive biological effects were also observed in some patients in this clinical study, the most common being regression in CNV, which is the underlying cause of the disease that eventually leads to degeneration of the macula. Most of these positive effects appear to be largely independent of the effects seen when patients undergo treatment with the drugs that are the current market leaders for the treatment of wet AMD.

The most significant benefit observed in the Phase 1 trial was a regression in choroidal neovascularization (CNV), which is the underlying cause of the disease that eventually leads to degeneration of the macula, the area of the retina responsible for central vision. Of the seven patients that had a baseline lesion that was considered by experienced ophthalmologists to be “large,” four experienced a reduction exceeding 5 mm^2 and three experienced a reduction of greater than 75%—all with a single dose of iSONEP. This type of clinical benefit is not typical with other treatments, as the published data (Heier JS *et al. Ophthalmology*.2006; 113:642e1-642.e4) suggest that, even with repeated Lucentis® dosing, the total physical size of CNV lesion does not show much reduction.

Another distinctive benefit was the resolution of retinal pigment epithelium detachment (“PED”), a potentially serious condition that is often a part of the pathology of wet AMD. Of two patients that were diagnosed with PED in the Phase 1 trial, both experienced complete or near-complete resolution of the condition—again, with only a single dose of iSONEP.

A key observation from the Phase 1 trial was that of the five patients that showed the strongest biological effect, all five had a component of occult-type CNV (either pure occult CNV or “minimally classic” CNV). Further, these five patients were the only ones in the Phase I study that were diagnosed with occult disease. In other words, all of the patients with a component of occult CNV exhibited a strong positive biological effect during the 30-45 days following a single injection of iSONEP.

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Due to the small sample size, all biological effects described above can only be characterized as possibly correlative at this time; no causal relationship has yet been established, statistically or otherwise.

The fact that these biological effects appear to be non-overlapping vis-à-vis those of the predominant market leaders, Lucentis and Avastin ®, may be significant. Wet AMD is characterized by the pathologic disruption of the retina, which is caused collectively by (i) new-blood-vessel growth in the choroid layer under the retina, (ii) sub-retinal fibrosis, (iii) general inflammation in the retinal area, and (iv) edema caused by new blood vessels that do not form perfectly and are thereby permeable (or leaky).

Lucentis and Avastin target the protein VEGF, a validated promoter of permeable and leaky blood vessels, and appear to exert most of their beneficial effect via an anti-permeability action that results in resolution of intra and sub-retinal edema. However, the actual CNV lesion does not typically regress.

In contrast, iSONEP has been shown in various animal models of disease not only to reduce blood-vessel growth and leakiness, but to significantly mitigate ocular fibrosis (Grant et al, *Experimental Eye Research*, August 2008) and to substantially reduce inflammation in the eye (Campochiaro *et al., Journal of Cellular Physiology*, October 2008). As such, iSONEP has the potential to be an effective wet AMD treatment that may offer significant advantages over exclusively anti-VEGF approaches. It may also act synergistically with them as a combination therapy to address the complex processes and multiple steps that ultimately lead to vision loss for wet AMD patients.

iSONEP's non-overlapping effects relative to anti-VEGF therapeutics was predicted. As Campochiaro *et al.* state in *Journal of Cellular Physiology,* "Since S1P may have both independent and overlapping effects with VEGF, it is a particularly appealing target. There may be advantages to combined blockade of VEGF [Lucentis] and blockade of S1P [iSONEP]."

The promising results of the Phase 1 clinical trial together with the preclinical studies suggest the following:

(i) iSONEP may have comparative advantages over currently available treatments like Lucentis and Avastin (and soon-to-be-available treatments with similar mechanisms of action like Regeneron's VEGF-Trap©). The loss of visual acuity associated with AMD is caused by a combination of all the factors mentioned above, yet Lucentis, Avastin, and the VEGF-Trap apparently fail to address inflammation and sub-retinal fibrosis. Thus, iSONEP may improve vision on a more-consistent basis across the patient population and may treat the multiple mechanisms that cause exudative-AMD-related vision loss. Such an agent might act as a monotherapy or an adjunct therapy to an anti-VEGF agent.

(ii) iSONEP may be able to inhibit the vascular and extravascular components of ischemic retinopathies such as diabetic retinopathy and the dry form of AMD, both of which represent significant unmet medical needs.

(iii) iSONEP might be efficacious in treating fibrotic-related disorders of the eye, including proliferative retinopathy, post glaucoma filtration surgery (trabeculectomy or valve implantation), and various anterior-segment diseases.

Pfizer Agreement and Phase 2 Clinical Trial

In December 2010, we entered into the Pfizer Agreement which provides Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP. Under the terms of the agreement, Pfizer provided Lpath with an upfront option payment of $14 million and agreed to share the cost of the planned Phase 1b and Phase 2a clinical trials. Following completion of the clinical trials, Pfizer has the right to exercise its option for worldwide rights to iSONEP. If Pfizer exercises its option, Lpath will be eligible to receive an option fee as well as development, regulatory and commercial milestone payments. In addition, if iSONEP eventually becomes a commercial product, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP.

Pursuant to the terms of the Pfizer Agreement, we initiated the PEDigree trial, a Phase 1b/2a clinical trial of iSONEP in patients with PED, a persistent complication in patients with the occult form of wet AMD, in September 2011. In October 2011, we also began the Nexus trial, a larger Phase 2a clinical trial, to test iSONEP as a treatment for wet-AMD in a broader population of patients, namely, those wet-AMD patients without PED.

In January 2012, the FDA placed the PEDigree and Nexus trials on clinical hold following a determination by the FDA that the fill-and-finish contractor that had filled the iSONEP clinical trial vials was not in compliance with the FDA's current Good Manufacturing Practice ("cGMP") standards during the time period it provided those services to the Company. Thereafter, we manufactured new iSONEP drug substance with an alternate fill-and-finish contractor and resumed dosing patients in the Nexus trial in September 2012.

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As a result of the clinical hold and the requirement to manufacture new drug substance, the projected costs to complete the iSONEP trials increased significantly and Pfizer requested the Company to consider potential alternatives to reduce the increased costs of the iSONEP trials. On December 5, 2012, Lpath and Pfizer amended the Pfizer Agreement to among other things, reflect the parties' agreement to discontinue the PEDigree trial and to focus on the Nexus trial. The parties agreed to continue to pursue and share the cost of the iSONEP trials, including any costs associated with discontinuing the PEDigree trial.

In October 2013, Lpath announced that it had received notice from Pfizer that Pfizer would be seeking to divest certain ophthalmology research and development assets, including Pfizer's rights and obligations under the Pfizer Agreement. Lpath presented offers to Pfizer to reacquire those rights. However, in December 2013, Pfizer informed Lpath that its offers were not competitive with other offers. Therefore, Lpath believes that a number of third parties may have an interest in acquiring Pfizer's rights. Acquisition of Pfizer's rights and obligations under the terms of the Pfizer Agreement by a third party would not affect the terms of the Pfizer Agreement, as the existing rights and obligations currently held by Pfizer will be assumed by the third party or remain with Pfizer based on the terms of the agreement between Pfizer and the third party.

As of December 31, 2013, Pfizer had paid the Company $20.0 million pursuant to the terms of the Pfizer Agreement, including the $14 million upfront payment. The amendment to the Pfizer Agreement did not modify the Company's obligation to fund $6.0 million of Nexus trial expenses, which it completed during 2013. The terms of the Pfizer Agreement specify that, since the Company has fulfilled its funding obligation, Pfizer (or any third party who acquires Pfizer's rights) will fund the remaining expenses necessary to complete the Nexus trial.

As of March 14, 2014, 135 patients have been enrolled in the Nexus trial, with 25 additional patients required to complete enrollment. The Company expects to complete dosing the last Nexus trial patient during the second half of 2014. The actual time required to complete our clinical trials will depend upon a number of factors outside of our direct control, including those discussed in "Risk Factors — We may have delays in completing our clinical trials, and we may not complete them at all."

Following completion of the Nexus study, Pfizer (or any third party who acquires Pfizer's rights) has the right to exercise the option for a worldwide license to iSONEP for an undisclosed option fee and, if Pfizer (or any third party who acquires Pfizer's rights) exercises the option, the Company will be eligible to receive development, regulatory and commercial milestone payments that could total up to $497.5 million. In addition, the Company will be entitled to receive tiered double-digit royalties based on sales of iSONEP. The actual time required to complete our clinical trials will depend on a number of factors outside of our direct control, including those discussed in "Risk Factors—We may have delays in completing our clinical trials and we may not complete them all."

ASONEP

ASONEP is the systemic formulation of sonepcizumab; as such, it is also a mAb against the bioactive lipid S1P which has been implicated in the progression of various types of cancer and other angiogenic-related and inflammatory-oriented indications. It is well documented in scientific literature that S1P is a key protector of cancer cells when tumors are stressed by radiation or chemotherapy. Many studies have been conducted that demonstrate a strong link between S1P and several prevalent tumor types, including renal cell carcinoma (kidney cancer), leukemia, prostate cancer, neuroblastoma, (a brain tumor), lung cancer, pancreatic cancer, and melanoma (skin cancer).

Preclinical and Phase 1 Clinical Trial Results

ASONEP has demonstrated efficacy in preclinical models of several types of human cancers. In addition, the safety profile of ASONEP was extremely favorable throughout a Phase 1 clinical trial as well as in a wide variety of preclinical studies at multiples of anticipated human exposure

We believe ASONEP may be effective in reducing the four major processes of cancer progression: tumor proliferation, tumor metastasis, tumor-associated angiogenesis, and protection from cell death. The other mAbs on the market or in clinical trials of which we are aware generally inhibit only one or two tumor- promoting effects in a broad range of cancers. As such, we believe that ASONEP may have a comparative advantage over other therapeutic antibody approaches for cancer.

Other potential advantages of ASONEP, which are generally related to our unique approach of targeting bioactive lipids (whereas most therapeutic mAbs on the market and in clinical trials are directed against protein targets), include the following:

a) *ASONEP's preclinical data may translate into humans more predictably than typical protein-targeted drug candidates.* Unlike protein targets, S1P has a single molecular structure that is conserved among species (i.e., S1P in a mouse is the same as in monkeys and humans), which is not the case for protein targets. This possibly provides for a greater translation (i.e., higher predictive value) between animal efficacy studies and possible human clinical significance.

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b) *Cancer cells (and other pathogenic cell types) may not as easily "escape therapy" by mutating around the therapy.* When the target is a protein, cancerous cells can "escape therapy" by mutating around the therapy; they do this either (i) through a form of natural selection, by "selecting" the isoform of the protein that the drug has least efficacy against, or (ii) by making a new version of the protein that the drug is less effective against (and cancer cells have already proven to be highly likely to mutate). S1P, on the other hand, has no isoforms (or splice variants) so the natural selection process described above cannot occur. In addition, the second approach described above is highly unlikely to occur because cells are programmed to produce proteins and not lipids.

c) *Antibodies that bind to lipids may be able to attain certain efficiencies and potencies that protein-targeted antibodies cannot attain.* A typical antibody usually binds and inhibits one (in some cases, two) protein targets. Lipids are so small, by contrast, that each antibody can bind and inhibit two or more such lipid molecules, providing certain efficacies and potencies that typical antibodies cannot attain.

d) *ASONEP has greater binding affinity than other antibodies.* The affinity of ASONEP (i.e., the "strength" of binding to its target, S1P) is higher than antibody therapeutics that are currently used in the clinic as molecular sponges.

ASONEP has demonstrated favorable results in disease models for clinical indications other than cancer. In a preclinical study conducted at Harvard Medical School using ASONEP in an Experimental Autoimmune Encephalomyelitis (EAE) model of Multiple Sclerosis, ASONEP performed favorably compared against FTY720, a Novartis compound that was recently approved by the FDA as a treatment for Multiple Sclerosis.

In the first quarter of 2010, we completed a Phase 1 clinical trial in which ASONEP was tested in patients having cancer. The trial met its primary endpoint of identifying safe dose levels for investigation in the Phase 2 setting. ASONEP was well tolerated at all dose-levels, ranging from 1 mg/kg to 24 mg/kg. In the dose-escalation phase of the study, three evaluable patients were treated per dose level, with each one receiving four intravenous treatments during the initial evaluation period (generally on days 1, 15, 22, and 29). Patients could continue ASONEP treatment after this initial evaluation period as long as the patient's disease did not progress. The study also included an extension phase, where six additional patients were dosed at the highest dose (24 mg/kg) using the same dosing guidelines described above.

More than half the patients that completed the initial four-treatment evaluation period showed stable disease. Durable stable disease was observed in several patients. The test results offer considerable flexibility with dose level in future studies because ASONEP was equally well tolerated across all doses that were tested, other than minor infusion-related reactions observed at the highest dose of 24 mg/kg.

Phase 2 Clinical Trial

Based on ASONEP's safety profile and the observation of stable disease in several late-stage cancer patients, we believe that further investigation of ASONEP for efficacy in Phase 2 clinical trials is warranted. In collaboration with Beth Israel Deaconess Medical Center, Lpath has demonstrated efficacy of ASONEP in preclinical models of a form of human kidney cancer called renal cell carcinoma. We are collaborating with investigators at several medical research institutions on a Phase 2 clinical trial testing ASONEP as a treatment for renal cell carcinoma. The protocol for this Phase 2 study specifies that the number of patients in the study will be at least 37, with a maximum of 54. As of March 14, 2014, 20 patients have been enrolled in the study. The first cohort of 37 patients

is expected to be completed in 2014.

As part of the Pfizer Agreement, Lpath has granted to Pfizer (or any third party who may acquire Pfizer's rights) a time-limited right of first refusal for ASONEP, which period ends when the iSONEP Nexus clinical trial is completed.

Lpathomab

Our drug discovery team, using our proprietary ImmuneY2 technology, was the first, we believe, to generate functional mAbs against lysophosphatidic acid ("LPA"). LPA is a key bioactive lipid and has long been recognized in the literature as a significant promoter of cancer-cell growth and metastasis in a broad range of tumor types. Published research has demonstrated that LPA is a significant contributor to neuropathic pain and traumatic brain injury, and plays a key role in pulmonary fibrosis. Because of its potentially significant role in a number of diseases, including pain, fibrosis, and cancer, other companies have tried, unsuccessfully, to create an antibody against LPA.

We have selected the clinical candidate mAb from among three humanized mAbs that inhibit LPA. These mAbs were tested against each other in various models of human disease to determine which mAb would be most likely to succeed in clinical trials. We are now engaged in the antibody manufacturing process development activities and expect to complete Investigational New Drug ("IND") enabling studies in 2014. We plan to file the IND in early 2015, and begin testing Lpathomab in clinical trials thereafter.

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Business Strategy

With our long-standing focus on bioactive lipids as targets for human disease, we have developed an expertise involving various tools and technologies that positions us as a leader in the emerging category of lipidomic-based therapeutics. We intend to leverage this expertise by using our proprietary ImmuneY2 drug-discovery engine to add novel bioactive-lipid-oriented product candidates to our therapeutic pipeline. In addition, we will consider licensing in technologies and compounds that further leverage our unique expertise and related intellectual property.

Manufacturing, Development, and Commercialization Strategy

We have outsourced current Good Laboratory Practices ("cGLP") preclinical development activities (e.g., toxicology) and cGMP manufacturing and clinical development activities to contract research organizations ("CROs") and contract manufacturing organizations ("CMOs"). CROs and CMOs are third-parties that specialize in executing processes relating to project-oriented research activities on behalf of their clients and are commonly engaged in the industry. We outsource manufacturing to organizations with approved facilities and manufacturing practices. Marketing, sales, and distribution will likely be through strategic partners that license the right to market, sell, and distribute our compounds in exchange for some combination of up-front payments, royalty payments, and milestone payments. Our research and development expenses were $11.3 million and $8.2 million in fiscal years 2013 and 2012, respectively. In January 2012, we temporarily suspended dosing patients in our PED and wet-AMD trials. We took this action because we learned from the FDA that our fill-and-finish contractor, Formatech, Inc., was not in compliance with FDA's current Good Manufacturing Practice (cGMP) requirements during the period that the iSONEP clinical vials were filled. After we suspended dosing, we were notified by the FDA that the iSONEP trials were being placed on clinical hold. Thereafter, we manufactured new iSONEP drug substance and resumed dosing patients in the Nexus trial in September 2012. We also manufactured new drug substance to support our Phase 2 ASONEP clinical trial.

In 2006, we entered into a contract manufacturing agreement with Laureate Pharma, Inc. ("Laureate") for the production of ASONEP and iSONEP. Pursuant to the terms of the agreement, Laureate performed cell-line development, cell-line optimization, and upstream and downstream process development, followed by cGMP manufacture of ASONEP and iSONEP for use in clinical trials. The Laureate agreement expired at the end of 2012. In 2013, Gallus BioPharmaceuticals, LLC ("Gallus") acquired Laureate.

In 2013, we entered into a contract manufacturing agreement with Gallus to conduct the manufacturing process development and scale-up activities followed by the cGMP manufacture of Lpathomab for use in the Phase 1 clinical trial that we expect to begin in 2015.

We believe we have adequate supplies of clinical material to complete the Phase 2 clinical trial for iSONEP. We also believe we have adequate supplies of clinical material to meet the requirements of the ASONEP Phase 2 clinical trial through 2014. However, depending on various factors, including the stability of the drug product and the length of time that patients remain on the study, we may need to manufacture additional clinical material to complete the ASONEP Phase 2 clinical trial. We believe we have a good relationship with Gallus and that, if we need to manufacture additional clinical material, we will be able to renew the expired Laureate agreement with Gallus or enter into a new agreement with Gallus at that time. However, there is no assurance that we will be able to renew our existing agreement or enter into a new agreement with Gallus on acceptable terms, or at all. Gallus is currently our single manufacturer for ASONEP and iSONEP and may not be replaced without significant effort and delay in production. A supply interruption or an increase in demand beyond our current manufacturer's capabilities could harm our ability to manufacturer such products until new manufacturers are identified and qualified, which would have a significant adverse effect on our business and results.

Market and Competitive Considerations

The Wet-AMD Market

AMD is the leading cause of severe vision loss and blindness among older Americans. Although wet AMD affects only approximately 10% of patients with AMD, it is responsible for approximately 80% of the cases among patients with severe vision loss. Some estimates show that nearly one-third of all Americans 75 years of age or older have at least some form of AMD. According to a study published in 2008 by the National Eye Institute ("NEI") in partnership with Prevent Blindness, more than 2 million Americans age 50 and older have wet AMD. Other NEI data estimate that due to the rapid aging of the U.S. population, this number will increase to almost 3 million by 2020. The World Health Organization (WHO) has estimated that the number of people over age 60 will double over the next 16 years, and the U.S. Census Bureau has estimated that by 2030, nearly one in five U.S. residents will be over the age of 65.

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The current market leaders for the treatment of wet AMD are the VEGF inhibitors, including Lucentis ®, Eylea®and (off-label) Avastin®. In 2013, annual revenue (worldwide) was approximately $4.8 billion for Lucentis and $1.4 billion for Eylea, despite significant cannibalization by the off-label use of Avastin (estimated to be 60%). This off-label use, which is motivated by the fact that there is a significant cost differential between the drugs, suggests the 2013 market opportunity for the treatment of wet AMD was in excess of $12.0 billion.

The mAb Antibody Market and Cancer

Cancer is the second leading cause of death in the U.S. Recently, the overall health burden of cancer was estimated to be in excess of $190 billion. This great personal and societal burden has resulted in cancer becoming a major focus of R&D programs for both the U.S. government and pharmaceutical companies. These programs reflect an unprecedented effort to discover, develop, and market cancer therapeutics, a market that is expected to grow at a rate of 8% annually and to reach $85 billion by the year 2012.

Unfortunately, the considerable R&D effort devoted to cancer has not significantly mitigated the incidence of the disease, nor has it significantly increased the survival rate or reduced the duration of treatment for many cancer patients. According to *Cancer Statistics 2009*, published by the American Cancer Society, there are still approximately 1.5 million new cases of cancer diagnosed annually, resulting in over 500,000 deaths per year in the United States alone. Thus, even though a significant effort has been put forth to discover new therapeutics for cancer, effective therapeutic agents to combat many forms of the disease remain elusive. Further, traditional therapeutic agents are commonly plagued with severe side effects. Therefore, many groups have recently begun to look for new approaches to fighting the war against cancer. Among these new “innovative therapies” are gene therapy and therapeutic proteins such as mAbs, now including those against bioactive lipids.

The first mAb used clinically for the treatment of cancer was Rituxan (*rituximab*), which was launched in 1997. Since then, the sales level of this antibody has reached more than $6 billion per year. In addition, Roche’s newer mAb, Avastin, has also achieved annual sales in excess of $6 billion. These sales levels demonstrate the great potential of an effective mAb against cancer. Since the launch of Rituxan, more than 20 other mAbs have since been approved for marketing, including seven that are approved for cancer. The specificity of antibodies when compared with small molecule therapeutics has provided antibody therapeutics with a major advantage in terms of maximizing efficacy and reducing toxicity. There are currently more than 300 therapeutic antibody drug candidates in clinical studies worldwide. In the face of this substantial competition, we are uniquely poised to use the advantages of antibody therapeutics against an entirely new class of promising targets—bioactive lipids.

Competition

The pharmaceutical, biopharmaceutical and biotechnology industries are very competitive, fast moving and intense, and expected to be increasingly so in the future. Other larger and better funded companies have developed and are developing drugs that, if not similar in type to our drugs, are designed to address the same signaling pathways, or patient or subject population. Therefore, our lead products, other products in development, or any other products we may acquire or in-license may not be the best, the safest, the first to market, or the most economical to make or use. If a competitor’s product is better than ours, for whatever reason, then our sales could be lower than that of competing products, if we are able to generate sales at all.

Collaborative Arrangements

Pfizer Inc.

In December 2010, we entered into an agreement providing Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP™, Lpath’s lead monoclonal antibody product candidate, which is being evaluated for the treatment of wet age-related macular degeneration (wet AMD) and other ocular disorders. As a result of a clinical hold and the requirement to manufacture new drug substance during 2012, the projected costs to complete the iSONEP trials increased significantly and Pfizer requested the Company to consider potential alternatives to reduce the increased costs of the iSONEP trials. On December 5, 2012, the Company and Pfizer amended the Agreement (the “Amendment”) to, among other things, reflect the parties’ agreement to discontinue the PEDigree trial and to focus on the Nexus trial. Under the terms of the Amendment, the parties will continue to pursue and share the cost of the iSONEP trials, including any costs associated with discontinuing the PEDigree trial.

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Under the terms of the agreement, Pfizer provided Lpath with an upfront option payment of $14 million and will share the cost of the planned clinical trials, including any costs associated with discontinuing the PEDigree trial. Following completion of the Nexus trial, Pfizer has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer exercises its option, Lpath will be eligible to receive development, regulatory and commercial milestone payments that could total up to $497.5 million; in addition, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP. As part of the agreement, Lpath has granted to Pfizer a time-limited right of first refusal for ASONEP™ which period ends when the iSONEP Nexus clinical trial is completed. ASONEP is Lpath’s product candidate that is being evaluated for the treatment of cancer.

In October 2013, Lpath announced that it had received notice from Pfizer that Pfizer would be seeking to divest certain ophthalmology research and development assets, including Pfizer’s rights and obligations under the Pfizer Agreement. Lpath presented offers to Pfizer to reacquire those rights. However, in December 2013, Pfizer informed Lpath that its offers were not competitive with other offers. Therefore, Lpath believes that a number of third parties may have an interest in acquiring Pfizer’s rights. Acquisition of the iSONEP option by a third party would not affect the terms of the Pfizer Agreement, as the existing rights and obligations currently held by Pfizer will be assumed by the third party or remain with Pfizer based on the terms of the agreement between Pfizer and the third party.

In-licensed Technology

Lonza Biologics PLC

In 2006, we entered into two licensing arrangements with Lonza Biologics PLC (“Lonza”). In the first agreement known as the “Research Evaluation Agreement”, Lonza granted us a non-exclusive license to use cell-line development technology owned by Lonza for research purposes. The term of this agreement is one year, and requires an annual license fee of £35,000 (approximately $53,000 based on current exchange rates). The license may be extended at our discretion for additional one-year periods. The Research Evaluation Agreement does not permit the use of the underlying technology for the manufacture of products to be used in *in vivo* clinical studies or for commercial sale.

Under the terms of the second license from Lonza, identified as the “License Agreement,” Lonza granted us a non-exclusive license with rights to use,

and to authorize sublicenses to use, Lonza's cell-line technology for the production of drug material to be used in human clinical trials, as well as for commercial sale. Pursuant to the terms of the License Agreement, we are obligated to pay Lonza various annual license fees and royalties depending on whether the drug material produced using the technology is manufactured by Lonza, by us or our affiliates, or by a contract manufacturer As of December 31, 2013, Lpath has paid annual license fees totaling £900,000 ($1,463,000) to Lonza. Unless terminated earlier, the License Agreement will continue in effect until the expiration of the patents related to the underlying technology. We may terminate the agreement at any time in our discretion by giving Lonza 60 days' written notice of termination. Either party may terminate the agreement upon a material breach by the other party, subject to certain cure periods.

AERES Biomedical Limited

In August 2005, Lpath entered into a collaboration agreement with AERES Biomedical ("AERES") to "humanize" the company's *Sphingomab* monoclonal antibody. Humanization under this agreement with AERES involves utilizing proprietary processes owned by AERES for the purpose of modifying Sphingomab antibodies originally contained in mice for potential human acceptance in a clinical trial. The humanized version of Sphingomab that was produced from the collaboration with AERES is called Sonepcizumab. Lpath paid AERES $350,000 in 2012 and no amounts were paid to AERES during 2013. Lpath could owe certain additional contingent amounts when drug candidates based on Sonepcizumab pass through the levels of the FDA drug review and approval process. AERES will be entitled to a royalty, not to exceed 4%, on any revenues generated by the ultimate commercialization of any drug candidate based on Sonepcizumab.

Patents and Proprietary Rights

Our success will depend, in part, on our ability to obtain patent protection for our products in the United States and other countries. We have created a broad intellectual-property position in the bioactive lipid arena. Our patent portfolio now includes more than 55 issued or pending patents in the United States, with corresponding applications in major foreign countries. These patents primarily concern the use of reagents and methods designed to interfere with the actions of bioactive lipids involved in human disease. Lpath's intellectual-property portfolio includes compositions of matter that specifically bind to sphingolipids and sphingolipid metabolites. These agents, including antibodies, could be used in the diagnosis and treatment of various diseases and disorders, including cardiovascular and cerebrovascular disease, cancer, inflammation, autoimmune disorders, ocular disease, and angiogenesis. We have also obtained issued claims on sphingolipid targets (e.g., receptors and signaling sphingolipids) and methods for using such targets in drug-discovery screening efforts. We believe that our patent portfolio provides broad, commercially significant coverage of antibodies, receptors, enzymes, or other moieties that bind to a lysolipid (or a sphingolipid metabolite) for diagnostic, therapeutic, or screening purposes. Our issued patents begin to expire in 2017. We do not believe that the expiration of any single patent is likely to significantly affect our intellectual property position.

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Government Regulation

The FDA and comparable regulatory agencies in foreign countries, as well as drug regulators in state and local jurisdictions, impose substantial requirements upon the clinical development, manufacturing, and marketing of pharmaceutical products. These agencies and other federal, state and local entities regulate research and development activities and the human testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising, and promotion of our product candidates (and any other products we may develop, acquire, or in-license).

The process required by the FDA under the drug provisions of the United States Food, Drug, and Cosmetic Act before our initial products may be marketed in the U.S. generally involves the following:

- Preclinical laboratory and animal tests;
- Submission of an Investigational New Drug Application ("IND"), which must become effective before human clinical trials may begin;
- Adequate and well-controlled human clinical trials to establish the safety and efficacy of the product candidate for its intended use;
- Submission to the FDA of an New Drug Application ("NDA"); and
- FDA review and approval, or otherwise, of an NDA.

The testing and approval process requires substantial time, effort, and financial resources, and we cannot be certain that any approval will be granted on an expeditious basis, if at all. Preclinical tests include laboratory evaluation of the product candidate, its chemistry, formulation and stability, as well as animal studies to assess the potential safety and efficacy of the product candidate. Certain preclinical tests must be conducted in compliance with cGLP regulations. Violations of these regulations can, in some cases, lead to invalidation of the studies, requiring such studies to be replicated. In some cases, long-term preclinical studies are conducted while clinical studies are ongoing.

We are required to submit the results of our preclinical tests, together with manufacturing information and analytical data, to the FDA as part of an IND, which must become effective before we may begin human clinical trials. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the trials as outlined in the IND and imposes a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can begin. Our submission of an IND may not result in FDA authorization to commence clinical trials. All clinical trials must be conducted under the supervision of a qualified investigator in accordance with good clinical practice regulations. Among other things, these regulations include the requirement that all subjects provide informed consent. Further, an independent Institutional Review Board ("IRB") at each medical center proposing to conduct the clinical trials must review and approve any clinical study. Each IRB also continues to monitor the study and must be kept aware of the study's progress, particularly as to adverse events and changes in the research. Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if adverse events occur.

Human clinical trials are typically conducted in three sequential phases that may overlap:

- Phase 1: The drug is initially introduced into human subjects or patients and tested for safety, dosage tolerance, absorption, distribution, metabolism, and excretion ("ADME").
- Phase 2: The drug is studied in a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage.

- Phase 3: When Phase 2 evaluations demonstrate that a dosage range of the drug is effective and has an acceptable safety profile, Phase 3 trials are undertaken to further evaluate dosage and clinical efficacy and to further test for safety in an expanded patient population, often at geographically dispersed clinical study sites.

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We cannot be certain that we will successfully initiate or complete Phase 1, Phase 2, or Phase 3 testing of our product candidates within any specific time period, if at all. Furthermore, the FDA or an IRB may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

Concurrent with clinical trials and pre-clinical studies, we also must develop information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the product in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product, and we must develop methods for testing the quality, purity, and potency of the final products. Additionally, appropriate packaging must be selected and tested and chemistry stability studies must be conducted to demonstrate that the product does not undergo unacceptable deterioration over its shelf-life.

The results of product development, pre-clinical studies, and clinical studies are submitted to the FDA as part of an NDA for approval of the marketing and commercial shipment of the product. The FDA reviews each NDA submitted and may request additional information, rather than accepting the NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the FDA accepts the NDA for filing, the agency begins an in-depth review of the NDA. The FDA has substantial discretion in the approval process and may disagree with our interpretation of the data submitted in the NDA.

The review process may be significantly extended by FDA requests for additional information or clarification regarding information already provided. Also, as part of this review, the FDA may refer the application to an appropriate advisory committee, typically a panel of clinicians, for review, evaluation and a recommendation. The FDA is not bound by the recommendation of an advisory committee. Manufacturing establishments often also are subject to inspections prior to NDA approval to assure compliance with cGMPs and with manufacturing commitments made in the relevant marketing application.

Under the Prescription Drug User Fee Act (“PDUFA”), submission of an NDA with clinical data requires payment of a fee to the FDA, which is adjusted annually. For fiscal year 2014, that fee is $2,169,100. In return, the FDA assigns a goal of ten months for standard NDA reviews from acceptance of the application to the time the agency issues its “complete response,” in which the FDA may approve the NDA, deny the NDA if the applicable regulatory criteria are not satisfied, or require additional clinical data. Even if the requested data is submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. If the FDA approves the NDA, the product becomes available for physicians to prescribe. Even if the FDA approves the NDA, the agency may decide later to withdraw product approval if compliance with regulatory standards is not maintained or if safety problems occur after the product reaches the market. The FDA may also require post-marketing studies, sometimes known as Phase 4 studies, as a condition of approval to develop additional information regarding the safety of a product. In addition, the FDA requires surveillance programs to monitor approved products that have been commercialized, and the agency has the power to establish and require changes in labeling and to prevent further marketing of a product based on the results of these post-marketing programs.

Satisfaction of the above FDA requirements or requirements of state, local and foreign regulatory agencies typically takes several years, and the actual time required may vary substantially based upon the type, complexity and novelty of the pharmaceutical product or medical device. Government regulation may delay or prevent marketing of potential products for a considerable period of time and impose costly procedures upon our activities. We cannot be certain that the FDA or any other regulatory agency will grant approval for our lead products (or any other products we may develop, acquire, or in-license) on a timely basis, if at all. Success in preclinical or early-stage clinical trials does not assure success in later-stage clinical trials. Data obtained from preclinical and clinical activities are not always conclusive and may be susceptible to varying interpretations that could delay, limit or prevent regulatory approval. Even if a product receives regulatory approval, the approval may be significantly limited to specific indications or uses. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. Delays in obtaining, or failures to obtain regulatory approvals would have a material adverse effect on our business.

Any products manufactured or distributed by us pursuant to the FDA clearances or approvals are subject to pervasive and continuing regulation by the FDA, including record-keeping requirements, reporting of adverse experiences with the drug, submitting other periodic reports, drug sampling and distribution requirements, notifying the FDA and gaining its approval of certain manufacturing or labeling changes, complying with certain electronic records and signature requirements, and complying with the FDA promotion and advertising requirements. Drug manufacturers and their subcontractors are required to register their facilities with the FDA and state agencies and are subject to periodic unannounced inspections by the FDA and state agencies for compliance with good manufacturing practices, which impose procedural and documentation requirements upon our third-party manufacturers. Failure to comply with these regulations could result, among other things, in suspension of regulatory approval, recalls, suspension of production or injunctions, seizures, or civil or criminal sanctions. We cannot be certain that our present or future subcontractors will be able to comply with these regulations and other FDA regulatory requirements.

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The FDA regulates drug labeling and promotion activities. The FDA has actively enforced regulations prohibiting the marketing of products for unapproved uses. Under the FDA Modernization Act of 1997, the FDA will permit the promotion of a drug for an unapproved use in certain circumstances, but subject to very stringent requirements.

Our product candidates are also subject to a variety of state laws and regulations in those states or localities where our lead products (and any other products we may develop, acquire, or in-license) are manufactured or marketed. Any applicable state or local regulations may hinder our ability to market our lead products (and any other products we may develop, acquire, or in-license) in those states or localities. In addition, whether or not FDA approval has been obtained, approval of a pharmaceutical product by comparable governmental regulatory authorities in foreign countries must be obtained prior to the commencement of clinical trials and subsequent sales and marketing efforts in those countries. The approval procedure varies in complexity from country to country, and the time required may be longer or shorter than that required for FDA approval.

The FDA’s policies may change, and additional government regulations may be enacted which could prevent or delay regulatory approval of our potential products. Moreover, increased attention to the containment of health care costs in the U.S. and in foreign markets could result in new government regulations that could have a material adverse effect on our business. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise

from future legislative or administrative action, either in the U.S. or abroad.

Other Regulatory Requirements

The U.S. Federal Trade Commission and the Office of the Inspector General of the U.S. Department of Health and Human Services ("HHS") also regulate certain pharmaceutical marketing practices. Also, reimbursement practices and HHS coverage of medicine or medical services are important to the success of procurement and utilization of our product candidates, if they are ever approved for commercial marketing.

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, relationships with treating physicians, data protection, the export of products to certain countries, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with these laws and regulations now or in the future. We cannot assure you that any portion of the regulatory framework under which we currently operate will not change and that such change will not have a material adverse effect on our current and anticipated operations.

Employees

As of March 1, 2014, we employed 24 individuals, of whom 15 held advanced degrees. A significant number of our management and professional employees have had prior experience with pharmaceutical, biotechnology, or medical product companies. Collective bargaining agreements do not cover any of our employees, and we consider relations with our employees to be good.

SEC Filings; Internet Address; Trademarks

Our Internet address is www.lpath.com. We file our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports with the SEC and make such filings available free of charge on our website, www.lpath.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information found on our website shall not be deemed incorporated by reference by any general statement incorporating by reference this report into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent we specifically incorporate the information found on our website by reference, and shall not otherwise be deemed filed under such Acts.

Our filings are also available through the SEC's website, www.sec.gov, and at the SEC Public Reference Room at 100 F Street, NE Washington DC 20549. For more information about the SEC Public Reference Room, you can call the SEC at 1-800-SEC-0330.

iSONEP™, ASONEP™ Lpathomab™, ImmuneY2™ and our logo are our trademarks. This Annual Report on Form 10-K also includes trademarks, trade names and service marks that are the property of other organizations.

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ITEM 1A. RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained in this Annual Report on Form 10-K, before you decide to buy our securities. 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 currently deem immaterial may also impair our operations. If any of the following risks actually occur, our business would likely suffer and the trading price of our securities could decline, and you may lose all or part of the money you paid to buy our securities.

Risks primarily associated with our business:

We are in the early stages of drug development, and we may be unable to generate significant revenues and may never become profitable.

We are in the early stages of drug development, and have not received FDA approval for marketing any of our drug candidates. We have generated approximately $40.5 million in revenues from inception through December 31, 2013 and, as of December 31, 2013, we had an accumulated deficit of approximately $49.5 million. We expect to incur significant operating losses for the foreseeable future as we continue to develop and seek regulatory approval for our drug candidates. We cannot provide any assurance that any of our drug candidates will prove to be clinically significant or will receive regulatory approval. Even if the drug candidates were to receive any regulatory approval, there can no assurance that we could provide for their effective marketing and sales, either by ourselves or in partnership with others. In addition, we cannot provide any assurance that Pfizer (or a third party who may acquire Pfizer's rights) will not terminate the Pfizer Agreement, or that Pfizer (or a third party who may acquire Pfizer's rights) will exercise its option for worldwide commercial rights to iSONEP. Consequently there can be no assurance that we will ever achieve profitability and, even if we achieve profitability, that we will be able to sustain or increase profitability on a quarterly or annual basis. Accordingly, our prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in an early stage of drug development.

We will require, and may not be able to obtain, substantial additional financial resources in order to carry out our planned activities.

As they are currently planned, we estimate that our ongoing drug discovery and development efforts, including general and administrative expenses, will require Lpath to expend approximately $26 million from December 31, 2013 through the first quarter of 2015. As of December 31, 2013, we had cash and cash equivalents totaling $11.9 million. In addition, from January 1, 2014 to March 14, 2014, we have received net proceeds of $7 million from the issuance of common stock in "at-the-market" sales pursuant to the at-the-market sales agreement we entered into in August 2013. Additional near-term sources of cash include our accounts receivable of $1.3 million and funding under the terms of the Pfizer Agreement to support our Nexus clinical trial, as well as $0.5 million of unexpended funding remaining on NIH grants awarded to the company. We believe these funds should be sufficient to fund our planned drug discovery and development activities through the first quarter of 2015.

Based on our current plans and available resources, we will be required to secure additional capital to continue to fund our planned drug discovery and development projects beyond the first quarter of 2015. In addition, our expenses may exceed our current plans and expectations. For example, we believe we have adequate supplies of clinical material to complete the Phase 2 clinical trial for iSONEP, and we also believe we have enough clinical material to meet the requirements of the ASONEP Phase 2 clinical trial through 2014. However, depending on various factors, including the stability of the drug product and the length of time that patients remain on the study, we may need to manufacture additional clinical material to complete the ASONEP Phase 2 clinical trial.

If Pfizer (or a third party who may acquire Pfizer's rights) elects to exercise its option to continue the clinical development of iSONEP beyond the current Nexus clinical trial, the terms of the Pfizer Agreement provide that we will receive additional funding that we may use to support our operations beyond the first quarter of 2015. However, we cannot assure you that we will be successful in maintaining our commercial relationship with Pfizer (or a third party who may acquire Pfizer's rights), that Pfizer (or that a third party who may acquire Pfizer's rights) will exercise its option to commercialize iSONEP prior to the end of first quarter of 2015 or at all, or that iSONEP will achieve the developmental, regulatory, and commercial milestones necessary to entitle us to future payments under the Pfizer Agreement on a timely basis, or at all.

We expect that we will be required to issue additional equity or debt securities or enter into other commercial arrangements, including relationships with corporate and other partners, to secure the additional financial resources to support our development efforts and future operations. We may not be successful in obtaining funding from new or existing collaboration or license agreements, or in receiving milestone or royalty payments under those agreements. In addition, we cannot be sure that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or to our stockholders. Having insufficient funds may require us to delay, scale back, or eliminate some or all of our development programs, relinquish some or even all rights to product candidates at an earlier stage of development, or renegotiate less favorable terms than we

would otherwise choose. For example, in the future, we could determine to delay or scale back some of our planned drug discovery and development projects to extend our runway beyond the first quarter of 2015. Failure to obtain adequate financing could eventually adversely affect our ability to operate as a going concern. If we raise additional funds from the issuance of equity securities, substantial dilution to our existing stockholders would likely result. If we raise additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

We may not be successful in maintaining our commercial relationship with Pfizer or any third party who may acquire Pfizer's rights under the Pfizer Agreement and even if we do maintain our commercial relationships, they may not be successful.

In December 2010, we entered into the Pfizer Agreement, which provides Pfizer with an exclusive option for a worldwide license to develop and commercialize iSONEP. In October 2013, we announced that we had received notice from Pfizer that Pfizer would be seeking to divest certain ophthalmology research and development assets, including Pfizer's rights and obligations under the Pfizer Agreement. We presented offers to Pfizer to reacquire those rights. However, in December 2013, Pfizer informed us that our offers were not competitive with other offers. Therefore, we believe that a number of third parties may have an interest in acquiring Pfizer's rights. Acquisition of Pfizer's rights and obligations under the terms of the Pfizer Agreement by a third party would not affect the terms of the Pfizer Agreement, as the existing rights and obligations currently held by Pfizer will be assumed by the third party or remain with Pfizer based on the terms of the agreement between Pfizer and the third party.

We cannot assure you that Pfizer (or a third party who may acquire Pfizer's rights) will not decide to terminate the Pfizer Agreement early, we will not experience further delays in our clinical trials, that Pfizer (or any third party who may acquire Pfizer's rights) will exercise the option to commercialize iSONEP, or that iSONEP will achieve the developmental, regulatory and commercial milestones that would entitled us to future payments under the Pfizer Agreement. We also cannot assure you that we will be successful in our bid to reacquire Pfizer's rights under the Pfizer Agreement.

Our commercial relationship with Pfizer (or any third party who acquires Pfizer's rights) and the other collaborations we have entered into, or may enter into in the future, may not be successful due to one or more of the following:

- disputes with respect to payments that we believe are due under a collaboration agreement;
- disagreements with respect to ownership and use of intellectual property rights;
- unwillingness on the part of a collaborator to keep us informed regarding the progress of its development and commercialization activities, or to permit public disclosure of these activities;
- delay of a collaborator's development or commercialization efforts with respect to our drug candidates;
- disagreements with the collaborator regarding the appropriate clinical trial protocols;
- termination or non-renewal of the collaboration due to the failure of our product candidate to satisfy required developmental, regulatory or commercial milestones in the view of the collaborator;
- demands by the collaborator to renegotiate the terms of any agreement with the collaborator; or
- changes in the collaborator's business plans or financial health or other competitive or market reasons.

Further, as a result of our collaborations, we may have less control over the development, clinical testing, marketing and distribution activities performed by our collaborators than if we were performing those functions with our own facilities and employees or based on our own decisions. This lack of direct control could adversely affect the results. For example, our ability to complete the Nexus trial during the second half of 2014 depends in part on Pfizer's decisions (or the decisions of a third party who may acquire Pfizer's rights) regarding the clinical trial protocols and the clinical trial process.

In addition, in any collaboration, we may be required to agree not to conduct independently, or with any third party, any research that is competitive with the research conducted under our collaborations. Our collaborations may have the effect of limiting the areas of research that we may pursue, either alone or with others. Our collaborators, however, may be able to develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations.

For example, in 2008, we entered into a License Agreement with Merck KGaA ("Merck") pursuant to which Merck agreed to collaborate with us to develop and commercialize ASONEP (the "Merck Agreement"). In March 2010, following the completion of our Phase 1 clinical trial, Merck proposed continuing the partnership with us via an extension of the Initial Development Period (as defined in the Merck Agreement). However the terms of that proposal were rejected by Lpath's Board of Directors as not being in the best interests of Lpath's stockholders. Consequently, Merck notified us of their decision to terminate the Merck Agreement. Pursuant to the terms of the Merck Agreement, the termination was effective on April 24, 2010, and upon termination Merck relinquished all rights to the ASONEP program.

As another example, to help reduce the costs of the iSONEP trials the Company and Pfizer amended the Pfizer Agreement in December 2012 to among

other things, reflect the parties' agreement to discontinue the PEDigree trial and to focus on the Nexus trial. We cannot assure you that Pfizer (or any third party who may acquire Pfizer's rights) will not attempt to further renegotiate the terms of our existing Pfizer Agreement.

If we are not successful in maintaining our collaborations, including our relationship with Pfizer, (or any third party who may acquire Pfizer's rights), we will need to raise significant additional funds to support our drug development programs and our business, prospects, financial condition and results of operations could be materially adversely affected.

We may have delays in completing our clinical trials and we may not complete them at all.

We have not completed the clinical trials necessary to obtain FDA approval to market iSONEP or ASONEP. The clinical trial process is also time consuming, and we do not know whether planned clinical trials will begin on time or whether we will complete any of our clinical trials on schedule, or at all. We currently estimate that we will complete dosing the last Nexus trial patient during the second half of 2014. We also expect to enroll the first cohort of 37 patients in our Phase 2 ASONEP clinical trial by the end of 2014. However, our clinical trials, including our Nexus trial and our Phase 2 clinical trial of ASONEP, may be delayed or terminated in the future as a result of many factors, including the following:

- difficulty in securing centers to conduct trials;
- slower than expected patient enrollment or lack of a sufficient number of patients that meet the enrollment criteria for our clinical trials and our inability to change our clinical protocols to respond to such delays;
- patients failing to complete clinical trials due to safety issues, treatment protocol requirements, side effects, dissatisfaction with the product candidate, or other reasons;
- unexpected adverse reactions by patients or a temporary suspension or complete ban on trials of our products due to adverse side effects;
- inability or unwillingness of medical investigators to follow our clinical protocols;
- inability to change clinical trial protocols if we experience unexpected delays;
- inability to maintain or manufacture a supply of the investigational drug or the active comparators in sufficient quantities to support the trials;
- disagreements with our collaborators (like Pfizer) on clinical trial protocols or design;
- delays or failure in reaching agreement on acceptable clinical trial contracts or clinical trial protocols with prospective clinical testing sites;
- regulators or Institutional Review Boards may not authorize us to commence a clinical trial;
- regulators or Institutional Review Boards may suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or concerns about patient safety;
- the FDA instituting future clinical holds on our clinical trials, and delays or failure of the FDA to remove such clinical holds;
- we may suspend or terminate our clinical trials if we believe that they expose the participating patients to unacceptable risks or for other reasons;
- difficulty in maintaining contact with patients after treatment may prevent us from collecting the data required by our study protocols;
- product candidates demonstrating a lack of efficacy during clinical trials;
- governmental or regulatory delays, changes in regulatory requirements, policy and guidelines;
- competition with ongoing clinical trials and scheduling conflicts with participating clinicians; and
- delays in completing data collection and analysis for clinical trials.

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In the past, we have experienced significant delays in our clinical trials for one or more of the reasons outlined above. For example, in January 2012, the FDA placed our clinical trials on hold 2012 following a determination by the FDA that our fill-and-finish contractor that had filled the iSONEP clinical trial vials was not in compliance with the FDA's current Good Manufacturing Practice (''cGMP'') standards during the time period it provided those services to the Company. Thereafter, we were required to manufacture new drug product, which resulting in our inability to resume dosing patients until September 2012.

As another example, our Nexus trial has experienced slower than expected patient enrollment which has extended the anticipated completion date of that trial. With our partner Pfizer, we have taken a number of steps to attempt to accelerate the rate of patient enrollment. However, for any of the reasons mentioned above, our efforts to accelerate enrollment may not be successful. If the rate of patient enrollment does not increase, we may not complete the Nexus trial within our estimated timeframe.

Significant delays in the successful completion of our clinical trials for any of the reasons discussed above will adversely affect our business, prospects, financial condition and results of operations

In addition, we rely on academic institutions, hospitals and medical centers, physician practices and clinical research organizations to conduct, supervise or monitor some or all aspects of clinical trials involving our product candidates. We have less control over the timing and other aspects of these clinical trials than if we conducted the monitoring and supervision entirely on our own. Third parties may not perform their responsibilities for our clinical trials on our anticipated schedule or consistent with a clinical trial protocol, applicable regulations or good clinical practices. We also rely on clinical research organizations to perform our data management and analysis. They may not provide these services as required or in a timely or compliant manner. Moreover, our development costs will increase if we are required to complete additional or larger clinical trials for the iSONEP and ASONEP prior to regulatory approval. If the delays or costs are significant, our financial results and ability to commercialize our products will be adversely affected.

We may not be able to correctly estimate our future operating expenses, which could lead to cash shortfalls.

Our operating expenses may fluctuate significantly in the future as a result of a variety of factors, many of which are outside of our control. These factors include:

- the time and resources required to develop our product candidates, conduct pre-clinical and clinical trials, obtain regulatory approvals, and create effective sales and marketing capabilities;
- the time and costs of manufacturing additional supplies of our investigational drug or obtaining the active comparators for our clinical trials;
- the expenses we incur for research and development required to develop our drug candidates and to maintain and improve our technology;
- the costs of maintaining our commercial relationship with Pfizer (or a third party who may acquire Pfizer's rights);
- the costs to attract and retain personnel with the skills required for effective operations; and
- the costs of preparing, filing, prosecuting, defending and enforcing patent claims and other patent related costs, including litigation costs and the results of such litigation.

In addition, our budgeted expense levels are based in part on our expectations concerning future revenues. However, our ability to generate any revenues depends largely on the progress of our drug candidates through clinical trials, and ultimately on receiving marketing approval from the FDA, which is difficult to forecast accurately. We may be unable to adjust our operations in a timely manner to compensate for any unexpected shortfall in revenues. As a result, a significant shortfall in our planned revenues could have an immediate and material adverse effect on our business and financial condition.

We must obtain governmental approval for each of our products, which is an expensive and complicated process in which any number of problems could arise that would adversely affect our business.

Our product candidates target lipids, as opposed to proteins, and the FDA has not previously approved any similar product. Thus, we may encounter unexpected safety, efficacy, or manufacturing issues as we seek to obtain regulatory approval, and we may never receive approval from the FDA or other governmental authorities for our drug candidates.

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The development, production and marketing of our products are subject to extensive regulation by government authorities in the United States and most other developed countries. The process of obtaining approval from the FDA in the United States requires conducting extensive pre-clinical and clinical testing. We have limited experience in, and limited resources available for, regulatory and clinical activities. Any of the following events relating to the regulatory approval of our drug candidates can occur and, if any did occur, any one could have a material adverse effect on our business, financial conditions and results of operations:

- inability to successfully complete our clinical trials in accordance with our clinical protocols and FDA regulations;
- results of clinical trials not yielding sufficiently conclusive favorable data for regulatory agencies to approve the use of our products in development, or any other products we may acquire or in-license;
- the FDA or other regulatory authorities may place a clinical trial on clinical hold;
- delays, sometimes long delays, in obtaining approval for our product candidates, including, but not limited, to requests for additional clinical trials;
- changes in the rules and regulations governing the approval process for product candidates such as ours during the testing and review period, which can result in the need to spend time and money for further testing or review;
- the authorized use of any product, if approved, is more limited than required for commercial success, or approval is conditioned on completion of further clinical trials or other activities; and
- any approval being withdrawn, or limited, if previously unknown problems arise with our human-use product or data arising from its use.

Failure to comply with applicable regulations can, among other things, result in non-approval, suspensions of regulatory approvals, fines, product seizures and recalls, operating restrictions, injunctions and criminal prosecution.

The results of our clinical trials may not support either further clinical development or the commercialization of our product candidates.

Even if we complete a clinical trial as planned, their results may not support either the further clinical development or the commercialization of our product-candidates. The FDA or government authorities may not agree with our conclusions regarding the results of our clinical trials. In addition, our collaboration partners may decide that the results of our clinical trials do not support further investment by such partners. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and the results from any later clinical trials may not replicate the results of prior clinical trials and pre-clinical testing. The clinical trial process may fail to demonstrate that our product candidates are safe for humans, effective for indicated uses, or commercially viable given the competitive environment and reimbursement issues. This failure would cause us to abandon a product candidate and may delay development of other product candidates. Any delay in, or termination of, our clinical trials will delay the filing of our NDAs with the FDA and, ultimately, our ability to commercialize our product candidates and generate product revenues.

In addition, we or the FDA may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the FDA finds deficiencies in any INDs or the conduct of these trials. A number of companies in the biotechnology and drug development industries have suffered significant setbacks in advanced clinical trials despite promising results in earlier trials. In the end, we may be unable to develop marketable products.

Further, we have not obtained an agreement with the FDA that the design of our planned iSONEP or ASONEP studies are sufficient to lead to product approval if the results are positive. Moreover, we have not developed or reached an agreement with the FDA on the detailed statistical analysis plan that will be used to analyze the data from these clinical trials. Regulatory agencies also may approve a product candidate for fewer or more limited indications than requested or may grant approval subject to the performance of post-marketing studies. In addition, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates.

A source of revenue, grant funds from the National Institutes for Health, may not continue to be a source of revenue in the future.

Although we have applied for many grants and thus far have been awarded many of them, the National Institutes of Health ("NIH") may not in the future find our applications worthy of such grants. The NIH has notified all grant recipients that due to the current Congressional budget sequestration, the NIH may not issue continuation awards, or it may negotiate a reduction in the scope of our awards to meet the constraints imposed by sequestration. Additionally, plans for new grants or cooperative agreements may be re-scoped, delayed, or canceled depending on the nature of the work and the availability of resources.

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In addition, the NIH requires audits of those recipients of grant funds exceeding $500,000 in any year, a threshold that we have exceeded in 2013. Such audits test the allowability and allocation of expenditures and ultimately compliance with OMB Circular A-133 audit requirements. There can be no assurance that we will pass such an audit, and failure to pass could result in a material adverse effect on our cash flow and our business operations.

Our drug-development programs depend upon third-party researchers who are outside our control.

We depend upon independent investigators and collaborators, such as universities, medical institutions, and clinical research organizations to conduct our pre-clinical and clinical trials under agreements with us. Such agreements are often standard-form agreements typically not subject to extensive negotiation. These investigators or collaborators are not our employees, and in general we cannot control the amount or timing of resources that they devote to our programs. These investigators may not assign as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. If outside collaborators fail to devote sufficient time and resources to our drug-development programs, or if their performance is substandard, the approval of our FDA applications, if any, and our introduction of new drugs, if any, will be delayed. These collaborators may also have relationships with other commercial entities, some of whom may compete with us.

Our collaborations with outside scientific and clinical advisors may be subject to restriction and change.

We work with scientific and clinical advisors at academic and other institutions who are experts in the fields of oncology, ophthalmology, pain, traumatic brain injury, and autoimmune disorders (such as multiple sclerosis). They assist us in our research and development efforts and advise us with respect to our clinical trials. These advisors are not our employees and may have other commitments that would limit their future availability to us. Although our scientific and clinical advisors and collaborators generally agree not to engage in competing work, if a conflict of interest arises between their work for us and their work for another entity, we may lose their services, which may impair our reputation in the industry and delay the clinical development of our drug candidates.

We are dependent on third-party manufacturers, over whom we have limited control, to manufacture our products.

The manufacturing process of iSONEP, ASONEP, Lpathomab, and any other therapeutic products we may want to evaluate or commercialize involves a number of steps and requires compliance with stringent quality control specifications imposed by us and by the FDA. Moreover, our proposed products may be manufactured only in a facility that has undergone a satisfactory inspection and certification by the FDA. We do not have any manufacturing facilities ourselves and expect to rely on one or more third-party manufacturers to properly manufacture our products currently in clinical development as well as any other products we may develop or in-license. We may not be able to quickly replace our manufacturing capacity if we were unable to use a third party's manufacturing facilities as a result of a fire, natural disaster (including an earthquake), equipment failure or other difficulty, or if such facilities are deemed not in compliance with current Good Manufacturing Practice ("cGMP") requirements, and the noncompliance could not be rapidly rectified. For example, in January 2012, we temporarily suspended dosing patients in our PED and wet-AMD trials, because we learned from the FDA that our fill-and-finish contractor, Formatech, Inc., was not in compliance with cGMP requirements during the period in August 2010 that the iSONEP clinical vials were filled. After we suspended dosing, we were notified by the FDA that the iSONEP trials were being placed on clinical hold. Thereafter, we were required to manufacture new drug product, which resulting in our inability to resume dosing patients until September 2012. In addition, we may not be able to maintain our agreement with any manufacturer we select. For example, our agreement with our existing manufacturer of ASONEP and iSONEP, Laureate Pharma, Inc., ("Laureate") expired by its terms at the end of 2012. In 2013, Gallus BioPharmaceuticals,LLC ("Gallus") acquired Laureate. In the event we need to manufacture more drug supplies to support our ongoing or future clinical trials, we would undertake to renew our agreement or enter into a new agreement with Gallus. There is no assurance, however, that we will be able to renew our agreement or enter into a new agreement with Gallus on acceptable terms, or at all. Gallus (formerly Laureate) is our single manufacturer for ASONEP and ISONEP and may not be replaced without significant effort and delay in production. A supply interruption or an increase in demand beyond our current manufacturer's capabilities could harm our ability to manufacturer such products until new manufacturers are identified and qualified, which would have a significant adverse effect on our business and results.

Additionally, our inability or reduced capacity to have our products manufactured would prevent us from successfully evaluating or commercializing our proposed products. Our dependence upon third parties for the manufacture of our proposed products may adversely affect our profit margins and our ability to develop and deliver proposed products on a timely and competitive basis. Any delays in formulation and manufacturing objectives may cause a delay in our clinical program, and could have an adverse effect on the price of our shares.

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We have a limited product and technology portfolio at the current time.

Although our clinical drug candidates, iSONEP and ASONEP, might ultimately show clinical relevance in multiple disease states, we have assessed their clinical potential only against AMD and cancer, respectively, and only in Phase 1 clinical trials with small numbers of patients and in animal models. In addition, our third product candidate, Lpathomab, is still in pre-clinical development. There can be no assurance that any of our existing product candidates will be successfully developed, prove to be safe and efficacious in clinical trials, meet applicable regulatory standards, be capable of being produced in commercial quantities at acceptable costs or be successfully marketed.

In addition, our ImmuneY2™ process of generating monoclonal antibodies against lipid mediators may not be successful against future targets. As such, there can be no assurance that we will be able to develop a monoclonal antibody against our future targets, and thus, we may fail to generate additional clinical candidates for our pipeline.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market any products we may develop, we may not be able to generate product revenue.

We do not currently have an organization for the sales, marketing and distribution of pharmaceutical products. In order to market any products that may be approved by the FDA, we must build a sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. In addition, we have no experience in developing, training or managing a sales force and will incur substantial additional expenses in doing so. The cost of establishing and maintaining a sales force may exceed its cost effectiveness. Furthermore, we will compete with many companies that currently have extensive and well-funded marketing and sales operations. Our marketing and sales efforts may be unable to compete successfully against these companies. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate product revenue and may not become profitable.

Physicians and patients may not accept and use our drugs.

Even if the FDA approves our initial lead products (or any other product we attempt to commercialize), physicians and patients may not accept and use it. Acceptance and use of any of our future products, if approved, will depend upon a number of factors including:

- perceptions by members of the health care community, including physicians, about the safety and effectiveness of our drugs;
- cost-effectiveness of our drugs or diagnostic products relative to competing products;
- availability of reimbursement from government or other healthcare payors for our products; and
- effectiveness of marketing and distribution efforts by us and our third-party collaborators, if any.

Because we expect sales of our current product candidates, if approved, to generate substantially all of our product revenues for the foreseeable future, the failure of any of these drugs to find market acceptance, subsequent to approval, would severely harm our business.

Our industry is highly competitive, so even if our products ultimately get approved by the FDA, our success depends on our ability to sustain competitive advantages.

The pharmaceutical, biopharmaceutical and biotechnology industries are very competitive, fast moving and intense, and, are expected to be increasingly so in the future. Other companies have developed and are developing drugs that, if not similar in type to our drugs, are designed to provide comparable clinical significance. Therefore, our lead products, other products we may develop, or any other products we may acquire or in-license may not be, or may not be perceived to be, the most efficacious (at all or for a majority of patients), the safest, the first to market, or the most economical to make or use. If a competitor's product is, or is perceived to be, more advantageous than ours, for whatever reason, then we could make less money from sales, if we are able to generate sales at all.

There are many reasons why a competitor might be more successful than we are, including:

- Many competitors have greater financial resources and can afford more technical and development setbacks than we can.

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- Many competitors have been in the drug-discovery and drug-development business longer than we have. They have greater experience than we have in critical areas like clinical testing, obtaining regulatory approval, and sales and marketing. This experience and their name recognition give them a competitive advantage over us.
- Some competitors may have a better patent position protecting their technology than we have or will have to protect our technology. If we cannot use our proprietary rights to prevent others from copying our technology or developing similar technology, then our competitive position will be harmed.
- Some companies with competitive technologies may move through stages of development, approval, and marketing faster than we do. If a competitor receives FDA approval before we do, then it will be authorized to sell its products before we can sell ours. Because the first company "to market" often has a significant advantage over latecomers, a second-place position could result in less-than-anticipated sales.

The United States Food, Drug, and Cosmetic Act and FDA regulations and policies provide incentives to manufacturers to challenge patent validity or create modified, non-infringed versions of a drug in order to facilitate the approval of abbreviated new drug application for generic substitutes. These same incentives also encourage manufacturers to submit new drug applications, known as 505(b)(2) applications, that rely on literature and clinical data not originally obtained by the drug sponsor. In light of these incentives and especially if our lead products (or our other drug candidates in development or any other products we may acquire or in-license) are commercially successful, other manufacturers may submit and gain successful approval for either an abbreviated new drug application or a 505(b)(2) application that will compete directly with our products. Such competition will likely cause a reduction in our revenues.

If Medicare and other third-party payors, including managed care organizations, do not provide adequate reimbursement for our drugs or our diagnostic products, if commercialized, the commercial success of our product candidates could be compromised.

Our ability to earn sufficient returns on our products will depend in part on the extent to which reimbursement for our products and related treatments will be available from third party payors, including state and federal government authorities, private health insurers and health maintenance and managed care organizations. These third-party payors are increasingly attempting to limit both the coverage and the level of reimbursement of new drug products to contain costs. Consequently, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. Third party payors may not establish adequate levels of reimbursement for the products that we commercialize, which could limit their market acceptance and result in a material adverse effect on our financial condition.

Reimbursement by a third-party payor may depend on a number of factors, including a payor's determination that our product candidates, if commercialized, are: experimental or investigational; not medically necessary; not appropriate for the specific patient or clinical indication; or not cost-effective.

Reimbursement by Medicare may require a review that will be lengthy and that will be performed under the provisions of a National Coverage Decision process with payment limits as the Secretary of HHS determines appropriate. We cannot guarantee that the Secretary of HHS will act to approve any of our products, if commercialized, on a timely basis, or at all. In addition, there have been and will most likely continue to be significant efforts by both federal and state agencies to reduce costs in government healthcare programs and otherwise implement government control of healthcare costs. Any future changes in Medicare reimbursement that may come about as a result of enactment of healthcare reform or of deficit-reduction legislation will likely continue the downward pressure on reimbursement rates. In addition, emphasis on managed care in the United States may continue to pressure the pricing of healthcare services. In certain countries outside the United States, pricing and profitability of prescription pharmaceuticals are subject to government control. Third party payors, including Medicare, are challenging the prices charged for medical products and services. In addition, government and other third-party payors increasingly are limiting both coverage and the level of reimbursement for many drugs and diagnostic products. If government and other third-party payors do not provide adequate coverage and reimbursement for our products, it may adversely affect our business. Since policy-level reimbursement approval is required from each private payor individually, seeking such approvals is a time-consuming and costly process. If we are unable to obtain adequate reimbursement approval from Medicare and private payors for any of our products, or if the amount reimbursed is inadequate, our ability to generate revenue will be limited.

Healthcare reform may adversely impact our business.

In addition to reimbursement pressures from third party payors, the trend toward managed healthcare in the United States, the growth of such organizations, and various legislative proposals and enactments to reform healthcare and government insurance programs, including the Medicare Prescription Drug Modernization Act of 2003, could significantly influence the manner in which pharmaceutical products are prescribed and purchased, resulting in lower prices and/or a reduction in demand. Such cost containment measures and healthcare reforms could adversely affect our ability to sell our products.

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In March 2010, the United States adopted the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (the Healthcare Reform Act). This law substantially changes the way healthcare is financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. The Healthcare Reform Act contains a number of provisions that are expected to impact our business and operations, in some cases in ways we cannot currently predict. Changes that may affect our business include those governing enrollment in federal healthcare programs, reimbursement changes, fraud and abuse and enforcement. These changes will impact existing government healthcare programs and will result in the development of new programs, including Medicare payment for performance initiatives and improvements to the physician quality reporting system and feedback program.

Additional provisions of the Healthcare Reform Act, some of which became effective in 2011 through 2013, may negatively affect our revenues in the future. For example, the Healthcare Reform Act imposes a non-deductible excise tax on pharmaceutical manufacturers or importers that sell branded prescription drugs to U.S. government programs that we believe will impact our revenues from our products. In addition, as part of the Healthcare Reform Act's provisions closing a funding gap that currently exists in the Medicare Part D prescription drug program, we will also be required to provide a 50% discount on branded prescription drugs dispensed to beneficiaries under this prescription drug program. We expect that the Healthcare Reform Act and other healthcare reform measures that may be adopted in the future could have a material adverse effect on our industry generally and on our ability to maintain or increase our product sales or successfully commercialize our product candidates or could limit or eliminate our future spending on development projects.

Furthermore, individual states have become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, importation from other countries and bulk purchasing. Legally mandated price controls on payment amounts by third party payors or other restrictions could negatively and materially impact our revenues and financial condition. We anticipate that we will encounter similar regulatory and legislative issues in most other countries outside the United States.

Our ability to use net operating loss carry forwards and research and development tax credits to offset future taxable income or future tax will be limited and may be limited further in the future due to changes in ownership (within the meaning of IRC Section 382) that have occurred and may occur in the future.

In general, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or IRC, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, and certain other tax assets to offset future taxable income, and an ownership change is generally defined as a cumulative change of 50% or more in the ownership positions of certain stockholders during a rolling three year period. Ownership changes may occur in the future, which could eliminate or restrict our ability to use NOL carry forwards and research and development tax credits. Additionally, the California state government has suspended the use of existing California NOL carryforwards in some years, such as 2010 and 2011. In those years companies have not been permitted to utilize NOL carryforwards to reduce the amount of taxes payable to the state. If that fiscal policy were to continue then the California benefits could be deferred, modified, or lost.

Limitations on our ability to use NOL carry forwards and research and development tax credits to offset future taxable income could require us to pay U.S. federal and state income taxes earlier than would be required if such limitations were not in effect.

We may incur significant or currently undeterminable costs in complying with environmental laws and regulations.

We use hazardous materials, including chemicals and biological agents and compounds that could be dangerous to human health and safety or the environment. As appropriate, we will store these materials and wastes resulting from their use at our or our outsourced laboratory facility pending their ultimate use or disposal. We will contract with a third party to properly dispose of these materials and wastes. We will be subject to a variety of federal, state and local laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these materials and wastes. We may also incur significant costs complying with environmental laws and regulations adopted in the future.

We may be subject to product liability claims.

The development, manufacture, and sale of pharmaceutical products expose us to the risk of significant losses resulting from product liability claims. Although we intend to obtain and maintain product liability insurance to offset some of this risk, we may be unable to secure such insurance or it may not cover

certain proven claims against us.

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We may not be able to afford to obtain insurance due to rising costs in insurance premiums in recent years. If we are able to secure insurance coverage, we may be faced with a successful claim against us in excess of our product liability coverage that could result in a material adverse impact on our business. If insurance coverage is too expensive or is unavailable to us, we may be forced to self-insure against product-related claims. Without insurance coverage, a successful claim against us and any defense costs incurred in defending ourselves may have a material adverse impact on our operations.

If we lose the services of key management personnel, we may not be able to execute our business strategy effectively.

Our future success depends in a large part upon the continued service of key members of our senior management team. In particular, our Chief Executive Officer, Scott Pancoast, our Chief Development Officer, Dario A. Paggiarino, M.D., and our Senior Vice President of Research, Gary Woodnutt, Ph.D. are critical to our overall management as well as the development of our technology, our culture and our direction. None of our executive officers and key employees has long-term employment contracts with us, and we do not maintain any key-person life insurance policies. The loss of any of our management or key personnel could materially harm our business.

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel or hire additional qualified personnel, we may not be able to grow effectively.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense. We expect that as more companies in the biotechnology and pharmaceutical industries establish programs to discover drugs that target bioactive lipids, the demand for scientists with experience working with bioactive lipids will increase. As that demand increases, it is likely that certain of our competitors will directly target certain of our employees. Our continued ability to compete effectively depends on our ability to retain and motivate our existing employees.

We may also need to hire additional qualified personnel with expertise in preclinical testing, clinical research and testing, government regulation, formulation and manufacturing, and sales and marketing. We compete for qualified individuals with numerous biopharmaceutical companies and other emerging entrepreneurial companies, as well as universities and research institutions. Competition for such individuals, particularly in the Southern California area, is intense. Even though the current economic conditions have somewhat softened demand for qualified personnel, we expect that over the longer term we will continue to face stiff competition and may not be able to successfully recruit or retain such personnel. Attracting and retaining qualified personnel will be critical to our success.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We 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. Our operations involve the use of hazardous and flammable materials, including chemicals and radioactive and biological materials. Our operations also 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.

Although we maintain 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. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

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Risks associated with our intellectual property:

Our intellectual property rights are valuable, and our inability to protect them could reduce the value of our products, services and brand.

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are critically important assets to us. Events outside of our control could jeopardize our ability to protect our intellectual property rights. For example, effective intellectual property protection may not be available in every country in which our products and services are distributed. In addition, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Protecting our intellectual property rights is costly and time consuming, and the unauthorized use of our intellectual property could cause these costs to rise significantly and materially affect our operating results.

While our goal is to obtain patent protection for our innovations, they may not be patentable or we may choose not to protect certain innovations that later turn out to be important for our business. Even if we do obtain protection for our innovations, the scope of protection gained may be insufficient or a patent issued may be deemed invalid or unenforceable, as the issuance of a patent is not conclusive as to its validity or as to the enforceable scope of the claims of the patent. The patenting process, enforcement of issued patents, and defense against claims of infringement are inherently costly and risky. We may not have the financial resources to defend our patents, thereby reducing our competitive position and our business prospects. Specific risks associated with the patent process include the following:

- The United States or foreign patent offices may not grant patents of meaningful scope based on the applications we have already filed and those we

intend to file. If our current patents do not adequately protect our drug molecules and the indications for their use, then we will not be able to prevent imitation and any product may not be commercially viable.

- Some of the issued patents we now license may be determined to be invalid. If we have to defend the validity of the patents that we have in-licensed, the costs of such defense could be substantial, and there is no guarantee of a successful outcome. In the event any of the patents we have in-licensed is found to be invalid, we may lose competitive position and may not be able to receive royalties for products covered in part or whole by that patent under license agreements.

- In addition, changes in or different interpretations of patent laws in the United States and foreign countries may permit others to use our discoveries or to develop and commercialize our technology and products without providing any compensation to us. The laws of some countries do not protect intellectual property rights to the same extent as U.S. laws and those countries may lack adequate rules and procedures for defending our intellectual property rights. For example, some countries, including many in Europe, do not grant patent claims directed to methods of treating humans, and in these countries patent protection may not be available at all to protect our drug candidates.

- Although we try to avoid infringement, there is the risk that we will use a patented technology owned by another person or entity and/or be sued for infringement. For example, U.S. patent applications are confidential while pending in the Patent and Trademark Office, and patent offices in foreign countries often publish patent applications for the first time six months or more after filing. Further, we may not be aware of published or granted conflicting patent rights. Any conflicts resulting from patent applications and patents of others could significantly reduce the coverage of our patents and limit our ability to obtain meaningful patent protection. In addition, defending or indemnifying a third party against a claim of infringement can involve lengthy and costly legal actions, and there can be no guarantee of a successful outcome.

Specifically, we have filed patents to protect our compositions of matter and methods to treat several disease states, including cancer, cardiovascular disease, cerebrovascular disease, hyperproliferative diseases, and angiogenesis. We do not know whether our claims will be granted. Even if we do obtain protection for our innovations, the scope of protection gained may be insufficient or a patent issued may be deemed invalid or unenforceable.

We also seek to maintain certain intellectual property as trade secrets. The secrecy of this information could be compromised by third parties, or intentionally or accidentally disclosed to others by our employees, which may cause us to lose any competitive advantage we enjoy from maintaining these trade secrets.

We may in the future be subject to intellectual property rights claims, which are costly to defend, which could require us to pay damages, and which could limit our ability to use certain technologies in the future.

Companies in the pharmaceutical, biopharmaceutical and biotechnology industries own large numbers of patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations by others of intellectual property rights. As our products get closer to commercialization, there is greater possibility that we may become subject to an infringement claim based on use of our technology such that we would be unable to continue using the technology without obtaining a license or settlement from third parties. We may not be able to obtain these licenses on acceptable terms, or at all. If we fail to obtain a required license or are unable to alter the design of our technology to fall outside the scope of a third party patent, we may be unable to market some of our products, which would limit our prospects for profitability.

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Any intellectual property claims, whether merited or not, could be time-consuming and expensive to litigate and could cause us to divert critical management and financial resources to the resolution of such claims. We may not be able to afford the costs of litigation. Any legal action against us or our collaborators or us could lead to:

- payment of damages, potentially treble damages, if we are found to have willfully infringed a party's patent rights;

- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize and sell products; or

- we or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, if at all.

As a result, an adverse determination also could prevent us from offering our products to the marketplace.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property.

Because we operate in the highly technical field of drug discovery and development, we rely in part on trade secret protection in order to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality and intellectual property assignment agreements with our corporate partners, employees, consultants, outside scientific collaborators, sponsored researchers and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party's relationship with us. These agreements also generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain trade secret protection could adversely affect our competitive position.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees were previously employed at universities or other biotechnology 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 we or these employees 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. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

Risks primarily associated with our stock:

The price of our Class A common stock may be volatile .

Our Class A common stock is traded on the Nasdaq Capital Market, or NASDAQ. The trading price of our Class A common stock may fluctuate substantially. Among the factors that may cause the market price of our Class A common stock to fluctuate are the risks described in this "Risk Factors" section and other factors, including:

- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in stock market prices and trading volumes of similar companies;
- actions of investors that affect the market price;
- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of securities analysts;

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- general economic conditions and trends;
- the announcement of collaboration agreements to pursue further clinical development of our drug candidates;
- sales of large blocks of our stock;
- departures of key personnel;
- changes in the regulatory status of our product candidate or clinical trials;
- announcements of new products or technologies;
- regulatory developments in the United States and other countries.

If shares of our common or preferred stock available for issuance or shares eligible for future sale were introduced into the market, it could hurt our stock price.

We are authorized to issue 100,000,000 shares of common stock. As of March 14, 2014, there were an aggregate of 17,372,594 shares of our common stock issued and outstanding on a fully-diluted basis. That total includes 1,463,400 shares of our common stock that may be issued upon the exercise of outstanding stock options and the vesting of outstanding restricted stock units, and 931,099 shares of common stock that may be issued upon the exercise of outstanding warrants. That total does not include 461,286 shares of common stock that have been reserved for future issuance under our Amended and Restated 2005 Equity Incentive Plan. The exercise of outstanding options and/or warrants or the future issuance of equity awards may cause substantial dilution to those who hold shares of common stock prior to such exercises or issuances.

We may sell our authorized, but unissued, common stock to satisfy our funding requirements. We are also authorized to issue 15,000,000 shares of preferred stock, without stockholder approval. The preferred stock may have rights that are superior to the rights of the holders of our common stock, at a purchase price then approved by our Board of Directors. The sale or the proposed sale of substantial amounts of our common or preferred stock in the public markets may adversely affect the market price of our common stock and our stock price. Our stockholders may also experience substantial dilution.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We currently intend to invest our future earnings, if any, to fund the development and growth of our business. The payment of dividends will be at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, future prospects, contractual arrangements, restrictions imposed by applicable law, any limitations on payments of dividends present in any debt agreements we may enter into and other factors our board of directors may deem relevant. If we do not pay dividends, your ability to achieve a return on your investment in our company will depend on any future appreciation in the market price of our common stock. There is no guarantee that our common stock will appreciate in value or even maintain the price at which our holders have purchased their common stock.

As a public company, we may have to implement additional and expensive finance and accounting systems, procedures and controls as we grow our business and organization and to satisfy new reporting requirements, which will increase our costs and require additional management resources.

We currently are a company with limited resources and we intend to continue to spend most of our resources on research, development and other operational expenses. We are currently classified as a Smaller Reporting Company under Exchange Act regulations. Until we are classified as an Accelerated Filer (based upon our market capitalization reaching $75 million as of the applicable measuring date, among other requirements), we are exempt from compliance with Section 404(b) of the Sarbanes-Oxley Act of 2002, relating to the attestation and reporting by our external auditing firm on our internal controls. However, if we were no longer exempt from compliance with certain provisions of the Sarbanes-Oxley Act of 2002, we would incur significant additional costs, which would be material to us and would affect our results of operations. In order to comply with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, we may be required to expand disclosures and accelerate our financial reporting requirements. If we are unable to complete the required Section 404(b) assessment as to the adequacy of our internal control over financial reporting, if we fail to maintain or implement adequate controls, or if our independent registered public accounting firm is unable to provide us with an unqualified report as to the effectiveness of our internal control over financial reporting as of the date of our first Form 10-K for which compliance is required (compliance will not be required with respect to our Form 10-K for the year ended December 31, 2013, but could be required with respect to our Form 10-K for the year ended December 31, 2014 depending on the value of our public float as of June 30, 2014), our ability to obtain additional financing could be impaired. In addition, investors could lose confidence in the reliability of our internal control over financial reporting and in the accuracy of our periodic reports filed under the Exchange Act. A lack of investor confidence in the reliability and accuracy of our public reporting could cause our stock price to decline. In addition, we could be delisted from the NASDAQ Capital Market.

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Our Class A common stock may be delisted from the NASDAQ Capital Market, or NASDAQ.

In October 2012, our Class A common stock was approved for listing on the NASDAQ. Prior to listing on the NASDAQ, our Class A common stock traded on the OTC Bulletin Board under the ticker symbol "LPTN". If the bid price of our Class A common stock falls below $1.00 for an extended period, or we are unable to continue to meet NASDAQ's listing maintenance standards for any other reason, our Class A common stock could be delisted from the NASDAQ. If our stock is delisted from the NASDAQ, we will make every possible effort to have it quoted for trading on the OTC Bulletin Board. However, if our Class A common stock were to be traded on the OTC Bulletin Board and the trading price were to remain below $5.00 per share, trading in our Class A common stock might also become subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended, which require additional disclosure by broker-dealers in connection with any trade involving a stock defined as a "penny stock" (generally, any equity security not listed on a national securities exchange or quoted on Nasdaq that has a market price of less than $5.00 per share, subject to certain exceptions). These rules may adversely affect the ability of stockholders to sell our Class A common stock and otherwise negatively affect the liquidity, trading market and price of our Class A common stock. A delisting from NASDAQ would also result in negative publicity and would negatively impact our ability to raise capital in the future.

Our governing documents provide indemnification for officers, directors and employees.

Our governing instruments provide that officers, directors, employees and other agents shall only be liable to us for losses, judgments, liabilities and expenses for which they are adjudged guilty of willful misfeasance or malfeasance in the performance of his or her obligations. Thus certain alleged errors or omissions might not be actionable by us. The governing instruments also provide that, under the broadest circumstances allowed under law, we must indemnify our officers, directors, employees and other agents for losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by them in connection with our Company, including liabilities under applicable securities laws.

Anti-takeover provisions in our charter and bylaws could make a third party acquisition of the Company difficult.

The Board of Directors is authorized to provide for the issuance of shares of preferred stock in series and, by filing a certificate pursuant to the applicable law of Nevada, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and the qualifications, limitations, or restrictions thereof without any further vote or action by the shareholders. The issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could be used to discourage an unsolicited acquisition proposal. For instance, the issuance of a series of preferred stock might impede a business combination by including class voting rights that would enable the holder to block such a transaction, or facilitate a business combination by including voting rights that would provide a required percentage vote of the stockholders. In addition, under certain circumstances, the issuance of preferred stock could adversely affect the voting power of the holders of the common stock. Although the Board of Directors is required to make any determination to issue such stock based on its judgment as to the best interests of our stockholders, the Board of Directors could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then market price of such stock. The Board of Directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or otherwise. We have no present plans to issue any preferred stock.

You may experience future dilution as a result of future equity offerings.

In order to raise additional capital, we may in the future offer additional shares of our Class A common stock or other securities convertible into or exchangeable for our Class A common stock at prices that may not be the same as the price per share in this offering. We cannot assure you that we will be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders, including investors who purchase shares of Class A common stock in this offering. The price per share at which we sell additional shares of our Class A common stock or securities convertible into Class A common stock in future transactions may be higher or lower than the price per share in this offering.

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If securities and/or industry analysts fail to continue publishing research about our business, if they change their recommendations adversely or if our results of operations do not meet their expectations, our stock price and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. In addition, it is likely that in some future period our operating results will be below the expectations of securities analysts or investors. If one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our stock price could decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our administrative offices and research facilities are located at 4025 Sorrento Valley Blvd. San Diego, California 92121, and we consider them to be in good condition and adequately utilized. We lease approximately 12,000 square feet of laboratory and office space. The lease term runs through November 2016. The Company has one five-year renewal option under the lease. Approximately 200 square feet of the facility is subleased to a company that is owned by one of our largest stockholders. The terms of this sublease, in general, are identical to the terms of our direct lease in all material respects. If we do not renew our existing lease, we believe that alternative space will be available to us at commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party in any material legal proceedings.

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PART II

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

Our common stock began trading on the NASDAQ Capital Market under the symbol "LPTN" on October 22, 2012. Prior to that date, our common stock was traded under the symbol "LPTN.OB" on the OTCBB. The OTCBB is a regulated quotation service that displays real-time quotes, last-bid prices and volume information in over-the-counter equity securities. The OTCBB securities are traded by a community of market makers that enter quotes and trade reports. The closing price of our common stock on March 14, 2014 was $4.98 per share.

The following table sets forth the high and low prices for our common stock for the periods indicated, as reported by NASDAQ since October 22, 2012 and the OTCBB prior to that date. The quotations from OTCBB reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. All high and low prices for our common stock have been retroactively adjusted to reflect the one for seven reverse stock split that became effective on October 9, 2012.

	2013		2012	
	High	Low	High	Low
First quarter	$ 5.26	$ 4.20	$ 9.59	$ 5.25
Second quarter	$ 5.07	$ 4.40	$ 6.37	$ 4.76
Third quarter	$ 6.50	$ 4.56	$ 6.51	$ 4.90
Fourth quarter	$ 5.64	$ 4.07	$ 6.90	$ 4.75

As of March 14, 2014, we had approximately 80 stockholders of record (excluding an indeterminable number of stockholders whose shares are held in street or "nominee" name) of our common stock. We have not paid any dividends on our common stock since our inception and do not expect to pay dividends on our common stock in the foreseeable future.

The following table summarizes our compensation plans under which our equity securities are authorized for issuance as of December 31, 2013:

EQUITY COMPENSATION PLAN INFORMATION

	Number of Shares to be Issued Upon Exercise of Outstanding Stock Options and Restricted Stock Units	Weighted-Average Exercise Price of Outstanding Stock Options	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	1,056,769(1)	$ 4.16(2)	935,636
Equity compensation plans not approved by security holders	—	—	—
Total	1,056,769	$ 4.16	935,636

(1) Includes 721,788 restricted stock units.

(2) Excludes 721,788 restricted stock units.

ITEM 6. SELECTED FINANCIAL DATA

This item has been omitted as the Company qualifies as a smaller reporting company.

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

You should read the following discussion and analysis in conjunction with our consolidated financial statements and related notes contained elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those set forth under "Risk Factors" and elsewhere in this Annual Report on Form 10-K and those discussed in other documents we file with the SEC. In light of these risks, uncertainties, and assumptions, readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements represent beliefs and assumptions only as of the date of this Annual Report on Form 10-K. Except as required by applicable law, we do not intend to update or revise forward-looking statements contained in this Annual Report on Form 10-K to reflect future events or circumstances.

Overview

We are a biotechnology company focused on the discovery and development of lipidomic-based therapeutic antibodies, an emerging field of medical science that targets bioactive signaling lipids to treat a wide range of human diseases. We have two product candidates that are currently in clinical development, and one in pre-clinical evaluation.

iSONEP™ is the ocular formulation of sonepcizumab, a humanized monoclonal antibody ("mAb") against sphingosine-1-phosphate ("S1P"). Sphingomab™ is the original mouse version of this monoclonal antibody. iSONEP is administered by intravitreal injection, and has demonstrated multiple mechanisms of action in ocular models of disease, including anti-angiogenesis, anti-inflammatory, anti-fibrotic and anti-vascular permeability. This combination of mechanisms would suggest: (i) iSONEP might have a comparative advantage over currently marketed products for "wet" age-related macular degeneration ("wet AMD") and (ii) iSONEP might demonstrate clinical efficacy in a broad range of retinal diseases where there is currently a significant unmet medical need, including diabetic retinopathy, dry AMD, and glaucoma-related surgery.

In December 2010, we entered into an agreement with Pfizer Inc. (the "Pfizer Agreement"), which provides Pfizer with an exclusive option for a worldwide license to develop and commercialize iSONEP. Under the original terms of the Pfizer Agreement, Pfizer and the Company planned to conduct two studies, including a Phase 1b study in wet AMD patients with Pigment Epithelial Detachment (PED), a complication of wet AMD (the ''PEDigree trial''), and a larger Phase 2a study in wet AMD patients generally (the ''Nexus trial''). The Company began enrolling patients in the PEDigree and Nexus trials in September 2011 and October 2011, respectively.

The Food and Drug Administration (FDA) placed the PEDigree and Nexus trials on clinical hold in January 2012 following a determination by the FDA that the fill-and-finish contractor that had filled the iSONEP clinical trial vials was not in compliance with the FDA's current Good Manufacturing Practice (''cGMP'') standards during the time period it provided those services to the Company. Thereafter, we manufactured new iSONEP drug substance with an alternate fill-and-finish contractor and resumed dosing patients in the Nexus trial in September 2012.

As a result of the clinical hold and the requirement to manufacture new drug substance, the projected costs to complete the iSONEP trials increased significantly and Pfizer requested the Company to consider potential alternatives to reduce the increased costs of the iSONEP trials. In December 2012, Lpath and Pfizer amended the Pfizer Agreement to among other things, reflect the parties' agreement to discontinue the PEDigree trial and to focus on the Nexus trial. The parties agreed to continue to pursue and share the cost of the iSONEP trials, including any costs associated with discontinuing the PEDigree trial.

In October 2013, Lpath announced that it had received notice from Pfizer that Pfizer would be seeking to divest certain ophthalmology research and development assets, including Pfizer's rights and obligations under the Pfizer Agreement. Lpath presented offers to Pfizer to reacquire those rights. However, in December 2013, Pfizer informed Lpath that its offers were not competitive with other offers. Therefore, Lpath believes that a number of third parties may have an interest in acquiring Pfizer's rights. Acquisition of Pfizer's rights and obligations under the terms of the Pfizer Agreement by a third party would not affect the terms of the Pfizer Agreement, as the existing rights and obligations currently held by Pfizer will be assumed by to the third party or remain with Pfizer based on the terms of the agreement between Pfizer and the third party.

As of December 31, 2013, Pfizer had paid the Company $20.0 million pursuant to the terms of the Pfizer Agreement, including the $14 million upfront payment. The amendment to the Pfizer Agreement did not modify the Company's obligation to fund $6.0 million of Nexus trial expenses, which it completed during 2013. The terms of the Pfizer Agreement specify that, since the Company has fulfilled its funding obligation, Pfizer (or any third party who acquires Pfizer's rights) will fund the remaining expenses necessary to complete the Nexus trial.

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As of March 14, 2014, 135 patients have been enrolled in the Nexus trial, with 25 additional patients required to complete enrollment. We expect to complete dosing the last Nexus trial patient during the second half of 2014. The actual time required to complete our clinical trials will depend upon a number of factors outside of our direct control, including those discussed in "Risk Factors — We may have delays in completing our clinical trials, and we may not complete them at all."

Following completion of the Nexus study, Pfizer (or a third party who may acquire Pfizer's rights) has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer (or a third party who may acquire Pfizer's rights) exercises its option, we will be eligible to receive development, regulatory, and commercial milestone payments that could total up to $497.5 million. In addition, we will be entitled to receive tiered double-digit royalties based on sales of iSONEP.

ASONEP™ is the systemic formulation of sonepcizumab. We are collaborating with investigators at several medical research institutions on a Phase 2 clinical trial testing ASONEP as a treatment for renal cell carcinoma. The protocol for this Phase 2 study specifies that the number of patients in the study will be at least 37, with a maximum of 54. As of March 14, 2014, 20 patients have been enrolled in the study. The first cohort of 37 patients is expected to be completed in 2014.

As part of the Pfizer Agreement, Lpath has granted to Pfizer (or a third party who may acquire Pfizer's rights) a time-limited right of first refusal for ASONEP, which period ends when the iSONEP Nexus clinical trial is completed.

Lpathomab™, our pre-clinical product candidate, is a mAb against lysophosphatidic acid ("LPA"), a key bioactive lipid that has long been recognized as a significant promoter of cancer-cell growth and metastasis in a broad range of tumor types. Published research has also demonstrated that LPA is a significant contributor to neuropathic pain and traumatic brain injury, and plays a key role in pulmonary fibrosis. We have selected the clinical candidate mAb from among three humanized mAbs that inhibit LPA. These mAbs were tested against each other in various models of human disease to determine which mAb would be most likely to succeed in clinical trials. We are now engaged in the antibody manufacturing process development activities and expect to complete Investigational New Drug ("IND") enabling studies in 2014. We plan to file the IND in early 2015, and begin testing Lpathomab in clinical trials thereafter.

Lpath has incurred significant net losses since its inception. As of December 31, 2013, we had an accumulated deficit of approximately $49.5 million. We expect that the cost of our ongoing research and development activities, including general and administrative expenses, will approximate $26 million from December 31, 2013 through the first quarter of 2015. This estimate includes the expenses to conduct the Nexus clinical trial for iSONEP, as well as the Phase 2a clinical trial for ASONEP. In addition, this estimate includes the expenses to develop the manufacturing process and conduct the IND-enabling studies for our third product candidate, Lpathomab. As of December 31, 2013, we had cash and cash equivalents totaling $11.9 million. In addition, from January 1, 2014 through March 14, 2014, we have received net proceeds of $7 million from the issuance of common stock in "at-the-market" sales pursuant to at-the-market sales agreement we entered into in August 2013. Additional near-term sources of cash include our accounts receivable of $1.3 million and funding under the terms of the Pfizer Agreement to support our Nexus clinical trial, as well as $0.5 million of unexpended funding remaining on NIH grants awarded to the company. We believe these funds should be sufficient to fund our planned drug discovery and development activities through the first quarter of 2015.

We expect our expenditures to increase as we continue the advancement of our product development programs. The lengthy process of completing clinical trials and seeking regulatory approval for one product candidate typically requires expenditures in excess of approximately $100 million, according to industry data. Any failure by us or delay in completing clinical trials, or in obtaining regulatory approvals, would cause our research and development expenses to increase and, in turn, have a material adverse effect on our results of operations.

In connection with listing its shares of common stock for trading on the Nasdaq Capital Market, the Company effected 1-for-7 reverse split of its issued and outstanding common stock and a corresponding decrease in the number of authorized shares of common stock on October 9, 2012. Fractional shares created by the reverse stock split were rounded up to the nearest whole share. All issued and outstanding common stock, options exercisable for common stock, warrants exercisable for common stock, restricted stock units, and per-share amounts set forth in this Annual Report have been retroactively adjusted to reflect this reverse stock split for all periods presented.

Revenue

In December 2010, we entered into the Pfizer Agreement, which provides Pfizer with an exclusive option for a worldwide license to develop and commercialize iSONEP™, our lead monoclonal antibody product candidate that is being evaluated for the treatment of wet age-related macular degeneration (wet AMD) and other ophthalmic disorders. On December 5, 2012, the Company and Pfizer amended the Agreement to, among other things, reflect the parties' agreement to discontinue the PEDigree trial and to

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focus on the Nexus trial. Under the terms of the Pfizer Agreement, as amended, Pfizer made a $14 million upfront payment to Lpath in January 2011. In addition, Pfizer agreed to share the cost of the planned clinical trials, including any costs associated with discontinuing the PEDigree trial. Following completion of the Nexus trial, Pfizer has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer exercises its option, Lpath will be eligible to receive development, regulatory, and commercial milestone payments that could total up to $497.5 million. In addition, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP. As part of the agreement, Lpath granted to Pfizer a time-limited right of first refusal for ASONEP, and Pfizer specified that a designated portion of the upfront payment be used to fund the development of ASONEP™. As of December 31, 2013, Pfizer had paid the Company $20.0 million pursuant to the terms of the Pfizer Agreement, including the $14 million upfront payment.

From our inception through December 31, 2013, we have also generated $9.7 million in revenue from research grants awarded primarily by the National Institutes of Health, and $0.4 million in royalty revenue from a licensing agreement with a company that produces novel research assays. We expect to continue to receive small amounts of revenue from research grants and our existing source of royalty revenue.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and related employee benefits; research supplies and materials; external costs associated with our drug discovery research; and external drug development costs, including preclinical testing and regulatory expenses, manufacturing of material for clinical trials, and the costs of conducting clinical trials. Our historical research and development expenses are principally related to the drug discovery and clinical development efforts in creating and developing our lead product candidates, iSONEP, ASONEP, and Lpathomab.

We charge all research and development expenses to operations as incurred. We expect our research and development expenses to increase significantly in the future as our product candidates move through pre-clinical testing and into clinical trials.

Due to the risks inherent in the drug discovery and clinical trial process and given the early stage of our product development programs, we are unable to estimate with any certainty the costs we will incur in the continued development of our product candidates for potential commercialization. Clinical development timelines, the probabilities of success, and development costs vary widely. While we are currently focused on advancing each of our product development programs, we anticipate that we will periodically make determinations as to the scientific and clinical success of each product candidate, as well as ongoing assessments as to each product candidate's commercial potential. In addition, we cannot forecast with any degree of certainty which product candidates will be subject to future partnering, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements. As a result, we cannot be certain when and to what extent we will receive cash inflows from the commercialization of our product candidates.

General and Administrative Expenses

Our general and administrative expenses principally comprise salaries and benefits and professional fees related to our business development, intellectual property, finance, human resources, legal, and internal systems support functions. In addition, general and administrative expenses include insurance and an allocated portion of facilities and information technology costs.

We anticipate increases in general and administrative expenses as we add personnel, increase our business development activities, become subject to the full Sarbanes-Oxley compliance obligations applicable to larger publicly-held companies, and continue to develop and prepare for the commercialization of our product candidates.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development

Our sponsored research and development costs related to future products and redesign of present products are expensed as incurred.

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Patent Expenses

Legal and filing costs directly associated with obtaining patents are capitalized. Upon issuance of a patent, amortization is computed using the straight-line method over the estimated remaining useful life of the patent.

Revenue Recognition

Research and Development Revenue Under Collaborative Agreements. We have and may in the future enter into collaborations where we receive non-refundable upfront payments. Generally, these payments are made to secure licenses or option rights to our drug candidates. Non-refundable payments are recognized as revenue when we have a contractual right to receive such payment, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured, and we have no further performance obligations under the agreement. Multiple-element arrangements, such as license and development arrangements, are analyzed to determine whether the deliverables, which often include a license together with performance obligations such as research and development responsibilities and steering committee services, can be separated or whether they must be accounted for as a single unit of accounting. We recognize up-front license payments as revenue upon delivery of the license only if the license has stand-alone value and the fair value of the undelivered performance obligations, typically including research and/or steering committee services, can be determined. If the fair value of the undelivered performance obligations can be determined, such obligations would then be accounted for separately as performed. If the license is considered to either (i) not have stand-alone value or (ii) have stand- alone value but the fair value of any of the undelivered performance obligations cannot be determined, the arrangement would then be accounted for as a single unit of accounting and the license payments and payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed.

If we are involved in a steering committee as part of a multiple-element arrangement that is accounted for as a single unit of accounting, we assess whether our involvement constitutes a performance obligation or a right to participate. Steering committee services that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which we expect to complete our aggregate performance obligations.

When we receive reimbursement for our research costs under collaborative agreements, such reimbursements are recognized as revenue as the underlying costs are incurred.

Whenever we determine that an arrangement should be accounted for as a single unit of accounting, we must determine the period over which our performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a relative performance or straight-line method. We recognize revenue using the relative performance method provided that we can reasonably estimate the level of effort required to complete our performance obligations under an arrangement and such performance obligations are provided on a best-efforts basis. Revenue recognized is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the relative performance method, as of each reporting period.

If we cannot reasonably estimate the level of effort required to complete our performance obligations under an arrangement, the performance obligations are provided on a best-efforts basis and we cannot reasonably estimate when the performance obligation ceases or the remaining obligations become inconsequential and perfunctory, then the total payments under the arrangement, excluding royalties and payments contingent upon achievement of substantive milestones, would be recognized as revenue on a straight-line basis over the period we expect to complete our performance obligations. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the straight-line basis, as of the period ending date.

If we cannot reasonably estimate when our performance obligation either ceases or becomes inconsequential and perfunctory, then revenue is deferred until we can reasonably estimate when the performance obligation ceases or becomes inconsequential. Revenue is then recognized over the remaining estimated period of performance.

Significant management judgment is required in determining the level of effort required under a collaboration arrangement and the period over which we are expected to complete our performance obligations under an arrangement.

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Collaboration agreements may also contain substantive milestone payments. Substantive milestone payments are considered to be performance bonuses that are recognized upon achievement of the milestone only if all of the following conditions are met:

- the milestone payments are non-refundable;
- achievement of the milestone involves a degree of risk and was not reasonably assured at the inception of the arrangement;
- substantive company effort is involved in achieving the milestone;
- the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone; and
- a reasonable amount of time passes between the up-front license payment and the first milestone payment as well as between each subsequent milestone payment.

Determination as to whether a payment meets the aforementioned conditions involves management's judgment. If any of these conditions are not met, the resulting payment would not be considered a substantive milestone, and therefore the resulting payment would be considered part of the consideration for the single unit of accounting and would be recognized as revenue as such performance obligations are performed under either the relative performance or straight-line methods, as applicable, and in accordance with these policies as described above.

Grant Revenue. Our primary source of revenue to date has been research grants received from the National Institutes of Health. We recognize grant revenue as the related research expenses are incurred, up to contractual limits.

Royalty Revenue. We recognize royalty revenue from licensed products when earned in accordance with the terms of the license agreements. Net sales figures used for calculating royalties include deductions for costs of unsaleable returns, cash discounts, freight, postage, and insurance.

Stock-Based Compensation

Issuances of common stock, stock options, warrants, or other equity instruments to employees and non-employees as the consideration for goods or services we receive are accounted for based on the fair value of the equity instruments issued (unless the fair value of the consideration received can be more reliably measured). Generally, the fair value of any options, warrant or similar equity instruments issued, have been estimated based on the Black-Scholes option pricing model.

Net Operating Losses and Tax Credit Carryforwards

At December 31, 2013, we had federal and California net operating loss ("NOL") carryforwards of approximately $54 million and $49 million, respectively. Under current law, the federal and California NOL carryforwards may be available to offset taxable income through 2033. In some years, such as 2010 and 2011, the California state government has suspended the use of existing California NOL carryforwards. In those years companies have not been permitted to utilize NOL carryforwards to reduce the amount of taxes payable to the state. If that fiscal policy were to continue then the California benefits could be deferred, modified, or lost.

As of December 31, 2013, we also had federal and California research and development tax credit carryforwards of $1.2 million and $0.6 million, respectively. These tax credits may be available to offset future taxes. The federal credits begin expiring in 2014, and the state credits do not expire.

A valuation allowance has been established to reserve the potential benefits of these carryforwards in our consolidated financial statements to reflect the uncertainty of future taxable income required to utilize available tax loss carryforwards and other deferred tax assets. Under the provisions of Section 382 of the Internal Revenue Code, substantial changes in our ownership may limit the amount of net operating loss carryforwards that we can utilize annually in the future to offset taxable income. If a change in our ownership is deemed to have occurred or occurs in the future, our ability to use our net operating loss and tax credit carryforwards in any fiscal year may be significantly limited.

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Fair Value of Warrant Liability

We measure fair value in accordance with the applicable accounting standards in the Financial Accounting Standards Board ("FASB") Codification. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1—unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access as of the measurement date.
- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3—unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

We determined the fair value of the warrants using a Black-Scholes. The model considered amounts and timing of future possible equity and warrant issuances and historical volatility of our stock price.

Results of Operations

Comparison of Years Ended December 31, 2013 and 2012

Grant and Royalty Revenue. Grant and royalty revenue for 2013 increased to $1.5 million from $1.0 million in 2012. The increase of $0.5 million is principally due to the January 2012 suspension of the iSONEP clinical trials. The clinical trials were resumed in September 2012. The suspension resulted in reduced reimbursable costs for outside services in 2012 compared to 2013.

Research and Development Revenue Under Collaborative Agreements. As described in Note 2 to the consolidated financial statements, in December 2010 we entered into an agreement with Pfizer, Inc., which agreement was amended in 2012, that provides financial support for our iSONEP and ASONEP development programs. We recognized revenues as follows:

	Years Ended December 31,	
	2013	2012
Cost reimbursements	$ 1,106,005	$ 1,916,250
Amortization of development fees	5,336,622	3,782,312
Other	60,096	—
	$ 6,502,723	$ 5,698,562

The increase in revenue in 2013 is attributable principally to the suspension of the iSONEP clinical trials from January to September 2012. Reduced expenditures during that time period resulted in lower amortization of deferred revenues.

Research and Development Expenses. Research and development expenses for 2013 totaled $11.3 million compared to $8.2 million for 2012, an increase of $3.1 million. In January 2012, we temporarily suspended dosing patients in our iSONEP clinical trials. The increase in research and development costs in 2013 is due principally to the resumption of the clinical trials in September 2012.

General and Administrative Expenses. General and administrative expenses were $4.2 million for the year ended December 31, 2013 compared to $4.1 million for 2012, an increase of $0.1 million. The increase in 2013 is principally to increases in legal and investor relations expenses.

Change in Fair Value of Warrants. Various factors are considered in the Black-Scholes model we use to value outstanding warrants, including our current stock price, the remaining life of the warrants, the volatility of our stock price, and the risk-free interest rate. Future changes in these factors will have a

significant impact on the computed fair value of the warrant liability. The most significant factor in the valuation model is our stock price. Our stock has been thinly traded and relatively small transactions can impact our quoted stock price significantly. As a result, our stock price volatility factor is approximately 44%. As such, we expect future changes in the fair value of the warrants to continue to vary significantly from quarter to quarter. We caution that the change in fair value of the warrants should not be given undue importance when considering our financial condition and our results of operations. We do not believe that these adjustments, which are required by current generally accepted accounting principles, reflect economic activities or financial obligations undertaken by us.

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Liquidity and Capital Resources

Since inception, our operations have been financed primarily through the sale of equity and debt securities and funds received from corporate partners pursuant to research and development collaboration agreements. From inception through December 31, 2013, we had received net proceeds of approximately $61.3 million from the sale of equity securities and the issuance of convertible promissory notes. In addition, we had received a total of $37.7 million from corporate partners. We received a total of $20.0 million in funding from our research and development arrangement with Pfizer during the years ended December 31, 2011 through 2013.

At December 31, 2013, we had cash and cash equivalents totaling $11.9 million. Cash and cash equivalents consist of cash in demand deposit accounts, money market accounts that hold only U.S Treasury securities, and federally insured certificates of deposits. Net cash used in investing activities during year ended December 31, 2013 was $391,000, including $45,000 invested in equipment and leasehold improvements and $346,000 invested in the prosecution of patents. During 2012, net cash used in investing activities totaled $344,000, including $155,000 invested in equipment and leasehold improvements and $189,000 invested in the prosecution of patents. Net cash provided by financing activities totaled $771,000, including $803,000 from the sale of common stock.

On August 15, 2013, Lpath entered into an at-the-market issuance sales agreement, (the “Sales Agreement”) with MLV & Co. LLC (“MLV”) and JMP Securities LLC (“JMP” together with MLV, the “Sales Agents”), pursuant to which the company may issue and sell shares of its common stock having an aggregate offering price of up to $20 million from time to time, at the company’s option, through the Sales Agents. Sales of common stock through the Sales Agents, if any, will be made by any method that is deemed an “at-the-market” offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including by means of ordinary brokers’ transactions at market prices, in block transactions or as otherwise agreed by the Lpath and the Sales Agents. Subject to the terms and conditions of the Sales Agreement, the Sales Agents will use commercially reasonable efforts to sell the common stock based upon the company’s instructions (including any price, time or size limits or other customary parameters or conditions the Company may impose). Lpath is not obligated to make any sales of its common stock under the Sales Agreement. Any shares sold will be sold pursuant to the company’s effective shelf registration statement on Form S-3. The company will pay the Sales Agents a commission of up to 3.5% of the gross proceeds. The Sales Agreement will terminate upon the earlier of the sale of all common stock subject to the Sales Agreement or termination of the Sales Agreement by the company or the Sales Agents. In 2013, Lpath sold 213,700 shares at sales prices ranging from $4.25 to $5.13 per share, resulting in $803,000 in net proceeds. From January 1, 2014 to March 14, 2014, the company sold 1,534,400 shares at sales prices ranging from $4.30 to $5.16 per share, resulting in $7 million in net proceeds.

On March 6, 2012, we entered into subscription agreements with certain investors relating to the sale and issuance by us of 1,765,524 Units, with each Unit consisting of one share of our Class A common stock and 0.5 of a warrant to purchase one share of our Class A common stock, for aggregate gross proceeds of $9,294,500, before deducting placement agent fees and other estimated offering expenses. The purchase price for each Unit was $5.25. Each warrant has an exercise price of $7.70 per share, is exercisable immediately after issuance and will expire five years from the date of issuance. Each warrant may be exercised using a cashless exercise procedure in the holder’s sole discretion and includes provisions providing for adjustments to the number of shares exercisable thereunder upon stock dividends, stock splits, and similar events.

On December 14, 2012, we closed a public offering in which it sold 2,366,000 shares of our Class A common stock for aggregate gross proceeds of $11,830,000, before deducting placement agent fees and other offering expenses of $963,000. The purchase price was $5.00 per share.

As of December 31, 2013, we had available cash and cash equivalents balance of approximately $11.9 million. In addition, from January 1, 2014 through March 14, 2014, we have received net proceeds of $7 million from the issuance of common stock in “at-the-market” sales pursuant to at-the-market sales agreement we entered into in August 2013. Additional near-term sources of cash include $0.5 million remaining on the $3 million grant from NIH to support ASONEP clinical trials. As they are currently planned, we estimate that the cost of our ongoing drug discovery and development efforts, including general and administrative expenses, will require approximately $26 million from January 1, 2014 through the first quarter of 2015.

We believe our cash and cash equivalents on hand as of December 31, 2013, together with additional amounts received through the issuance of common stock to date and funds to be received pursuant to the Pfizer Agreement and NIH grants, should be sufficient to fund our ongoing research and development activities, as currently planned, through the first quarter of 2015.

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In addition, we may receive additional funding to support our operations beyond the first quarter of 2015 under the Pfizer Agreement if Pfizer (or any third party who may acquire Pfizer’s rights) elects to exercise its option to continue the clinical development of iSONEP. However, we cannot assure you that we will be successful in maintaining our commercial relationship with Pfizer (or any third party who may acquire Pfizer’s rights), that Pfizer (or any third party who may acquire Pfizer’s rights) will exercise its option to commercialize iSONEP, or that iSONEP will achieve the developmental, regulatory, and commercial milestones necessary to entitle us to future payments under the Pfizer Agreement on a timely basis, or at all. Even if Pfizer exercises its option, but does so after 2014, we may be required to secure substantial additional capital to continue to fund our planned drug discovery and development projects beyond the first quarter of 2015.

We have also entered into an at-the-market issuance sales agreement on March 18, 2014 with MLV & Co. LLC and filed a prospectus supplement under which we may sell up to $23,000,000 in shares of our common stock.

Further, our expenses may exceed our current plans and expectations. For example, we believe we have adequate supplies of clinical material to complete the Phase 2 clinical trial for iSONEP, and we also believe we have enough clinical material to meet the requirements of the ASONEP Phase 2 clinical trial through 2014. However, depending on various factors, including the stability of the drug product and the length of time that patients remain on the study, we

may need to manufacture additional clinical material to complete the ASONEP Phase 2 clinical trial.

Until we can generate significant cash from operations, we expect to continue to fund our operations with cash resources generated from a combination of NIH grants, license agreements, and the proceeds of offerings of our equity and debt securities. However, we may not be successful in obtaining funding from new or existing collaboration agreements or licenses, or in receiving milestone or royalty payments under those agreements. In addition, we cannot be sure that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or to our stockholders. Having insufficient funds may require us to delay, scale back, or eliminate some or all of our development programs, relinquish some or even all rights to product candidates at an earlier stage of development, or renegotiate less favorable terms than we would otherwise choose. Failure to obtain adequate financing could eventually adversely affect our ability to operate as a going concern. If we raise additional funds from the issuance of equity securities, substantial dilution to our existing stockholders would likely result. If we raise additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve our capital for the purpose of funding our operations, while at the same time maximizing the income we receive from our investments without materially increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash, cash equivalents, and short-term investments in a variety of securities, including commercial paper and money market funds. Our cash and investments at December 31, 2013 consisted exclusively of cash in bank accounts, certificates of deposit, and a money market mutual fund that is restricted to invest only in short-term U.S. Treasury securities. We currently do not hedge interest rate exposure. Because of the short-term maturities of our cash equivalents and short-term investments, we do not believe that an increase or decrease in market rates would have a material impact on the value of our portfolio.

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ITEM 8. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
and Stockholders of
LPATH, INC.

We have audited the accompanying consolidated balance sheets of Lpath, Inc. (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for the years then ended. The consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lpath, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Moss Adams LLP

San Diego, California
March 18, 2014

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LPATH, INC.
Consolidated Balance Sheets
December 31,

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,851,639	$ 24,621,083
Accounts receivable	1,310,037	233,794
Prepaid expenses and other current assets	292,477	307,907
Total current assets	13,454,153	25,162,784
Equipment and leasehold improvements, net	211,362	253,595
Patents, net	1,926,868	1,689,804
Deposits and other assets	77,350	77,350
Total assets	**$ 15,669,733**	**$ 27,183,533**

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 2,025,799	$ 1,027,872
Accrued compensation	693,022	577,778
Accrued expenses	291,358	1,590,604
Deferred contract revenue, current portion	498,000	5,419,623
Deferred rent, short-term portion	24,008	14,555
Total current liabilities	3,532,187	8,630,432
Deferred rent, long-term portion	69,373	93,381
Deferred contract revenue, long-term portion	—	415,000
Warrants	2,100,000	3,100,000
Total liabilities	5,701,560	12,238,813
Stockholders' Equity:		
Common stock - $.001 par value; 100,000,000 shares authorized; 13,387,914 and 13,099,319 shares issued and outstanding at December 31, 2013 and 2012, respectively	13,388	13,099
Additional paid-in capital	59,432,943	57,845,088
Accumulated deficit	(49,478,158)	(42,913,467)
Total stockholders' equity	9,968,173	14,944,720
Total liabilities and stockholders' equity	**$ 15,669,733**	**$ 27,183,533**

See accompanying notes to the consolidated financial statements.

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LPATH, INC.
Consolidated Statements of Operations
Years Ended December 31,

	2013	2012
Revenues:		
Grant and royalty revenue	$ 1,484,039	$ 989,591
Research and development revenue under collaborative agreements	6,502,723	5,698,562
Total revenues	7,986,762	6,688,153
Expenses:		
Research and development	11,343,448	8,158,632
General and administrative	4,234,613	4,091,233
Total expenses	15,578,061	12,249,865
Loss from operations	(7,591,299)	(5,561,712)
Other income (expense), net	26,608	(90,662)
Change in fair value of warrants	1,000,000	2,900,000
Total other income, net	1,026,608	2,809,338
Net loss	$ (6,564,691)	$ (2,752,374)
Basic and diluted net loss per share	$ (0.49)	$ (0.26)
Weighted-average shares outstanding used in the calculation	13,438,542	10,736,919

See accompanying notes to the consolidated financial statements.

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Lpath, Inc.
Consolidated Statement of Changes in Stockholders' Equity
Years Ended December 31, 2013 and 2012

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, January 1, 2012	8,658,916	$ 8,659	$ 40,781,458	$ (40,161,093)	$ 629,024
Common stock and warrants issued for cash, net of issuance costs	4,131,524	4,132	15,574,681	—	15,578,813

Stock options exercised	3,431	3	1,438	—	1,441
Warrants exercised	173,277	173	1,172,301	—	1,172,474
Stock-based compensation	132,171	132	315,210	—	315,342
Net loss	—	—	—	(2,752,374)	(2,752,374)
Balance, December 31, 2012	13,099,319	13,099	57,845,088	(42,913,467)	14,944,720
Common stock issued for cash, net of issuance costs	213,700	214	802,381	—	802,595
Stock options exercised	31,197	31	15,809	—	15,840
Stock-based compensation	43,698	44	769,665	—	769,709
Net loss	—	—	—	(6,564,691)	(6,564,691)
Balance, December 31, 2013	13,387,914	$ 13,388	$ 59,432,943	$ (49,478,158)	$ 9,968,173

See accompanying notes to the consolidated financial statements.

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LPATH, INC.
Consolidated Statements of Cash Flows
Years Ended December 31,

	2013	2012
Cash flows from operating activities:		
Net loss	$ (6,564,691)	$ (2,752,374)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	837,275	600,110
Change in fair value of warrants	(1,000,000)	(2,900,000)
Depreciation and amortization	196,224	187,501
Changes in operating assets and liabilities:		
Accounts receivable	(1,076,243)	1,100,789
Prepaid expenses and other current assets	15,430	23,921
Accounts payable and accrued expenses	(179,362)	(839,606)
Deferred contract revenue	(5,336,623)	(3,782,311)
Other	(41,157)	48,769
Net cash used in operating activities	(13,149,147)	(8,313,201)
Cash flows from investing activities:		
Equipment and leasehold improvement expenditures	(44,669)	(154,751)
Patent expenditures	(346,386)	(189,555)
Net cash used in investing activities	(391,055)	(344,306)
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants, net	802,595	19,078,813
Proceeds from options and warrants exercised	15,840	73,915
Payment for restricted stock tax liability on net settlement	(47,677)	(284,768)
Net cash provided by financing activities	770,758	18,867,960
Net (decrease) increase in cash and cash equivalents	(12,769,444)	10,210,453
Cash and cash equivalents at beginning of year	24,621,083	14,410,630
Cash and cash equivalents at end of year	$ 11,851,639	$ 24,621,083
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	$ 1,600	$ 1,600
Supplemental disclosure of non-cash investing and financing activities:		
Change in fair value of warrant liability	$ (1,000,000)	$ (2,900,000)

See accompanying notes to the consolidated financial statements.

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LPATH, INC.

Notes to Consolidated Financial Statements
Years Ended December 31, 2013 and 2012

Note 1—THE COMPANY AND A SUMMARY OF ITS SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Lpath, Inc. (“Lpath,” “we,” or “company”) is a biotechnology company focused on the discovery and development of lipidomic-based therapeutic antibodies, an emerging field of medical science that targets bioactive signaling lipids to treat a wide range of human diseases. We have two product candidates that are currently in clinical development, and one in pre-clinical evaluation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The consolidated financial statements include the accounts of Lpath, Inc. and its wholly-owned subsidiary, Lpath Therapeutics Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates are subject to an inherent degree of uncertainty and, as such, actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits, money market deposits, and certificates of deposit.

Concentration of Credit Risk

Financial instruments that potentially subject the company to a significant concentration of credit risk consist of cash and cash equivalents. The company maintains its cash balances with one major commercial bank in non-interest bearing accounts. Accounts at FDIC-insured institutions are insured by the FDIC up to $250,000.

The company invests its excess cash in money market mutual funds and in certificates of deposit of federally insured financial institutions. The company has established guidelines relative to diversification of its cash investments and their maturities that are intended to secure safety and liquidity. To date, the company has not experienced any impairment losses on its cash equivalents. The company has not experienced any losses on its deposits of cash and cash equivalents, short-term and long-term investments.

The company’s accounts receivable are derived from entities located in the United States. The company performs ongoing credit evaluation of its debtors, does not require collateral, and maintains allowances for potential credit losses on customer accounts when deemed necessary. To date, there have been no such losses and the company has not recorded an allowance for doubtful accounts.

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Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost. Equipment depreciation is computed using the straight-line method over the estimated useful asset lives, which range from three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remainder of the lease term. Repairs and maintenance are charged to expense as incurred.

Patents

Legal and filing costs directly associated with obtaining patents are capitalized. Upon issuance of a patent, amortization is computed using the straight-line method over the estimated remaining useful life of the patent.

Long-lived Assets

The company accounts for the impairment and disposition of long-lived assets for events or changes in circumstances which indicate that their carrying value may not be recoverable. The company recorded charges for impairments of patents totaling $68,309 and $82,551 in 2013 and 2012, respectively.

Deferred Rent

Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rent expense and amounts paid under the lease agreement is recorded as deferred rent. Lease incentives, including tenant improvement allowances, are also recorded as deferred rent and amortized on a straight-line basis over the lease term.

Stock-based Compensation Expense

Compensation expense is measured based on the fair value of the award at the grant date, including estimated forfeitures, and is adjusted to reflect actual forfeitures and the outcomes of certain conditions. Compensation issued to non-employees is remeasured quarterly and income or expense is recognized during their vesting terms.

Revenue Recognition

Lpath has and may in the future enter into collaborations where we receive non-refundable up-front payments. Generally, these payments secure licenses to Lpath drug candidates. Non-refundable payments are recognized as revenue when the company has a contractual right to receive such payment, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured, and the company has no further performance obligations under the license agreement. Multiple-element arrangements, such as license and development arrangements, are analyzed to determine whether the deliverables, which often include a license together with performance obligations such as research and development responsibilities and steering committee services, can be separated or whether they must be accounted for as a single unit of accounting. The company recognizes up-front license payments as revenue upon delivery of the license only if the license has stand-alone value and the fair value of the undelivered performance obligations, typically including research and/or steering committee services, can be determined. If the fair value of the undelivered performance obligations can be determined, such obligations would

then be accounted for separately as performed. If the license is considered to either (i) not have stand-alone value or (ii) have stand-alone value but the fair value of any of the undelivered performance obligations cannot be determined, the arrangement would then be accounted for as a single unit of accounting, and the license payments and payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed.

If the company is involved in a steering committee as part of a multiple-element arrangement that is accounted for as a single unit of accounting, the company assesses whether its involvement constitutes a performance obligation or a right to participate. Steering committee services that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which the company expects to complete its aggregate performance obligations.

When the company receives reimbursement for research costs under collaborative agreements, such reimbursements are recognized as revenue as the underlying costs are incurred.

Whenever the company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a relative performance or straight-line method. The company recognizes revenue using the relative performance method provided that the company can reasonably estimate the level of effort required to complete its performance obligations under an arrangement and such performance obligations are provided on a best-efforts basis. Revenue recognized is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the relative performance method, as of each reporting period.

If the company cannot reasonably estimate the level of effort required to complete its performance obligations under an arrangement, the performance obligations are provided on a best-efforts basis and the company can reasonably estimate when the performance obligation ceases or the remaining obligations become inconsequential and perfunctory, then the total payments under the arrangement, excluding royalties and payments contingent upon achievement of substantive milestones, would be recognized as revenue on a straight-line basis over the period the company expects to complete its performance obligations. Revenue is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned, as determined using the straight-line basis, as of the period ending date.

If the company cannot reasonably estimate when its performance obligation either ceases or becomes inconsequential and perfunctory, then revenue is deferred until the company can reasonably estimate when the performance obligation ceases or becomes inconsequential. Revenue is then recognized over the remaining estimated period of performance.

Significant management judgment is required in determining the level of effort required under an arrangement and the period over which the company is expected to complete its performance obligations under an arrangement.

Collaboration agreements may also contain substantive milestone payments. Substantive milestone payments are considered to be performance bonuses that are recognized upon achievement of the milestone only if all of the following conditions are met:

- the milestone payments are non-refundable;
- achievement of the milestone involves a degree of risk and was not reasonably assured at the inception of the arrangement;
- substantive company effort is involved in achieving the milestone;
- the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone; and
- a reasonable amount of time passes between the up-front license payment and the first milestone payment as well as between each subsequent milestone payment.

Determination as to whether a payment meets the aforementioned conditions involves management's judgment. If any of these conditions are not met, the resulting payment would not be considered a substantive milestone and, therefore, the resulting payment would be considered part of the consideration for the single unit of accounting and would be recognized as revenue, as such performance obligations are performed under either the relative performance or straight-line methods, as applicable, and in accordance with these policies as described above.

Grant Revenue. Lpath recognizes grant revenue as the related research expenses are incurred, up to contractual limits.

Royalty Revenue. Lpath recognizes royalty revenue from licensed products when earned in accordance with the terms of the license agreements. The licensee's net sales figures used for calculating royalties include deductions for costs of unsaleable returns, cash discounts, freight, postage, and insurance.

Research and Development

Research and development costs are charged to expense when incurred.

Employee Benefit Plan

The company has a 401(k) defined contribution plan that provides benefits for most employees. An employee is eligible to participate in this plan after one month of service. The plan provides for full vesting of benefits over five years. Company contributions to the plan are made at the discretion of the Board of Directors and aggregated $118,383 and $90,716 in 2013 and 2012, respectively.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

A net deferred tax asset related primarily to federal and state net operating loss and research and development credit carryforwards has been fully reserved due to uncertainties regarding Lpath's ability to realize these tax benefits in future periods. Consequently, no income tax benefit has been recorded for the years ended December 31, 2013 and 2012.

Lpath periodically evaluates its tax positions to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities. Lpath has not incurred any interest or penalties as of December 31, 2013 with respect to income tax matters. Lpath does not expect that there will be unrecognized tax benefits of a significant nature that will increase or decrease within 12 months of the reporting date.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net loss and certain changes in equity that are excluded from net loss. At December 31, 2013 and 2012, Lpath had no reportable differences between net loss and comprehensive loss.

Per Share Data

Basic net income (loss) per common share is computed by dividing net income (loss) for the period by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted-average number of common and common dilutive equivalent shares, such as stock options, restricted stock units, restricted stock awards, warrants, and convertible securities outstanding during the period.

Anti-dilutive common stock equivalents were excluded from the calculation of diluted income (loss) per share as follows:

	Years Ended December 31,	
	2013	2012
Stock options	334,981	368,036
Warrants	931,099	1,269,017
Restricted stock units	721,788	417,196
Total	1,987,868	2,054,249

Impact of Recently Issued Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2013-11 ("ASU 2013-11"), *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The update clarifies that an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. In situations where the tax benefit is not available at the reporting date under the governing tax law or if the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented as a liability and not combined with deferred tax assets. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendment is to be applied to all unrecognized tax benefits that exist as of the effective date and may be applied retrospectively to each prior reporting period presented. While early adoption is permitted, we expect to adopt ASU 2013-11 on January 1, 2014. We do not expect the adoption of these new presentation requirements to have a material impact on our consolidated financial position, results of operations, or cash flows.

Reclassifications

Certain amounts in the prior year consolidated balance sheet have been updated to conform with current year presentation with no impact to stockholders' equity.

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Note 2—RESEARCH AND DEVELOPMENT COLLABORATIVE AGREEMENT

In 2010, Lpath entered into an agreement providing Pfizer Inc. with an exclusive option for a worldwide license to develop and commercialize iSONEP™, Lpath's lead monoclonal antibody product candidate that is being evaluated for the treatment of wet age-related macular degeneration ("wet AMD") and other ocular disorders. As a result of a clinical hold and the requirement to manufacture new drug substance during 2012, the projected costs to complete the iSONEP trials increased significantly and Pfizer requested the Company to consider potential alternatives to reduce the increased costs of the iSONEP trials. On December 5, 2012, the Company and Pfizer amended the agreement to, among other things, reflect the parties' agreement to discontinue the PEDigree trial and to focus on the Nexus trial. The parties modified the protocol for the Nexus trial to include certain wet AMD patients with PED in the Nexus trial. In addition, the Company can elect to conduct the PEDigree trial at any time at its cost. Under the terms of the amended agreement, the parties will continue to pursue and share the cost of the iSONEP trials, including any costs associated with discontinuing the PEDigree trial. In October 2013, Lpath announced that it had received notice from Pfizer that Pfizer is currently seeking to divest certain ophthalmology research and development assets, including Pfizer's exclusive option under the Pfizer Agreement. Lpath presented offers to Pfizer to reacquire these rights. However, in December 2013, Pfizer informed Lpath that its offers were not competitive with other offers. Therefore, Lpath believes that a number of third parties may have an interest in acquiring these rights. Acquisition of the iSONEP option by a third party would not affect the terms of the Pfizer Agreement, as the existing rights and obligations currently held by Pfizer will be assumed the third party or remain with Pfizer based on the terms of the agreement between Pfizer and the third party.

Under the terms of the agreement, as amended, Pfizer provided Lpath with an up-front option payment of $14 million and agreed to share the cost of the planned clinical trials, including any costs associated with discontinuing the PEDigree trial. Pfizer paid the up-front payment in January 2011. Following completion of the Nexus study, Pfizer has the right to exercise its option for worldwide rights to iSONEP for an undisclosed option fee and, if Pfizer exercises its option, Lpath will

be eligible to receive development, regulatory, and commercial milestone payments that could total up to $497.5 million; in addition, Lpath will be entitled to receive tiered double-digit royalties based on sales of iSONEP. As part of the agreement, as amended, Lpath has granted to Pfizer a time-limited right of first refusal for ASONEP™, Lpath's product candidate that is being evaluated for the treatment of cancer. Two Phase 2a trials are currently planned to further assess ASONEP's efficacy and safety in cancer patients. Lpath recognized revenues as follows:

	Years Ended December 31,	
	2013	2012
Cost reimbursements	$ 1,106,005	$ 1,916,250
Amortization of development fees	5,336,622	3,782,312
Other	60,096	—
	$ 6,502,723	$ 5,698,562

Note 3—COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

	December 31,	
	2013	2012
Equipment and leasehold improvements:		
Office furniture and fixtures	$ 9,435	$ 16,177
Laboratory equipment	520,160	504,807
Computer equipment and software	152,884	147,591
Leasehold improvements	24,902	24,902
	707,381	693,477
Accumulated depreciation	(496,019)	(439,882)
Equipment, net	$ 211,362	$ 253,595
Patents:		
Patents	$ 2,100,983	$ 1,822,906
Accumulated amortization	(174,115)	(133,102)
Patents, net	$ 1,926,868	$ 1,689,804

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Note 4—FAIR VALUE MEASUREMENTS

The company measures fair value in accordance with the applicable accounting standards in the FASB Codification. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1—unadjusted quoted prices in active markets for identical assets or liabilities that the company has the ability to access as of the measurement date.
- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability, or indirectly observable through corroboration with observable market data.
- Level 3—unobservable inputs for the asset or liability are only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Recurring Fair Value Estimates

Lpath has issued warrants, of which some are classified as equity and some as liabilities. The warrants issued in March 2012 (and expiring in March 2017) provide that in the event of a fundamental transaction, as defined by the warrant agreement, the company may, under certain circumstances, be obligated to settle the March 2012 warrants for cash equal to the value of the warrants determined in accordance with the warrant agreement. The fair value and significant unobservable inputs (level 3) of the March 2012 warrants were $2,100,000 as of December 31, 2013.

Recurring Level 3 Activity, Reconciliation, and Basis for Valuation

The table below provides a reconciliation of the beginning and ending balances for the liabilities measured at fair value using significant unobservable inputs (Level 3).

Fair value measurements using significant unobservable inputs (Level 3):

Liabilities:	
Warrant liability as of January 1, 2012	$ 3,600,000
Exercise of warrants	(1,100,000)
Issuance of warrants	3,500,000
Expiration of warrants	(1,400,000)
Change in fair value of warrants	(1,500,000)
Warrant liability as of December 31, 2012	3,100,000
Change in fair value of warrants	(1,000,000)
Warrant liability as of December 31, 2013	$ 2,100,000

The company determined the fair value of the warrant liability for certain warrants, as applicable, using a Black-Scholes model. The model considered amounts and timing of future possible equity and warrant issuances and volatility of the company's stock price equal to 100%, as specified in the underlying warrants.

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Note 5—RESEARCH AND LICENSE AGREEMENTS

In August 2006, Lpath and Lonza Biologics, PLC ("Lonza") entered into two agreements, a License Agreement and a Research Evaluation Agreement. Both agreements grant Lpath the use of certain proprietary technology to assist in the development of monoclonal antibodies. Under the terms of the License Agreement an annual license fee of approximately £300,000 (approximately $488,000 at December 31, 2012) may accrue when Lpath utilizes the Lonza technology in the manufacture of drug substance to be used in clinical trials. The License Agreement further provides that payment of this license fee will be deferred until Lpath's drug candidate utilizing that technology begins Phase 2 clinical trials. As of December 31, 2012, the company accrued license fees totaling £900,000 ($1,463,000). Such fees, included in our consolidated balance sheet with accrued expenses, were paid to Lonza in January 2013. Under the terms of the Research Evaluation Agreement, a license fee is due annually. The company paid Lonza an annual license fee totaling approximately $57,000 during 2012., related to the Research Evaluation Agreement. No annual license fees were due to Lonza in 2013.

In August 2005, Lpath entered into a collaboration agreement with AERES Biomedical ("AERES") to "humanize" the company's *Sphingomab* monoclonal antibody. Humanization under this agreement with AERES involves utilizing proprietary processes owned by AERES for the purpose of modifying Sphingomab antibodies originally contained in mice for potential human acceptance in a clinical trial. The humanized version of *Sphingomab* that was produced from the collaboration with AERES is called Sonepcizumab. Lpath paid AERES $350,000 in 2012 and no amounts were paid to AERES during 2013. Lpath could owe certain additional contingent amounts when drug candidates based on Sonepcizumab pass through the levels of the FDA drug review and approval process. AERES will be entitled to a royalty, not to exceed 4%, on any revenues generated by the ultimate commercialization of any drug candidate based on Sonepcizumab.

Note 6—STOCKHOLDERS' EQUITY

Common Stock

On August 15, 2013, Lpath entered into an at-the-market issuance sales agreement, (the "Sales Agreement") with MLV & Co. LLC ("MLV") and JMP Securities LLC ("JMP", together with MLV, the "Sales Agents"), pursuant to which the company may issue and sell shares of its common stock having an aggregate offering price of up to $20 million from time to time, at the company's option, through the Sales Agents. Sales of common stock through the Sales Agents, if any, will be made by any method that is deemed an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including by means of ordinary brokers' transactions at market prices, in block transactions or as otherwise agreed by the Lpath and the Sales AgentsV. Subject to the terms and conditions of the Sales Agreement, the Sales Agents will use commercially reasonable efforts to sell the common stock based upon the company's instructions (including any price, time or size limits or other customary parameters or conditions the Company may impose). Lpath is not obligated to make any sales of its common stock under the Sales Agreement. Any shares sold will be sold pursuant to the company's effective shelf registration statement on Form S-3. The company will pay the Sales Agents a commission of up to 3.5% of the gross proceeds. The Sales Agreement will terminate upon the earlier of the sale of all common stock subject to the Sales Agreement or termination of the Sales Agreement by the company or the Sales Agents. In 2013, the company sold 213,700 shares at sales prices ranging from $4.25 to $5.13 per share, resulting in $803,000 in net proceeds. From January 1, 2014 to March 14, 2014, the company sold 1,534,400 shares at sales prices ranging from $4.30 to $5.16 per share, resulting in $7 million in net proceeds.

In March 2012, Lpath closed a public offering in which it sold 1,765,524 units, with each unit consisting of one share of the company's Class A common stock and 0.5 warrants to purchase one share of the company's Class A common stock, for aggregate gross proceeds of $9,269,000, before deducting placement agent fees and other estimated offering expenses of $1,057,000. The purchase price for each unit was $5.25. Each warrant issued has an exercise price of $7.70 per share, is exercisable immediately, and will expire five years from the date of issuance. Each warrant may be exercised using a cashless exercise procedure at the holder's sole discretion and includes provisions providing for adjustments to the number of shares exercisable thereunder upon stock dividends, stock splits, and similar events.

On December 14, 2012, Lpath closed a public offering in which it sold 2,366,000 shares of the company's Class A common stock for aggregate gross proceeds of $11,830,000, before deducting placement agent fees and other offering expenses of $963,000. The purchase price was $5.00 per share.

Preferred Stock

Lpath is authorized to issue up to 15,000,000 shares of preferred stock, with a par value of $0.001 per share. As of December 31, 2013 and 2012, there were no preferred stock shares issued or outstanding.

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Equity Incentive Plan

In November 2005, the company adopted the Lpath, Inc. 2005 Stock Option and Stock Purchase Plan, which permitted stock option grants to employees, outside consultants, and directors. In October 2007, Lpath's stockholders approved the amendment of this plan which was concurrently renamed the Lpath, Inc. Amended and Restated 2005 Equity Incentive Plan (the "Plan"). There are 2,500,000 shares of Class A common stock authorized for grant under the Plan. The Plan allows for grants of incentive stock options with exercise prices of at least 100% of the fair market value of Lpath's common stock, nonqualified options with exercise prices of at least 85% of the fair market value of the company's common stock, restricted stock, and restricted stock units. All stock options granted to date have a ten-year life and vest over zero to five years. Restricted stock units granted have a five-year life and vest over zero to four years, or upon the achievement of specified clinical trial milestones. As of December 31, 2013, a total of 933,778 shares of Class A common stock were available for future grant under the Plan.

The following table presents stock-based compensation as included in the company's consolidated statements of operations:

	2013	2012
Stock-based compensation expense:		
Restricted stock units	$ 837,275	$ 600,110
Effect of stock-based compensation expense on income by line item:		
Research and development	$ 314,185	$ 180,217
General and administrative	523,090	419,893
Total stock-based compensation expense	$ 837,275	$ 600,110

Fair value is determined at the date of grant for employee options and restricted stock units, and at the date at which the grantee's performance is complete for non-employee options and restricted stock units. Compensation cost is recognized over the vesting period based on the fair value of the options and restricted stock units.

Because of the company's net operating losses for tax purposes, it did not realize any tax benefits for the tax deductions from share-based payment arrangements during the years ended December 31, 2013 and 2012.

Stock Options

No stock options were granted in 2013 or 2012. As of December 31, 2013, there was no unrecognized compensation expense, net of estimated forfeitures, related to unvested options granted under the Plan.

The company uses the Black-Scholes valuation model to estimate the fair value of stock options at the grant date. The Black-Scholes valuation model uses the option exercise price as well as estimates and assumptions related to the expected price volatility of the company's stock, the rate of return on risk-free investments, the expected period during which the options will be outstanding, and the expected dividend yield for the company's stock to estimate the fair value of a stock option on the grant date.

The weighted-average valuation assumptions were determined as follows:

- *Expected stock price volatility:* The estimated expected volatility is based on a weighted-average calculation of a peer group and the company's historical volatility.
- *Risk-free interest rate:* The company bases the risk-free interest rate on the interest rate payable on U.S. Treasury debt securities.
- *Expected term of options:* The expected term of options granted is derived using assumed exercise rates based on historical exercise patterns and represents the period of time that options granted are expected to be outstanding.
- *Expected annual dividends:* The estimate for annual dividends is zero because the company has not historically paid, and does not intend for the foreseeable future to pay, a dividend.

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A summary of the stock option activity under the plan as of December 31, 2013 and 2012, and changes during the years then ended, is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	374,647	$ 3.86		
Granted	—	—		
Exercised	(3,431)	0.42		
Expired	(3,180)	9.91		
Forfeited	—	—		
Outstanding at December 31, 2012	368,036	3.86		
Granted	—	—		
Exercised	(31,197)	0.51		
Expired	(1,858)	5.87		
Forfeited	—	—		
Outstanding at December 31, 2013	334,981	4.16	1.83	$ 473,412
Vested and exercisable at December 31, 2013	334,981	$ 4.16	1.83	$ 473,412

The aggregate intrinsic value in the table above represents the total intrinsic value which would have been received by the stock option holders had all option holders exercised their options as of that date. The aggregate intrinsic value is calculated as the difference between the fair market value of the company's common stock on December 31, 2013 of $4.26 and the exercise price of stock options, multiplied by the number of shares subject to such stock options.

At December 31, 2013, the company had 140,569 stock options outstanding with strike prices below the company's market price of $4.26 on that date, of which all were vested and exercisable. The total intrinsic value of options exercised during the years ended December 31, 2013 and 2012 was $117,000 and $21,000, respectively. Cash received from option exercises during the years ended December 31, 2013 and 2012 was $16,000 and $1,000, respectively. Upon stock option exercises, the company issues new shares of common stock.

Restricted Stock Units

As of December 31, 2013, there was $1,752,000 of total unrecognized stock-based compensation expense related to unvested restricted stock units granted under the Plan. The company expects to recognize that expense over a weighted-average period of 3.01 years.

The following table summarizes the restricted stock units activity of the company during 2013 and 2012:

	Total Restricted Stock Units	Weighted-Average Grant Date Fair Value
Outstanding January 1, 2012	517,750	$ 10.31
Granted	98,005	5.39
Shares issued	(177,981)	15.59
Forfeited	(20,578)	6.40
Outstanding December 31, 2012	417,196	7.10
Granted	389,714	4.96
Shares issued	(53,573)	11.68
Forfeited	(31,549)	5.66
Outstanding December 31, 2013	721,788	$ 5.66

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Warrants

Lpath has issued warrants, of which some are classified as equity and some as liabilities. The warrants issued in March 2012 (and expiring in March 2017) provide that in the event of a fundamental transaction, as defined by the warrant agreement, the company may, under certain circumstances, be obligated to settle the March 2012 warrants for cash equal to the value of the warrants determined in accordance with the warrant agreement. The following warrants contained such provisions, and therefore, pursuant to the applicable criteria, they were not indexed to the company's own stock:

Warrant Expiration Dates	Number of Shares	Exercise Price per Share
March 2017	29,750	$ 5.25
March 2017	882,776	$ 7.70

The warrant liability reflected on Lpath's balance sheet is a consequence of current generally accepted accounting principles, arising from the implementation of ASC 815. The company believes there is no foreseeable circumstance under which Lpath can be required to make any cash payment to settle the warrant liability now carried on the balance sheet.

The following table summarizes Lpath warrants outstanding as of December 31, 2013:

Warrant Expiration Date	Number of Shares	Exercise Price per Share
March 27, 2014	7,143	$ 7.00
June 24, 2014	5,715	$ 5.60
December 10, 2015	5,715	$ 5.60
March 9, 2017	29,750	$ 5.25
March 9, 2017	882,776	$ 7.70
Total:	931,099	
Weighted average:		$ 7.59

The terms of all outstanding warrants permit the company, upon exercise of the warrants, to settle the contract by the delivery of unregistered shares. No warrants were exercised in 2013 and 337,918 warrants expired. During 2012, 562,963 warrants were exercised and 1,166,501 warrants expired.

Note 7—INCOME TAXES

As of December 31, 2013, Lpath had federal and California net operating loss ("NOL") carryforwards of approximately $54 million and $49 million, respectively, that will expire beginning in 2014 and continue expiring through 2033. Portions of these NOL carryforwards may be used to offset future taxable income, if any.

As of December 31, 2013, Lpath also has federal and California research and development tax credit carryforwards of $1,200,000 and $640,000, respectively, available to offset future taxes. The federal credits begin expiring in 2014, and the state credits do not expire.

Under the provisions of Section 382 of the Internal Revenue Code, substantial changes in Lpath's ownership limit the amount of net operating loss carryforwards and tax credit carryforwards that can be utilized annually in the future to offset taxable income. A valuation allowance has been established to reserve the potential benefits of these carryforwards in Lpath's consolidated financial statements to reflect the uncertainty of future taxable income required to utilize available tax loss carryforwards and other deferred tax assets.

Significant components of the company's deferred tax assets and liabilities are as follows:

	2013	2012
Deferred tax assets:		
Federal and state net operating loss carryforwards	$ 23,111,000	$ 17,665,000
Research and development credit carryforwards	1,812,000	1,685,000
Stock-based compensation	1,645,000	1,846,000
Deferred contract revenue	213,000	2,743,000
Other, net	200,000	—

	26,981,000	23,939,000

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Deferred tax liabilities:		
State taxes	(1,929,000)	(1,702,000)
Patent costs	(825,000)	(724,000)
Other, net	—	22.000
	(2,754,000)	(2,448,000)
Total deferred tax assets	24,227,000	21,491,000
Valuation allowance	(24,227,000)	(21,491,000)
Net deferred tax assets	$ —	$ —

Realization of the deferred tax assets is dependent upon the generation of future taxable income, the amount and timing of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance.

As a result of the company's significant operating loss carryforwards and the corresponding valuation allowance, no income tax provision/benefit has been recorded as of December 31, 2013 and 2012. The provision for income taxes using the statutory federal income tax rate of 34% as compared to the company's effective tax rate is summarized as follows:

	2013	2012
Federal tax benefit at statutory rate	$ 2,232,000	$ 936,000
State tax benefit, net	378,000	244,000
Change in fair value of warrants	340,000	986,000
Research and development credits	127,000	211,000
Employee stock-based compensation	(366,000)	(493,000)
Other permanent differences	25,000	97,000
Decrease in valuation allowance	(2,736,000)	(1,981,000)
Provision for income taxes	$ —	$ —

Note 8—OPERATING LEASE

Lpath leases an 11,960 square foot laboratory and office facility in San Diego, California. The lease has an initial term of 64 months. Monthly lease payments are $26,645, with annual escalations of 3%. The lease grants the Company the right to extend the lease for an additional five-year term.

Future minimum payments and sublease income under the company's non-cancelable operating lease are set forth in the following table:

Years ending December 31,	Lease Obligation	Sublease Income	Net Lease Obligation
2014	$ 324,543	$ 11,652	$ 312,891
2015	334,279	11,652	322,627
2016	286,075	9,710	276,365
Total future minimum lease commitments	$ 944,897	$ 33,014	$ 911,883

Lpath's rent expense totaled $366,000 and $339,000 for the years ended December 31, 2013 and 2012, respectively. Lpath's sublease income amounted to $12,000 for the years ended December 31, 2013 and 2012.

Note 9—RELATED-PARTY TRANSACTIONS

Lpath subleases a portion of its facility to Western States Investment Corporation ("WSIC"), owned by one of Lpath's largest stockholders. The terms of the sublease, in general, are the same as the terms of the company's direct lease. In addition, certain Lpath employees provide investment oversight, accounting, and other administrative services to WSIC. Certain WSIC employees also provide services to Lpath. Lpath and WSIC reimburse each other for costs incurred on behalf of the other entity. Lpath's sublease income amounted to $12,000 for the years ended December 31, 2013 and 2012.

Lpath invoiced WSIC $34,600 for investment oversight expenses in 2012. There were no such invoices to WSIC in 2013. During 2013 and 2012, WSIC billed Lpath $41,900 and $83,400, respectively, for administrative expenses.

As of December 31, 2013, WSIC owed Lpath $2,900 for facility expenses and Lpath owed WSIC $9,400 for services provided to Lpath. As of December 31, 2012, WSIC owed Lpath $2,900 for facility expenses and Lpath owed WSIC $13,700 for services provided to Lpath.

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Note 10—SUBSEQUENT EVENTS

At-the-Market Sales

From January 1, 2014 through March 14, 2014, we have received net proceeds of $7 million from the issuance of 1,534,400 shares of common stock in "at-the-market" sales pursuant to the at-the-market issuance sales agreement we entered into in August 2013 (the "Old Sales Agreement").

Entry into New "At-the-Market" Sales Agreement.

On March 18, 2014, Lpath entered into an at-the-market issuance sales agreement (the "New Sales Agreement") with MLV & Co. LLC ("MLV") and filed a prospectus supplement to issue up to $23 million of our common stock. Lpath is not obligated to make any sales of its common stock under the New Sales Agreement. Any shares sold will be sold pursuant to Lpath's effective shelf registration statement on Form S-3. Lpath will pay MLV a commission of up to 3.0% of the gross proceeds. The New Sales Agreement will terminate upon the earlier of the sale of all common stock subject to the New Sales Agreement or termination of the New Sales Agreement by Lpath or MLV.

This Annual Report on Form 10-K shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of common stock in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

We are filing the New Sales Agreement as Exhibit 10.25 to this Annual Report. The description of the New Sales Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the New Sales Agreement filed herewith as an exhibit. On March 18, 2014, DLA Piper LLP delivered an opinion to us in connection with the ATM program. We are filing the opinion of DLA Piper LLP as Exhibit 5.1 to this Annual Report.

Termination of Prior "At-the-Market" Sales Agreement

On March 17, 2014, Lpath terminated the Old Sales Agreement pursuant to the provisions of the Old Sales Agreement giving Lpath the right to terminate the Old Sales Agreement at any time, for any or no reason, upon ten (10) days prior written notice.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(1) Evaluation of Disclosure Controls and Procedures. Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report on Form 10-K, have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of the end of such period.

(2) Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act of 1934, as amended) is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, under the supervision of our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, we used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. Based on this assessment, our management has concluded that, as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Our report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

(3) Changes in Internal Control over Financial Reporting. During the quarter ended December 31, 2013, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(4) Inherent Limitations on Effectiveness of Controls. Our management, including our chief executive officer and our chief financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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ITEM 9B. OTHER INFORMATION

Entry into a Material Definitive Agreement.

On March 18, 2013, Lpath entered into an at-the-market issuance sales agreement, (the "New Sales Agreement") with MLV & Co. LLC ("MLV") and filed a prospectus supplement to issue up to $23 million of its common stock. Lpath is not obligated to make any sales of its common stock under the New Sales Agreement. Any shares sold will be sold pursuant to Lpath's effective shelf registration statement on Form S-3. Lpath will pay MLV a commission of up to 3.0% of the gross proceeds. The New Sales Agreement will terminate upon the earlier of the sale of all common stock subject to the New Sales Agreement or termination of the New Sales Agreement by Lpath or MLV.

This Annual Report on Form 10-K shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of common stock in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

The description of the New Sales Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the New Sales Agreement filed herewith as Exhibit 10.25. On March 18, 2014, DLA Piper LLP delivered an opinion to us in connection with the ATM program. We are filing as Exhibit 5.1 the opinion of DLA Piper LLP.

Termination of a Material Definitive Agreement

On March 17, 2014, Lpath terminated the Sales Agreement, entered into with MLV and JMP Securities in August 2013 (the "Old Sales Agreement"), pursuant to the provisions of the Old Sales Agreement giving Lpath the right to terminate the Old Sales Agreement without any early termination fee at any time upon ten (10) days prior written notice.

Compensatory Arrangements of Certain Officers

On March 17, 2014, Lpath entered into a First Amendment (the "Amendment") to that certain Employment Agreement (the "Employment Agreement"), dated as of February 6, 2006, by and between Lpath and Gary Atkinson, the Company's Senior Vice President and Chief Financial Officer. The Amendment amended the Employment Agreement to extend the term of certain severance benefits to be comparable with certain other executive officers of the Company. The description of the Amendment contained herein does not purport to be complete and is qualified in its entirety by reference to the Amendment filed herewith as Exhibit 10.26.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following persons are our directors and executive officers and hold the positions set forth opposite their names as of March 1, 2014:

Name	Age	Position
Daniel H. Petree (1)(2)(3)(4)	58	Chairman of the Board
Scott R. Pancoast (4)	55	President, Chief Executive Office, and Director
Jeffrey A. Ferrell (1)(2)	39	Director
Daniel L. Kisner, M.D. (1)(4)	67	Director
Charles A. Mathews (1)(2)(3)	76	Director
Donald R. Swortwood (1)(3)	73	Director
Gary J.G. Atkinson	61	Senior Vice President and Chief Financial Officer
Dario A. Paggiarino, M.D.	57	Senior Vice President and Chief Development Officer
Gary Woodnutt Ph.D.	57	Senior Vice President of Research

(1) Member of the Compensation Committee
(2) Member of the Audit Committee
(3) Member of the Nominating and Corporate Governance Committee
(4) Member of the R&D Advisory Committee

The following sets forth information regarding the business experience of our directors and executive officers as of March 1, 2014:

Daniel H. Petree
Chairman of the Board of Directors
Mr. Petree has served as a director of Lpath since November 2008, and was appointed as Chairman of the Board in September 2010. Mr. Petree has over 20 years of experience in the biotechnology industry, serving in a variety of roles including investment banker, senior operating manager and corporate and securities lawyer. Mr. Petree is a member and co-founder of P2 Partners, LLC formed in 2000, and a member and co-founder of Four Oaks Partners Consulting, LLC, founded in April 2012, both of which provide transaction advisory services to small and medium-sized science companies. Mr. Petree served as a director of Cypress Biosciences, Inc., a company that provides products for the treatment of patients with Functional Somatic Syndromes and other central nervous system disorders from 2004 to 2011. Before co-founding P2 Partners in 2000, Mr. Petree was President and Chief Operating Officer of Axys Pharmaceuticals, a structure-based drug design company in South San Francisco. Mr. Petree's qualifications to sit on our Board include his experience as an executive and an investment banker in the biotechnology industry, his experience with structuring and negotiating pharmaceutical partnering arrangements, and his experience serving on public company boards and board committees.

Jeffrey A. Ferrell
Director
Mr. Ferrell has served as a director of Lpath since April 2007. Mr. Ferrell has served as the Managing Member of Athyrium Capital Management, LLC, a life sciences focused investment and advisory company with offices in New York City, since 2008. From 2001 to 2008, Mr. Ferrell served in a number of capacities at Lehman Brothers. He oversaw public and private life sciences investments for Global Trading Strategies, a principal investment group within Lehman, as a Senior Vice President from 2005 to 2008. Prior to that he was a Vice President in Lehman Brothers' Private Equity division. Prior to joining Lehman in 2001, he was a principal at Schroder Ventures Life Sciences in Boston. Mr. Ferrell holds an A.B. in Biochemical Sciences from Harvard University. Mr. Ferrell's qualifications to sit on our Board include his experience in providing fund raising and advisory services to life sciences companies, his knowledge of the life sciences industry and his knowledge of the capital markets.

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Daniel L. Kisner, M.D.

Director

Dr. Kisner has been a member of our Board since July 2012. Since July 2010, Dr. Kisner has been a director of Dynavax Technologies Corporation, a clinical stage biopharmaceutical company, and has also served as Chairman of the Board for Tekmira Pharmaceuticals, a biopharmaceutical company since January 2010. From 2003 to 2010, Dr. Kisner was a partner at Aberdare Ventures. Prior to that, Dr. Kisner was President and CEO of Caliper Technologies, leading its evolution from a start-up focused on microfluidic lab-on-chip technology to a publicly traded, commercial organization. Prior to Caliper, he was the President and Chief Operating Officer of Isis Pharmaceuticals, Inc., a biomedical pharmaceutical company. Previously, Dr. Kisner was Division Vice President of Pharmaceutical Development for Abbott Laboratories and Vice President of Clinical Research and Development at SmithKline Beckman Pharmaceuticals. In addition, he held a tenured position in the Division of Oncology at the University of Texas, San Antonio School of Medicine and is certified by the American Board of Internal Medicine in Internal Medicine and Medical Oncology. Our Board believes that Dr. Kisner's background with larger, complex technology-based organizations as well as his significant experience with corporate transactions, including investing in venture-backed life science companies provides the Board with insights for setting strategy and reviewing the operations of the Company. He holds a B.A. from Rutgers University and an M.D. from Georgetown University.

Charles A. Mathews

Director

Mr. Mathews has served as a director of Lpath since March 2006. Mr. Mathews is an active private investor and has served as an independent director on the boards of a number of public and private companies. From March 2005 to November 2006, Mr. Mathews was Chairman of Avanir Pharmaceuticals (AVNR), a drug development and marketing company and from May to September 2005 he acted as its Chief Executive Officer. Mr. Mathews is a past president of the San Diego Tech Coast Angels, part of an affiliation of over 200 accredited "angel" investors active in the life science and technology industries. From April 2002 until January 2004, Mr. Mathews served as the President and Chief Executive Officer of DermTech International, a privately held contract research organization focused on dermal and transdermal drugs. Mr. Mathews' qualifications to sit on our Board include his leadership experience as an executive in the life sciences industry, his expertise in operations and corporate governance, and his experience serving on public and private company boards and board committees.

Scott R. Pancoast

Chief Executive Officer, President, and Director

Mr. Pancoast has served as the President and Chief Executive Officer of Lpath since March 2005 and as a Director of Lpath since 1998. Prior to joining Lpath, from 1994 to 2005, Mr. Pancoast was the Executive Vice President of Western States Investment Corporation (WSIC), a private San Diego venture capital fund. He has served as the CEO or interim CEO for six start-up companies, and has been a member of the boards of directors for over 15 companies, including two public companies. Mr. Pancoast previously served on the board of directors of iVOW, Inc., a publicly-traded company. From 1986 to 1994 Mr. Pancoast was with National Sanitary Supply Company, where he was a member of the Board of Directors and served in various management positions including Senior Vice President—Operations and Chief Financial Officer. He is a graduate of the Harvard Business School and the University of Virginia. Mr. Pancoast's qualifications to sit on our Board include his experience as our President and Chief Executive Officer, his experience as venture capitalist and business leader, and his current and past service as a board member for public and private companies.

Donald R. Swortwood

Director

Mr. Swortwood participated in the original funding of Lpath, and has served as a director of Lpath since July 2006. He has served as Chairman and Chief Executive Officer of Western States Investment Corporation since the founding of its predecessor in 1975, and has been an active investor and venture capitalist for over thirty-five years. His investing career began in basic industrial areas, such as industrial salt and transportation, and has evolved into technology and science related fields, ranging from a business that developed novel technologies for the detection and treatment of gastro-esophageal reflux disease, which was sold to Medtronic; to a leader in storage area network management software solutions, which was sold to EMC; to a business that developed the first "ear thermometer," which was sold to Wyeth. Currently, the Western States portfolio of holdings includes a number of biotech and life science companies.
Mr. Swortwood is a graduate of Stanford University. Mr. Swortwood's qualifications to sit on our Board include his experience as a business leader and venture capitalist and his experience in advising emerging growth life science and technology companies.

Gary J.G. Atkinson

Senior Vice President and Chief Financial Officer

Mr. Atkinson joined Lpath as Vice President, Chief Financial Officer in 2005. He has more than 20 years of financial management experience. Prior to joining Lpath, Mr. Atkinson served, from 2001 to 2005 as Senior Vice President and Chief Financial Officer at Quorex Pharmaceuticals, Inc., a drug discovery company. From 1995 to 2000, Mr. Atkinson served as Vice President of Finance at Isis Pharmaceuticals, a publicly held pharmaceutical research and development company. He began his career with Ernst & Young, where he earned his CPA certification. Mr. Atkinson is a graduate of Brigham Young University.

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Dario A. Paggiarino, M.D.

Senior Vice President and Chief Development Officer

Dr. Paggiarino joined Lpath in April 2013. He has more than 25 years of experience in the pharmaceutical industry, having directed global development programs in a number of therapeutic areas including ophthalmology, pain, inflammatory conditions, and oncology. Most recently, Dr. Paggiarino served as Vice President and Therapeutic Unit Head for retina diseases at Alcon, a division of Novartis from 2011 to 2013. He also served as Executive Director of Clinical Development and Medical Affairs at Pfizer Global R&D with focus on global clinical development in glaucoma, diabetic and degenerative retinal diseases, and medical responsibilities for Macugen® from 2001 to 2011. Earlier in his career, he held R&D positions of increasing responsibility at Angelini Pharmaceuticals, a privately owned company, ultimately serving as president. Later he joined Pharmacia Global R&D where he was clinical program director of ophthalmology with responsibilities for Xalatan(R), the leading glaucoma therapy in the world, and ocular devices such as viscoelastics (Healon®) and intraocular lenses (CeeOn®, Tecnis®). Dr. Paggiarino earned his degree in Medicine and General Surgery at the University of Rome La Sapienza and has authored numerous scientific articles.

Gary Woodnutt Ph.D.

Senior Vice President, Research

Dr. Woodnutt joined Lpath in April 2013. Prior to joining Lpath, Dr. Woodnutt served as the Vice President, Open Innovation at CovX, a division of Pfizer acquired in 2007, from 2012 to 2013, and as Vice President of Biology Research from 2006 to 2012. From 2002 to 2006, Dr. Woodnutt was the Senior Vice President of Pharmaceutical Research and Development for Diversa Corporation. He began his career in the pharmaceutical industry with Glaxo SmithKline Pharmaceuticals, where he was employed for more than 20 years and rose to the position of Vice President and Head of Biology in the Antimicrobial and Host Defense Group. Dr. Woodnutt received his Ph.D. in biochemistry/physiology from the University of Reading, and he has authored numerous scientific articles.

Family Relationships

There are no family relationships between any of our officers and directors.

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GOVERNANCE OF OUR COMPANY

Overview

We are committed to maintaining the highest standards of business conduct and corporate governance, which we believe are fundamental to the overall success of our business, serving our stockholders well and maintaining our integrity in the marketplace. Our Corporate Governance Guidelines and Code of Business Conduct and Ethics, together with our Articles of Incorporation, Bylaws and the charters of our Board Committees, form the basis for our corporate governance framework. As discussed below, our Board of Directors has established four standing committees to assist it in fulfilling its responsibilities to the Company and its stockholders: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the R&D Advisory Committee.

Corporate Governance Guidelines

Our Corporate Governance Guidelines are designed to ensure effective corporate governance of our Company. Our Corporate Governance Guidelines cover topics including, but not limited to, director qualification criteria, director responsibilities, director compensation, director orientation and continuing education, communications from stockholders to the Board, succession planning and the annual evaluations of the Board and its Committees. Our Corporate Governance Guidelines are reviewed regularly by the Nominating and Corporate Governance Committee of our Board and revised when appropriate. The full text of our Corporate Governance Guidelines can be found in the “Investors” section of our website accessible at *www.lpath.com*, by clicking the “Corporate Governance” link. A printed copy may also be obtained by any stockholder upon request to our Corporate Secretary.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. This Code constitutes a “code of ethics” as defined by the rules of the SEC. This Code also contains “whistle blower” procedures adopted by our Audit Committee regarding the receipt, retention and treatment of complaints related to accounting, internal accounting controls or auditing matters and procedures for confidential anonymous employee complaints related to questionable accounting or auditing matters. Copies of the Code may be obtained free of charge from our website, www.lpath.com. Any amendments to, or waivers from, a provision of our Code that applies to any of our executive officers will be posted on our website in accordance with the rules of the SEC. Other than as specifically referenced herein, the information contained on, or that can be accessed through, our website is not a part of this Annual Report.

Director Independence

The Board assesses on a regular basis, and at least annually, the independence of our directors and makes a determination as to which directors are independent. Our Board of Directors has determined that each of our directors is “independent,” except for Mr. Pancoast who is currently serving as our President and Chief Executive Officer. In assessing director independence, our Board has adopted the definition of “independent director” under the listing standards of the Nasdaq Stock Market. Our current independent directors are Jeffrey Ferrell, Daniel Kisner, Charles Mathews, Daniel Petree and Donald Swortwood.

Board and Committee Attendance

During the year ended December 31, 2013, the Board of Directors met ten times and it took action by unanimous written consent one time. Our Board of Directors has established four standing committees to assist it in fulfilling its responsibilities to the Company and its stockholders: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the R&D Advisory Committee. During the last fiscal year, each of our directors attended at least 75% of the total number of meetings of the Board and all Board Committees on which such director served during that period.

Director Attendance at Annual Meeting

We believe the Annual Meeting provides a good opportunity for our directors to hear any feedback the stockholders may share with the Company at the Meeting. As a result, we encourage our directors to attend our Annual Meeting. We reimburse our directors for the reasonable expenses incurred by them in attending the Annual Meeting. All of our directors attended the 2013 Annual Meeting.

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Executive Sessions

Executive sessions of our independent directors are held at each regularly scheduled meeting of our Board and at other times as necessary and are chaired by the Chairman of the Board. The Board’s policy is to hold executive sessions without the presence of management, including our President and Chief Executive Officer, who is the only non-independent director on the Board. Our Board Committees also generally meet in executive session at the end of each Committee meeting.

Board Committees

Our Board of Directors has established four standing committees to assist it in fulfilling its responsibilities to the Company and its stockholders: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the R&D Advisory Committee. Each Committee acts pursuant to a written charter, each of which has been posted in the “Investors” section of our website accessible at *www.lpath.com*. Each Committee reviews its

charter on an annual basis. In addition to the three standing Committees, the Board may approve from time to time the creation of special committees to assist the Board in carrying out its duties.

The Compensation Committee. The Compensation Committee of the Board of Directors, currently consists of Messrs. Daniel Kisner (Chair), Jeffrey Ferrell, Daniel Petree, Charles Mathews, and Donald Swortwood. The functions of the Compensation Committee include the approval of the compensation offered to our executive officers and recommending to the full Board of Directors the compensation to be offered to our directors. The Board has determined that Messrs. Mathews, Kisner, Ferrell, Petree and Swortwood are each an "independent director" under the listing standards of the Nasdaq Stock Market. In making such determination the Board considered the source of compensation of each member of the Compensation Committee, including factors relevant to determining whether the member has a relationship to the Company which is material to the member's ability to be independent from management in connection with the duties of a compensation committee member. In addition, the members of the Compensation Committee qualify as "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Compensation Committee met five times in 2013.

The Audit Committee. The Audit Committee of the Board of Directors, currently consists of Messrs. Mathews (Chair), Ferrell, and Petree. The functions of the Audit Committee include the retention of our independent registered public accounting firm, reviewing and approving the planned scope, proposed fee arrangements and results of the Company's annual audit, reviewing the adequacy of the Company's accounting and financial controls and reviewing the independence of the Company's independent registered public accounting firm. The Board has determined that each current member of the Audit Committee is an "independent director" under the listing standards of the Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act. As required by the listing standards of the Nasdaq Stock Market, each member of the Audit Committee can read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. The Board of Directors has also determined that Mr. Mathews is an "audit committee financial expert" within the applicable definition of the SEC. The Audit Committee met four times in 2013.

The Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Messrs. Mathews (Chair), Petree, and Swortwood. The Nominating and Corporate Governance Committee evaluates and recommends to the Board nominees for each election of directors and helps oversee the Company's regulatory and compliance matters. The Board has determined that Messrs. Mathews, Petree and Swortwood are each an "independent director" under the listing standards of the Nasdaq Stock Market. The Nominating and Corporate Governance Committee met three times in 2013.

The R&D Advisory Committee. The R&D Advisory Committee consists of Messrs. Kisner (Chair), Petree, and Pancoast. The R&D Advisory Committee evaluates and helps oversee the Company's research and development initiatives. The Board has determined that Messrs. Kisner and Petree are each an "independent director" under the listing standards of the Nasdaq Stock Market. The R&D Advisory Committee met two times time in 2013.

Board and Committee Effectiveness

The Board and each of its Committees performs an annual self-assessment to evaluate their effectiveness in fulfilling their obligations. The Board and Committee evaluations cover a wide range of topics, including, among others, the fulfillment of the Board and Committee responsibilities identified in the Corporate Governance Guidelines and charters for each Committee.

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Board Leadership Structure

Daniel H. Petree serves as Chairman of our Board of Directors. Our Board has determined that separating the positions of Chief Executive Officer and Chairman of the Board is in the best interests of the Company and its stockholders at this time. Our Board believes our leadership structure enhances the accountability of our Chief Executive Officer to the Board and encourages balanced decision making. In addition, the Board believes that this structure provides an environment in which its independent directors are fully informed, have significant input into the content of Board meetings and are able to provide objective and thoughtful oversight of management. Our Board also separated the roles in recognition of the differences in responsibilities. While our Chief Executive Officer is responsible for the day-to-day leadership of the Company, the Chairman of the Board provides guidance to the Board, sets the agenda for Board meetings and presides over the meetings of the full Board and the meetings of the Board's non-management directors. The Board Chairman also provides performance feedback on behalf of the Board to our Chief Executive Officer. The Board intends to carefully evaluate from time to time whether our Chief Executive Officer and Chairman positions should remain separate based on what the Board believes is best for the Company and its stockholders.

Board Oversight of Risk

The Board is actively involved in the oversight of risks that could affect the Company. The Board as a whole has responsibility for risk oversight of the Company's risk management policies and procedures, with reviews of certain areas being conducted by the relevant Board committee. The Board satisfies this responsibility through reports by each Committee Chair regarding the Committee's considerations and actions, as well as through regular reports directly from management responsible for oversight of particular risks within the Company. Specifically, the Board committees address the following risk areas:

- The Compensation Committee is responsible for overseeing the management of risks related to the Company's executive compensation plans and arrangements.
- The Audit Committee discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- The Nominating and Corporate Governance Committee considers risks related to regulatory and compliance matters.
- The R&D Advisory Committee considers risks related to the Company's research and development initiatives.

The Board encourages management to promote a corporate culture that incorporates risk management into the Company's day-to-day business operations.

Stockholder Recommendations for Director Nominees

In nominating candidates for election as a director, the Nominating and Corporate Governance Committee will consider a reasonable number of

candidates recommended by a single stockholder who has held over 2% of Lpath Common Stock for over one year and who satisfies the notice, information and consent provisions set forth in our Bylaws and Corporate Governance Guidelines. Stockholders who wish to recommend a candidate may do so by writing to the Nominating and Corporate Governance Committee in care of the Corporate Secretary, Lpath, Inc., 4025 Sorrento Valley Blvd., San Diego, California 92121. The Nominating and Corporate Governance Committee will use the same evaluation process for director nominees recommended by stockholders as it uses for other director nominees. A printed copy of our Bylaws may be obtained by any stockholder upon request to our Corporate Secretary.

Identification and Evaluation of Director Nominees

Our Nominating and Corporate Governance Committee uses a variety of methods for identifying and evaluating director nominees. Our Nominating and Corporate Governance Committee regularly assesses the appropriate size and composition of the Board, the needs of the Board and the respective Board Committees, and the qualifications of candidates in light of these needs. Candidates may come to the attention of the Nominating and Corporate Governance Committee through stockholders, management, current members of the Board, or search firms. The evaluation of these candidates may be based solely upon information provided to the Nominating and Corporate Governance Committee or may also include discussions with persons familiar with the candidate, an interview of the candidate or other actions the Nominating and Corporate Governance Committee deems appropriate, including the use of third parties to review candidates.

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While we do not have a stand-alone diversity policy, in considering whether to recommend any director nominee, including candidates recommended by stockholders, we believe that the backgrounds and qualifications of our directors, considered as a group, should provide a significant mix of experience, knowledge and abilities that will allow our Board and its Committees to fulfill their respective responsibilities. As set forth in our Corporate Governance Guidelines, these criteria generally include, among other things, an individual's business experience and skills, as well as independence, judgment, knowledge of our business and industry, professional reputation, leadership, integrity and ability to represent the best interests of the Company's stockholders. In addition, the Nominating and Corporate Governance Committee will also consider the ability to commit sufficient time and attention to the activities of the Board, as well as the absence of any potential conflicts with the Company's interests. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective director nominees. Our Board will be responsible for selecting candidates for election as directors based on the recommendation of the Nominating and Corporate Governance Committee.

We believe that our current Board includes individuals with a strong background in executive leadership and management, accounting and finance, and Company and industry knowledge. In addition, each of our directors has a strong professional reputation and has shown a dedication to his or her profession and community. We also believe that our directors' diversity of backgrounds and experiences, which include medicine, academia, business and finance, results in different perspectives, ideas, and viewpoints, which make our Board more effective in carrying out its duties. We believe that our directors hold themselves to the highest standards of integrity and that they are committed to representing the long-term interests of our stockholders.

Communications with the Board of Directors

The Board desires that the views of stockholders will be heard by the Board, its Committees or individual directors, as applicable, and that appropriate responses will be provided to stockholders on a timely basis. Stockholders wishing to formally communicate with the Board, any Board Committee, the independent directors as a group or any individual director may send communications directly to the Company at 4025 Sorrento Valley Blvd., San Diego, California 92121, Attention: Corporate Secretary. All clearly marked written communications, other than unsolicited advertising or promotional materials, are logged and copied, and forwarded to the director(s) to whom the communication was addressed. Please note that the foregoing communication procedure does not apply to (i) stockholder proposals pursuant to Exchange Act Rule 14a-8 and communications made in connection with such proposals or (ii) service of process or any other notice in a legal proceeding.

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ITEM 11. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The following table summarizes the compensation that we paid to our executive officers (collectively, the "Named Executives"), during the years ended December 31, 2013 and 2012.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Option and RSU Awards	All Other Compensation	Total
Scott R. Pancoast Chief Executive Officer and President	2013	$ 429,986(1)	$ 105,000	$ 144,150(5)	$ 10,200(6)	$ 689,336
	2012	$ 419,935(1)	$ 40,000	$ 119,329(5)	$ 10,000(6)	$ 589,264
Gary J.G. Atkinson Senior Vice President, Chief Financial Officer	2013	$ 305,300(2)	$ 60,000	$ 74,993(5)	$ 10,200(6)	$ 450,493
	2012	$ 293,077(2)	$ 25,000	$ 39,309(5)	$ 10,000(6)	$ 367,386
Dario A. Paggiarino, M.D. Senior Vice President and Chief Development Officer	2013	$ 215,385(3)	$ —	$ 88,190(5)	$ 8,369(6)	$ 311,944
Gary Woodnutt Ph.D. Senior Vice President, Development	2013	$ 215,385(4)	$ —	$ 88,190(5)	$ 8,369(6)	$ 311,944

(1) Scott Pancoast, our CEO and President, was paid a base salary of $432,000 per annum, effective as of March 1, 2013. Mr. Pancoast provides consulting services to Western States Investment Corporation ("WSIC") pursuant to the Company's arrangement with WSIC. WSIC reimburses the Company for the cost of services provided by Mr. Pancoast. Mr. Pancoast may be granted annual bonuses and equity awards at the discretion of the Compensation Committee.

(2) Gary Atkinson, our Senior Vice President and Chief Financial Officer, was paid a base salary of $308,000 per annum, effective as of March 1, 2013. Mr. Atkinson provides consulting services to WSIC pursuant to the Company's arrangement with WSIC. WSIC reimburses the Company for the cost of services provided by Mr. Atkinson. Mr. Atkinson may be granted annual bonuses and equity awards at the discretion of the Compensation Committee.

(3) Dario A. Paggiarino, M.D., our Senior Vice President and Chief Development Officer, was paid a base salary of $320,000 per annum, effective as of his hire date of April 15, 2013. Dr. Paggiarino may be granted annual bonuses and equity awards at the discretion of the Compensation Committee.

(4) Gary Woodnutt,Ph.D., our Senior Vice President, Research, was paid a base salary of $320,000 per annum, effective as of his hire date of April 15, 2013. Dr. Paggiarino may be granted annual bonuses and equity awards at the discretion of the Compensation Committee.

(5) Option and Restricted Stock Units ("RSU") award compensation represents the aggregate annual stock compensation expense of the officer's outstanding stock option grants and RSUs. Compensation for employees is measured at the grant date based on the fair value of the award and is recognized as compensation expense over the service period, which generally represents the vesting period. Material terms of the outstanding equity awards for each of the named executive officers are set forth in the following table entitled "Outstanding Equity Awards at Fiscal Year-End 2012".

(6) Amounts represent company matching 401(k) contributions.

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The following table details unexercised stock options and RSUs for each of our Named Executives as of December 31, 2013.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	OPTION AWARDS				STOCK AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)(4)	Market Value of Shares or Units of Stock That Have Not Vested ($)(4)	Equity Incentive Plan Awards: Number of Unearned Shares or Units of Stock That Have Not Vested (#)(5)	Equity Incentive Plan Awards: Market Value of Unearned Shares or Units of Stock That Have Not Vested ($)(5)
Scott R. Pancoast	28,572	—(2)	$ 5.60	11/30/2015	47,598	$ 202,767	—	$ —
	35,549	—(2)	$ 1.54	5/16/2015				
	70,000	—(3)	$ 0.56	3/29/2015				
Gary J.G. Atkinson	10,715	—(2)	$ 5.60	11/30/2015	34,441	$ 146,719	—	$ —
	32,143	—(2)	$ 4.48	10/28/2015				
Dario A. Paggiarino, M.D.					100,000	$ 426,000	—	$ —
Gary Woodnutt Ph.D.					100,000	$ 426,000	—	$ —

(1) For each option shown, the expiration date is the 10th anniversary of the date the option was granted.

(2) One quarter of the shares vest one year from the date of grant, the remaining shares vest monthly over the following three years.

(3) Shares vest monthly over four years.

(4) RSUs vest over a four-year period.

(5) Performance-based RSUs vest upon the achievement of specific performance objectives.

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Narrative to Summary Compensation Table and Outstanding Equity Awards Table

The Compensation Committee of the Board of Directors, which is comprised solely of independent directors, has the responsibility for evaluating and authorizing the compensation payable to our executive officers. In setting executive compensation in 2012, the Compensation Committee retained Compensia, Inc., a national compensation consulting firm ("Compensia"), to provide it with competitive market data and analysis regarding the compensation elements offered to the Company's executive officers, including base salary, cash incentives and equity incentives. Compensia provided the analysis based on a peer group of life science companies approved by the Compensation Committee. In 2013, the Compensation Committee considered the prior report provided by Compensia as well as cost-of-living increases from 2012 in setting executive compensation for 2013. The Compensation Committee, based on the data and analysis received from Compensia, adopted and approved the compensation program for its executive officers described below.

Salary. The Compensation Committee sets the base salaries for the Company's executive officer. The amounts included in the Salary column of the Summary Compensation Table reflects an annual salary review by the Compensation Committee and any salary increases are pro-rated based on the effective date of any salary increase.

Effective March 1, 2012, Mr. Pancoast's base salary was increased from $410,000 to $422,300. Effective March 1, 2013, his base salary was increased to $432,000.

Effective March 1, 2012, Mr. Atkinson's base salary was increased from $285,000 to $295,000. Effective March 1, 2013, Mr. Atkinson's base salary was increased to $308,000.

Bonus. As part of the Company's executive compensation program, the Compensation Committee provides annual performance-based cash incentive awards to our executive officers and other key employees. The annual incentive awards are based on the achievement of Company and individual performance metrics established at the beginning of each fiscal year by the Compensation Committee. Following the end of each fiscal year, the Compensation Committee is responsible for determining the bonus amount payable to the executive officer based on the Company's and the executive officer's performance against the performance metrics established by the Compensation Committee for the recently completed fiscal year. The bonus amounts reflected in the Summary Compensation Table for 2012, reflect the Company's and the executive officer's performance during fiscal 2011; and the bonus amounts reflected in the Summary Compensation Table for 2013, reflect the Company's and the executive officer's performance during fiscal 2012.

Based on its evaluation, the Compensation Committee awarded the named executive officers an average of 42% of their full target bonus amounts over the past two fiscal years.

Equity Awards. Our Compensation Committee believes that equity ownership by our executive officers and key employees encourages them to create long-term value and aligns their interests with those of our stockholders. Since November 2007, the Compensation Committee has granted RSUs to our executive officers and our other key employees pursuant to our Amended and Restated 2005 Equity Incentive Plan ("the Plan").

Mr. Pancoast was granted 30,000 and 14,286 RSUs in 2013 and 2012, respectively. Mr. Atkinson was granted 25,000 and 10,715 RSUs in 2013 and 2012, respectively. Dr. Paggiarino and Dr. Woodnutt were awarded 100,000 RSUs in 2013.

All Other Compensation. We do not provide pension arrangements or post-retirement health coverage for our executives or employees. Our executive officers are eligible to participate in our 401(k) contributory defined contribution plan. In any plan year, we contribute to each participant a matching contribution up to a maximum of 4% of the participant's compensation, subject to statutory limitations. We do not provide any nonqualified defined contribution or other deferred compensation plans.

Severance. If Mr. Pancoast's employment is terminated by the Company without cause, he is entitled to receive his base salary and benefits for a period of 12 months following such termination, and the portion of his stock options and RSUs that would have vested during the 18 months following the termination will immediately vest. If Mr. Pancoast's employment is terminated in connection with a change of control of the Company, then Mr. Pancoast will be paid his base salary and benefits for a period of 18 months following such termination, and the portion of his stock options and RSUs that would have vested during the 24 months following the termination will immediately vest

If Messrs. Atkinson's, Paggiarino's and Woodnutt's employment is terminated by the Company without cause, they are entitled to receive their base salary and benefits for a period of 12 months following such termination. If their employment is terminated in connection with a change of control of the Company, then they will be paid their base salary and benefits for a period of 12 months following such termination, and the portion of their stock options and RSUs that would have vested during the 24 months following the termination will immediately vest.

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Director Compensation

Our directors play a critical role in guiding our strategic direction and overseeing the management of the Company. Ongoing developments in corporate governance and financial reporting have resulted in an increased demand for such highly qualified and productive public company directors. The many responsibilities and risks and the substantial time commitment of being a director of a public company require that we provide adequate incentives for our directors' continued performance by paying compensation commensurate with our directors' workload. Our non-employee directors are compensated based upon their respective levels of Board participation and responsibilities, including service on Board Committees. Mr. Pancoast, our President and Chief Executive Officer, receives no separate compensation for his service as a director.

The following table sets forth compensation earned and paid to each non-employee director for service as a director during 2013:

Director Compensation Fiscal Year 2013

Name	Fees Paid in Cash	RSU and Option Awards	Total
Jeffrey A. Ferrell	$ 41,000	$ 33,715(1)	$ 74,715
Daniel L. Kisner, M.D.	$ 49,000	$ 53,064(2)	$ 102,064
Charles A. Mathews	$ 56,000	$ 33,715(3)	$ 89,715
Daniel H. Petree	$ 58,000	$ 44,953(4)	$ 102,953
Donald R. Swortwood	$ 37,000	$ 33,715(5)	$ 70,715

(1) Mr. Ferrell was appointed to the Board in April 2007 and first elected in October 2007. As of December 31, 2013, Mr. Ferrell held 24,213 RSUs, of which 22,710 are vested.

(2) Dr. Kisner was appointed to the Board in July 2012. As of December 31, 2013, Dr. Kisner held 16,098 RSUs, of which 11,128 are vested.

(3) As of December 31, 2013, Mr. Mathews held 7,143 stock options, all of which were vested, and 23,785 RSUs, of which 22,282 were vested. Mr. Mathews was first elected to the Board in March 2006.

(4) Mr. Petree was appointed to the Board of Directors in November 2008 and first elected in June 2009. In September 2010, Mr. Petree was elected Chairman of the Board. As of December 31, 2013, Mr. Petree held 30,076 RSUs, of which 28,072 were vested.

(5) As of December 31, 2013, Mr. Donald R. Swortwood held 7,143 stock options, all of which were vested, and 23,785 RSUs, of which 22,282 are vested. Mr. Swortwood was first elected to the Board in July 2006.

Narrative Discussion of the Director Compensation Table.

Our director compensation program is overseen and authorized by the Board of Directors, based on the recommendation of the Compensation Committee. The Compensation Committee periodically receives advice and recommendations from Compensia, its compensation consultant, with respect to director compensation matters. During 2013, the terms of the compensation arrangements for our non-management directors were as follows:

- Non-management directors received an annual retainer of $30,000, which was paid in equal quarterly payments. The Chairman of the Board received an annual retainer of $40,000, which was paid in equal quarterly payments.
- Members of the Audit Committee received an annual retainer of $7,000, which was paid in quarterly installments. The Chair of the Audit Committee received an annual retainer of $16,000, which was paid in quarterly installments.
- Members of the Compensation Committee received an annual retainer of $4,000, which was paid in quarterly installments. The Chair of the Compensation Committee received an annual retainer of $9,000, which was paid in quarterly installments.

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- Members of the Nominating and Corporate Governance Committee received an annual retainer of $3,000, which was paid in quarterly installments. The Chair of the Nominating and Corporate Governance Committee received an annual retainer of $6,000, which was paid in quarterly installments.
- Members of the R&D Advisory Committee received an annual retainer of $4,000, which was paid in quarterly installments. The Chair of the R&D Advisory Committee received an annual retainer of $10,000, which was paid in quarterly installments.
- Each non-management director received a grant of restricted stock units ("RSUs") for 6,012 shares of Lpath Common Stock. The Chairman of the Board received a grant of RSUs for 8,016 shares of Lpath Common Stock. The RSUs granted have a five-year life and vest over a one-year period.

Our directors did not receive any other meeting fees. We do reimburse our directors for their reasonable expenses in attending Board and Board Committee meetings in accordance with the Company's reimbursement policy.

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

The following table sets forth information on the beneficial ownership of our Common Stock as of March 1, 2014 by (i) each stockholder who we believe owns beneficially more than 5% of our Common Stock, (ii) each of our named executive officers and directors and (iii) all of our directors and executive officers as a group. Except as listed below, the address of all owners listed is c/o Lpath, Inc., 4025 Sorrento Valley Blvd., San Diego, CA 92121.

Name of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership(1)	Percent of Common Stock Outstanding(2)
E. Jeffrey Peierls 73 S. Holman Way Golden, CO 80401	916,975(3)	6.4%
Brian E. Peierls 7808 Harvestman Cove Austin, TX 78731	773,552(4)	5.4%
Franklin Resources, Inc. One Franklin Parkway San Mateo, CA 94403-1906	877,700(5)	6.1%
Donald R. Swortwood Director Chairman & Chief Executive Officer Western States Investment Group 4025 Sorrento Valley Blvd. San Diego, CA 92121 Director	797,098(6)	5.5%
Letitia H. Swortwood Western States Investment Group 4025 Sorrento Valley Blvd. San Diego, CA 92121	758,312(7)	5.3%
Ailsa Craig Trust ACM City View Plaza II #48 Road 165, Suite 600 Guaynabo, PR 00968	698,572(8)	4.9%
Scott R. Pancoast President, Chief Executive Officer, and Director	319,453(9)	2.2%
Gary J.G. Atkinson Vice President, Chief Financial Officer, and Secretary	87,932(10)	*
Dario A. Paggiarino, M.D. Senior Vice President and Chief Development Officer	25,000(11)	*
Gary Woodnutt Ph.D. Senior Vice President, Development	25,000(11)	*
Charles A. Mathews Director	44,144(12)	*
Jeffrey A. Ferrell Director	29,999(13)	*
Daniel L. Kisner, M.D. Director	15,761(14)	*

Daniel H. Petree Director	35,862(15)	*
All directors and executive officers as a group (seven persons)	1,353,819(16)	9.3%

From time to time, the number of our shares held in the "street name" accounts of various securities dealers for the benefit of their clients or in centralized securities depositories may exceed 5% of the total shares of our Common Stock outstanding.

* Less than one percent.

(1) We determined beneficial ownership under rules promulgated by the SEC, based on information obtained from questionnaires, Company records and filings with the SEC. The information is not necessarily indicative of beneficial ownership for any other purpose. Under the rules of the SEC, a person is considered to beneficially own any shares: (i) over which the person, directly or indirectly, exercises sole or shared voting or investment power, or (ii) of which the person has the right to acquire beneficial ownership at any time within 60 days of March 1, 2014 (such as through exercise of stock options). Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.

(2) Percentage information is calculated based on 14,311,170 shares of Common Stock outstanding as of March 1, 2014, plus each person's warrants, options, and restricted stock units (RSUs) that are currently exercisable or vested (in the case of (RSUs) or that will become exercisable or vested within 60 days of March 1, 2014. Percentage information for each person assumes that no other individual will exercise any warrants or options.

(3) According to our records and Schedules 13-G filed with the SEC, includes 85,847 shares of Common Stock and 6,786 shares of Common Stock issuable upon the exercise of warrants owned directly by Mr. E. Jeffrey Peierls. Also includes 566,301 shares of Common Stock and 49,286 shares of Common Stock issuable upon the exercise of warrants held by The Peierls Foundation, Inc. (the "Foundation"), and 64,676 shares of Common Stock and 5,715 shares of Common Stock issuable upon the exercise of warrants held by the U. D. Ethel Peierls Charitable Lead Trust (the "Lead Trust"), and 146,222 shares of Common Stock held by the following trusts: UD E.F. Peierls for B.E. Peierls, UD E.F. Peierls for E.J. Peierls, UD J.N. Peierls for B.E. Peierls, UD J.N. Peierls for E.J. Peierls, UD E.S. Peierls for E.F. Peierls, UW Jennie Peierls for B.E. Peierls, UW Jennie Peierls for E.J. Peierls, UW E.S. Peierls for BEP Art VI-Accum, UW E.S. Peierls for EJP Art VI-Accum (the "Trusts"). Mr. E. Jeffrey Peierls is the President and a Director of the Foundation and is a Co-Trustee of the Lead Trust, and is a Co-Trustee of the Trusts. Mr. E. Jeffrey Peierls has voting and investment power over the shares of our Common Stock held by the Foundation, the Lead Trust and the Trusts. The amounts disclosed in the table do no include warrant shares the holder is contractually prohibited form exercising based on the holder's ownership interest.

(4) Includes 73,501 shares of Common Stock and 6,215 shares of Common Stock issuable upon the exercise of warrants owned directly by Mr. Brian E. Peierls. Also includes 566,301 shares of Common Stock and 49,286 shares of Common Stock issuable upon the exercise of warrants held by the Foundation and 64,676 shares of Common Stock and 5,715 shares of Common Stock issuable upon the exercise of warrants held by the Lead Trust, and 7,858 shares of Common Stock held by The Peierls By-Pass Trust. Mr. Brian E. Peierls is the Vice President and a Director of the Foundation and is a Co-Trustee of the Lead Trust. Mr. Brian E. Peierls has voting and investment power over the shares of our Common Stock held by the Foundation and the Lead Trust.

(5) According Schedule 13-G filed with the SEC, includes 877.700 shares of Common Stock.

(6) Includes 12,143 shares of Common Stock issuable upon the exercise of outstanding options and 23,785 shares of Common Stock that are issuable pursuant to the terms of RSUs.

(7) Includes shares of Common Stock.

(8) According to a Schedule 13-G filed with the SEC. Michael Svensson has sole voting power over, and sole power to dispose of all shares of our Common Stock held by the Alisa Craig Trust. Mr. Svensson disclaims beneficial ownership of all shares of our Common Stock held by the Alisa Craig Trust.

(9) Includes 134,121 shares of Common Stock issuable upon the exercise of outstanding options and 77,897 shares of Common Stock that are issuable pursuant to the terms of RSUs.

(10) Includes 42,858 shares of Common Stock issuable upon the exercise of outstanding options and 28,776 shares of Common Stock that are issuable pursuant to the terms of RSUs.

(11) Includes 25,000 shares of Common Stock issuable pursuant to the terms of RSUs.

(12) Includes 9,643 shares of Common Stock issuable upon the exercise of outstanding options and 23,785 shares of Common Stock that are issuable pursuant to the terms of RSUs.

(13) Includes 2,500 shares of Common Stock issuable upon the exercise of outstanding options and 24,213 shares of Common Stock issuable pursuant to the terms of RSUs.

(14) Includes 2,500 shares of Common Stock issuable upon the exercise of outstanding options and 13,261 shares of Common Stock issuable pursuant to the terms of RSUs.

(15) Includes 2,500 shares of Common Stock issuable upon the exercise of outstanding options and 30,076 shares of Common Stock issuable pursuant to the terms of RSUs.

(16) Includes shares held by all of the directors and executive officers, including Donald R. Swortwood, Scott R. Pancoast, Gary J.G. Atkinson, Dario A. Paggiarino, M.D., Gary Woodnutt Ph.D., Charles A. Mathews, Daniel L. Kisner M.D., Daniel H. Petree, and Jeffrey A. Ferrell.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Act"), requires our executive officers and directors and persons who beneficially own more than 10% of our Common Stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such persons.

To the Company's knowledge, no person who, during the fiscal year ended December 31, 2013, was a director or officer of the Company, or beneficial owner of more than ten percent of the Company's Common Stock (which is the only class of securities of the Company registered under Section 12 of the Act), failed to file on a timely basis reports required by Section 16 of the Act during such fiscal year. The foregoing is based solely upon a review by the Company of Forms 3 and 4 relating to the most recent fiscal year as furnished to the Company under Rule 16a-3(d) under the Act, and Forms 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, and any representation received by the Company from any reporting person that no Form 5 is required.

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

We have not engaged in any transaction since January 1, 2012 in which the amount involved exceeds the lesser of $120,000 or 1% of the average of our total assets at year end for fiscal 2013 and 2012 and in which any of our directors, named executive officers or any holder of more than 5% of our Common Stock, or any member of the immediate family of any of these persons or entities controlled by any of them, had or will have a direct or indirect material interest.

For disclosure purposes, we sublease a portion of our facility to Western States Investment Corporation ("WSIC"). Mr. Donald Swortwood, one of our directors, has a 100% ownership interest in WSIC. The terms of the sublease are the same as the financial terms of our direct lease. In addition, certain of our employees provide investment oversight, accounting, and other administrative services to WSIC. Certain WSIC employees also provide services to us. We and WSIC reimburse each other for the cost of the services provided to the other entity.

Our rent expense totaled approximately $366,000 and $339,000 for the years ended December 31, 2013 and 2012, respectively. Lpath's sublease income amounted to $12,000 for the years ended December 31, 2013 and 2012.

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Lpath invoiced WSIC $34,600 for investment oversight expenses in 2012. There were no such invoices to WSIC in 2013. During 2013 and 2012, WSIC billed Lpath $41,900 and $83,400, respectively, for administrative expenses.

We believe that each of the transactions set forth above: (i) were entered into on terms as fair as those that could be obtained from independent third parties, and (ii) were ratified by our Audit Committee pursuant to our related party transaction policy discussed below.

Related Party Transaction Policy

Pursuant to our Code of Business Conduct and Ethics, our executive officers, directors, and principal stockholders, including their immediate family members and affiliates, are prohibited from entering into a related party transaction with us without the prior consent of our Audit Committee or our independent directors. Any request for us to enter into a transaction with an executive officer, director, principal stockholder, or any of such persons' immediate family members or affiliates, in which the amount involved exceeds $120,000 must first be presented to our Audit Committee for review, consideration and approval. In approving or rejecting the proposed agreement, our Audit Committee will consider the relevant facts and circumstances available and deemed relevant, including, but not limited, to the risks, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products, and, if applicable, the impact on a director's independence. Our Audit Committee shall approve only those agreements that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Audit Committee determines in the good faith exercise of its discretion.

Compensation Committee Interlocks and Insider Participation.

None of the members of our Compensation Committee are or have been an officer or employee of us. During fiscal 2013, no member of our Compensation Committee had any relationship with us requiring disclosure under Item 404 of Regulation S K. During fiscal 2013, none of our executive officers served on the Compensation Committee (or its equivalent) or board of directors of another entity any of whose executive officers served on our Compensation Committee or board of directors.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Billed to the Company by its independent auditors during Fiscal Years 2013 and 2012.

Set forth below is certain information concerning fees billed to us by Moss Adams in respect of services provided in 2013 and 2012.

	2013	2012
Audit fees	$ 122,000	$ 122,000
Audit-related fees	43,000	49,000
Tax Fees	8,500	11,200
All other fees	—	—
Total	$ 173,500	$ 182,200

Audit Fees: For the years ended December 31, 2013 and 2012, the aggregate audit fees billed by Moss Adams were for professional services rendered for audits and quarterly reviews of our consolidated financial statements.

Audit-Related Fees: For the years ended December 31, 2013 and 2012, audit-related fees billed by Moss Adams pertained to services rendered in connection with (i) the audit of our Schedule of Expenditures for the National Institutes of Health Research and Development Program, and (ii) procedures required for filings with the SEC in conjunction with financing transactions.

Tax Fees: For the years ended December 31, 2013 and 2012, fees billed by Moss Adams related to tax return preparation and tax planning services.

All Other Fees: For the years ended December 31, 2013 and 2012, there were no fees billed by Moss Adams for other services, other than the fees described above.

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Policy on Audit Committee pre-approval of audit and permitted non-audit services of independent auditors

The Audit Committee has determined that all services provided by Moss Adams were compatible with maintaining the independence of such audit firm. The charter of the Audit Committee requires advance approval of all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the company by our independent registered public accounting firm, subject to any exception permitted by law or regulation. The Audit Committee has delegated to the Chair of the Audit Committee authority to approve permitted services, provided that the Chair reports any decisions to the Audit Committee at its next scheduled meeting. During 2013 and 2012, the Chair of the Audit Committee, subsequently advising the Audit Committee, or the Audit Committee itself pre-approved all audit related and the tax services provided by our independent auditors. During 2013 and 2012, no non-permitted or non-authorized services were performed by our independent registered public accounting firm.

ITEM 15. EXHIBITS

(a) The following documents are filed as part of this report:

(1) The following financial statements of Lpath, Inc. are included in Item 8:

(2) All financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or other notes thereto.

(3) See the Exhibits under Item 15(b) below for all Exhibits being filed or incorporated by reference herein.

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(b) Exhibits:

The following exhibit index shows those exhibits filed with this report and those incorporated herein by reference:

2.1 Agreement and Plan of Reorganization, by and between Neighborhood Connections, Inc., Neighborhood Connections Acquisition Corporation, and Lpath Therapeutics Inc. dated July 15, 2005 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).

2.2 Acquisition Agreement and Plan of Merger, dated as of March 19, 2004, between Neighborhood Connections, Inc. and JCG, Inc. (filed as Exhibit 2.1 to the Current Report on Form 8-K filed on March 22, 2004 and incorporated herein by reference).

3.1 Composite Articles of Incorporation (filed as Exhibit 3.1 to Form 8-A filed with the SEC on October 18, 2012 and incorporated herein by reference).

3.2 Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on June 21, 2013).

3.3 Amended and Restated Bylaws, as amended on April 3, 2007 (conformed) (filed as Exhibit 3.5 to the Registration Statement on Form SB-2, SEC File No. 144199 (the "June 2007 SB-2") and incorporated herein by reference).

3.4 Amendment No. 1 to Amended and Restated Bylaws (filed as Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on October 26, 2012 and incorporated herein by reference).

4.1 Form of Common Stock Purchase Warrant for Investors in the Units. (filed as an exhibit to Form 8-K filed with the SEC on March 6, 2012 and incorporated herein by reference.)

4.2 Form of Common Stock Purchase Warrant for Placement Agents of the Units. (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 6, 2012 and incorporated herein by reference.)

4.3 Form of Warrant for Griffin Securities, Inc. (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 6, 2012 and incorporated herein by reference.)

5.1	Opinion and Consent of DLA Piper LLP (US).*
10.1	Lease dated May 31, 2011 between Sorrento Science Park, LLC and Lpath, Inc. for 4025 Sorrento Valley Blvd. San Diego, California 92121 (filed as an exhibit to the Current Report on the Current Report on Form 8-K filed with the SEC on June 3, 2011 and incorporated herein by reference).
10.2	Assignment Agreement dated June 9, 2005 between Lpath Therapeutics Inc. and LPL Technologies, Inc. (filed as an exhibit to the Current Report on the Current Report on Form 8-K filed with the SEC on December 6, 2005 and incorporated herein by reference).
10.3	Research Collaboration Agreement dated August 2, 2005 between Lpath Therapeutics Inc. and AERES Biomedical Limited (filed as Exhibit 10.4 to the Current Report on Form 8-K/A filed on January 9, 2006 and incorporated herein by reference) (portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.4	Lpath, Inc. Amended and Restated 2005 Equity Incentive Plan (filed as Appendix A to the company's Schedule 14-A Proxy Statement filed on August 28, 2007 and incorporated herein by reference).+
10.5	Assignment and Assumption Agreement dated December 1, 2005 by and between Lpath, Inc. and Lpath Therapeutics, Inc. (filed as an exhibit to the Annual Report on Form 10-KSB for the year ended December 31, 2005 filed with the SEC on March 16, 2006 and incorporated herein by reference).
10.6	Form of Employment Agreement between Lpath, Inc. and Scott R. Pancoast dated as of January 1, 2006 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 29, 2006 and incorporated herein by reference).+

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10.7	Form of Employment Agreement between Lpath, Inc. and Gary Atkinson dated as of February 6, 2006 (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 29, 2006 and incorporated herein by reference).+
10.8	Form of Consultant Agreement between Lpath, Inc. and Roger Sabbadini, Ph.D. dated as of June 1, 2012 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 5, 2012 and incorporated herein by reference).+
10.9	Development and Manufacturing Services Agreement dated August 16, 2006 between Lpath Inc. and Laureate Pharma, Inc. (filed as Exhibit 10.13 to the Quarterly Report on Form 10-QSB for the quarter ended September 30, 2006 filed on November 13, 2006 and incorporated herein by reference) (portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.10	Securities Purchase Agreement, dated as of April 6, 2007, by and among Lpath, Inc. and each investor identified therein (filed as Exhibit 10.14 to the June 2007 SB-2 and incorporated herein by reference).
10.11	Registration Rights Agreement, dated as of April 6, 2007, by and among Lpath, Inc. and each investor identified therein (filed as Exhibit 10.15 to the June 2007 SB-2 and incorporated herein by reference).
10.12	License Agreement dated August 8, 2006 between Lonza Biologics PLC and Lpath, Inc. (filed as an exhibit to the Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2007 filed with the SEC on November 13, 2007 and incorporated herein by reference)(portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.13	Securities Purchase Agreement, dated August 12, 2008, by and among Lpath, Inc. and each of the investors identified therein (filed as Exhibit 10.17 to the registration statement on Form S-1 filed with the SEC on September 11, 2008 and incorporated herein by reference).
10.14	Registration Rights Agreement, dated August 12, 2008, by and among Lpath, Inc. and each of the investors identified therein (filed as Exhibit 10.18 to the registration statement on Form S-1 filed with the SEC on September 11, 2008 and incorporated herein by reference).
10.15	License Agreement, dated as of October 28, 2008, by and between Lpath, Inc. and Merck KgaA (filed as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 25, 2009 and incorporated herein by reference) (portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.16	Securities Purchase Agreement, dated November 16, 2010, by and between Lpath, Inc. and each purchaser identified therein (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on November 18, 2010 and incorporated herein by reference).
10.17	Registration Rights Agreement, dated November 16, 2010, by and between Lpath, Inc. and each purchaser identified therein (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on November 18, 2010 and incorporated herein by reference).
10.18	Option, License and Development Agreement, dated as of December 16, 2010, by and between Lpath, Inc. and Pfizer Inc. (filed as Exhibit 10.19 to the Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 23, 2011 and incorporated herein by reference) (portions of this exhibit have been omitted pursuant to a request for confidential treatment).
10.19	Form of Placement Agent Agreement. (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 6, 2012 and incorporated herein by reference.)
10.20	Form of Subscription Agreement for U.S. investors. (filed as an exhibit to the Current Report on Form 8-K filed with the SEC on March 6, 2012 and incorporated herein by reference.)

10.21	Financial Advisor Agreement, dated as of December 30, 2011 by and between Lpath, Inc. and Griffin Securities, Inc. (filed as an exhibit to the registration statement on Form S-1/A filed with the SEC on February 10, 2012 and incorporated herein by reference.)

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10.22	Form of Indemnification Agreement for directors and officers. (filed as an exhibit to Form 8-K filed with the SEC on October 26, 2012 and incorporated herein by reference.)
10.23	Amendment to Option, License and Development Agreement, dated December 5, 2012, by and between Lpath, Inc. and Pfizer Inc (filed as Exhibit 10.24 to the Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on March 15, 2013 and incorporated herein by reference).
10.24	At-The-Market Issuance Sales Agreement, dated as of August 15, 2013 by and between MLV & Co. LLC, JMP Securities LLC and Lpath, Inc. (filed as an exhibit to the Registration Statement on Form S-3 filed with the SEC on August 15, 2013 and incorporated herein by reference).
10.25	At-The-Market Issuance Sales Agreement, dated as of March 18, 2014 by and between MLV & Co. LLC and Lpath, Inc.*
10.26	First Amendment to Employment Agreement, between Lpath, Inc. and Gary Atkinson, entered into as of March 17, 2014.+*
10.27	Form of Option Agreement, between the Lpath, Inc. and its officers and directors.+*
10.28	Employment Agreement, dated as of April 15, 2013 by and between Lpath, Inc. and Dario A. Paggiarino, M.D.+*
10.29	Employment Agreement, dated as of April 15, 2013 by and between Lpath, Inc. and Gary Woodnutt Ph.D.+*
23.1	Consent of Moss Adams LLP.*
23.2	Consent of DLA Piper LLP (US) (included in Exhibit 5.1).*
31.1	Section 302 Certification by Chief Executive Officer of Lpath, Inc.*
31.2	Section 302 Certification by Chief Financial Officer of Lpath, Inc.*
32.1	Section 906 Certification by Chief Executive Officer and Chief Financial Officer of Lpath, Inc.*
101.INS# XBRL	Instance Document
101.SCH# XBRL	Taxonomy Extension Schema Document
101.CAL# XBRL	Taxonomy Extension Calculation Linkbase Document
101.DEF# XBRL	Taxonomy Extension Definition Linkbase Document
101.LAB# XBRL	Taxonomy Extension Label Linkbase Document
101.PRE# XBRL	Taxonomy Extension Presentation Linkbase Document

+ Management contract or compensation plan or arrangement

* Provided herewith.

(c) Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or other notes hereto.

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SIGNATURES

In accordance with the requirements of Section 13 on 15(k) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf on March 18, 2014 by the undersigned thereto.

LPATH, INC.

/s/ SCOTT R. PANCOAST

Scott R. Pancoast,
President and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Scott R. Pancoast and Gary J. G. Atkinson, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes may do or cause to be done by virtue hereof.

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 15, 2013.

Signature	Title	Date
/s/ SCOTT R. PANCOAST Scott R. Pancoast	President, Chief Executive Officer, and Director (Principal Executive Officer)	March 18, 2014
/s/ GARY J. G. ATKINSON Gary J. G. Atkinson	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 18, 2014
/s/ CHARLES A. MATHEWS Charles A. Mathews	Director	March 18, 2014
/s/ DONALD R. SWORTWOOD Donald R. Swortwood	Director	March 18, 2014
/s/ DANIEL L. KISNER, M.D. Daniel L. Kisner, M.D.	Director	March 18, 2014
/s/ JEFFREY FERRELL Jeffrey Ferrell	Director	March 18, 2014
/s/ DANIEL PETREE Daniel Petree	Director	March 18, 2014

SIGNATURE PAGE TO LPATH, INC. 2013 ANNUAL REPORT ON FORM 10-K

EXHIBIT 5.1

DLA Piper LLP (US)
4365 Executive Drive, Suite 1100
San Diego, California 92121-2133
www.dlapiper.com

T 858.677.1400
F 858.677.1401

March 18, 2014

Lpath, Inc.
4025 Sorrento Valley Boulevard
San Diego, California 92121

Ladies and Gentlemen:

You have requested our opinion with respect to certain matters in connection with the sale and issuance by Lpath, Inc., a Nevada corporation (the "**Company**"), of up to $23,000,000 of shares of Class A Common Stock (the "**Shares**") pursuant to an effective shelf registration statement on Form S-3 (File No. 333-190651) (the "**Registration Statement**") filed with the Securities and Exchange Commission (the " **Commission**") under the Securities Act of 1933, as amended (the "**Act**"), and the related prospectus dated August 23, 2013 (the " **Base Prospectus**"), as supplemented by the prospectus supplement dated March 18, 2014 filed with the Commission pursuant to Rule 424(b) promulgated under the Act (together with the Base Prospectus, the "**Prospectus**").

In connection with this opinion, we have examined and relied upon the Registration Statement and the Prospectus, the Company's Articles of Incorporation and Bylaws, as currently in effect, and the originals or copies certified to our satisfaction of such other documents, records, certificates, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

In rendering this opinion, we have assumed the genuineness and authenticity of all signatures on original documents; the genuineness and authenticity of all documents submitted to us as originals; the conformity to originals of all documents submitted to us as copies; the accuracy, completeness and authenticity of certificates of public officials; and the due authorization, execution and delivery of all documents where due authorization, execution and delivery are prerequisites to the effectiveness of such documents. In providing this opinion, we have relied as to certain matters on information obtained from public officials and officers of the Company. We are admitted to practice in the State of California and we express no opinion concerning any law other than the corporation laws of the State of Nevada and the federal law of the United States. As to matters of Nevada corporation law, we have based our opinion solely upon our examination of such laws and the rules and regulations of the authorities administering such laws, all as reported in standard, unofficial compilations. We have not obtained opinions of counsel licensed to practice in jurisdictions other than the State of California. No opinion is expressed herein with respect to the qualification of the Shares under the securities or blue sky laws of any state or any foreign jurisdiction.

On the basis of the foregoing, and in reliance thereon, we are of the opinion that the Shares have been duly and validly authorized and, when issued and sold pursuant to that certain At-the-Market Issuance Sales Agreement by and between the Company and MLV & Co. LLC, dated March 18, 2014, in accordance with the Registration Statement and the Prospectus, will be validly issued, fully paid and nonassessable.

We consent to the reference to our firm under the caption "Legal Matters" in the Prospectus and to the filing of this opinion as an exhibit to the Annual Report of the Company on Form 10-K. In giving our consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

Our opinion is expressly limited to the matters set forth above, and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company, the Shares, the Registration Statement or the Prospectus.

/s/ DLA Piper LLP (US)

DLA Piper LLP (US)

Execution Version

LPATH, INC.

Class A Common Stock
(par value $0.001 per share)

At-the-Market Issuance Sales Agreement

March 18, 2014

MLV & Co. LLC
1251 Avenue of the Americas
41st Floor
New York, New York 10020

Ladies and Gentlemen:

Lpath, Inc., a Nevada corporation (the "Company"), confirms its agreement (this "Agreement"), with MLV & Co. LLC (" MLV" or the "Agent"), as follows:

1. Issuance and Sale of Shares. The Company agrees that, from time to time during the term of this Agreement, on the terms and subject to the conditions set forth herein, it may issue and sell through the Agent shares (the "Placement Shares") of the Company's Class A common stock, par value $0.001 per share (the "Common Stock"): *provided*, *however*, that in no event shall the Company issue or sell through the Agent such number of Placement Shares that (a) exceeds the number of shares of Common Stock registered on the effective Registration Statement (as defined below) pursuant to which the offering is being made, or (b) exceeds the number of authorized but unissued shares of Common Stock, (the lesser of (a) and (b), the "Maximum Amount"). Notwithstanding anything to the contrary contained herein, the parties hereto agree that compliance with the limitations set forth in this Section 1 on the number of Placement Shares issued and sold under this Agreement shall be the sole responsibility of the Company and the Agent shall have no obligation in connection with such compliance. The issuance and sale of Placement Shares through the Agent will be effected pursuant to the Registration Statement (as defined below), although nothing in this Agreement shall be construed as requiring the Company to use the Registration Statement to issue any Placement Shares.

The Company has filed or will file, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "Securities Act"), with the Securities and Exchange Commission (the "Commission"), a registration statement on Form S-3, including one or more prospectuses relating to certain securities, including the Placement Shares to be issued from time to time by the Company, and which incorporates by reference documents that the Company has filed or will file in accordance with the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"). The Company will, if necessary, prepare a prospectus supplement to the prospectus included as part of such registration statement specifically relating to the Placement Shares (the "Prospectus Supplement"). The Company will furnish to the Agent, for use by the Agent, copies of the prospectus included as part of such registration statement, as supplemented, if at all, by the Prospectus Supplement, relating to the Placement Shares. Except where the context otherwise requires, such registration statement, including all documents filed as part thereof or incorporated by reference therein, and including any information

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contained in a Prospectus (as defined below) subsequently filed with the Commission pursuant to Rule 424(b) under the Securities Act or deemed to be a part of such registration statement pursuant to Rule 430B of the Securities Act, is herein called the "Registration Statement." The prospectus(es), including all documents incorporated or deemed incorporated therein by reference to the extent such information has not been superseded or modified in accordance with Rule 412 under the Securities Act (as qualified by Rule 430B(g) of the Securities Act), included in the Registration Statement, as it may be supplemented by the Prospectus Supplement, in the form in which such prospectus(es) and/or Prospectus Supplement have most recently been filed by the Company with the Commission pursuant to Rule 424(b) under the Securities Act, is herein called the "Prospectus." Any reference herein to the Registration Statement, the Prospectus or any amendment or supplement thereto shall be deemed to refer to and include the documents incorporated or deemed incorporated by reference therein, and any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing after the execution hereof of any document with the Commission deemed to be incorporated by reference therein (the "Incorporated Documents").

For purposes of this Agreement, all references to the Registration Statement, the Prospectus or to any amendment or supplement thereto shall be deemed to include the most recent copy filed with the Commission pursuant to its Electronic Data Gathering Analysis and Retrieval System, or if applicable, the Interactive Data Electronic Application system when used by the Commission (collectively, "EDGAR").

2. Placements. Each time that the Company wishes to issue and sell Placement Shares hereunder (each, a " Placement"), it will notify the Agent by email notice (or other method mutually agreed to in writing by the Parties) of the number of Placement Shares, the time period during which sales are requested to be made, any limitation on the number of Placement Shares that may be sold in any one day and any minimum price below which sales may not be made (a "Placement Notice"), the form of which is attached hereto as Schedule 1. The Placement Notice shall originate from any of the individuals from the Company set forth on Schedule 3 (with a copy to each of the other individuals from the Company listed on such schedule), and shall be addressed to each of the individuals from the Agent set forth on Schedule 3, as such Schedule 3 may be amended from time to time. Provided that the Company is otherwise in compliance with the terms of this Agreement, the Placement Notice shall be effective immediately upon receipt by the Agent unless and until (i) the Agent declines to accept the terms contained therein for any reason, in its sole discretion, (ii) the entire amount of the Placement Shares thereunder has been sold, (iii) the Company suspends or terminates the Placement Notice or (iv) this Agreement has been terminated under the provisions of Section 13. The amount of any discount, commission or other compensation to be paid by the Company to the Agent in connection with the sale of the Placement Shares shall be calculated in accordance with the terms set forth in Schedule 2. It is expressly acknowledged and agreed that neither the Company nor the Agent will have any obligation whatsoever with respect to a Placement or any Placement Shares unless and until the Company delivers a Placement Notice to the Agent and the Agent does not decline such Placement Notice pursuant to the terms set forth above, and then only upon the terms specified therein and herein. In the event of a conflict between the terms of Sections 2 or 3 of this Agreement and the terms of a Placement Notice, the terms of the Placement Notice will control.

3. Sale of Placement Shares by the Agent.

a. Subject to the terms and conditions of this Agreement, for the period specified in the Placement Notice, the Agent will use its commercially reasonable efforts consistent with its normal trading and sales practices and applicable state and federal laws, rules and regulations and the rules of the NASDAQ Capital Market (the "Exchange"), to sell the Placement Shares up to the amount specified in, and otherwise in accordance with the terms of, such Placement Notice. The Agent will provide written confirmation to the Company no later than the opening of the Trading Day (as defined below) immediately following the Trading Day on which it has made sales of Placement Shares hereunder setting forth the number of Placement Shares sold on such day, the compensation payable by the Company to the Agent pursuant to Section 2 with respect to such sales, and the Net Proceeds (as defined below) payable to the Company, with an itemization of the deductions made by the Agent (as set forth in Section 5(b)) from the gross proceeds that it receives from such sales. Subject to the terms of a Placement Notice, the Agent may sell Placement Shares by any method permitted by law deemed to be an "at-the-market" offering as defined in Rule 415 of the Securities Act, including, without limitation, sales made directly on the Exchange, on any other existing trading market for the Common Stock or to or through a market maker. Subject to the terms of a Placement Notice, the Agent may also sell Placement Shares by any other method permitted by law, including but not limited to negotiated transactions, with the Company's consent. "Trading Day" means any day on which Common Stock is purchased and sold on the Exchange.

b. During the term of this Agreement, neither the Agent, nor any of its affiliates or subsidiaries, shall engage in (i) any short sale of any security of the Company or (ii) any sale of any security of the Company that the Agent does not own or any sale which is consummated by the delivery of a security of the Company borrowed by, or for the account of, the Agent. Neither the Agent nor any of its respective affiliates or subsidiaries shall engage in any proprietary trading or trading for the Agent's (or its respective affiliates' or subsidiaries') own account.

c. During the term of this Agreement and notwithstanding anything to the contrary herein, the Agent agrees that in no event will it engage in any market making, bidding, stabilization or other trading activity with regard to any security of the Company if such activity would be prohibited under Regulation M or other anti-manipulation rules under the Securities Act. Without limiting the foregoing, unless and until the exemptive provisions of Rule 101(c)(1) of Regulation M, or any other exemptive provisions, have been satisfied in the judgment of each party, the Agent shall not engage in any market-making, bidding or stabilization with respect to the Common Stock at any time a Placement Notice is pending.

4. Suspension of Sales. The Company or the Agent may, upon notice to the other party in writing (including by email correspondence to each of the individuals of the other party set forth on Schedule 3, if receipt of such correspondence is actually acknowledged by any of the individuals to whom the notice is sent, other than via auto-

reply) or by telephone (confirmed immediately by verifiable facsimile transmission or email correspondence to each of the individuals of the other party set forth on Schedule 3), suspend any sale of Placement Shares; *provided*, *however*, that such suspension shall not affect or impair any party's obligations with respect to any Placement Shares sold hereunder prior to the receipt of such notice. While a Suspension is in effect, any obligation under Sections 7(l), 7(m), and 7(n) with respect to the delivery of certificates, opinions, or comfort letters to the Agent, shall be waived; *provided*, *however*, that such waiver shall not apply for the Representation Date (as defined below) occurring on the date that the Company files its annual report on Form 10-K. Each of the parties agrees that no such notice under this Section 4 shall be effective against any other party unless it is made to one of the individuals named on Schedule 3 hereto, as such Schedule may be amended from time to time.

5. Sale and Delivery to the Agent; Settlement.

a. Sale of Placement Shares. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, upon the Agent's acceptance of the terms of a Placement Notice, and unless the sale of the Placement Shares described therein has been declined, suspended, or otherwise terminated in accordance with the terms of this Agreement, the Agent, for the period specified in the Placement Notice, will use its commercially reasonable efforts consistent with its normal trading and sales practices and applicable laws, rules and regulations to sell such Placement Shares up to the amount specified in, and otherwise in accordance with the terms of, such Placement Notice. The Company acknowledges and agrees that (i) there can be no assurance that the Agent will be successful in selling Placement Shares, (ii) the Agent will incur no liability or obligation to the Company or any other person or entity if it does not sell Placement Shares for any reason other than a failure by the Agent to use its commercially reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell such Placement Shares as required under this Agreement and (iii) the Agent shall be under no obligation to purchase Placement Shares on a principal basis pursuant to this Agreement, except as otherwise agreed by the Agent and the Company.

b. Settlement of Placement Shares. Unless otherwise specified in the applicable Placement Notice, settlement for sales of Placement Shares will occur on the third (3rd) Trading Day (or such earlier day as is industry practice for regular-way trading) following the date on which such sales are made (each, a "Settlement Date"). The amount of proceeds to be delivered to the Company on a Settlement Date against receipt of the Placement Shares sold (the "Net Proceeds") will be equal to the aggregate sales price received by the Agent, after deduction for (i) the Agent's commission, discount or other compensation for such sales payable by the Company pursuant to Section 2 hereof, and (ii) any transaction fees imposed by any governmental or self-regulatory organization in respect of such sales.

c. Delivery of Placement Shares. On or before each Settlement Date, the Company will, or will cause its transfer agent to, electronically transfer the Placement Shares being sold by crediting the Agent's or its respective designees' accounts (provided the Agent shall have given the Company written notice of such designees at least one (1)

Trading Day prior to the Settlement Date) at The Depository Trust Company through its Deposit and Withdrawal at Custodian System or by such other means of delivery as may be mutually agreed upon by the parties hereto which in all cases shall be freely tradable, transferable, registered shares in good deliverable form. On each Settlement Date, the Agent will deliver the related Net Proceeds in same day funds to an account designated by the Company on, or prior to, the Settlement Date. The Company agrees that if the Company, or its transfer agent (if applicable), defaults in its obligation to deliver Placement Shares on a Settlement Date, then in addition to and in no way limiting the rights and obligations set forth in Section 11(a) hereto, it will (i) hold the Agent harmless against any loss, claim, damage, or reasonable, documented expense (including reasonable and documented legal fees and expenses), as incurred, arising out of or in connection with such default by the Company or its transfer agent (if applicable) and (ii) pay to the Agent (without duplication) any commission, discount, or other compensation to which it would otherwise have been entitled absent such default.

d. Limitations on Offering Size. Under no circumstances shall the Company cause or request the offer or sale of any Placement Shares if, after giving effect to the sale of such Placement Shares, the aggregate gross sales proceeds of Placement Shares sold pursuant to this Agreement would exceed the lesser of (A) together with all sales of Placement Shares under this Agreement, the Maximum Amount, (B) the amount available for offer and sale under the currently effective Registration Statement and (C) the amount authorized from time to time to be issued and sold under this Agreement by the Company's board of directors, a duly authorized committee thereof or a duly authorized executive committee, and notified to the Agent in writing. Under no circumstances shall the Company cause or request the offer or sale of any Placement Shares pursuant to this Agreement at a price lower than the minimum price authorized from time to time by the Company's board of directors, a duly authorized committee thereof or a duly authorized executive committee, and notified to the Agent in writing. Further, under no circumstances shall the Company cause or permit the aggregate offering amount of Placement Shares sold pursuant to this Agreement to exceed the Maximum Amount.

6. Representations and Warranties of the Company. Except as disclosed in the Registration Statement or Prospectus (including the Incorporated Documents), the Company represents and warrants to, and agrees with the Agent that as of the date of this Agreement and as of each Applicable Time (as defined below), unless such representation, warranty or agreement specifies a different date or time:

a. Registration Statement and Prospectus. The Company and, assuming no act or omission on the part of the Agent that would make such statement untrue, the transactions contemplated by this Agreement meet the requirements for and comply with the conditions for the use of Form S-3 under the Securities Act. The Registration Statement has been or will be filed with the Commission and will be declared effective by the Commission under the Securities Act prior to the issuance of any Placement Notices by the Company. The Prospectus will name the Agent as the Company's agent in the section entitled "Plan of Distribution." The Company has not received, and has no notice of, any order of the Commission preventing or suspending the use of the Registration Statement, or threatening or instituting proceedings for that purpose. The Registration Statement and the offer and sale of Placement Shares as contemplated hereby meet

the requirements of Rule 415 under the Securities Act and comply in all material respects with said Rule. Any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement have been so described or filed. Copies of the Registration Statement, the Prospectus, and any such amendments or supplements and all documents incorporated by reference therein that were filed with the Commission on or prior to the date of this Agreement have been delivered, or are available through EDGAR, to the Agent and its counsel. The Company has not distributed and, prior to the later to occur of each Settlement Date and completion of the distribution of the Placement Shares, will not distribute any offering material in connection with the offering or sale of the Placement Shares other than the Registration Statement and the Prospectus and any Issuer Free Writing Prospectus (as defined below) to which the Agent has consented. The Common Stock is currently quoted on the Exchange under the trading symbol "LPTN." The Company has not, in the 12 months preceding the date hereof, received notice from the Exchange to the effect that the Company is not in compliance with the listing or maintenance requirements of the Exchange. The Company has no reason to believe that it will not in the foreseeable future continue to be in compliance with all such listing and maintenance requirements.

b. No Misstatement or Omission. The Registration Statement, when it became or becomes effective, and the Prospectus, and any amendment or supplement thereto, on the date of such Prospectus or amendment or supplement, conformed and will conform in all material respects with the requirements of the Securities Act. At each Settlement Date, the Registration Statement and the Prospectus, as of such date, will conform in all material respects with the requirements of the Securities Act. The Registration Statement, when it became or becomes effective, did not, and will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus and any amendment and supplement thereto, on the date thereof and at each Applicable Time (defined below), did not or will not include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The documents incorporated by reference in the Prospectus or any Prospectus Supplement did not, and any further documents filed and incorporated by reference therein will not, when filed with the Commission, contain an untrue statement of a material fact or omit to state a material fact required to be stated in such document or necessary to make the statements in such document, in light of the circumstances under which they were made, not misleading. The foregoing shall not apply to statements in, or omissions from, any such document made in reliance upon, and in conformity with, information furnished to the Company by the Agent specifically for use in the preparation thereof.

c. Conformity with Securities Act and Exchange Act. The Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or any amendment or supplement thereto, and the Incorporated Documents, when such documents were or are filed with the Commission under the Securities Act or the Exchange Act or became or become effective under the Securities Act, as the case may be, conformed or will conform in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable.

d. Financial Information. The consolidated financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectus, together with the related notes and schedules, present fairly, in all material respects, the consolidated

financial position of the Company and the Subsidiaries (as defined below) as of the dates indicated and the consolidated results of operations, cash flows and changes in stockholders' equity of the Company for the periods specified and have been prepared in compliance with the requirements of the Securities Act and Exchange Act, as applicable, and in conformity with generally accepted accounting principles in the United States ("GAAP") applied on a consistent basis (except for such adjustments to accounting standards and practices as are noted therein) during the periods involved; the other financial and statistical data with respect to the Company and the Subsidiaries contained or incorporated by reference in the Registration Statement and the Prospectus, are accurately and fairly presented and prepared on a basis consistent with the financial statements and books and records of the Company; there are no financial statements (historical or pro forma) that are required to be included or incorporated by reference in the Registration Statement, or the Prospectus that are not included or incorporated by reference as required; the Company and the Subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off balance sheet obligations), not described in the Registration Statement, and the Prospectus which are required to be described in the Registration Statement or Prospectus; and all disclosures contained or incorporated by reference in the Registration Statement and the Prospectus, if any, regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Securities Act, to the extent applicable;

e. Conformity with EDGAR Filing. The Prospectus delivered to the Agent for use in connection with the sale of the Placement Shares pursuant to this Agreement will be identical to the versions of the Prospectus created to be transmitted to the Commission for filing via EDGAR, except to the extent permitted by Regulation S-T.

f. Organization. The Company and any subsidiary that is a significant subsidiary (as such term is defined in Rule 1-02 of Regulation S-X promulgated by the Commission) (each, a "Subsidiary," collectively, the "Subsidiaries"), are, and will be, duly organized, validly existing as a corporation and in good standing under the laws of their respective jurisdictions of organization. The Company and the Subsidiaries are, and will be, duly licensed or qualified as a foreign corporation for transaction of business and in good standing under the laws of each other jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such license or qualification, and have all corporate power and authority necessary to own or hold their respective properties and to conduct their respective businesses as described in the Registration Statement and the Prospectus, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, have a material adverse effect or would reasonably be expected to have a material adverse effect on the assets, business, operations, earnings, properties, condition (financial or otherwise), prospects, stockholders' equity or results of operations of the Company and the Subsidiaries taken as a whole, or prevent the consummation of the transactions contemplated hereby (a "Material Adverse Effect").

g. Subsidiaries. As of the date hereof, the Company's only Subsidiaries are set forth on Schedule 6(g). The Company owns directly or indirectly, all of the equity interests of the Subsidiaries free and clear of any lien, charge, security

interest, encumbrance, right of first refusal or other restriction, and all the equity interests of the Subsidiaries are validly issued and are fully paid, nonassessable and free of preemptive and similar rights.

h. No Violation or Default. Neither the Company nor any Subsidiary is (i) in violation of its charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary is bound or to which any of the property or assets of the Company or any Subsidiary is subject; or (iii) in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of each of clauses (ii) and (iii) above, for any such violation or default that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. To the Company's knowledge, no other party under any material contract or other agreement to which it or any Subsidiary is a party is in default in any respect thereunder where such default would reasonably be expected to have a Material Adverse Effect.

i. No Material Adverse Effect. Since the date of the most recent financial statements of the Company included or incorporated by reference in the Registration Statement and Prospectus, there has not been (i) any Material Adverse Effect, or any development involving a prospective Material Adverse Effect, in or affecting the business, properties, management, condition (financial or otherwise), results of operations, or prospects of the Company and the Subsidiaries taken as a whole, (ii) any transaction which is material to the Company and the Subsidiaries taken as a whole, (iii) any obligation or liability, direct or contingent (including any off-balance sheet obligations), incurred by the Company or the Subsidiaries, which is material to the Company and the Subsidiaries taken as a whole, (iv) any material change in the capital stock (other than (A) the grant of additional options or other awards under the Company's existing stock incentive plans, (B) changes in the number of outstanding shares of Common Stock of the Company due to the issuance of shares upon the exercise or conversion of securities exercisable for, or convertible into, Common Stock outstanding on the date hereof, (C) as a result of the issuance of Placement Shares, (D) any repurchases of capital stock of the Company, (E) as described in a proxy statement filed on Schedule 14A or a Registration Statement on Form S-4, or (F) otherwise publicly announced) or outstanding long-term indebtedness of the Company or the Subsidiaries or (v) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or any Subsidiary, other than in each case above in the ordinary course of business or as otherwise disclosed in the Registration Statement or Prospectus.

j. Capitalization. The issued and outstanding shares of capital stock of the Company have been validly issued, are fully paid and non-assessable and, other than as disclosed in the Registration Statement or the Prospectus, are not subject to any preemptive rights, rights of first refusal or similar rights. The Company has an authorized, issued and outstanding capitalization as set forth in the Registration Statement and the Prospectus as of the dates referred to therein (other than (i) the grant of additional options or other awards under the Company's existing stock incentive plans, (ii) changes in the number of outstanding shares of Common Stock of the Company due to the issuance of shares upon the exercise or conversion of securities exercisable

for, or convertible into, Common Stock outstanding on the date hereof, (iii) as a result of the issuance of Placement Shares, or (iv) any repurchases of capital stock of the Company) and such authorized capital stock conforms to the description thereof set forth in the Registration Statement and the Prospectus. The description of the Common Stock in the Registration Statement and the Prospectus is complete and accurate in all material respects. As of the date referred to therein, other than as disclosed in the Registration Statement or Prospectus, the Company did not have outstanding any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or exchangeable for, or any contracts or commitments to issue or sell, any shares of capital stock or other securities.

k. S-3 Eligibility. (i) At the time of filing the Registration Statement and (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Securities Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), the Company met the then applicable requirements for use of Form S-3 under the Securities Act and on August 23, 2013, the date of effectiveness of the Registration Statement, met the requirements of General Instruction I.B.1 of Form S-3. As of the close of trading on a date within 60 days prior to the date hereof, the aggregate market value of the outstanding voting and non-voting common equity (as defined in Rule 405) of the Company held by persons other than affiliates of the Company (pursuant to Rule 144 of the Securities Act, those that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company) (the "Non-Affiliate Shares"), was approximately $71.9 million (calculated by multiplying (x) the highest price at which the common equity of the Company was last sold on the Exchange on the Trading Day within 60 days prior to the date hereof times (y) the number of Non-Affiliate Shares). As of the date hereof, the Company is not a shell company (as defined in Rule 405) and has not been a shell company for at least 12 calendar months previously and if it has been a shell company at any time previously, has filed current Form 10 information (as defined in Instruction I.B.6 of Form S-3) with the Commission at least 12 calendar months previously reflecting its status as an entity that is not a shell company and meets the requirements to comply with General Instruction I.B.6. of Form S-3.

l. Authorization; Enforceability. The Company has full legal right, power and authority to enter into this Agreement and perform the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Company and is a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except to the extent that (i) enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles and (ii) the indemnification and contribution provisions of Section 11 hereof may be limited by federal or state securities laws and public policy considerations in respect

thereof.

m. Authorization of Placement Shares. The Placement Shares, when issued and delivered pursuant to the terms approved by the board of directors of the Company or a duly authorized committee thereof, or a duly authorized executive committee, against payment therefor as provided herein, will be duly and validly authorized and issued and fully paid and nonassessable, free and clear of any pledge, lien, encumbrance, security interest or other claim (other than any pledge, lien, encumbrance, security interest or other claim arising from an act or

omission of the Agent or a purchaser), including any statutory or contractual preemptive rights, resale rights, rights of first refusal or other similar rights, and will be registered pursuant to Section 12 of the Exchange Act. The Placement Shares, when issued, will conform in all material respects to the description thereof set forth in or incorporated into the Prospectus.

n. No Consents Required. No consent, approval, authorization, order, registration or qualification of or with any court or arbitrator or any governmental or regulatory authority is required for the execution, delivery and performance by the Company of this Agreement, and the issuance and sale by the Company of the Placement Shares as contemplated hereby, except for such consents, approvals, authorizations, orders and registrations or qualifications as may be required under applicable state securities laws or by the by-laws and rules of the Financial Industry Regulatory Authority ("FINRA") or the Exchange, including any notices that may be required by Exchange, in connection with the sale of the Placement Shares by the Agent.

o. No Preferential Rights. (i) No person, as such term is defined in Rule 1-02 of Regulation S-X promulgated under the Securities Act (each, a "Person"), has the right, contractual or otherwise, to cause the Company to issue or sell to such Person any Common Stock or shares of any other capital stock or other securities of the Company (other than upon the exercise of options or warrants to purchase Common Stock or upon the exercise of options or other awards that may be granted from time to time under the Company's stock incentive plans), (ii) no Person has any preemptive rights, rights of first refusal, or any other rights (whether pursuant to a "poison pill" provision or otherwise) to purchase any Common Stock or shares of any other capital stock or other securities of the Company from the Company which have not been duly waived with respect to the offering contemplated hereby, (iii) no Person has the right to act as an underwriter or as a financial advisor to the Company in connection with the offer and sale of the Common Stock, and (iv) no Person has the right, contractual or otherwise, to require the Company to register under the Securities Act any Common Stock or shares of any other capital stock or other securities of the Company, or to include any such shares or other securities in the Registration Statement or the offering contemplated thereby, whether as a result of the filing or effectiveness of the Registration Statement or the sale of the Placement Shares as contemplated thereby or otherwise, except for those shares and securities currently the subject of registration statements on file with the Securities and Exchange Commission.

p. Independent Public Accountant. Moss Adams LLP (the "Accountant"), whose report on the consolidated financial statements of the Company is filed with the Commission as part of the Company's most recent Annual Report on Form 10-K filed with the Commission and incorporated into the Registration Statement, are and, during the periods covered by their report, were independent public accountants within the meaning of the Securities Act and the Public Company Accounting Oversight Board (United States). To the Company's knowledge, with due inquiry, the Accountant is not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") with respect to the Company.

q. Enforceability of Agreements. All agreements between the Company and third parties expressly referenced in the Prospectus, other than such agreements that have expired by their terms or whose termination is disclosed in documents filed by the Company on EDGAR, are legal, valid and binding obligations of the Company enforceable in accordance with their

respective terms, except to the extent that (i) enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles and (ii) the indemnification provisions of certain agreements may be limited by federal or state securities laws or public policy considerations in respect thereof, and except for any unenforceability that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

r. No Litigation. Other than as disclosed in the Registration Statement or Prospectus, there are no legal, governmental or regulatory actions, suits or proceedings pending, nor, to the Company's knowledge, any legal, governmental or regulatory investigations, to which the Company or a Subsidiary is a party or to which any property of the Company or any Subsidiary is the subject that, individually or in the aggregate, if determined adversely to the Company or any Subsidiary, would reasonably be expected to have a Material Adverse Effect or materially and adversely affect the ability of the Company to perform its obligations under this Agreement; to the Company's knowledge, no such actions, suits or proceedings are threatened or contemplated by any governmental or regulatory authority or threatened by others that, individually or in the aggregate, if determined adversely to the Company or any Subsidiary, would reasonably be expected to have a Material Adverse Effect; and (i) there are no current or pending legal, governmental or regulatory investigations, actions, suits or proceedings that are required under the Securities Act to be described in the Prospectus that are not described in the Prospectus including any Incorporated Document; and (ii) there are no contracts or other documents that are required under the Securities Act to be filed as exhibits to the Registration Statement that are not so filed.

s. Licenses and Permits. The Company and the Subsidiaries possess or have obtained, all licenses, certificates, consents, orders, approvals, permits and other authorizations issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration Statement and the Prospectus (the "Permits"), except where the failure to possess, obtain or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary have received written notice of any proceeding relating to revocation or modification of any such Permit or has any reason to believe that such Permit will not be renewed in the ordinary course, except where the failure to obtain any such renewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The representations and warranties contained in this Section 6(s) do not apply to any matter the subject matter of which is specifically covered in Sections 6(rr), 6(ss) and 6(tt) hereof.

t. No Material Defaults. Neither the Company nor any Subsidiary has defaulted on any installment on indebtedness for borrowed money or on any rental on one or more long-term leases, which defaults, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. The Company has not filed a report pursuant to Section 13(a) or 15(d) of the Exchange Act since the filing of its last Annual Report on Form 10-K, indicating that it (i) has failed to pay any dividend or sinking

fund installment on preferred stock or (ii) has defaulted on any installment on indebtedness for borrowed money or on any rental on one or more long-term leases, which defaults, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

u. Certain Market Activities. Neither the Company, nor any Subsidiary, nor any of their respective directors, officers or controlling persons has taken, directly or indirectly, any action designed, or that has constituted or would reasonably be expected to cause or result in, under the Exchange Act or otherwise, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Placement Shares.

v. Broker/Dealer Relationships. Neither the Company nor any Subsidiary or any related entities (i) is required to register as a "broker" or "dealer" in accordance with the provisions of the Exchange Act or (ii) directly or indirectly through one or more intermediaries, controls or is a "person associated with a member" or "associated person of a member" (within the meaning set forth in the FINRA Manual).

w. No Reliance. The Company has not relied upon the Agent or legal counsel for the Agent for any legal, tax or accounting advice in connection with the offering and sale of the Placement Shares.

x. Taxes. The Company and the Subsidiaries have filed all federal, state, local and foreign tax returns which have been required to be filed and paid all taxes shown thereon through the date hereof, to the extent that such taxes have become due and are not being contested in good faith, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect. Except as otherwise disclosed in or contemplated by the Registration Statement or the Prospectus, no tax deficiency has been determined adversely to the Company or any Subsidiary which has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The Company has no knowledge of any federal, state or other governmental tax deficiency, penalty or assessment which has been or might be asserted or threatened against it which could have a Material Adverse Effect.

y. Title to Real and Personal Property. The Company and the Subsidiaries have good and valid title in fee simple to all items of real property and good and valid title to all personal property described in the Registration Statement or Prospectus as being owned by them that are material to the businesses of the Company or such Subsidiary, in each case free and clear of all liens, encumbrances and claims, except those that (i) do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries or (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Any real property described in the Registration Statement or Prospectus as being leased by the Company and the Subsidiaries is held by them under valid, existing and enforceable leases, except those that (A) do not materially interfere with the use made or proposed to be made of such property by the Company or the Subsidiaries or (B) would not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect. The representations and warranties contained in this Section 6(y) do not apply to any matter the subject matter of which is specifically covered in Section 6(z) hereof.

z. Intellectual Property. The Company and the Subsidiaries own or possess adequate enforceable rights to use all patents, patent applications, trademarks (both registered and unregistered), service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) (collectively, the "Intellectual Property"), necessary for the conduct of their respective businesses as conducted as of the date hereof, except to the extent that the failure to own or possess adequate rights to use such Intellectual Property would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company and the Subsidiaries have not received any written notice of any claim of infringement or conflict which asserted Intellectual Property rights of others, which infringement or conflict, if the subject of an unfavorable decision, would result in a Material Adverse Effect; there are no pending, or to the Company's knowledge, threatened judicial proceedings or interference proceedings against the Company or its Subsidiaries challenging the Company's or any of its Subsidiary's rights in or to or the validity of the scope of any of the Company's or any Subsidiary's patents, patent applications or proprietary information; no other entity or individual has any right or claim in any of the Company's or any of its Subsidiary's patents, patent applications or any patent to be issued therefrom by virtue of any contract, license or other agreement entered into between such entity or individual and the Company or any Subsidiary or by any non-contractual obligation, other than by written licenses granted by the Company or any Subsidiary; the Company and the Subsidiaries have not received any written notice of any claim challenging the rights of the Company or its Subsidiaries in or to any Intellectual Property owned, licensed or optioned by the Company or any Subsidiary which claim, if the subject of an unfavorable decision would result in a Material Adverse Effect.

aa. Environmental Laws. The Company and the Subsidiaries (i) are in compliance with any and all applicable federal, state, local and foreign laws, rules, regulations, decisions and orders relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, "Environmental Laws"); (ii) have received and are in compliance with all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses as described in the Registration Statement and the Prospectus; and (iii) have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except, in the case of any of clauses (i), (ii) or (iii) above, for any such failure to comply or failure to receive required permits, licenses, other approvals or liability as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

bb. Disclosure Controls. The Company maintains systems of internal accounting controls designed to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is

permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company is not aware of any material weaknesses in its internal control over financial reporting (other than as set forth in the Registration Statement or the Prospectus). Since the date of the latest audited financial statements of the Company included in the Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting (other than as set forth in the Registration Statement or the Prospectus). The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company and the Subsidiaries is made known to the certifying officers by others within those entities, particularly during the period in which the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of a date within 90 days prior to the filing date of the Form 10-K for the fiscal year most recently ended (such date, the "Evaluation Date"). The Company

presented in its Form 10-K for the fiscal year most recently ended the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the most recent Evaluation Date. Since the most recent Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 307(b) of Regulation S-K under the Securities Act) or, to the Company's knowledge, in other factors that could significantly affect the Company's internal controls. To the knowledge of the Company, the Company's "internal controls over financial reporting" and "disclosure controls and procedures" are effective.

cc. Sarbanes-Oxley Act. There is and has been no failure on the part of the Company or, to the knowledge of the Company, any of the Company's directors or officers, in their capacities as such, to comply with any applicable provisions of the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder. Each of the principal executive officer and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company as applicable) has made all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act with respect to all reports, schedules, forms, statements and other documents required to be filed by it or furnished by it to the Commission during the past 12 months. For purposes of the preceding sentence, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Exchange Act Rules 13a-15 and 15d-15.

dd. Finder's Fees. Neither the Company nor any Subsidiary has incurred any liability for any finder's fees, brokerage commissions or similar payments in connection with the transactions herein contemplated, except as may otherwise exist with respect to the Agent pursuant to this Agreement.

ee. Labor Disputes. No labor disturbance by or dispute with employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is threatened which would reasonably be expected to result in a Material Adverse Effect.

ff. Investment Company Act. Neither the Company nor any Subsidiary is or, after giving effect to the offering and sale of the Placement Shares, will be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

gg. Operations. The operations of the Company and the Subsidiaries are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions to which the Company or the Subsidiaries are subject, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws"), except as would not reasonably be expected to result in a Material Adverse Effect; and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

hh. Off-Balance Sheet Arrangements. There are no transactions, arrangements and other relationships between and/or among the Company, and/or, to the knowledge of the Company, any of its affiliates and any unconsolidated entity, including, but not limited to, any structured finance, special purpose or limited purpose entity (each, an "Off Balance Sheet Transaction") that could reasonably be expected to affect materially the Company's liquidity or the availability of or requirements for its capital resources, including those Off Balance Sheet Transactions described in the Commission's Statement about Management's Discussion and Analysis of Financial Conditions and Results of Operations (Release Nos. 33-8056; 34-45321; FR-61), required to be described in the Registration Statement or the Prospectus which have not been described as required.

ii. Underwriter Agreements. The Company is not a party to any agreement with an agent or underwriter for any other "at-the-market" or continuous equity transaction.

jj. ERISA. To the knowledge of the Company, each material employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is maintained, administered or contributed to by the Company or any of its affiliates for employees or former employees of the Company and the Subsidiaries has been maintained in material compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Internal Revenue Code of 1986, as amended (the "Code"); no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred which would result in a material liability to the Company with respect to any such plan excluding transactions effected pursuant to a statutory or administrative exemption; and for each such plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no "accumulated funding deficiency" as defined in Section 412 of the Code has been incurred, whether or not waived, and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions.

kk. Forward-Looking Statements. No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) (a "Forward-Looking Statement") contained in the Registration Statement and the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith. The Forward-Looking Statements incorporated by reference in the Registration Statement and the Prospectus from the Company's Annual Report on Form 10-K for the fiscal year most recently ended (i) except for any Forward-Looking Statement included in any financial statements and notes thereto, are within the coverage of the safe harbor for forward looking statements set forth in Section 27A of the Securities Act, Rule 175(b) under the Securities Act or Rule 3b-6 under the Exchange Act, as applicable, (ii) were made by the Company with a reasonable basis and in good faith and reflect the Company's good faith commercially reasonable best estimate of the matters described therein as of the respective dates on which such statements were made, and (iii) have been prepared in accordance with Item 10 of Regulation S-K under the Securities Act.

ll. Margin Rules. Neither the issuance, sale and delivery of the Placement Shares nor the application of the proceeds thereof by the Company as described in the Registration Statement and the Prospectus will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System.

mm. Insurance. The Company and the Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as the Company and the Subsidiaries reasonably believe are adequate for the conduct of their business and as is customary for companies of similar size engaged in similar businesses in similar industries.

nn. No Improper Practices. (i) Neither the Company nor, to the Company's knowledge, the Subsidiaries, nor to the Company's knowledge, any of their respective executive officers has, in the past five years, made any unlawful contributions to any candidate for any political office (or failed fully to

disclose any contribution in violation of law) or made any contribution or other payment to any official of, or candidate for, any federal, state, municipal, or foreign office or other person charged with similar public or quasi-public duty in violation of any law or of the character required to be disclosed in the Prospectus; (ii) no relationship, direct or indirect, exists between or among the Company or, to the Company's knowledge, the Subsidiaries or any affiliate of any of them, on the one hand, and the directors, officers and stockholders of the Company or, to the Company's knowledge, the Subsidiaries, on the other hand, that is required by the Securities Act to be described in the Registration Statement and the Prospectus that is not so described; (iii) no relationship, direct or indirect, exists between or among the Company or the Subsidiaries or any affiliate of them, on the one hand, and the directors, officers, stockholders or directors of the Company or, to the Company's knowledge, the Subsidiaries, on the other hand, that is required by the rules of FINRA to be described in the Registration Statement and the Prospectus that is not so described; (iv) there are no material outstanding loans or advances or material guarantees of indebtedness by the Company or, to the Company's knowledge, the Subsidiaries to or for the benefit of any of their respective officers or directors or any of the members of the families of any of them; and (v) the Company has not offered, or caused any placement agent to offer, Common Stock to any person with the intent to influence unlawfully (A) a customer or supplier of the Company or the Subsidiaries to alter the customer's or supplier's level or type of business with the Company or the Subsidiaries or (B) a trade journalist or publication to write or publish favorable information about the

Company or the Subsidiaries or any of their respective products or services, and, (vi) neither the Company nor the Subsidiaries nor, to the Company's knowledge, any employee or agent of the Company or the Subsidiaries has made any payment of funds of the Company or the Subsidiaries or received or retained any funds in violation of any law, rule or regulation (including, without limitation, the Foreign Corrupt Practices Act of 1977), which payment, receipt or retention of funds is of a character required to be disclosed in the Registration Statement or the Prospectus.

oo. Status Under the Securities Act. The Company was not and is not an ineligible issuer as defined in Rule 405 at the times specified in Rules 164 and 433 under the Securities Act in connection with the offering of the Placement Shares.

pp. No Misstatement or Omission in an Issuer Free Writing Prospectus . Each Issuer Free Writing Prospectus, as of its issue date and as of each Applicable Time (as defined in Section 25 below), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus, including any incorporated document deemed to be a part thereof that has not been superseded or modified. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by the Agent specifically for use therein.

qq. No Conflicts. Neither the execution of this Agreement, nor the issuance, offering or sale of the Placement Shares, nor the consummation of any of the transactions contemplated herein and therein, nor the compliance by the Company with the terms and provisions hereof and thereof will conflict with, or will result in a breach of, any of the terms and provisions of, or has constituted or will constitute a default under, or has resulted in or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any contract or other agreement to which the Company may be bound or to which any of the property or assets of the Company is subject, except (i) such conflicts, breaches or defaults as may have been waived and (ii) such conflicts, breaches and defaults that would not reasonably be expected to have a Material Adverse Effect; nor will such action result (x) in any violation of the provisions of the organizational or governing documents of the Company, or (y) in any material violation of the provisions of any statute or any order, rule or regulation applicable to the Company or of any court or of any federal, state or other regulatory authority or other government body having jurisdiction over the Company, except where such violation would not reasonably be expected to have a Material Adverse Effect.

rr. Compliance with Applicable Laws. Other than with respect to the Formatech Matter (as defined below), the Company and the Subsidiaries: (A) are and at all times have been in material compliance with all statutes, rules and regulations applicable to the ownership, testing, development, manufacture, packaging, processing, use, distribution, marketing, labeling, promotion, sale, offer for sale, storage, import, export or disposal of any product under development, manufactured or distributed by the Company or the Subsidiaries ("Applicable Laws") except where the failure to be so in compliance would not reasonably be expected to result in a Material Adverse Effect, (b) have not received any Form 483 from the

FDA, notice of adverse finding, warning letter, or other written correspondence or notice from the FDA, the European Medicines Agency (the " EMA"), or any other federal, state, local or foreign governmental or regulatory authority alleging or asserting material noncompliance with any Applicable Laws or any licenses, certificates, approvals, clearances, authorizations, permits and supplements or amendments thereto required by any such Applicable Laws ("Authorizations"), which would, individually or in the aggregate, result in a Material Adverse Effect; (C) possess all material Authorizations for the Company's current state of product development as disclosed in the Registration Statement and such Authorizations are valid and in full force and effect and neither the Company nor the Subsidiaries is in material violation of any term of any such Authorizations; (D) have not received written notice of any claim, action, suit, proceeding, hearing, enforcement, investigation, arbitration or other action from the FDA, the EMA, or any other federal, state, local or foreign governmental or regulatory authority or third party alleging that any Company product, operation or activity is in material violation of any Applicable Laws or Authorizations and has no knowledge that the FDA, the EMA, or any other federal, state, local or foreign governmental or regulatory authority or third party is considering any such claim, litigation, arbitration, action, suit, investigation or proceeding against the Company; (E) except as disclosed in the Prospectus, have not received notice that the FDA, EMA, or any other federal, state, local or foreign governmental or regulatory authority has taken, is taking or intends to take action to limit, suspend, modify or revoke any material Authorizations and has no knowledge that the FDA, EMA, or any other federal, state, local or foreign governmental or regulatory authority is considering such action; and (F) have filed, obtained, maintained or submitted all reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Applicable Laws or Authorizations for the Company's current state of product development as disclosed in the Registration Statement except where the failure to file such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments would not result in a Material Adverse Effect, and that all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were materially complete and correct on the date filed (or were corrected or supplemented by a subsequent submission). For purposes of this Agreement, the Formatech Matter shall mean the matter disclosed by the Company in its Form 8-K filed with the Securities and Exchange Commission on January 27, 2012 regarding the suspension of its clinical trials because it learned from the FDA that its fill/finish contractor, Formatech, Inc., was not in compliance with the FDA's current Good Manufacturing Practice (cGMP) requirements during the period that the iSONEP clinical vials were filled at Formatech's facilities.

ss. Clinical Studies. Except for the Formatech Matter, all animal and other preclinical studies and clinical trials conducted by the Company or on behalf of the Company were, and, if still pending are, to the Company's knowledge, being conducted in all material respects in compliance with all Applicable Laws and in accordance with experimental protocols, procedures and controls generally used by qualified experts in the preclinical study and clinical trials of new drugs and biologics as applied to comparable products to those being developed by the Company; the descriptions of the results of such preclinical studies and clinical trials contained in the Registration Statement and the Prospectus are accurate in all material respects, and, except as set forth in the Registration Statement and the Prospectus, the Company has no knowledge of any other clinical trials or preclinical studies,

the results of which reasonably call into question the clinical trial or preclinical study results described or referred to in the Registration Statement and the Prospectus when viewed in the context in which such results are described; and except as disclosed in the Prospectus, the Company has not received any written notices or correspondence from the FDA, the EMA, or any other domestic or foreign governmental agency requiring the termination or suspension of any preclinical studies or clinical trials conducted by or on behalf of the Company that are described in the Registration Statement and the Prospectus or the results of which are referred to in the Registration Statement and the Prospectus.

tt. Compliance Program. The Company has established and administers a compliance program applicable to the Company, to assist the Company and the directors, officers and employees of the Company in complying with applicable regulatory guidelines (including, without limitation, those administered by the FDA, the EMA, and any other foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA or EMA); except where such noncompliance would not reasonably be expected to have a Material Adverse Effect.

uu. OFAC.

(i) The Company represents that, neither the Company nor any Subsidiary (collectively, the " Entity") or any director, officer, employee, agent, affiliate or representative of the Entity, is a government, individual, or entity (in this paragraph (ss), "Person") that is, or is owned or controlled by a Person that is:

(a) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council ("UNSC"), the European Union ("EU"), Her Majesty's Treasury ("HMT"), or other relevant sanctions authority (collectively, "Sanctions"), nor

(b) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, North Korea, Sudan and Syria).

(ii) The Entity represents and covenants that it will not, directly or indirectly, knowingly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(a) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(b) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) The Entity represents and covenants that, except as detailed in the Prospectus, for the past five years, it has not knowingly engaged in, is not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

vv. Stock Transfer Taxes. On each Settlement Date, all stock transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Placement Shares to be sold hereunder will be, or will have been, fully paid or provided for by the Company and all laws imposing such taxes will be or will have been fully complied with by the Company.

Any certificate signed by an officer of the Company and delivered to the Agent or to counsel for the Agent pursuant to or in connection with this Agreement shall be deemed to be a representation and warranty by the Company, as applicable, to the Agent as to the matters set forth therein.

7. Covenants of the Company. The Company covenants and agrees with the Agent that:

a. Registration Statement Amendments. After the date of this Agreement and during any period in which a prospectus relating to any Placement Shares is required to be delivered by the Agent under the Securities Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act) (the "Prospectus Delivery Period") (i) the Company will notify the Agent promptly of the time when any subsequent amendment to the Registration Statement, other than documents incorporated by reference or amendments not related to any Placement, has been filed with the Commission and/or has become effective or any subsequent supplement to the Prospectus has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus related to the Placement or for additional information related to the Placement, (ii) the Company will prepare and file with the Commission, promptly upon the Agent's request, any amendments or supplements to the Registration Statement or Prospectus that, in the Agent's reasonable opinion, may be necessary or advisable in connection with the distribution of the Placement Shares by the Agent (*provided, however*, that the failure of the Agent to make such request shall not relieve the Company of any obligation or liability hereunder, or affect the Agent's right to rely on the representations and warranties made by the Company in this Agreement and provided, further, that the only remedy the Agent shall have with respect to the failure to make such filing shall be to cease making sales under this Agreement until such amendment or supplement is filed); (iii) the Company will not file any amendment or supplement to the Registration Statement or Prospectus relating to the Placement Shares or a security convertible into the Placement Shares unless a copy thereof has been submitted to the Agent within a reasonable period of time before the filing and the Agent have not reasonably objected thereto (*provided, however*, that (A) the failure of the Agent to make such objection shall not relieve the Company of any obligation or liability hereunder, or affect the Agent's rights to rely on the representations and warranties made by the Company in this Agreement and (B) the Company has no obligation to provide the Agent any advance copy of such filing or to provide the Agent an opportunity

to object to such filing if the filing does not name the Agent or does not related to the transaction herein provided; and provided, further, that the only remedy the Agent shall have with respect to the failure by the Company to obtain such consent shall be to cease making sales under this Agreement) and the Company will

furnish to the Agent at the time of filing thereof a copy of any document that upon filing is deemed to be incorporated by reference into the Registration Statement or Prospectus, except for those documents available via EDGAR; and (iv) the Company will cause each amendment or supplement to the Prospectus to be filed with the Commission as required pursuant to the applicable paragraph of Rule 424(b) of the Securities Act or, in the case of any document to be incorporated therein by reference, to be filed with the Commission as required pursuant to the Exchange Act, within the time period prescribed (the determination to file or not file any amendment or supplement with the Commission under this Section 7(a), based on the Company's reasonable opinion or reasonable objections, shall be made exclusively by the Company).

b. Notice of Commission Stop Orders. The Company will advise the Agent, promptly after it receives notice or obtains knowledge thereof, of the issuance or threatened issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, of the suspension of the qualification of the Placement Shares for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; and it will promptly use its commercially reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued. The Company will advise the Agent promptly after it receives any request by the Commission for any amendments to the Registration Statement or any amendment or supplements to the Prospectus or any Issuer Free Writing Prospectus or for additional information related to the offering of the Placement Shares or for additional information related to the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus.

c. Delivery of Prospectus; Subsequent Changes. During the Prospectus Delivery Period, the Company will comply with all requirements imposed upon it by the Securities Act, as from time to time in force, and to file on or before their respective due dates all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14, 15(d) or any other provision of or under the Exchange Act. If the Company has omitted any information from the Registration Statement pursuant to Rule 430A under the Securities Act, it will use its commercially reasonable efforts to comply with the provisions of and make all requisite filings with the Commission pursuant to said Rule 430A and to notify the Agent promptly of all such filings. If during the Prospectus Delivery Period any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such Prospectus Delivery Period it is necessary to amend or supplement the Registration Statement or Prospectus to comply with the Securities Act, the Company will promptly notify the Agent to suspend the offering of Placement Shares during such period and the Company will promptly amend or supplement the Registration Statement or Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance; *provided, however*, that the Company may delay the filing of any amendment or supplement, if in the judgment of the Company, it is in the best interest of the Company.

d. Listing of Placement Shares. During the Prospectus Delivery Period, the Company will use its commercially reasonable efforts to cause the Placement Shares to be listed on the Exchange and to qualify the Placement Shares for sale under the securities laws of such jurisdictions in the United States as the Agent reasonably designates and to continue such qualifications in effect so long as required for the distribution of the Placement Shares; *provided, however*, that the Company shall not be required in connection therewith to qualify as a foreign corporation or dealer in securities or file a general consent to service of process in any jurisdiction.

e. Delivery of Registration Statement and Prospectus. The Company will furnish to the Agent and its counsel (at the reasonable expense of the Company) copies of the Registration Statement, the Prospectus (including all documents incorporated by reference therein) and all amendments and supplements to the Registration Statement or Prospectus that are filed with the Commission during the Prospectus Delivery Period (including all documents filed with the Commission during such period that are deemed to be incorporated by reference therein), in each case as soon as reasonably practicable and in such quantities as the Agent may from time to time reasonably request and, at the Agent's request, will also furnish copies of the Prospectus to each exchange or market on which sales of the Placement Shares may be made; *provided, however*, that the Company shall not be required to furnish any document (other than the Prospectus) to the Agent to the extent such document is available on EDGAR.

f. Earnings Statement. The Company will make generally available to its security holders as soon as practicable, but in any event not later than 15 months after the end of the Company's current fiscal quarter, an earnings statement covering a 12-month period that satisfies the provisions of Section 11(a) and Rule 158 of the Securities Act.

g. Use of Proceeds. The Company will use the Net Proceeds as described in the Prospectus in the section entitled "Use of Proceeds."

h. Notice of Other Sales. Without the prior written consent of the Agent, the Company will not, directly or indirectly, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any Common Stock (other than the Placement Shares offered pursuant to this Agreement) or securities convertible into or exchangeable for Common Stock, warrants or any rights to purchase or acquire, Common Stock during the period beginning on the date on which any Placement Notice is delivered to the Agent hereunder and ending on the third (3rd) Trading Day immediately following the final Settlement Date with respect to Placement Shares sold pursuant to such Placement Notice (or, if the Placement Notice has been terminated or suspended prior to the sale of all Placement Shares covered by a Placement Notice, the date of such suspension or termination); and will not directly or indirectly in any other "at-the-market" or continuous equity transaction offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any Common Stock (other than the Placement Shares offered pursuant to this Agreement) or securities convertible into or exchangeable for Common Stock, warrants or any rights to purchase or acquire, Common Stock prior to the termination of this Agreement; *provided, however*, that such restrictions will not be required in connection with the

Company's issuance or sale of (i) Common Stock, restricted stock, restricted stock units or other equity awards, options to purchase Common Stock or Common Stock issuable upon the exercise of, currently outstanding warrants or other convertible securities described in the Prospectus, or options or other equity awards issued at any time pursuant to any employee or director stock option or benefits plan, stock ownership plan or dividend reinvestment plan (but not Common Stock subject to a waiver to exceed plan limits in its dividend reinvestment plan) of the Company whether now in effect or hereafter implemented; (ii) Common Stock issuable upon conversion of securities or the exercise of warrants, options or other rights in effect or outstanding, and disclosed in filings by the Company available on EDGAR or otherwise in writing to the Agent, and (iii) Common Stock, or securities convertible into or exercisable for Common Stock, offered and sold in a privately negotiated transaction to vendors, customers, strategic partners or potential strategic partners or other investors conducted in a manner so as not to be integrated with the offering of Common Stock hereby.

i. Change of Circumstances. The Company will, at any time during the pendency of a Placement Notice advise the Agent promptly after it shall have received notice or obtained knowledge thereof, of any information or fact that would alter or affect in any material respect any opinion, certificate, letter or other document required to be provided to the Agent pursuant to this Agreement.

j. Due Diligence Cooperation. During the term of this Agreement, the Company will cooperate with any reasonable due diligence review conducted by the Agent or its representatives in connection with the transactions contemplated hereby, including, without limitation, providing information and making available documents and senior corporate officers, during regular business hours and at the Company's principal offices, as the Agent may reasonably request.

k. Required Filings Relating to Placement of Placement Shares. The Company agrees that on such dates as the Securities Act shall require, the Company will (i) file a prospectus supplement with the Commission under the applicable paragraph of Rule 424(b) under the Securities Act (each and every filing under Rule 424(b), a "Filing Date"), which prospectus supplement will set forth, within the relevant period, the amount of Placement Shares sold through the Agent, the Net Proceeds to the Company and the compensation payable by the Company to the Agent with respect to such Placement Shares, and (ii) deliver such number of copies of each such prospectus supplement to each exchange or market on which such sales were effected as may be required by the rules or regulations of such exchange or market.

l. Representation Dates; Certificate. Each time during the term of this Agreement that the Company:

(i) amends or supplements (other than a prospectus supplement relating solely to an offering of securities other than the Placement Shares) the Registration Statement or the Prospectus relating to the Placement Shares by means of a post-effective amendment, sticker, or supplement but not by means of incorporation of documents by reference into the Registration Statement or the Prospectus relating to the Placement Shares;

(ii) files an annual report on Form 10-K under the Exchange Act (including any Form 10-K/A containing amended financial information or a material amendment to the previously filed Form 10-K);

(iii) files its quarterly reports on Form 10-Q under the Exchange Act; or

(iv) files a current report on Form 8-K containing amended financial information (other than information "furnished" pursuant to Items 2.02 or 7.01 of Form 8-K or to provide disclosure pursuant to Item 8.01 of Form 8-K relating to the reclassification of certain properties as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144) under the Exchange Act;

(Each date of filing of one or more of the documents referred to in clauses (i) through (iv) shall be a " Representation Date.")

the Company shall furnish the Agent (but in the case of clause (iv) above only if the Agent determines that the information contained in such Form 8-K is material) with a certificate, in the form attached hereto as Exhibit 7(1). The requirement to provide a certificate under this Section 7(1) shall be waived for any Representation Date occurring at a time at which no Placement Notice is pending, which waiver shall continue until the earlier to occur of the date the Company delivers a Placement Notice hereunder (which for such calendar quarter shall be considered a Representation Date) and the next occurring Representation Date on which the Company files its annual report on Form 10-K. Notwithstanding the foregoing, (i) upon the delivery of the first Placement Notice hereunder and (ii) if the Company subsequently decides to sell Placement Shares following a Representation Date when the Company relied on such waiver and did not provide the Agent with a certificate under this Section 7(1), then before the Agent sells any Placement Shares, the Company shall provide the Agent with a certificate, in the form attached hereto as Exhibit 7(1), dated the date of the Placement Notice.

m. Legal Opinion. On or prior to the date of the first Placement Notice given hereunder the Company shall cause to be furnished to the Agent written opinions and a negative assurance letter of DLA Piper LLP (US) ("Company Counsel"), or other counsel reasonably satisfactory to the Agent, in the form attached hereto as Exhibit 7(m)(1) and 7(m)(2), respectively and a written opinion of Acuity Law Group, intellectual property counsel to the Company ("IP Counsel"), or other counsel satisfactory to the Agent, in form and substance reasonably satisfactory to the Agent and its counsel. Thereafter, within five (5) Trading Days of each Representation Date with respect to which the Company is obligated to deliver a certificate in the form attached hereto as Exhibit 7(l) for which no waiver is applicable, and not more than once per calendar quarter, the Company shall cause to be furnished to the Agent a written letter of Company Counsel in the form attached hereto as Exhibit 7(m)(2), modified, as necessary, to relate to the Registration Statement and the Prospectus as then amended or supplemented; *provided that*, in lieu of such negative assurance for subsequent periodic filings under the Exchange Act, counsel may, in its sole discretion, furnish the Agent with a letter (a "Reliance Letter") to the effect that the Agent may rely on the negative assurance letter previously delivered under this Section 7(m) to the same extent as if it were dated the date of such letter (except that statements in such prior letter shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented as of the date of the Reliance Letter).

n. Comfort Letter. On or prior to the date of the first Placement Notice given hereunder and within five (5) Trading Days after each subsequent Representation Date, other than pursuant to Sections 7(l)(iii), the Company shall cause its independent accountants to furnish the Agent letters (the "Comfort Letters"), dated the date the Comfort Letter is delivered, which shall meet the requirements set forth in this Section 7(n); provided, that if requested by the Agent, the Company shall cause a Comfort Letter to be furnished to the Agent within ten (10) Trading Days of such request following the date of occurrence of any restatement of the Company's financial statements. The Comfort Letter from the Company's independent accountants shall be in a form and substance reasonably satisfactory to the Agent, (i) confirming that they are an independent public accounting firm within the meaning of the Securities Act and the PCAOB, (ii) stating, as of such date, the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings (the first such letter, the "Initial Comfort Letter") and (iii) updating the Initial Comfort Letter with any information that would have been included in the Initial Comfort Letter had it been given on such date and modified as necessary to relate to the Registration Statement and the Prospectus, as amended and supplemented to the date of such letter.

o. Market Activities. The Company will not, directly or indirectly, (i) take any action designed to cause or result in, or that constitutes or would reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of Common Stock or (ii) sell, bid for, or purchase Common Stock in violation of Regulation M, or pay anyone any compensation for soliciting purchases of the Placement Shares other than the Agent.

p. Investment Company Act. The Company will conduct its affairs in such a manner so as to reasonably ensure that neither it nor the Subsidiaries will be or become, at any time prior to the termination of this Agreement, an "investment company," as such term is defined in the Investment Company Act.

q. No Offer to Sell. Other than an Issuer Free Writing Prospectus approved in advance by the Company and the Agent in its capacity as

agent hereunder pursuant to Section 23, neither the Agent nor the Company (including its agents and representatives, other than the Agent in its capacity as such) will make, use, prepare, authorize, approve or refer to any written communication (as defined in Rule 405), required to be filed with the Commission, that constitutes an offer to sell or solicitation of an offer to buy Placement Shares hereunder.

r. Sarbanes-Oxley Act. The Company will maintain and keep accurate books and records reflecting its assets and maintain internal accounting controls in a manner designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and including those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the Company's consolidated financial statements in accordance with GAAP, (iii) that receipts and expenditures of the Company are being made only in accordance with management's and the Company's directors' authorization,

and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements. The Company will maintain such controls and other procedures, including, without limitation, those required by Sections 302 and 906 of the Sarbanes-Oxley Act, and the applicable regulations thereunder that are designed to ensure that information required to be disclosed by the 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 Commission's rules and forms, including, without limitation, controls and procedures designed to ensure that information required to be disclosed by the 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 officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure and to ensure that material information relating to the Company or the Subsidiaries is made known to them by others within those entities, particularly during the period in which such periodic reports are being prepared.

8. Representations and Covenants of the Agent. The Agent represents and warrants that it is duly registered as a broker-dealer under FINRA, the Exchange Act and the applicable statutes and regulations of each state in which the Placement Shares will be offered and sold, except such states in which such Agent is exempt from registration or such registration is not otherwise required. The Agent shall continue, for the term of this Agreement, to be duly registered as a broker-dealer under FINRA, the Exchange Act and the applicable statutes and regulations of each state in which the Placement Shares will be offered and sold, except such states in which such Agent is exempt from registration or such registration is not otherwise required, during the term of this Agreement. The Agent shall comply with all applicable law and regulations, including but not limited to Regulation M, in connection with the transactions contemplated by this Agreement, including the issuance and sale through the Agent of the Placement Shares.

9. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, filing, including any fees required by the Commission, and printing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment and supplement thereto and each Free Writing Prospectus, in such number as the Agent shall deem reasonably necessary, (ii) the printing and delivery to the Agent of this Agreement and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Placement Shares, (iii) the preparation, issuance and delivery of the certificates, if any, for the Placement Shares to the Agent, including any stock or other transfer taxes and any capital duties, stamp duties or other duties or taxes payable upon the sale, issuance or delivery of the Placement Shares to the Agent, (iv) the fees and disbursements of the counsel, accountants and other advisors to the Company, (v) the fees and expenses of the transfer agent and registrar for the Common Stock, (vi) the filing fees incident to any review by FINRA of the terms of the sale of the Placement Shares, and (vii) the fees and expenses incurred in connection with the listing of the Placement Shares on the Exchange. For the purposes of clarity, the Agent shall be responsible for its own expenses, including the fees and expenses of its counsel, incurred in connection herewith.

10. Conditions to the Agent's Obligations. The obligations of the Agent hereunder with respect to a Placement will be subject to the continuing accuracy and completeness of the representations and warranties made by the Company herein, to the due performance by the Company of its obligations hereunder, to the completion by the Agent of a due diligence review satisfactory to it in its reasonable judgment, and to the continuing satisfaction (or waiver by the Agent in its sole discretion) of the following additional conditions:

a. Registration Statement Effective. The Registration Statement shall have become effective and shall be available for the sale of all Placement Shares contemplated to be issued by any Placement Notice.

b. No Material Notices. None of the following events shall have occurred and be continuing: (i) receipt by the Company of any request for additional information from the Commission or any other federal or state governmental authority during the period of effectiveness of the Registration Statement, the response to which would require any post-effective amendments or supplements to the Registration Statement or the Prospectus; (ii) the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Placement Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; or (iv) the occurrence of any event that makes any material statement made in the Registration Statement or the Prospectus or any material document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, the Prospectus or documents so that, in the case of the Registration Statement, it will not contain any materially untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, that in the case of the Prospectus, it will not contain any materially untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

c. No Misstatement or Material Omission. The Agent shall not have advised the Company that the Registration Statement or Prospectus, or any amendment or supplement thereto, contains an untrue statement of fact that in the Agent's reasonable opinion is material, or omits to state a fact that in the Agent's reasonable opinion is material and is required to be stated therein or is necessary to make the statements therein not misleading.

d. Material Changes. Except as contemplated in the Prospectus, or disclosed in the Company's reports filed with the Commission, there shall not have been any Material Adverse Effect, or any development that could reasonably be expected to cause a Material Adverse Effect, or a downgrading in or withdrawal of the rating assigned to any of the Company's securities (other than asset backed securities) by any rating organization or a public announcement by any rating organization that it has under surveillance or review

its rating of any of the Company's securities (other than asset backed securities), the effect of which, in the case of any such action by a rating organization described above, in the reasonable judgment of the Agent (without relieving the Company of any obligation or liability it may otherwise have), is so material as to make it impracticable or inadvisable to proceed with the offering of the Placement Shares on the terms and in the manner contemplated in the Prospectus.

e. Legal Opinion. The Agent shall have received the opinions and negative assurances of Company Counsel and written opinion of IP Counsel required to be delivered pursuant to Section 7(m) on or before the date on which such delivery of such opinions are required pursuant to Section 7(m).

f. Comfort Letter. The Agent shall have received the Comfort Letter required to be delivered pursuant to Section 7(n) on or before the date on which such delivery of such letter is required pursuant to Section 7(n).

g. Representation Certificate. The Agent shall have received the certificate required to be delivered pursuant to Section 7(1) on or before the date on which delivery of such certificate is required pursuant to Section 7(1).

h. No Suspension. Trading in the Common Stock shall not have been suspended on the Exchange and the Common Stock shall not have been delisted from the Exchange.

i. Other Materials. On each date on which the Company is required to deliver a certificate pursuant to Section 7(1), the Company shall have furnished to the Agent such appropriate further information, certificates and documents as the Agent may reasonably request. All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof. The Company will furnish the Agent with such conformed copies of such opinions, certificates, letters and other documents as the Agent shall reasonably request.

j. Securities Act Filings Made. All filings with the Commission required by Rule 424 under the Securities Act to have been filed prior to the issuance of any Placement Notice hereunder shall have been made within the applicable time period prescribed for such filing by Rule 424.

k. Approval for Listing. The Placement Shares shall either have been approved for listing on the Exchange, subject only to notice of issuance, or the Company shall have filed an application for listing of the Placement Shares on the Exchange at, or prior to, the issuance of any Placement Notice.

l. No Termination Event. There shall not have occurred any event that would permit the Agent to terminate this Agreement pursuant to Section 13(a).

11. Indemnification and Contribution.

(a) Company Indemnification. The Company agrees to indemnify and hold harmless the Agent, its partners, members, directors, officers, employees and agents and each person, if any, who controls the Agent within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, joint or several, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact included in any related Issuer Free Writing Prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, joint or several, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 11(d) below) any such settlement is effected with the written consent of the Company, which consent shall not unreasonably be delayed or withheld; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above,

provided, *however*, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made solely in reliance upon and in conformity with written information furnished to the Company by the Agent expressly for use in the Registration Statement (or any amendment thereto), or in any related Issuer Free Writing Prospectus or the Prospectus (or any amendment or supplement thereto).

(b) The Agent Indemnification. The Agent agrees to indemnify and hold harmless the Company and its directors and each officer of the Company who signed the Registration Statement, and each person, if any, who (i) controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act or (ii) is controlled by or is under common control with the Company against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 11(a), as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendments thereto) or in any related Issuer Free Writing Prospectus or the Prospectus (or any

amendment or supplement thereto) in reliance upon and in conformity with information relating to the Agent and furnished to the Company in writing by such Agent expressly for use therein.

(c) Procedure. Any party that proposes to assert the right to be indemnified under this Section 11 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 11, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve the indemnifying party from (i) any liability that it might have to any indemnified party otherwise than under this Section 11 and (ii) any liability that it may have to any indemnified party under the foregoing provision of this Section 11 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (3) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (4) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly after the indemnifying party receives a written invoice relating to fees, disbursements and other charges in reasonable detail. An indemnifying party will not, in any event, be liable for any settlement of any action or claim effected without its written consent. No indemnifying party shall, without the prior written consent of each indemnified party, settle or compromise or consent to the entry

of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated by this Section 11 (whether or not any indemnified party is a party thereto), unless such settlement, compromise or consent (1) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (2) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 11 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or the Agent, the Company and the Agent will contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than the Agent, such as persons who control the Company within the meaning of the Securities Act or the Exchange Act, officers of the Company who signed the Registration Statement and directors of the Company, who also may be liable for contribution) to which the Company and the Agent may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Agent on the other hand. The relative benefits received by the Company on the one hand and the Agent on the other hand shall be deemed to be in the same proportion as the total Net Proceeds from the sale of the Placement Shares (before deducting expenses) received by the Company bear to the total compensation received by the Agent (before deducting expenses) from the sale of Placement Shares on behalf of the Company. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Agent, on the other hand, with respect to the statements or omission that resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Agent, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Agent agree that it would not be just and equitable if contributions pursuant to this Section 11(d) were to be determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense, or damage, or action in respect thereof, referred to above in this Section 11(d) shall be deemed to include, for the purpose of this Section 11(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim to the extent consistent with Section 11(c) hereof. Notwithstanding the foregoing provisions of this Section 11(d), the Agent shall not be required to contribute any amount in excess of the commissions received by it under this Agreement and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled

to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 11(d), any person who controls a party to this Agreement within the meaning of the Securities Act or the Exchange Act, and any officers, directors, partners, employees or agents of the Agent, will have the same rights to contribution as that party, and each officer and director of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 11(d), will notify any such party or parties from whom contribution may be sought, but the omission to so notify will not relieve that party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 11(d) except to the extent that the failure to so notify such other party materially prejudiced the substantive rights or defenses of the party from whom contribution is sought. Except for a settlement entered into pursuant to the last sentence of Section 11(c) hereof, no party will be liable for contribution with respect to any action or claim settled without its written consent if such consent is required pursuant to Section 11(c) hereof.

12. Representations and Agreements to Survive Delivery. The indemnity and contribution agreements contained in Section 11 of this Agreement and all representations and warranties of the Company herein or in certificates delivered pursuant hereto shall survive, as of their respective dates, regardless of (i) any investigation made by or on behalf of the Agent, any controlling persons, or the Company (or any of their respective officers, directors or controlling persons), (ii) delivery and acceptance of the Placement Shares and payment therefor or (iii) any termination of this Agreement.

13. Termination.

a. The Agent may terminate this Agreement, by notice to the Company, as hereinafter specified at any time (1) if there has been, since the time of execution of this Agreement or since the date as of which information is given in the Prospectus, any Material Adverse Effect, or any development that is reasonably likely to have a Material Adverse Effect or, in the sole judgment of the Agent, is material and adverse and makes it impracticable or inadvisable to market the Placement Shares or to enforce contracts for the sale of the Placement Shares, (2) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Agent, impracticable or inadvisable to market the Placement Shares or to enforce contracts for the sale of the Placement Shares, (3) if trading in the Common Stock has been suspended or limited by the Commission or the Exchange, or if trading generally on the Exchange has been suspended or limited, or minimum prices for trading have been fixed on the Exchange, (4) if any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market shall have occurred and be continuing, (5) if a major disruption of securities settlements or clearance services in the United States shall have occurred and be continuing, or (6) if a banking moratorium has been declared by either U.S. Federal or New York authorities. Any such termination shall be without liability

of any party to any other party except that the provisions of Section 9 (Payment of Expenses), Section 11 (Indemnification and Contribution), Section 12 (Representations and Agreements to Survive Delivery), Section 18 (Governing Law and Time; Waiver of Jury Trial) and Section 19 (Consent to Jurisdiction) hereof shall remain in full force and effect notwithstanding such termination. If the Agent elects to terminate this Agreement as provided in this Section 13(a), the Agent shall provide the required notice as specified in Section 14 (Notices).

b. The Company shall have the right, by giving ten (10) days notice as hereinafter specified to terminate this Agreement in its sole discretion at any time after the date of this Agreement. Any such termination shall be without liability of any party to any other party except that the provisions of Section 9 (Payment of Expenses), Section 11 (Indemnification and Contribution), Section 12 (Representations and Agreements to Survive Delivery), Section 18 (Governing Law and Time; Waiver of Jury Trial) and Section 19 (Consent to Jurisdiction) hereof shall remain in full force and effect notwithstanding such termination.

c. The Agent shall have the right, by giving ten (10) days notice as hereinafter specified to terminate this Agreement in its sole discretion at any time after the date of this Agreement. Any such termination shall be without liability of any party to any other party except that the provisions of Section 9 (Payment of Expenses), Section 11 (Indemnification and Contribution), Section 12 (Representations and Agreements to Survive Delivery), Section 18 (Governing Law and Time; Waiver of Jury Trial) and Section 19 (Consent to Jurisdiction) hereof shall remain in full force and effect notwithstanding such termination.

d. Unless earlier terminated pursuant to this Section 13, this Agreement shall automatically terminate upon the issuance and sale of all of the Placement Shares through the Agent on the terms and subject to the conditions set forth herein except that the provisions of Section 9 (Payment of Expenses), Section 11 (Indemnification and Contribution), Section 12 (Representations and Agreements to Survive Delivery), Section 18 (Governing Law and Time; Waiver of Jury Trial) and Section 19 (Consent to Jurisdiction) hereof shall remain in full force and effect notwithstanding such termination.

e. This Agreement shall remain in full force and effect unless terminated pursuant to Sections 13(a), (b), (c), or (d) above or otherwise by mutual agreement of the parties; *provided*, *however*, that any such termination by mutual agreement shall in all cases be deemed to provide that Section 9 (Payment of Expenses), Section 11 (Indemnification and Contribution), Section 12 (Representations and Agreements to Survive Delivery), Section 18 (Governing Law and Time; Waiver of Jury Trial) and Section 19 (Consent to Jurisdiction) shall remain in full force and effect. Upon termination of this Agreement, the Company shall not have any liability to the Agent for any discount, commission or other compensation with respect to any Placement Shares not otherwise sold by the Agent under this Agreement.

f. Any termination of this Agreement shall be effective on the date specified in such notice of termination; *provided*, *however*, that such termination shall not be effective until the close of business on the date of receipt of such notice by the Agent or

the Company, as the case may be. If such termination shall occur prior to the Settlement Date for any sale of Placement Shares, such Placement Shares shall settle in accordance with the provisions of this Agreement.

14. Notices. All notices or other communications required or permitted to be given by any party to any other party pursuant to the terms of this Agreement shall be in writing, unless otherwise specified, and if sent to the Agent, shall be delivered to:

MLV & Co. LLC
1251 Avenue of the Americas, 41st Floor
New York, New York 10020
Attention: General Counsel
Telephone: (212) 542-5870
Email:

with a copy to:

ReedSmith LLP
599 Lexington Avenue
New York, NY 10022
Attention: Daniel I. Goldberg
Telephone: (212) 549-0380
Facsimile: (212) 521-5450
Email: dgoldberg@reedsmith.com

and if to the Company, shall be delivered to:

Lpath, Inc.
4025 Sorrento Valley Blvd.
San Diego, CA 92121
Attention: Gary Atkinson
Telephone: (858) 926-3202
Email:

with a copy to:

DLA Piper LLP (US)
4365 Executive Drive, Suite 1100
Attention: Jeffrey Thacker
Telephone: (858) 638-6728
Facsimile: (858) 638-5128
Email: jeff.thacker@dlapiper.com

Each party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose. Each such notice or other communication shall be deemed given (i) when delivered personally, by

email, or by verifiable facsimile transmission (with an original to follow) on or before 4:30 p.m., New York City time, on a Business Day or, if such day is not a Business Day, on the next succeeding Business Day, (ii) on the next Business Day after timely delivery to a nationally-recognized overnight courier and (iii) on the Business Day actually received if deposited in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid). For purposes of this Agreement, "Business Day" shall mean any day on which the Exchange and commercial banks in the City of New York are open for business.

An electronic communication ("Electronic Notice") shall be deemed written notice for purposes of this Section 14 if sent to the electronic mail address specified by the receiving party under separate cover. Electronic Notice shall be deemed received at the time the party sending Electronic Notice receives confirmation of receipt by the receiving party. Any party receiving Electronic Notice may request and shall be entitled to receive the notice on paper, in a nonelectronic form ("Nonelectronic Notice") which shall be sent to the requesting party within ten (10) days of receipt of the written request for Nonelectronic Notice.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and the Agent and its respective successors and the affiliates, controlling persons, officers and directors referred to in Section 11 hereof. References to any of the parties contained in this Agreement shall be deemed to include the successors and permitted assigns of such party. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party.

16. Adjustments for Stock Splits. The parties acknowledge and agree that all share-related numbers contained in this Agreement shall be adjusted to take into account any share consolidation, stock split, stock dividend, corporate domestication or similar event effected with respect to the Placement Shares.

17. Entire Agreement; Amendment; Severability. This Agreement (including all schedules and exhibits attached hereto and Placement Notices issued pursuant hereto) constitutes the entire agreement and supersedes all other prior and contemporaneous agreements and undertakings, both written and oral, among the parties hereto with regard to the subject matter hereof. Neither this Agreement nor any term hereof may be amended except pursuant to a written instrument executed by the Company and the Agent. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable as written by a court of competent jurisdiction, then such provision shall be given full force and effect to the fullest possible extent that it is valid, legal and enforceable, and the remainder of the terms and provisions herein shall be construed as if such invalid, illegal or unenforceable term or provision was not contained herein, but only to the extent that giving effect to such provision and the remainder of the terms and provisions hereof shall be in accordance with the intent of the parties as reflected in this Agreement.

18. GOVERNING LAW AND TIME; WAIVER OF JURY TRIAL. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME. THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

19. CONSENT TO JURISDICTION. EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH ANY TRANSACTION CONTEMPLATED HEREBY, AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, THAT SUCH SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM OR THAT THE VENUE OF SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF (CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED) TO SUCH PARTY AT THE ADDRESS IN EFFECT FOR NOTICES TO IT UNDER THIS AGREEMENT AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

20. Use of Information. The Agent may not use any information gained in connection with this Agreement and the transactions contemplated by this Agreement, including due diligence, to advise any party with respect to transactions not expressly approved by the Company.

21. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed Agreement by one party to the other may be made by electronic (PDF) or facsimile transmission.

22. Effect of Headings. The section and Exhibit headings herein are for convenience only and shall not affect the construction hereof.

23. Permitted Free Writing Prospectuses.

The Company represents, warrants and agrees that, unless it obtains the prior consent of the Agent, and the Agent represents, warrants and agrees that, unless it obtains the prior consent of the Company, it has not made and will not make any offer relating to the Placement Shares that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405, required to be filed

with the Commission. Any such free writing prospectus consented to by the Agent or by the Company, as the case may be, is hereinafter referred to as a "Permitted Free Writing Prospectus." The Company represents and warrants that it has treated and agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping. For the purposes of clarity, the parties hereto agree that all free writing prospectuses, if any, listed in Exhibit 23 hereto are Permitted Free Writing Prospectuses.

24. Absence of Fiduciary Relationship. The Company acknowledges and agrees that:

a. the Agent is acting solely as agent in connection with the public offering of the Placement Shares and in connection with each transaction contemplated by this Agreement and the process leading to such transactions, and no fiduciary or advisory relationship between the Company or any of its respective affiliates, stockholders (or other equity holders), creditors or employees or any other party, on the one hand, and the Agent, on the other hand, has been or will be created in respect of any of the transactions contemplated by this Agreement, irrespective of whether or not the Agent has advised or are advising the Company on other matters, and the Agent has no obligation to the Company with respect to the transactions contemplated by this Agreement except the obligations expressly set forth in this Agreement;

b. it is capable of evaluating and understanding, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement;

c. the Agent has not provided any legal, accounting, regulatory or tax advice with respect to the transactions contemplated by this Agreement and it has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate;

d. it is aware that the Agent and its respective affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and the Agent has no obligation to disclose such interests and transactions to the Company by virtue of any fiduciary, advisory or agency relationship or otherwise; and

e. it waives, to the fullest extent permitted by law, any claims it may have against the Agent for breach of fiduciary duty or alleged breach of fiduciary duty in connection with the sale of Placement Shares under this Agreement and agrees that the Agent shall not have any liability (whether direct or indirect, in contract, tort or otherwise) to it in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on its behalf or in right of it or the Company, employees or creditors of Company, other than in respect of the Agent's obligations under this Agreement and to keep information provided by the Company to the Agent and the Agent's counsel confidential to the extent not otherwise publicly-available.

25. Definitions.

As used in this Agreement, the following terms have the respective meanings set forth below:

"Applicable Time" means (i) each Representation Date and (ii) the time of each sale of any Placement Shares pursuant to this Agreement.

"Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433, relating to the Placement Shares that (1) is required to be filed with the Commission by the Company, (2) is a "road show" that is a "written communication" within the meaning of Rule 433(d)(8)(i) whether or not required to be filed with the Commission, or (3) is exempt from filing pursuant to Rule 433(d)(5)(i) because it contains a description of the Placement Shares or of the offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g) under the Securities Act.

"Rule 172," "Rule 405," "Rule 415," "Rule 424," "Rule 424(b)," "Rule 430B," and "Rule 433" refer to such rules under the Securities Act.

All references in this Agreement to financial statements and schedules and other information that is "contained," "included" or "stated" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information that is incorporated by reference in the Registration Statement or the Prospectus, as the case may be.

All references in this Agreement to the Registration Statement, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to EDGAR; all references in this Agreement to any Issuer Free Writing Prospectus (other than any Issuer Free Writing Prospectuses that, pursuant to Rule 433, are not required to be filed with the Commission) shall be deemed to include the copy thereof filed with the Commission pursuant to EDGAR; and all references in this Agreement to "supplements" to the Prospectus shall include, without limitation, any supplements, "wrappers" or similar materials prepared in connection with any offering, sale or private placement of any Placement Shares by the Agent outside of the United States.

[*Remainder of the page intentionally left blank*]

If the foregoing correctly sets forth the understanding between the Company and the Agent, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and the Agent.

Very truly yours,

LPATH, INC.

By: /s/ Scott Pancoast
Name: Scott Pancoast
Title: President and Chief Executive Officer

ACCEPTED as of the date first-above written:

MLV & CO. LLC

By: /s/ Dean Colucci
Name: Dean Colucci
Title: President

[Signature page to Lpath, Inc. At-the Market Issuance Sales Agreement]

SCHEDULE 1

FORM OF PLACEMENT NOTICE

From: Lpath, Inc.

To: MLV & Co. LLC
Attention: Patrice McNicoll

Subject: At-the-Market Issuance—Placement Notice

Ladies and Gentlemen:

Pursuant to the terms and subject to the conditions contained in the At-the-Market Issuance Sales Agreement between Lpath, Inc., a Nevada corporation (the "Company"), and MLV & Co. LLC ("MLV" or "Agent"), dated March 18, 2014, the Company hereby requests that the Agent sell up to [ ] shares of the Company's Common Stock, $0.001 par value per share, at a minimum market price of $ per share, during the time period beginning [month, day, time] and ending [month, day, time].

SCHEDULE 2

Compensation

The Company shall pay to the Agent in cash, upon each sale of Placement Shares pursuant to this Agreement, an aggregate amount equal to 3.0% of the gross proceeds from each sale of Placement Shares.

SCHEDULE 3

Notice Parties

The Company

Scott R. Pancoast, President and CEO
Gary Atkinson, CFO

The Agent

MLV:

Randy Billhardt
Dean Colucci
Ryan Loforte
Patrice McNicoll
Miranda Toledano
Matthew Feinberg
With a copy to mlvatmdesk@mlvco.com

SCHEDULE 6(g)

Subsidiaries

Name of Subsidiary	State of Incorporation
Lpath Therapeutics, Inc.	Delaware

EXHIBIT 7(1)

Form of Representation Date Certificate

This Representation Date Certificate (this "Certificate") is executed and delivered in connection with Section 7(1) of the At-the-Market Issuance Sales Agreement (the "Agreement"), dated March , 2014, and entered into among Lpath, Inc. (the " Company") and MLV & Co. LLC (" MLV" or "Agent"). All capitalized terms used but not defined herein shall have the meanings given to such terms in the Agreement.

The Company hereby certifies as follows:

1. As of the date of this Certificate (i) the Registration Statement (as amended as of the date of this Certificate) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading and (ii) neither the Registration Statement nor the Prospectus (as amended as of the date of this Certificate) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (iii) no event has occurred as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein not untrue or misleading for this paragraph 1 to be true.

2. Each of the representations and warranties of the Company contained in the Agreement were, when originally made, and are, as of the date of this Certificate, true and correct in all material respects.

3. Except as waived by the Agent in writing, each of the covenants required to be performed by the Company in the Agreement on or prior to the date of the Agreement, this Representation Date, and each such other date prior to the date hereof as set forth in the Agreement, has been duly, timely and fully performed in all material respects and each condition required to be complied with by the Company on or prior to the date of the Agreement, this Representation Date, and each such other date prior to the date hereof as set forth in the Agreement has been duly, timely and fully complied with in all material respects.

4. Subsequent to the date of the most recent financial statements in the Prospectus, and except as described in the Prospectus, including Incorporated Documents, there has been no Material Adverse Effect.

5. No stop order suspending the effectiveness of the Registration Statement or of any part thereof has been issued, and no proceedings for that purpose have been instituted or are pending or threatened by any securities or other governmental authority (including, without limitation, the Commission).

6. No order suspending the effectiveness of the Registration Statement or the qualification or registration of the Placement Shares under the securities or Blue Sky laws of any

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jurisdiction are in effect and no proceeding for such purpose is pending before, or threatened, to the Company's knowledge or in writing by, any securities or other governmental authority (including, without limitation, the Commission).

The undersigned has executed this Officer's Certificate as of the date first written above.

LPATH, INC.

By: _____

Name: _____

Title: _____

EXHIBIT 7(m)

Form of Company Counsel Opinion

[Intentionally Omitted]

EXHIBIT 23

Permitted Issuer Free Writing Prospectuses

None.

FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT

This First Amendment (the "***Amendment***") to Employment Agreement made effective as of February 6, 2006 (the " ***Agreement***"), is made and entered into effective as of March 17, 2014 (the "***Effective Date***"), by and between Lpath, Inc., a Nevada corporation (the " ***Company***"), and Gary J. G. Atkinson ("***Employee***"). Capitalized terms used but not otherwise defined herein shall have the same meanings as set forth in the Agreement.

WHEREAS, Section 12.1 of the Agreement provides that the Agreement may be amended or modified only with the express prior written consent of the Company and Employee.

WHEREAS, the Company has determined, and the undersigned parties hereto agree, that it is in the best interest of the Company and its stockholders to amend the Agreement as set forth herein.

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

1. Amendment of Sections 6.2(i)-(vii). Subsections (i)-(vii) of Section 6.2 of the Agreement are hereby amended and restated in their entirety to read as follows:

"(i) Pay Employee severance compensation in an amount equal to twelve (12) months' then current Salary. Such payments are to be made in equal installments over a period of 12 months in accordance with Company's normal payroll procedures, and subject to normal withholdings for taxes.

(ii) Continue to provide to Employee all healthcare benefits for the remainder of the month in which the termination occurs and for the 12-month period following Employee's termination, provided that Employee elects to continue and remains eligible for these benefits under COBRA, and does not become eligible for healthcare coverage through another employer during this period.

(iii) If the termination occurs within 24 months after there has been a Corporate Transaction: (a) accelerate-vest by 24 months Employee's unvested stock options or unvested RSUs or other stock grants, and any other such assets that vest over time and (b) allow Employee up to 24 months to exercise such options except to the extent that any such options expire before the end of this 24-month period or to the extent that earlier exercise is required by the Company to effect a sale or a merger.

(iv) The term "Cause" is defined to mean conduct that in the good faith judgment of the Board constitutes a material breach of duty and is to include one or more of the following: falsification of company documents, fraud, moral turpitude, theft, embezzlement, criminal conduct, indictment on felony criminal charges, serious violations of Company policies, material breach of Employee's employment agreement or Proprietary Information and Inventions Agreement, acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Employee with respect to Employee's obligations or otherwise relating to the

business of Company, extended or repeated absence from work that in the reasonable judgment of the Board is unjustifiable, inability to perform the essential functions of his position, with or without reasonable accommodation, due to a mental or physical disability for a period of ninety (90) consecutive days, or insubordination (e.g., refusal to carry out the reasonable instructions of the CEO or the Board). If the material breach of duty is reasonably curable, Company shall provide notice to Employee of such breach of duty and shall give Employee a 30-day cure period. Refusal to relocate to a facility more than 50 miles from the current facility is NOT considered Cause.

(v) The term "Corporate Transaction" is defined to mean (a) a transaction whereby the Company is party to a merger or consolidation whereby the Company is NOT the surviving entity and whereby the transaction results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or another entity) at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving or other entity outstanding immediately after such merger or consolidation; or (b) the sale or disposition of all or substantially all of the Company's assets (or consummation of any transaction having similar effect).

(vi) Employee will be eligible for no other severance compensation, benefits, or vesting other than that which is provided for in this Section 6.2 when he is terminated. A condition precedent to the Company's obligation to fulfill the severance terms in this Section 6.2 shall be Employee's execution of a full and complete release of all claims against the Company, its Board, officers, employees, agents, and affiliates in reasonable form as provided by the Company and such release has become effective in accordance with its terms prior to the 60th day following the termination date. Nothing in this severance provision supersedes or in any way alters the at-will provisions of Section 5 above.

(vii) Employee agrees that he will surrender to the Company, at its request, or at the conclusion of his employment, all accounts, notes, data, sketches, drawings and reproductions, and copies thereof, any of which (a) relate in any way to the business, products, practices, or techniques of the Company, (b) contain Confidential Information, whether or not created by him, or (c) come into his possession by reason of his employment with the Company; and Employee agrees further that all of the foregoing are the property of the Company."

2. Approval of Amendment. By their signatures below, the Company and Employee hereby adopt this Amendment.

3. Necessary Acts. Each party to this Amendment hereby agrees to perform any further acts and to execute and deliver any further documents that may be necessary or required to carry out the intent and provisions of this Amendment and the transactions contemplated hereby.

4. Governing Law. This Amendment shall be governed in all respects by the internal laws of the State of California.

5. Continued Validity. Except as otherwise expressly provided herein, the Agreement shall remain in full force and effect.

6. Facsimile; Counterparts. This Amendment may be executed by facsimile or electronic transmission and in any number of counterparts by the parties hereto all of which together shall constitute one instrument.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the Effective Date.

LPATH, INC.

By: /s/ Scott Pancoast
Name: Scott Pancoast.
Title: Chief Executive Officer and President

GARY J.G. ATKINSON

/s/ Gary J. G. Atkinson
(Signature)

LPATH, INC.

AMENDED AND RESTATED 2005 EQUITY INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

Unless otherwise defined herein, the terms defined in the Amended and Restated 2005 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Award Agreement.

I. NOTICE OF STOCK OPTION GRANT

Name:

Address:

You have been granted an option to purchase Common Stock of the Corporation, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number	
Date of Grant	
Vesting Commencement Date	
Exercise Price per Share	$
Total Number of Shares Granted	
Total Exercise Price	$
Type of Option:	☐ Incentive Stock Option
	☐ Nonstatutory Stock Option
Term/Expiration Date:	

Vesting Schedule:

Subject to accelerated vesting, if any, which may be provided below or in the Plan, this Option may be exercised, in whole or in part, in accordance with the following schedule:

[Insert Vesting Schedule]

Termination Period:

This Option shall be exercisable for three (3) months after Participant ceases to provide Service, unless such termination is due to Participant's death or Disability, in which case this Option shall be exercisable for one (1) year after Participant ceases to provide Service. Notwithstanding the foregoing, in no event may this Option be exercised after the Term/Expiration Date as provided above and may be subject to earlier termination as provided in Article Two, Section III or IV of the Plan.

II. AGREEMENT

A. Grant of Option.

The Administrator hereby grants to the individual named in the Notice of Grant attached as Part I of this Agreement (the "Participant") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

If designated in the Notice of Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code (an "ISO"). However, if this Option is intended to be an ISO, to the extent that it exceeds the $100,000 rule of Code Section 422(d) it will be treated as a Nonstatutory Stock Option ("NSO").

B. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Award Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice") or in such other form and manner as determined by the Administrator, which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Corporation pursuant to the provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Corporation. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together with any applicable withholding taxes. This Option will be deemed

to be exercised upon receipt by the Corporation of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares will be issued pursuant to the exercise of this Option unless such issuance and exercise comply with Applicable Laws. Assuming such compliance, for income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

C. Method of Payment.

Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

1. cash;

2. check;

3. consideration received by the Corporation under a formal cashless exercise program adopted by the Corporation in connection with the Plan; or

4. surrender of other Shares which, (i) in the case of Shares acquired from the Corporation, either directly or indirectly, have been owned by the Participant and not subject to a substantial risk of forfeiture for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares.

D. Non-Transferability of Option.

This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.

E. Term of Option.

This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Award Agreement.

F. Corporate Transaction.

Notwithstanding anything to the contrary in the Notice of Grant, this Award Agreement or the Plan, following an assumption or substitution in connection with a merger or Corporate Transaction, if within twelve (12) months following the merger or Corporate Transaction an Optionee's Service to the Company or the successor corporation is terminated (i) by the Company or successor corporation as a result of a termination of Optionee other than for "Cause" (as defined below); or (ii) by the Optionee for "Good Reason" (as defined below), the Optionee shall automatically vest as to that number of the then unvested Shares subject to the Option.

For this purpose, "Cause" means misconduct, including: (i) the commission of any felony or any crime involving moral turpitude or dishonesty; (ii) any act of fraud or personal dishonesty taken by the Optionee in connection with his responsibilities to the Company which is intended to result in personal enrichment of the Optionee; (iii) wrongful disclosure of any trade secrets or other confidential information of the Company; (iv) any act by the Optionee that constitutes material misconduct and is injurious to the Company, or (v) continued violations by the Optionee of the Optionee's obligations to the Company after the Company has provided Optionee with notice of such failure and Optionee has failed to correct such violations within fifteen (15) days.

For this purpose, "Good Reason" means without Optionee's express written consent, the principal place of the performance of Optionee's responsibilities (the "Principal Location") is changed to a location more than fifty (50) miles from Optionee's current Principal Location

G. Tax Obligations.

1. Withholding Taxes. Participant agrees to make appropriate arrangements with the Corporation (or the Parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, and local income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Corporation may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

2. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date two years after the Grant Date, or (2) the date one year after the date of exercise, Participant will immediately notify the Corporation in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Corporation on the compensation income recognized by Participant.

H. Entire Agreement; Governing Law.

The Plan is incorporated herein by reference. The Plan and this Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Corporation and Participant with respect to the subject matter hereof, and may not be modified adversely to Participant's interest except by means of a writing signed by the Corporation and Participant. This Award Agreement is governed by the internal substantive laws, but not the choice of law rules, of the State of California.

I. NO GUARANTEE OF CONTINUED SERVICE.

PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE, CONSULTANT OR NON-EMPLOYEE DIRECTOR AT THE WILL OF THE CORPORATION (AND

NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED AN OPTION OR PURCHASING SHARES HEREUNDER). PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, CONSULTANT OR NON-EMPLOYEE DIRECTOR FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE WITH PARTICIPANT'S RIGHT OR THE CORPORATION'S RIGHT TO TERMINATE PARTICIPANT'S RELATIONSHIP AS AN EMPLOYEE, CONSULTANT OR NON-EMPLOYEE DIRECTOR AT ANY TIME, WITH OR WITHOUT CAUSE.

By Participant's signature and the signature of the Corporation's representative below, Participant and the Corporation agree that this Option is granted under and governed by the terms and conditions of the Plan and this Award Agreement. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Corporation upon any change in the residence address indicated below.

PARTICIPANT:	LPATH, INC.
Signature	By
Print Name	Title
Residence Address	

EXHIBIT A

LPATH, INC.

AMENDED AND RESTATED 2005 EQUITY INCENTIVE PLAN

EXERCISE NOTICE

LPATH, INC.
6335 Ferris Square, Suite A
San Diego, CA 92121

Attention:

1. Exercise of Option. Effective as of today, , , the undersigned ("Purchaser") hereby elects to purchase shares (the "Shares") of the Common Stock of LPath, Inc. (the "Corporation") under and pursuant to the Amended and Restated 2005 Equity Incentive Plan (the "Plan") and the Award Agreement dated (the "Award Agreement"). The purchase price for the Shares will be $, as required by the Award Agreement.

2. Delivery of Payment. Purchaser herewith delivers to the Corporation the full purchase price for the Shares and any required withholding taxes to be paid in connection with the exercise of the Option.

3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Award Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Stockholder. Until the issuance (as evidenced by the appropriate entry on the books of the Corporation or of a duly authorized transfer agent of the Corporation) of the Shares, no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares so acquired will be issued to Participant as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 14 of the Plan.

5. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Corporation for any tax advice.

6. Entire Agreement; Governing Law. The Plan and Award Agreement are incorporated herein by reference. This Agreement, the Plan and the Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Corporation and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser's interest except by means of a writing signed by the Corporation and Purchaser. This agreement is governed by the internal substantive laws, but not the choice of law rules, of the State of California.

Submitted by:	Accepted by:

PURCHASER:	LPATH, INC.
Signature	By
Print Name	Its
Address:	Address:
	Date Received

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is effective as of April 15, 2013 at San Diego, California between **Lpath, Inc.**, a Nevada corporation (the "Company" or "Lpath"), and **Dario A. Paggiarino, M.D.** (the "Employee") with reference to the following facts:

In consideration of their respective promises contained herein, the parties hereto agree as follows:

1. EMPLOYMENT

Company desires to hire Employee, effective April 15, 2013 (the "Date of Hire") to serve as its Senior Vice President and Chief Development Officer. Employee and Company now desire to memorialize the terms and conditions associated with such hiring, which terms and conditions are contained in this Agreement.

2. EMPLOYEE'S DUTIES

Prior to commencing employment with the Company, Employee agrees to: (i) read Lpath's Employee Handbook, (a copy of which is attached as Exhibit B) and sign a document indicating he has read it and will comply with the letter and the spirit of the Employee Handbook, and (ii) sign a copy of Lpath's standard Proprietary Information & Inventions Agreement, a copy of which is attached as Exhibit A.

The Employee shall, while contributing his services hereunder:

(a) Serve the Company in the capacity set forth in Section 1, or in such other similar capacity as the Company's Chief Executive Officer ("CEO") or the Board of Directors (hereinafter, referred to as "the Board") may direct, on a full-time basis and exclusive to the Company, using his best efforts, skills, and diligence in the performance of such duties, at such place or places as may be required for valid business reasons and as determined in the reasonable determination of the Board;

(b) Report to the CEO and perform the duties and exercise the powers assigned or vested in him by the CEO or the Board;

(c) Comply with and conform to any lawful instructions or directions given or made by the CEO and the Board, and faithfully, industriously, diligently, and to the best of the Employee's ability, experience, and talents, serve the Company and perform all of the duties that may be required by the terms and conditions of this Agreement to the reasonable satisfaction of the CEO and the Board, so as to promote the Company's business interests; and

(d) Devote himself diligently to the business interests of the Company and personally attend thereto at all times during usual business hours and at other times as may be necessary to fulfill his responsibilities hereunder, except in case of incapacity through illness or accident, in which case he shall furnish to the CEO such evidence thereof as the CEO may reasonably require.

3. COMPENSATION

In consideration of the performance by the Employee of his duties hereunder, the remuneration of the Employee shall be (and the Company shall pay to the Employee):

(a) Effective on the Date of Hire, a base salary ("Salary") of $320,000 per annum payable in accordance with the Company's normal payroll procedure, subject to normal payroll deductions, with possible increases in such Salary as decided by the Board of Directors, at their discretion,

(b) Paid vacation, which shall accrue at the rate of four weeks per year,

(c) Other benefits and perquisites normally available to executives of the Company, as may be changed from time to time,

(d) Annual bonuses of up to 33% of Salary, to be based on individual and Company performance, all at the sole discretion of the Company's Board of Directors, with it being agreed that for the "stub" year of 2013, a bonus of up to $75,000 at the discretion of the Board of Directors will be paid in 2014 when bonuses are paid to the other members of the executive team, and

(e) Effective on the Date of Hire, a grant of Restricted Stock Units ("RSUs") representing 100,000 shares of Lpath Class A Common Stock. Such RSUs will time-vest on a quarterly basis over 16 quarters, with a four-quarter "cliff." For purposes of clarity, 25,000 shares will vest on the first anniversary of the Date of Hire. Thereafter, 6,250 shares will vest each quarter until the RSUs are fully vested.

(f) Such additional remuneration as Employee and the Company shall negotiate in the future.

4. EXPENSES

The Company shall pay on behalf of the Employee or reimburse the Employee (against the Employee's submission to the Company of proper receipts therefore) for all expenses properly incurred by him in the course of his employment hereunder or otherwise in connection with the business of the Company in accordance with Company policies, as such policies may be established and revised by the Board from time to time.

5. AT-WILL EMPLOYMENT

Employee and the Company understand and expressly agree that Employee's employment with the Company is at-will, is not for a specified term, and may be terminated by the Company or by Employee at any time, with or without notice and with or without cause. While not required, as a courtesy, the parties shall attempt if possible to give thirty (30) days' notice of termination. This clause shall not be interpreted to conflict with Employee's at-will employment status. Employee and the Company further understand and agree that no representation contrary to this section is valid, and that this section may not be augmented, contradicted, or modified in any way, by any representative or agent of the Company or any other person, except by a writing signed by the Employee and by the Board.

6. TERMINATION

6.1 Upon termination for any reason, including voluntary resignation, Employee shall:

(a) Be entitled to his Salary set forth in Section 3(a) hereof, prorated to the effective date of such termination;

(b) Remain subject to the provisions of the Proprietary Information and Inventions Agreement, in the form attached hereto as Exhibit A, signed concurrently herewith;

(c) Be entitled to receive a payment for any accrued, unused vacation.

(d) Not be entitled to a severance or any other payment, unless as provided in Section 6.2.

6.2 If Company terminates the employment of Employee without Cause (to be defined later in this section), the Company will, in addition to the provisions of Section 6.1, and in exchange for employee's execution of a full and complete release of all claims as described herein:

(i) Pay Employee severance compensation in an amount equal to twelve (12) months' Salary. Such payments are to be made in equal installments over a period of 12 months in accordance with Company's normal payroll procedures, and subject to normal withholdings for taxes and the employee portion of health insurance premiums.

(ii) Continue to provide to Employee all healthcare benefits for the remainder of the month in which the termination occurs and for the 12-month period following Employee's termination, provided that Employee elects to continue and remains eligible for these benefits under COBRA, and does not become eligible for healthcare coverage through another employer during this period.

(iii) If the termination occurs within 24 months after there has been a Corporate Transaction: (a) accelerate-vest by 24 months Employee's unvested stock options or unvested RSUs or other stock grants, and any other such assets that vest over time and (b) allow Employee up to 24 months to exercise such options except to the extent that any such options expire before the end of this 24-month period or to the extent that earlier exercise is required by the Company to effect a sale or a merger.

(iv) The term "Cause" is defined to mean conduct that in the good faith judgment of the Board constitutes a material breach of duty and is to include one or more of the following: falsification of company documents, fraud, moral turpitude, theft, embezzlement, criminal conduct, indictment on felony criminal charges, serious violations of Company policies, material breach of Employee's employment agreement or Proprietary Information and Inventions Agreement, acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Employee with respect to Employee's obligations or otherwise relating to the business of Company, extended or repeated absence from work that in the reasonable judgment of the Board is unjustifiable, inability to perform the essential functions of his position, with or without reasonable accommodation, due to a mental or physical disability for a period of ninety (90) consecutive days, or insubordination (*e.g.,* refusal to carry out the reasonable instructions of the CEO or the Board). If the material breach of duty is reasonably curable, Company shall provide notice to Employee of such breach of duty and shall give Employee a 30-day cure period. Refusal to relocate to a facility more than 50 miles from the current facility is NOT considered Cause.

(v) The term "Corporate Transaction" is defined to mean (a) a transaction whereby the Company is party to a merger or consolidation whereby the Company is NOT the surviving entity and whereby the transaction results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or another entity) at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving or other entity outstanding immediately after such merger or consolidation; or (b) the sale or disposition of all or substantially all of the Company's assets (or consummation of any transaction having similar effect).

(vi) Employee will be eligible for no other severance compensation, benefits, or vesting other than that which is provided for in this Section 6.2 when he is terminated. A condition precedent to the Company's obligation to fulfill the severance terms in this Section 6.2 shall be Employee's execution of a full and complete release of all claims against the Company, its Board, officers, employees, agents, and affiliates in reasonable form as provided by the Company and such release has become effective in accordance with its terms prior to the 60th day following the termination date. Nothing in this severance provision supersedes or in any way alters the at-will provisions of Section 5 above.

(vii) Employee agrees that he will surrender to the Company, at its request, or at the conclusion of his employment, all accounts, notes, data, sketches, drawings and reproductions, and copies thereof, any of which (a) relate in any way to the business, products, practices, or techniques of the Company, (b) contain Confidential Information, whether or not created by him, or (c) come into his possession by reason of his employment with the Company; and Employee agrees further that all of the foregoing are the property of the Company.

7. LOYAL PERFORMANCE

7.1 Employee shall not, during the period of his employment by the Company, engage in any employment or activity, nor have investments, in any business competitive with the Company, provided, however, this provision does not apply to Employee's direct or indirect ownership of not more than five percent (5%) of the outstanding stock of a publicly traded U.S. corporation. Employee agrees to notify the Company in writing of any outside employment or business activity, including the name of the business and the general nature of employee's involvement, during the period of Employee's employment with the Company.

7.2 If, at any time during the period ending two years after Employee has ceased to be an employee of the Company (or of any subsidiary or affiliate of the Company), whether or not pursuant to this agreement, Employee:

(a) directly or indirectly engages with;

(b) assists or has an active interest in, whether as owner, partner, shareholder, joint venturer, corporate officer, director, employee, consultant, principal, agent, trustee or licensor, or in any other similar capacity whatsoever (provided that direct or indirect ownership of not more than five percent (5%) of the outstanding stock of a publicly traded US corporation shall not of itself be viewed as assisting or having an active interest); or

(c) enters the employment of or acts as an agent for or advisor or consultant to any person, firm, partnership, association, corporation, business organization, entity, or enterprise (the Business") that is, or is about to become, directly or indirectly, engaged in any business or program that competes directly with or is substantially similar to any business or program that the Company (or any subsidiary or affiliate of the Company) was involved in (or was in the planning or development stage) during the 120-day period immediately prior to Employee's ceasing to provide services to the Company (or any subsidiary or affiliate of the Company) [such business or program shall include, but not be limited to, those that involve: (a) any composition of matter or method that is protected by (i) any

Company trade secret or (ii) any Company intellectual property that is either issued, pending, or filed at the time of termination or (b) the use, research or development, for any therapeutic or diagnostic purpose, of (i) any sphingolipid, (ii) any lysophosphatidic acid, Ceramide-1-phosphate, PAF, LTE4, or HETE or (iii) any component of their respective pathways], then Employee shall immediately notify Company in writing of such involvement, including the name of the Business and the nature of Employee's involvement, and Employee agrees to fully respond to reasonable questions by the Company regarding such involvement and to provide such further assurances reasonably requested by Company that Employee is not and will not be in breach of the Proprietary Information and Inventions Agreement attached hereto as Exhibit A.

7.3 Employee will not, at any time, without prior written consent of the Company:

(a) Directly or indirectly take any action or make or cause to be made any statements which would disparage the reputation of the Company or any subsidiary or affiliate of the Company, or

(b) Induce or attempt to influence any employee or consultant of the Company or any of its or their subsidiaries or affiliates to terminate his or her employment.

7.4 Nothing contained in this Section 7 is intended to supersede or alter in any way the provisions of the Proprietary Information and Inventions Agreement attached hereto as Exhibit A.

8. CONFIDENTIALITY MATTERS

8.1 It is an express condition to the employment of Employee by Company that Employee sign and deliver a Proprietary Information and Inventions Agreement in the form attached hereto as Exhibit A concurrently with the execution of this Agreement.

8.2 The covenants contained in the Proprietary Information and Inventions Agreement constitute separate covenants. If in any judicial proceeding, a court shall hold that any of the covenants set forth in the Proprietary Information and Inventions Agreement is not permitted by applicable laws, Employee and Company agree that such provision shall and is hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Employee and Company further agree that the covenants in the Proprietary Information and Inventions Agreement shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Employee against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants set forth in the Proprietary Information and Inventions Agreement.

9. APPLICATION OF SECTION 409A.

9.1. Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "Section 409A Regulations") shall be paid unless and until Employee has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that Employee is a "specified employee" within the meaning of the Section 409A Regulations as of the date of Employee's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Employee's separation from service shall be paid to Employee before the date (the "Delayed Payment Date") which is first day of the seventh month after the date of Employee's separation from service or, if earlier, the date of Employee's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

9.2 Company intends that income provided to Employee pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, Company does not guarantee any particular tax effect for income provided to Employee pursuant to this Agreement.** In any event, except for Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Employee, Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Employee pursuant to this Agreement.

9.3 Notwithstanding anything herein to the contrary, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall

be subject to the following conditions: (1) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (2) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to Company's applicable policies, but in no event later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

9.4 For purposes of Section 409A of the Code, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

10. ACKNOWLEDGMENT

Employee acknowledges that he has been advised by Company to consult with independent counsel of his own choice, at his expense, as to the entering into this Agreement, that he has had the opportunity to do so, and that he has taken advantage of the opportunity to the extent that he desires. The Employee further acknowledges that he has read and that he understands this Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment and such professional advice as he has seen fit to obtain.

11. ARBITRATION

Employee and the Company agree that in the event of any dispute concerning, arising out of, or related in any way to this Agreement, such dispute shall be submitted to arbitration. Except as otherwise provided for herein, the disputes subject to this agreement to arbitrate include, to the fullest extent allowable by law, all potential claims between Employee and Company including, but not limited to, breach of contract, tort, discrimination, harassment, wrongful termination, compensation and benefits claims, constitutional claims and claims for the violation of any local, state or federal statute, ordinance or regulation. Arbitration proceedings may be commenced by either party by giving the other party written notice thereof and proceeding thereafter in accordance with the rules and procedures of the American Arbitration Association and California law. Any such arbitration shall take place before a single arbitrator only in San Diego, California. Any such arbitration shall be governed by and be subject to the applicable laws of the State of California and the then-prevailing rules of the American Arbitration Association (the "AAA"). If the parties are unable to agree on a single neutral arbitrator, the arbitrator shall be selected pursuant to the AAA rules. The arbitrator's award in any such arbitration shall be final and binding, and a judgment upon such award may be entered and enforced by any court of competent jurisdiction. **Each party to this Agreement understands that by agreeing to arbitrate their disputes, they are giving up their right to have their disputes heard in a court of law and, if applicable, by a jury.** Company shall bear the costs of the arbitrator, the forum, and filing fees. Each party shall bear its own respective attorney's fees and all other costs, unless otherwise required or allowed by law and awarded by the arbitrator.

12. VIOLATION OF THE PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

The Employee agrees and acknowledges that the violation of any of the provisions contained in the Proprietary Information and Inventions Agreement attached hereto as Exhibit A would cause irreparable injury to the Company, the remedy at law for any violation or threatened violation thereof would be inadequate, and that the Company shall be entitled to temporary and permanent injunctive or other equitable relief without the necessity of proving actual damages. The Employee agrees that such relief shall be available in a court of law in San Diego, California, regardless of the arbitration provisions contained in Section 10 of this Agreement. Additionally, Employee agrees that any violation of the Proprietary Information and Inventions Agreement will be a basis for Employee's termination for Cause

13. MISCELLANEOUS

13.1 Amendment. This Agreement may not be modified or amended without the express prior written consent of the Company and the Employee.

13.2 Notices. All notices required or permitted under this Agreement shall be in writing, shall be sent either certified mail, return receipt requested, or by facsimile transmission and mailed or sent to the relevant party at its address (or facsimile number) set out below (or such other address or facsimile number as the addressee has given to the other parties in accordance with the terms of this Section):

To the Company:
Lpath, Inc.
4025 Sorrento Valley Blvd.
San Diego, CA 92121
Facsimile (858) 678-0900

To the Employee:
Dario A. Paggiarino, M.D.
2223 Eucalyptus Avenue
Escondido, CA 92029

Any notice, demand or other communication so addressed to the relevant party shall be deemed to have been delivered (a) if given or made by certified letter, return receipt requested, when actually delivered to the relevant party; and (b) if given or made by facsimile, upon receipt of a transmission report confirming receipt.

13.3 Entire Agreement. This Agreement and the Exhibits attached hereto contain the entire agreement of the parties regarding the employment of the Employee, and there are no other promises or conditions regarding the Employee's employment in any other agreement, whether oral or written. This Agreement shall terminate and supersede any previous employment agreements or arrangements between Employee and Company.

13.4 Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the respective corporation. Employee shall not be entitled to assign any of his rights or obligations under this Agreement.

13.5 Sections. References herein to Sections are to the sections in this Agreement, unless the context requires otherwise.

13.6 Headings. The section headings are inserted for convenience only and shall not affect the construction of this Agreement.

13.7 Rules of Construction. Unless the context requires otherwise, words importing the singular include the plural and vice versa, and words importing a gender include every gender.

13.8 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained therein.

13.9 Survival. Any variation in salary or conditions mutually agreed upon after the effective date of this Agreement shall not constitute a new agreement; instead, the terms and conditions of this Agreement, except as to such variation, shall continue in force.

13.10 Waiver. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

13.11 Interpretation. This Agreement shall not be construed against any party on the grounds that such party drafted the Agreement or caused it to be drafted.

13.12 Governing Law. This Agreement shall be governed by the laws of the State of California. Any controversy or claim arising out of or relating to this Agreement or the breach thereof, whether involving remedies at law or equity, shall be adjudicated in San Diego, California.

13.1 No Conflicting Agreements. Employee represents and warrants to the Company that he is not a party to or bound by any confidentiality, noncompetition, nonsolicitation or other agreement or restriction which could conflict with or be violated by the performance of Employee's duties to the Company under this Agreement or otherwise. Employee agrees that he will not disclose to the Company, use, or induce the Company to use, any invention or confidential information belonging to any third party. Employee understands that in the event such representation and warranty is not absolute it would be a material violation of this Agreement and Employee would be subject to termination for Cause.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first written above.

LPATH, INC.	**EMPLOYEE**
/s/ Scott R. Pancoast	/s/ Dario A. Paggiarino
Scott R. Pancoast	Signature
President and Chief Executive Officer	Dario A. Paggiarino, M.D.

EXHIBIT A

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

EXHIBIT B

LPATH, INC. EMPLOYEE HANDBOOK

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made in San Diego, California and effective as of April 15, 2013, is between **Lpath, Inc.**, a Nevada corporation (the "Company" or "Lpath"), and **Gary Woodnutt, Ph.D.** (the "Employee") with reference to the following facts:

In consideration of their respective promises contained herein, the parties hereto agree as follows:

1. EMPLOYMENT

Company desires to hire Employee, effective April 15, 2013 (the "Date of Hire") to serve as its Senior Vice President of Research. Employee and Company now desire to memorialize the terms and conditions associated with such hiring, which terms and conditions are contained in this Agreement.

2. EMPLOYEE'S DUTIES

Prior to commencing employment with the Company, Employee agrees to: (i) read Lpath's Employee Handbook, (a copy of which is attached as Exhibit B) and sign a document indicating he has read it and will comply with the letter and the spirit of the Employee Handbook, and (ii) sign a copy of Lpath's standard Proprietary Information & Inventions Agreement, a copy of which is attached as Exhibit A.

The Employee shall, while contributing his services hereunder:

(a) Serve the Company in the capacity set forth in Section 1, or in such other similar capacity as the Company's Chief Executive Officer ("CEO") or the Board of Directors (hereinafter, referred to as "the Board") may direct, on a full-time basis and exclusive to the Company, using his best efforts, skills, and diligence in the performance of such duties, at such place or places as may be required for valid business reasons and as determined in the reasonable determination of the Board;

(b) Report to the CEO and perform the duties and exercise the powers assigned or vested in him by the CEO or the Board;

(c) Comply with and conform to any lawful instructions or directions given or made by the CEO and the Board, and faithfully, industriously, diligently, and to the best of the Employee's ability, experience, and talents, serve the Company and perform all of the duties that may be required by the terms and conditions of this Agreement to the reasonable satisfaction of the CEO and the Board, so as to promote the Company's business interests; and

(d) Devote himself diligently to the business interests of the Company and personally attend thereto at all times during usual business hours and at other times as may be necessary to fulfill his responsibilities hereunder, except in case of incapacity through illness or accident, in which case he shall furnish to the CEO such evidence thereof as the CEO may reasonably require.

3. COMPENSATION

In consideration of the performance by the Employee of his duties hereunder, the remuneration of the Employee shall be (and the Company shall pay to the Employee):

(a) Effective on the Date of Hire, a base salary ("Salary") of $320,000 per annum payable in accordance with the Company's normal payroll procedure, subject to normal payroll deductions, with possible increases in such Salary as decided by the Board of Directors, at their discretion,

(b) Paid vacation, which shall accrue at the rate of four weeks per year,

(c) Other benefits and perquisites normally available to executives of the Company, as may be changed from time to time,

(d) Annual bonuses of up to 33.33% of Salary, to be based on individual and Company performance, all at the sole discretion of the Company's Board of Directors, with it being agreed that for the "stub" year of 2013, a bonus of up to $75,000 at the discretion of the Board of Directors will be paid in 2014 when bonuses are paid to the other members of the executive team, and

(e) Effective on the Date of Hire, a grant of Restricted Stock Units ("RSUs") representing 100,000 shares of Lpath Class A Common Stock. Such RSUs will time-vest on a quarterly basis over 16 quarters, with a four-quarter "cliff." For purposes of clarity, 25,000 shares will vest on the first anniversary of the Date of Hire. Thereafter, 6,250 shares will vest each quarter until the RSUs are fully vested.

(f) Such additional remuneration as Employee and the Company shall negotiate in the future.

4. EXPENSES

The Company shall pay on behalf of the Employee or reimburse the Employee (against the Employee's submission to the Company of proper receipts therefore) for all expenses properly incurred by him in the course of his employment hereunder or otherwise in connection with the business of the Company in accordance with Company policies, as such policies may be established and revised by the Board from time to time.

5. AT-WILL EMPLOYMENT

Employee and the Company understand and expressly agree that Employee's employment with the Company is at-will, is not for a specified term, and

may be terminated by the Company or by Employee at any time, with or without notice and with or without cause. While not required, as a courtesy, the parties shall attempt if possible to give thirty (30) days' notice of termination. This clause shall not be interpreted to conflict with Employee's at-will employment status. Employee and the Company further understand and agree that no representation contrary to this section is valid, and that this section may not be augmented, contradicted, or modified in any way, by any representative or agent of the Company or any other person, except by a writing signed by the Employee and by the Board.

6. TERMINATION

6.1 Upon termination for any reason, including voluntary resignation, Employee shall:

(a) Be entitled to his Salary set forth in Section 3(a) hereof, prorated to the effective date of such termination;

(b) Remain subject to the provisions of the Proprietary Information and Inventions Agreement, in the form attached hereto as Exhibit A, signed concurrently herewith;

(c) Be entitled to receive a payment for any accrued, unused vacation.

(d) Not be entitled to a severance or any other payment, unless as provided in Section 6.2.

6.2 If Company terminates the employment of Employee without Cause (to be defined later in this section), the Company will, in addition to the provisions of Section 6.1, and in exchange for employee's execution of a full and complete release of all claims as described herein:

(i) Pay Employee severance compensation in an amount equal to twelve (12) months' Salary. Such payments are to be made in equal installments over a period of 12 months in accordance with Company's normal payroll procedures, and subject to normal withholdings for taxes and the employee portion of health insurance premiums.

(ii) Continue to provide to Employee all healthcare benefits for the remainder of the month in which the termination occurs and for the 12-month period following Employee's termination, provided that Employee elects to continue and remains eligible for these benefits under COBRA, and does not become eligible for healthcare coverage through another employer during this period.

(iii) If the termination occurs within 24 months after there has been a Corporate Transaction: (a) accelerate-vest by 24 months Employee's unvested stock options or unvested RSUs or other stock grants, and any other such assets that vest over time and (b) allow Employee up to 24 months to exercise such options except to the extent that any such options expire before the end of this 24-month period or to the extent that earlier exercise is required by the Company to effect a sale or a merger.

(iv) The term "Cause" is defined to mean conduct that in the good faith judgment of the Board constitutes a material breach of duty and is to include one or more of the following: falsification of company documents, fraud, moral turpitude, theft, embezzlement, criminal conduct, indictment on felony criminal charges, serious violations of Company policies, material breach of Employee's employment agreement or Proprietary Information and Inventions Agreement, acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Employee with respect to Employee's obligations or otherwise relating to the business of Company, extended or repeated absence from work that in the reasonable judgment of the Board is unjustifiable, inability to perform the essential functions of his position, with or without reasonable accommodation, due to a mental or physical disability for a period of ninety (90) consecutive days, or insubordination (*e.g.,* refusal to carry out the reasonable instructions of the CEO or the Board). If the material breach of duty is reasonably curable, Company shall provide notice to Employee of such breach of duty and shall give Employee a 30-day cure period. Refusal to relocate to a facility more than 50 miles from the current facility is NOT considered Cause.

(v) The term "Corporate Transaction" is defined to mean (a) a transaction whereby the Company is party to a merger or consolidation whereby the Company is NOT the surviving entity and whereby the transaction results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving or another entity) at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving or other entity outstanding immediately after such merger or consolidation; or (b) the sale or disposition of all or substantially all of the Company's assets (or consummation of any transaction having similar effect).

(vi) Employee will be eligible for no other severance compensation, benefits, or vesting other than that which is provided for in this Section 6.2 when he is terminated. A condition precedent to the Company's obligation to fulfill the severance terms in this Section 6.2 shall be Employee's execution of a full and complete release of all claims against the Company, its Board, officers, employees, agents, and affiliates in reasonable form as provided by the Company and such release has become effective in accordance with its terms prior to the 60th day following the termination date. Nothing in this severance provision supersedes or in any way alters the at-will provisions of Section 5 above.

(vii) Employee agrees that he will surrender to the Company, at its request, or at the conclusion of his employment, all accounts, notes, data, sketches, drawings and reproductions, and copies thereof, any of which (a) relate in any way to the business, products, practices, or techniques of the Company, (b) contain Confidential Information, whether or not created by him, or (c) come into his possession by reason of his employment with the Company; and Employee agrees further that all of the foregoing are the property of the Company.

7. LOYAL PERFORMANCE

7.1 Employee shall not, during the period of his employment by the Company, engage in any employment or activity, nor have investments, in any business competitive with the Company, provided, however, this provision does not apply to Employee's direct or indirect ownership of not more than five percent (5%) of the outstanding stock of a publicly traded U.S. corporation. Employee agrees to notify the Company in writing of any outside employment or business activity, including the name of the business and the general nature of employee's involvement, during the period of Employee's employment with the Company.

7.2 If, at any time during the period ending two years after Employee has ceased to be an employee of the Company (or of any subsidiary or affiliate of the Company), whether or not pursuant to this agreement, Employee:

(a) directly or indirectly engages with;

(b) assists or has an active interest in, whether as owner, partner, shareholder, joint venturer, corporate officer, director, employee, consultant, principal, agent, trustee or licensor, or in any other similar capacity whatsoever (provided that direct or indirect ownership of not more than five percent (5%) of the outstanding stock of a publicly traded US corporation shall not of itself be viewed as assisting or having an active interest); or

(c) enters the employment of or acts as an agent for or advisor or consultant to any person, firm, partnership, association, corporation, business organization, entity, or enterprise (the Business") that is, or is about to become, directly or indirectly, engaged in any business or program that competes directly with or is substantially similar to any business or program that the Company (or any subsidiary or affiliate of the Company) was involved in (or was in the planning or development stage) during the 120-day period immediately prior to Employee's ceasing to provide services to the Company (or any subsidiary or affiliate of the Company) [such business or program shall include, but not be limited to, those that involve: (a) any composition of matter or method that is protected by (i) any Company trade secret or (ii) any Company intellectual property that is either issued, pending, or filed at the time of termination or (b) the use, research or development, for any therapeutic or diagnostic purpose, of (i) any sphingolipid, (ii) any lysophosphatidic acid, Ceramide-1-phosphate, PAF, LTE4, or HETE or (iii) any component of their respective pathways], then Employee shall immediately notify Company in writing of such involvement, including the name of the Business and the nature of Employee's involvement, and Employee agrees to fully respond to reasonable questions by the Company regarding such involvement and to provide such further assurances reasonably requested by Company that Employee is not and will not be in breach of the Proprietary Information and Inventions Agreement attached hereto as Exhibit A.

7.3 Employee will not, at any time, without prior written consent of the Company:

(a) Directly or indirectly take any action or make or cause to be made any statements which would disparage the reputation of the Company or any subsidiary or affiliate of the Company, or

(b) Induce or attempt to influence any employee or consultant of the Company or any of its or their subsidiaries or affiliates to terminate his or her employment.

7.4 Nothing contained in this Section 7 is intended to supersede or alter in any way the provisions of the Proprietary Information and Inventions Agreement attached hereto as Exhibit A.

8. CONFIDENTIALITY MATTERS

8.1 It is an express condition to the employment of Employee by Company that Employee sign and deliver a Proprietary Information and Inventions Agreement in the form attached hereto as Exhibit A concurrently with the execution of this Agreement.

8.2 The covenants contained in the Proprietary Information and Inventions Agreement constitute separate covenants. If in any judicial proceeding, a court shall hold that any of the covenants set forth in the Proprietary Information and Inventions Agreement is not permitted by applicable laws, Employee and Company agree that such provision shall and is hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Employee and Company further agree that the covenants in the Proprietary Information and Inventions Agreement shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Employee against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants set forth in the Proprietary Information and Inventions Agreement.

9. APPLICATION OF SECTION 409A.

9.1. Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "Section 409A Regulations") shall be paid unless and until Employee has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that Employee is a "specified employee" within the meaning of the Section 409A Regulations as of the date of Employee's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Employee's separation from service shall be paid to Employee before the date (the "Delayed Payment Date") which is first day of the seventh month after the date of Employee's separation from service or, if earlier, the date of Employee's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

9.2 Company intends that income provided to Employee pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, Company does not guarantee any particular tax effect for income provided to Employee pursuant to this Agreement.** In any event, except for Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Employee, Company shall not be responsible for the payment of any applicable taxes on compensation paid or provided to Employee pursuant to this Agreement.

9.3 Notwithstanding anything herein to the contrary, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall be subject to the following conditions: (1) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (2) the reimbursement of eligible expenses or in-kind benefits shall be made

promptly, subject to Company's applicable policies, but in no event later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

9.4 For purposes of Section 409A of the Code, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

10. ACKNOWLEDGMENT

Employee acknowledges that he has been advised by Company to consult with independent counsel of his own choice, at his expense, as to the entering into this Agreement, that he has had the opportunity to do so, and that he has taken advantage of the opportunity to the extent that he desires. The Employee further acknowledges that he has read and that he understands this Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment and such professional advice as he has seen fit to obtain.

11. ARBITRATION

Employee and the Company agree that in the event of any dispute concerning, arising out of, or related in any way to this Agreement, such dispute shall be submitted to arbitration. Except as otherwise provided for herein, the disputes subject to this agreement to arbitrate include, to the fullest extent allowable by law, all potential claims between Employee and Company including, but not limited to, breach of contract, tort, discrimination, harassment, wrongful termination, compensation and benefits claims, constitutional claims and claims for the violation of any local, state or federal statute, ordinance or regulation. Arbitration proceedings may be commenced by either party by giving the other party written notice

thereof and proceeding thereafter in accordance with the rules and procedures of the American Arbitration Association and California law. Any such arbitration shall take place before a single arbitrator only in San Diego, California. Any such arbitration shall be governed by and be subject to the applicable laws of the State of California and the then-prevailing rules of the American Arbitration Association (the "AAA"). If the parties are unable to agree on a single neutral arbitrator, the arbitrator shall be selected pursuant to the AAA rules. The arbitrator's award in any such arbitration shall be final and binding, and a judgment upon such award may be entered and enforced by any court of competent jurisdiction. **Each party to this Agreement understands that by agreeing to arbitrate their disputes, they are giving up their right to have their disputes heard in a court of law and, if applicable, by a jury.** Company shall bear the costs of the arbitrator, the forum, and filing fees. Each party shall bear its own respective attorney's fees and all other costs, unless otherwise required or allowed by law and awarded by the arbitrator.

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To the Company:
Lpath, Inc.
4025 Sorrento Valley Blvd.
San Diego, CA 92121
Facsimile (858) 678-0900

To the Employee:
Gary Woodnutt, Ph.D.
5787 Brittany Forest Lane
San Diego, CA 92130

Any notice, demand or other communication so addressed to the relevant party shall be deemed to have been delivered (a) if given or made by certified letter, return receipt requested, when actually delivered to the relevant party; and (b) if given or made by facsimile, upon receipt of a transmission report confirming receipt.

13.3 Entire Agreement. This Agreement and the Exhibits attached hereto contain the entire agreement of the parties regarding the employment of the Employee, and there are no other promises or conditions regarding the Employee's employment in any other agreement, whether oral or written. This Agreement shall terminate and supersede any previous employment agreements or arrangements between Employee and Company.

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13.6 Headings. The section headings are inserted for convenience only and shall not affect the construction of this Agreement.

13.7 Rules of Construction. Unless the context requires otherwise, words importing the singular include the plural and vice versa, and words importing a gender include every gender.

13.8 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained therein.

13.9 Survival. Any variation in salary or conditions mutually agreed upon after the effective date of this Agreement shall not constitute a new agreement; instead, the terms and conditions of this Agreement, except as to such variation, shall continue in force.

13.10 Waiver. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

13.11 Interpretation. This Agreement shall not be construed against any party on the grounds that such party drafted the Agreement or caused it to be drafted.

13.12 Governing Law. This Agreement shall be governed by the laws of the State of California. Any controversy or claim arising out of or relating to this Agreement or the breach thereof, whether involving remedies at law or equity, shall be adjudicated in San Diego, California.

13.1 No Conflicting Agreements. Employee represents and warrants to the Company that he is not a party to or bound by any confidentiality, noncompetition, nonsolicitation or other agreement or restriction which could conflict with or be violated by the performance of Employee's duties to the Company under this Agreement or otherwise. Employee agrees that he will not disclose to the Company, use, or induce the Company to use, any invention or confidential information belonging to any third party. Employee understands that in the event such representation and warranty is not absolute it would be a material violation of this Agreement and Employee would be subject to termination for Cause.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first written above.

LPATH, INC.	**EMPLOYEE**
/s/ Scott R. Pancoast	/s/ Gary Woodnutt
Scott R. Pancoast	Signature
President and Chief Executive Officer	Gary Woodnutt, Ph.D.

EXHIBIT A

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

EXHIBIT B

LPATH, INC. EMPLOYEE HANDBOOK

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements Nos. 333-149827 and 333-137318 on Form S-8 and Registration Statement No. 333-190651 on Form S-3 of our report dated March 18, 2014, relating to the consolidated financial statements appearing in this Annual Report on Form 10-K of Lpath, Inc. for the year ended December 31, 2013.

/s/ Moss Adams LLP
San Diego, California
March 18, 2014

Exhibit 31.1

I, Scott R. Pancoast, Chief Executive Officer of Lpath, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Lpath, 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 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(s) 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(s) 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: March 18, 2014

By: /s/ SCOTT R. PANCOAST

Scott R. Pancoast
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Gary J.G. Atkinson, Chief Financial Officer of Lpath, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Lpath, 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 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(s) 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(s) 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: March 18, 2014

By: /s/ GARY J.G. ATKINSON

Gary J.G. Atkinson

Chief Financial Officer

(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Scott Pancoast, Chief Executive Officer of Lpath, Inc. (the "Company") and Gary J.G. Atkinson, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

(1) The Company's Annual Report on Form 10-K for the period ended December 31, 2013, to which this Certification is attached as Exhibit 32.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 18, 2014

/s/ SCOTT R. PANCOAST	/s/ GARY J.G. ATKINSON
Scott R. Pancoast, *CEO*	Gary J.G. Atkinson, *CFO*

A signed original of this written statement required by Section 906 has been provided to Lpath, Inc. and will be retained by Lpath, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Lpath, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.