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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from to

Commission file number: 001-34703

Alimera Sciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-0028718**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
6120 Windward Parkway, Suite 290 Alpharetta, GA	**30005**
(Address of principal executive offices)	**(Zip Code)**

(678) 990-5740
(Registrant's telephone number, including area code)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.01 par value per share	**ALIM**	**The Nasdaq Stock Market LLC**

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 x

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

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

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

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

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	x
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of June 28, 2019, the last business day of the registrant's last completed second quarter, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately $59,501,306 based on the closing price of the registrant's Common Stock, on June 28, 2019, as reported by the Nasdaq Global Market. For the purposes of this disclosure, shares of Common Stock held by each executive officer, director and stockholder known by

the registrant to be affiliated with such individuals based on public filings and other information known to the registrant have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 27, 2020, there were 4,965,949 shares of the registrant's Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement with respect to the registrant's 2020 Annual Meeting of Stockholders, which is to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year ended December 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Alimera Sciences, Inc.

Form 10-K

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND PROJECTIONS

Various statements in this report of Alimera Sciences, Inc. (we, our, Alimera or the Company) are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. These statements are subject to risks and uncertainties and are based on information currently available to our management. Words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “contemplates,” “predict,” “project,” “target,” “likely,” “potential,” “continue,” “ongoing,” “will,” “would,” “should,” “could,” or the negative of these terms and similar expressions or words, identify forward-looking statements. The events and circumstances reflected in our forward-looking statements may not occur and actual results could differ materially from those projected in our forward-looking statements. Meaningful factors that could cause actual results to differ include:

- uncertainty associated with our need to replace our key third-party manufacturer of certain component parts of the ILUVIEN injector before our manufacturing contract with the manufacturer expires on September 30, 2020;
- dependence on third-party manufacturers to manufacture ILUVIEN or any future products or product candidates in sufficient quantities and quality and in a timely manner;
- the possibility that we may fail to regain compliance with the listing standards of The Nasdaq Global Market in the near future as we expect, and the possibility that even if we do regain compliance, we may again fail to comply with the Nasdaq listing standards in the future;
- a slowdown or reduction in our sales in due to a reduction in end user demand, unanticipated competition, regulatory issues, or other unexpected circumstances;
- uncertainty regarding our ability to achieve profitability and positive cash flow through the commercialization of ILUVIEN® in the U.S., the European Economic Area and other regions of the world where we sell ILUVIEN;
- uncertainty regarding the pricing and reimbursement guidelines for ILUVIEN or any future products or product candidates, including ILUVIEN in new markets;
- uncertainty associated with our pursuit of reimbursement approval from local health authorities in certain countries for the recently obtained additional indication for ILUVIEN for prevention of relapse in recurrent non-infectious uveitis affecting the posterior segment of the eye (NIU-PS);
- uncertainty associated with our ability to meet any post-market requirements for NIU-PS in the European Economic Area;
- our ability to successfully commercialize ILUVIEN following regulatory approval in additional markets;
- delay in or failure to obtain regulatory and reimbursement approval of ILUVIEN or any future products or product candidates in additional countries;
- our ability to operate our business in compliance with the covenants and restrictions in our loan agreement;
- our possible need to raise additional financing;
- our ability to retain and recruit appropriate employees, in particular a productive sales force; and
- current and future laws and regulations.

All written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We caution investors not to rely too heavily on the forward-looking statements we make or that are made on our behalf. We undertake no obligation and specifically decline any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Please see, however, any further disclosures we make on related subjects in any annual, quarterly or current reports that we may file with the Securities and Exchange Commission (SEC).

We encourage you to read the discussion and analysis of our financial condition and our consolidated financial statements contained in this Annual Report on Form 10-K. We also encourage you to read Item 1A of Part 1 of this Annual Report on Form 10-K, entitled “Risk Factors,” which contains a more detailed discussion of some of the risks and uncertainties associated with our business. In addition to the risks described above and in "Risk Factors," other unknown or unpredictable factors also could

affect our results. There can be no assurance that we will in fact achieve the actual results or developments we anticipate or, even if we do substantially realize them, that they will have the expected consequences to, or effects on, us. Therefore, we can give no assurances that we will achieve the outcomes stated in those forward-looking statements and estimates.

Unless the context otherwise requires, throughout this Annual Report on Form 10-K, the words “Alimera” “we,” “us,” the “registrant” or the “Company” refer to Alimera Sciences, Inc. and its subsidiaries (as applicable).

ITEM 1. *BUSINESS*

Overview

Alimera Sciences, Inc., and its subsidiaries (we or Alimera), is a pharmaceutical company that specializes in the commercialization and development of prescription ophthalmic pharmaceuticals. Alimera was incorporated on June 4, 2003 under the laws of the State of Delaware. We presently focus on diseases affecting the back of the eye, or retina, because we believe these diseases are not well treated with current therapies and represent a significant market opportunity.

ILUVIEN

Our only commercial product is ILUVIEN®, an intravitreal implant that treats patients by delivering a continuous microdose of the non-proprietary corticosteroid fluocinolone acetonide (FAc) in the eye, for up to 36 months. “Intravitreal” refers to the space inside the eye behind the lens that contains the jelly-like substance called vitreous. ILUVIEN was initially developed to treat diabetic macular edema (DME), a disease of the retina that affects individuals with diabetes and can lead to severe vision loss and blindness. ILUVIEN can also be used to prevent relapse in recurrent non-infectious uveitis affecting the posterior segment of the eye (NIU-PS). Uveitis is an inflammatory disease of the uveal tract, which is comprised of the iris, ciliary body and choroid, that can lead to severe vision loss and blindness.

ILUVIEN is inserted into the back of the patient’s eye in a non-surgical procedure employing a device with a 25-gauge needle, which allows for a self-sealing wound. We believe that corticosteroids provide the best option in the treatment of DME and NIU-PS because they reduce the inflammatory aspects of the disease. Further, we believe that ILUVIEN’s CONTINUOUS MICRODOSING™ delivery makes it the only approved drug therapy for DME that can deliver consistent daily therapeutic levels of corticosteroid. The delivery mechanism of ILUVIEN provides lower daily and aggregate exposure to corticosteroids than any other intraocular dosage forms currently available, which we believe mitigates the typical risks associated with corticosteroid therapy. Further, ILUVIEN, which is non-bioerodible, provides consistent delivery as a result of its constant surface area, permitting elution of FAc to the vitreous. This provides a sustained therapeutic effect on DME and NIU-PS. Other therapies that physicians currently use to treat DME, such as anti-vascular endothelial growth factor (VEGF) treatments and other corticosteroids, are acute (short-acting) therapies that provide a higher initial daily dose but then rapidly decline, requiring frequent reinjection by the physician to maintain or reestablish the therapeutic effect.

ILUVIEN delivers continuous daily sub-microgram levels of FAc in both in vitro and in vivo release kinetic studies for up to 36 months, making it the only single injection therapy available to treat the retina consistently every day for up to three years, to control the recurrence of edema, allowing patients to see better, longer with fewer injections. The delivery mechanism of ILUVIEN provides lower daily and aggregate exposure to corticosteroids than any other intraocular dosage forms currently available for DME in the U.S. and in the other countries in which we have approval. We believe that the lower daily and aggregate exposure to corticosteroids mitigates the typical risks associated with corticosteroid therapy. Additionally, the side effects of ILUVIEN are consistent with and predictable following the use of shorter duration or acute corticosteroid therapies, increasing the physician’s ability to manage those side effects.

The active compound in ILUVIEN is FAc, a non-proprietary corticosteroid that is a member of the class of steroids known as corticosteroids. Corticosteroids have demonstrated a range of pharmacological actions, including inhibition of inflammation, inhibition of leukostasis, up regulation of occludin, inhibition of the release of certain inflammatory cytokines and suppression of VEGF secretion. Leukostasis refers to the accumulation of white blood cells at a particular site, which leads to further tissue damage. Occludin is an important protein in maintaining and reinforcing the tight junctions between cells. These pharmacological actions have the potential to treat various ocular conditions, including DME, NIU-PS, Non-Proliferative Diabetic Retinopathy (NPDR), retinal vein occlusion (RVO), dry age-related macular degeneration (AMD) and wet AMD. However, FAc shares many of the same “class effect” side effects seen with other corticosteroids that are currently available for intraocular use. The two main side effects of using corticosteroids to treat ocular conditions are (a) increased intraocular pressure, which may increase the risk of glaucoma, and (b) the acceleration of cataract formation. FAc is uniquely lipophilic, making it very effective at penetrating retina tissue, and allowing it to achieve a therapeutic effect at a very low dose, typically lower than other corticosteroids.

Where We Market ILUVIEN to Treat Diabetic Macular Edema (DME)

ILUVIEN has received marketing authorization for the use of ILUVIEN to treat DME for the indications and in the countries shown in the following table:

Indication for the Treatment of DME	Countries Where ILUVIEN Has Received Marketing Authorization to Treat DME	Countries Where ILUVIEN Has Received Reimbursement Approval to Treat DME	Countries Where ILUVIEN is Currently Marketed to Treat DME
Treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure	U.S., Australia, Canada, Kuwait, Lebanon and the United Arab Emirates	U.S., Kuwait, Lebanon and the United Arab Emirates	U.S., Kuwait, Lebanon and the United Arab Emirates
Treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies	The United Kingdom (U.K.), Germany, France, Italy, Spain, Portugal, Ireland, Austria, Belgium, Denmark, Norway, Finland, Sweden, Poland, Czech Republic, the Netherlands, and Luxembourg	The U.K., Germany, France, Italy, Spain, Portugal, Ireland and Austria	The U.K., Germany, France, Italy, Spain, Portugal, Ireland, and Austria

Where We Market ILUVIEN to Treat Recurrent Non-Infectious Uveitis Affecting the Posterior Segment of the Eye (NIU-PS)

In December 2017, we filed in the 17 EEA countries in Europe where ILUVIEN is currently approved for the treatment of DME an application for a new indication for ILUVIEN for the prevention of relapse in recurrent NIU-PS. In March 2019, we announced that the U.K.'s National Institute for Health and Care Excellence (NICE), in its Final Appraisal Determination for national reimbursement, had recommended funding for ILUVIEN 190 micrograms intravitreal implant in applicator for the prevention of relapse in recurrent NIU-PS. In addition to the U.K., we have now received local regulatory approval for this indication for ILUVIEN, including meeting local labeling requirements, in 16 of the 17 EEA countries where we have filed for approval of NIU-PS.

Indication for the Treatment of NIU-PS	Countries Where ILUVIEN Has Received Marketing Authorization to Treat NIU-PS	Countries Where ILUVIEN Has Received Reimbursement Approval to Treat NIU-PS	Countries Where ILUVIEN is Currently Marketed to Treat NIU-PS
The prevention of relapse in recurrent NIU-PS	The U.K., Germany, France, Spain, Portugal, Ireland, Austria, Belgium, Denmark, Norway, Finland, Sweden and Poland	The U.K. and Germany	The U.K. and Germany

We launched ILUVIEN for the NIU-PS indication in Germany and the U.K. during the third quarter of 2019.

Where We Sell Direct

We commercially market ILUVIEN directly in the U.S., Germany, the U.K., Portugal, and Ireland.

Where We Sell Through Distributors

We have entered into various agreements under which distributors are providing or will provide regulatory, reimbursement or sales and marketing support for ILUVIEN in France, Italy, Spain, Belgium, the Netherlands, Luxembourg, Australia, New Zealand, Canada, and several countries in the Middle East. We have an extended distribution relationship with our French distributor Horus Pharma to distribute ILUVIEN in Belgium, the Netherlands and Luxembourg. Our Canadian distributor is currently pursuing reimbursement approval. As of December 31, 2019, we have recognized revenue from sales of ILUVIEN to the Company's international distributors in the Middle East, France, Italy and Spain.

Business Strategy

We presently focus on diseases affecting the back of the eye, or retina, because we believe these diseases are not well treated with current therapies and represent a significant market opportunity. Our strategy is to establish ILUVIEN as a leading therapy for DME and NIU-PS patients for which ILUVIEN is proven safe and effective because of its ability to help patients see better, longer with fewer injections for up to three years. We intend to capitalize on our management's experience, the breadth of our commercial resources in both the U.S. and Europe, and to maintain focus on the retinal space to commercialize ILUVIEN. We intend to use those same strengths to acquire, obtain regulatory approval for and commercialize other potential eye care products. To implement our strategy, we intend to:

- *Maximize the commercial success of ILUVIEN for treatment of DME in the U.S. and Europe where we have obtained regulatory approval.* We are seeking to increase our direct sales and sales to distributors in the U.S. and Europe where we have obtained regulatory approval and are currently marketing ILUVIEN. We are also pursuing opportunities to sell ILUVIEN in the remaining countries where we have obtained regulatory approval but are not currently marketing ILUVIEN.
- *Pursue commercialization of ILUVIEN for treatment of DME in additional countries outside the U.S. and Europe where we have obtained regulatory approval*. We have established distribution relationships in Australia, New Zealand, Canada and the Middle East. Our distributor in the Middle East began selling ILUVIEN in 2016 and launched commercial sales in 2019. Our distributor in Canada received regulatory approval in 2018 and is currently pursuing reimbursement approval. Our distributor in Australia secured regulatory approval during 2019 and is currently pursuing reimbursement approval.
- *Pursue commercialization of ILUVIEN for NIU-PS in Europe where we have obtained regulatory approval.* We are seeking to increase our direct sales in Germany and the U.K. where we have obtained regulatory approval and are currently marketing ILUVIEN for NIU-PS. We are pursuing opportunities to sell ILUVIEN for NIU-PS in another 14 additional countries where we have obtained regulatory approval but are not currently marketing ILUVIEN.
- *Pursue approval for ILUVIEN for DME and NIU-PS in additional countries.* We will evaluate seeking regulatory approval for the treatment of DME in countries where we do not have approval and of NIU-PS in the remainder of Europe and in the Middle East and Africa where we have the license to use ILUVIEN.
- *Expand our ophthalmic product offerings.* We believe there are further unmet medical needs in the treatment of retinal diseases. We intend to continue to evaluate in-licensing and acquisition opportunities for compounds and technologies with potential treatment applications for diseases affecting the eye.

Disease Overview and Market Opportunity

Diabetes and Diabetic Retinopathy

Diabetes mellitus, with its systemic and ophthalmic complications, represents a global public health threat. The International Diabetes Federation (IDF) estimated prevalence of diabetes worldwide in 2017 increased to 425 million people and is expected to increase to 629 million people by 2045.

The 2017 National Diabetes Statistics Reports published by the U.S. Centers for Disease Control and Prevention (CDC) reported that as of 2015, 30.3 million Americans, or 9.4% of the U.S. population, have diabetes and that there were 1.5 million new cases of diabetes diagnosed among people ages 18 and older. Nearly 1 in 4 four adults living with diabetes, 7.2 million Americans, did not know they had the condition and are therefore not being monitored and treated to control their disease and prevent systemic and ophthalmic complications. The report also identified that around 84.1 million people have prediabetes, a condition that if not treated often leads to type 2 diabetes within five years. In this population, only 11.6% of adults know they had prediabetes. The IDF estimates that there are approximately 58.0 million people in Europe with diabetes and that 22.0 million remain undiagnosed. In the Middle East, it is estimated there are approximately 23.0 million people with diabetes and 10.0 million remain undiagnosed.

All patients with diabetes are at risk of developing some form of diabetic retinopathy, an ophthalmic complication of diabetes with symptoms including the swelling and leakage of blood vessels within the retina or the abnormal growth of new blood vessels on the surface of the retina. According to the CDC Vision Health Initiative, diabetic retinopathy causes approximately 12,000 to 24,000 new cases of blindness in the U.S. each year; making diabetes the leading cause of new cases of blindness in adults aged 20 to 74. Diabetic retinopathy can be divided into either non-proliferative or proliferative retinopathy. Non-proliferative retinopathy develops first and causes increased capillary permeability, micro aneurysms, hemorrhages, exudates (when fluid leaks into spaces between vessels), macular ischemia (lack of oxygen) and macular edema (thickening of the retina caused by fluid leakage from capillaries). Proliferative retinopathy is an advanced stage of diabetic retinopathy that, in addition to characteristics of non-proliferative retinopathy, results in the growth of new blood vessels. These new blood vessels are abnormal and fragile, growing along the retina and along the surface of the clear, vitreous gel that fills the inside of the eye. By themselves, these blood vessels do not cause symptoms or vision loss. However, these blood vessels have thin, fragile walls that are prone to leakage and hemorrhage.

Diabetic Macular Edema

When the blood vessel leakage of diabetic retinopathy leads to the build-up of fluid, or edema, in a region of the retina called the macula, the condition is called DME. This area of the eye is important for the sharp, straight-ahead vision that is used for reading, recognizing faces, and driving. There are an estimated 750,000 people with DME in the U.S., according to the National Eye Institute's 2019 update. DME is the most common cause of vision loss among people with diabetic retinopathy and about 30% of people with diabetic retinopathy will develop DME. It is more likely to occur as diabetic retinopathy worsens, although it may occur at any stage of the disease. The onset of DME is painless and may go undetected by the patient until it manifests with the blurring of central vision or acute vision loss. The severity of this blurring may range from mild to profound loss of vision.

Studies have shown that DME is a multifactorial disease that is underpinned by inflammatory cytokine activity in the eye. Of the currently approved pharmacotherapies used to treat DME, only corticosteroids, including FAc found in the ILUVIEN implant, affect these cytokines.

As the incidence of diabetes continues to increase worldwide, the incidence of DME and other complications is predicted to rise as well. Most patients who suffer from diabetes do not meet glycemic (glucose or blood sugar) targets, resulting in hyperglycemia (elevated levels of glucose in the blood). This, in turn, leads to the development of micro-vascular complications, which manifest in the eye as diabetic retinopathy, as well as elevated cytokines that break down the blood-retina barrier, leading to macular edema (DME) in many diabetic retinopathy patients.

Uveitis

Uveitis means inflammation of the uvea track, which is a layer of tissue located between the outer layer (cornea and sclera) and the inner layer (the retina) of the eye. The front portion (anterior) of the uveal tract contains the iris, and the back portion (posterior) of the uveal tract contains the choroid and the stroma of the ciliary body. Inflammation of the uvea encompasses approximately 30 inflammatory disorders characterized by intraocular inflammation, a major cause of visual loss in people of working age in both developed and developing countries. It can affect people of all ages, producing swelling and destroying eye tissues, which can lead to severe vision loss and blindness. According to the classification scheme recommended by the International Uveitis Study Group, the disease can be classified on the basis of anatomic locations: anterior, intermediate, posterior or pan uveitis. Uveitis can be caused by a number of factors such as infection (infectious uveitis) or other autoimmune diseases or conditions. Non-infectious uveitis is a persistent and recurrent disease that can adversely affect the retina. Additionally, it commonly affects vision, more so than anterior uveitis, and macular edema is the most common mechanism of visual loss, affecting 44% patients with posterior uveitis.

There are two forms of uveitis:

- infectious uveitis (bacterial, viral, fungal, or parasitic), which is treated with an appropriate antimicrobial drug as well as corticosteroids and cycloplegics; and
- NIU-PS, where corticosteroids are used to reduce inflammation and prevent adhesions in the eye.

Current Treatments for DME

Anti-vascular endothelial growth factor (anti-VEGF) therapies are the current standard of care for the treatment of DME. Lucentis (ranibizumab) and Eylea (aflibercept) are the only approved anti-VEGF therapies marketed for the treatment of vision loss associated with DME in the EEA and for the treatment of DME in the U.S. Off-label injections of the anti-VEGF therapy Avastin (bevacizumab) are also used to treat DME. However, anti-VEGF therapies are acute therapies and are limited by a need for multiple and frequent injections to achieve the same therapeutic effect reported in randomized controlled trials. Further, DME is a multi-factorial disease, and anti-VEGF therapy does not address all of these factors. As a result, many patients either do not achieve a sufficient response or are unable to routinely attend clinic appointments, meaning that anti-VEGF therapy is not optimally administered. When not optimally administered, these acute therapies allow for a recurrence of the edema. In addition, these therapies have safety profiles that include an increased risk of endophthalmitis, a serious eye infection that must be treated with high doses of antibiotics. This risk of endophthalmitis is associated with any intravitreal injection. There is evidence that intravitreal anti-VEGF therapy affects systemic VEGF levels, which may have cardiovascular complications.

Intravitreal corticosteroid therapies are also used to treat DME. Acute corticosteroids typically have peak effects within two to three months, and there is a need for repeated injections. Similarly, without optimized treatment frequency, macular edema is allowed to recur when the effect of acute corticosteroids dissipates. Ozurdex (dexamethasone), a short-acting corticosteroid, is marketed for the treatment of vision loss associated with DME in the EEA and for the treatment of DME in the U.S. Triamcinolone acetonide is another short-acting steroid used off-label to treat DME. In contrast to the dexamethasone implant and triamcinolone acetonide, which are both acute therapies, ILUVIEN is a long-term persistent and continuous steroid delivery therapy. The steroid in the ILUVIEN implant, fluocinolone acetonide, or FAc, is a key lipophilic component that allows a single implant to deliver a sustained daily dose for up to 36 months. Corticosteroids have historically been associated with significant increases in intraocular pressure, which may increase the risk of glaucoma. Additionally, corticosteroids are associated with the acceleration of cataract formation. We believe the low dose of ILUVIEN mitigates these side effects and makes them more manageable. Additionally, the side effects of ILUVIEN are consistent with and predictable following the use of shorter duration or acute corticosteroid therapies, increasing the physician’s ability to manage those side effects.

Laser photocoagulation is a retinal procedure in which a laser is used to apply a burn, or a pattern of burns, to cauterize leaky blood vessels to reduce edema. Visual acuity gains are less frequently seen with this therapy, as it is used to prevent or slow the loss of vision. Further, this destructive procedure has undesirable side effects including partial loss of peripheral and night vision.

Current Treatments for NIU-PS

Historically, the treatment of uveitis varies according to the type and location of uveitis. The inflammation in non-infectious uveitis (NIU) can be anterior (at the front of the eye) or posterior (at the back of the eye) or in both locations. Importantly though, all forms of NIU can affect the posterior segment of the eye. In anterior forms of NIU, drops are used to address inflammation; however, in patients where the posterior segment is affected, these drops do not penetrate the eye to address the posterior segment. Other agents, both intravitreal and systemic, are specifically licensed for the treatment of active non-infectious posterior uveitis. This means that treatment of NIU-PS focuses on (a) systemic therapy, administered in a tablet form or via injection, which very often leads to side effects that adversely affect the whole body, or (b) the localized delivery of therapies, usually a steroid.

Patients with NIU-PS are initially treated with systemic steroids, which are very effective, but when used at high doses for extended periods can lead to serious side effects. These side effects include acne, weight gain, sleep and mood disorders, hypertension and osteoporosis, which can limit the sustained use of systemic steroids. Patients then often progress to steroid-sparing therapies with systemic immune suppressants or biologics, which themselves can have severe side effects, including an increased risk of cancer and infections. In addition, periocular or intraocular steroids may be used to try to locally control inflammation in NIU-PS. Other therapies that may be used to treat NIU-PS include immunosuppressive drugs and tumor necrosis factor (TNF) antagonists.

A significant problem for patients and clinicians is that recurrence of NIU-PS is very common. In chronic NIU-PS, recurrence often occurs within six months of withholding treatment, and patients and clinicians are forced to go through cycles of treatment initiation and cessation with the accompanying complexity of managing several drug classes, and their side effects, at once. For the patient, this approach to treatment provides temporary relief, but with uncertainty of when the next relapse of their disease will occur. Recurrence is known to put the patient’s vision at risk, so there is a need for treatments that can provide longer term control of inflammation in this setting.

For patients with recurrent NIU-PS, locally delivered (intravitreal) steroids present an attractive treatment strategy allowing for effective delivery of steroid therapy at the point of need, while minimizing the risk of systemic side effects. For intravitreal treatment, the short-acting Ozurdex implant is marketed in the EEA for the treatment of adult patients with active

inflammation of the posterior segment of the eye presenting as non-infectious uveitis and for the treatment of non-infectious uveitis.

In contrast, ILUVIEN has specifically been studied to evaluate the prevention of relapse in recurrent NIU-PS. Clinical trials have demonstrated that ILUVIEN significantly extends the time to relapse in patients with recurrent NIU-PS, while at the same time reducing the need for adjunctive treatments, including systemic drug treatment.

ILUVIEN for Other Diseases of the Eye

Although we are not actively conducting clinical trials, we believe that ILUVIEN has the potential to address other ophthalmic diseases such as RVO, NPDR, dry AMD and wet AMD.

ILUVIEN Commercialization Status

Diabetic Macular Edema

ILUVIEN has received marketing authorization for two indications in various countries as noted above in “Overview - Where We Market ILUVIEN to Treat Diabetic Macular Edema (DME).” We plan to pursue regulatory approval for ILUVIEN for the treatment of DME, directly or with a partner, in additional countries. We or our distributors are currently pursuing regulatory approval in certain Middle East countries and New Zealand.

Uveitis

ILUVIEN has received marketing authorization for treatment of NIU-PS in 16 countries of the EEA, and we plan to pursue our right to seek approval in the Middle East and Africa. Because we do not have the contractual right to pursue approval to treat NIU-PS in the U.S., we do not have marketing authorization in the U.S. We have obtained marketing authorization for ILUVIEN to treat NIU-PS in various countries as noted above in “Overview - Where We Market ILUVIEN to Treat Recurrent Non-Infectious Uveitis Affecting the Posterior Segment of the Eye (NIU-PS).” We will evaluate seeking approval for the treatment of NIU-PS in other countries in Europe, the Middle East and Africa where we have the license to use ILUVIEN.

Sales and Marketing

Our sales personnel focus on physician offices, pharmacies and hospitals in the U.S. and in European countries where we seek to persuade end users to purchase ILUVIEN.

Distributor Agreements

We have various agreements under which distributors are providing or will provide regulatory, reimbursement or sales and marketing support for commercialization of ILUVIEN in Italy, Spain, France, Belgium, the Netherlands, Luxembourg, Canada, Australia and New Zealand and in several countries in the Middle East. Pursuant to these agreements, our distributors assisted or will assist us in obtaining and maintaining approval and reimbursement approval, or they will seek approval or reimbursement approval with our oversight in those countries, if such approval or reimbursement approval has not already been obtained.

Manufacturing

We do not have an in-house manufacturing capability for our products. As a result, we depend and expect to continue to depend exclusively on third-party contract manufacturers to produce and package ILUVIEN. We manage the quality of our product produced by these manufacturers through quality agreements and our quality system to ensure that they produce active pharmaceutical ingredients (APIs) and finished drug products in accordance with the FDA’s current Good Manufacturing Practices (cGMP) and all other applicable laws and regulations. We maintain agreements with potential and existing manufacturers that include confidentiality and intellectual property provisions to protect our proprietary rights related to ILUVIEN.

Third party manufacturers are responsible for the commercial-scale production of ILUVIEN and the ILUVIEN applicator. We have agreements with a single third-party manufacturer for each of:

- the manufacture of the ILUVIEN implant and final assembly and packaging of ILUVIEN (Alliance Medical Products Inc., a Siegfried Company (Alliance))
- the manufacturer of the components of the ILUVIEN applicator (FlexMedical or an affiliate of Flextronics International, Ltd. (Flextronics))

- the manufacture of ILUVIEN's active pharmaceutical ingredient (FARMABIOS SpA/Byron Chemical Company Inc.) and
- the quality release testing of ILUVIEN in the EEA including the U.K., post Brexit (AndersonBrecon Limited trading as Packaging Coordinators, Inc.).

Although we may seek alternative providers in the future, we do not currently have alternate providers for any of these activities. We are currently seeking to replace Flextronics as described below. The manufacturing process for ILUVIEN consists of filling the polyimide tube with a paste consisting of 190 micrograms of FAc in an aqueous slurry of polyvinyl alcohol, cutting the tubes, capping the tubes with a permeable membrane cap on one end and an impermeable silicone cap on the other end, curing at high temperature, loading ILUVIEN inside the ILUVIEN applicator, and packaging and sterilizing the product. This process has been validated at Alliance.

Under our agreement with Alliance, which we entered into in 2010 and amended and restated in 2016, we are responsible for supplying Alliance with the ILUVIEN applicator and the API. We purchased certain equipment at Alliance's facility that Alliance uses solely to manufacture and package ILUVIEN for us. We have agreed to order from Alliance at least 80% of our total requirements for new units of ILUVIEN in the U.S., Canada and Europe in a calendar year, provided that Alliance is able to fulfill our supply requirements and is not in breach of its agreements or obligations to us. Currently, we order 100% of our global requirements for ILUVIEN units from Alliance because we do not have an alternate supplier. Unless terminated earlier in accordance with its provisions, the amended and restated agreement has a remaining term through February 2021 and will automatically renew for successive terms of one year unless either party delivers written notice of non-renewal to the other at least 12 months before the end of the then current term. As of the date of this filing, we have not received a notice of non-renewal.

Under our agreement with Flextronics, which we entered into in 2012, Flextronics agreed to manufacture the components of the ILUVIEN applicator for us at its facility located near Tijuana, Mexico. We purchased certain equipment for Flextronics' facility that Flextronics uses solely to manufacture the components of the ILUVIEN applicator for us. During 2019, Flextronics gave Alimera 18 months' notice to terminate the existing manufacturing agreement, which will terminate on September 30, 2020. We have identified an alternative manufacturer and are currently negotiating a final agreement to allow the transfer of equipment and qualification of the new facility.

Business Segments

Our business has three segments: U.S., International and Other. Financial information about our business segments can be found below in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Segment Review" and (b) Note 19 of the accompanying consolidated financial statements.

Customers

Our revenues for the fiscal years ended December 31, 2019 and 2018 were generated from product sales primarily in the U.S., Germany, France and the U.K. In the U.S., two large pharmaceutical distributors accounted for 60% and 69% of our consolidated revenues for the years ended December 31, 2019 and 2018, respectively. These distributors maintain inventories of ILUVIEN and sell to physician offices, pharmacies and hospitals. Internationally, in countries where we sell direct, our customers are hospitals, clinics and pharmacies. We sometimes refer to physician offices, pharmacies, hospitals and clinics as end users. In international countries where we sell to distributors, these distributors maintain inventory levels of ILUVIEN and sell to their customers.

Competition

The development and commercialization of new drugs and drug delivery technologies is highly competitive. We face competition with respect to ILUVIEN and any products or product candidates we may develop or commercialize in the future from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide, many of whom have substantially greater financial and other resources than we do.

In the countries in which ILUVIEN has received or been recommended for marketing authorization or becomes approved for use in the treatment of DME, it competes or will compete against the use of anti-VEGF therapies, short duration corticosteroids and laser photocoagulation or other therapies that may be approved in the future. Other companies are working to develop other drug therapies and sustained delivery platforms for DME and other indications. These competitive therapies may result in pricing pressure even if ILUVIEN is otherwise viewed as a preferable therapy. We believe that the following drugs and treatments compete with ILUVIEN:

- Lucentis© (ranibizumab injection), marketed by Genentech (Roche) in the U.S. and Novartis in the rest of the world, and Avastin (bevacizumab), an oncology product marketed by the Roche group, are both antibodies that inhibit VEGF signaling pathways. Lucentis is currently approved for the treatment of DME, the treatment of diabetic retinopathy in patients with DME, the treatment of neovascular wet AMD and the treatment of macular edema following RVO in the U.S. In the EEA, the indications are similar except for the indication to treat diabetic retinopathy in patients with DME.
- Avastin©, is used by retinal specialists in both the U.S. and in certain countries of the EEA in the treatment of numerous retinal diseases off label but is not formulated or approved for any ophthalmic use.
- Eylea© (aflibercept), marketed by Regeneron in the U.S. and by Bayer in the EEA, is a VEGF antagonist that is approved for the treatment of DME, diabetic retinopathy in patients with DME, neovascular wet AMD and RVO in the U.S. In the EEA, the indication does not include diabetic retinopathy.
- Ozurdex© (dexamethasone intravitreal implant), marketed by Allergan, is a short duration biodegradable implant that delivers the corticosteroid dexamethasone. Ozurdex is approved for the treatment of DME, macular edema following branch or central RVO and non-infectious uveitis in the U.S. In the EEA, the indication for DME is for visual impairment due to diabetic macular edema in persons who are pseudophakic (persons who have had an artificial lens implanted after the natural eye lens has been removed) or who are considered insufficiently responsive to, or unsuitable for, non-corticosteroid therapy. It is also indicated for macular edema following either Branch Retinal Vein Occlusion (BRVO) or Central Retinal Vein Occlusion (CRVO) and inflammation of the posterior segment of the eye presenting as non-infectious uveitis.
- Humira© (adlimumab), marketed by Abbvie, is a TNF-blocker that has an ophthalmic indication. It works by targeting and blocking a specific source of inflammation that plays a role in non-infectious uveitis. In the U.S., Humira is indicated for the treatment of non-infectious intermediate, posterior and pan uveitis. In the EEA, Humira is indicated for the treatment of chronic non-infectious anterior uveitis in children aged two years or older who have had an inadequate response to or are intolerant to conventional therapy.
- Beovu®(brolucizumab-dbll), marketed by Novartis, is a VEGF inhibitor indicated for the treatment of neovascular wet AMD. Beovu is the first FDA approved anti-VEGF to offer both greater fluid resolution versus aflibercept and the ability to maintain eligible wet AMD patients on a three-month dosing interval immediately after a three-month loading phase with uncompromised efficacy. Beovu is also approved by the European commission for the treatment of wet AMD in all 27 European Union member states as well as the U.K., Iceland, Norway and Liechtenstein. Beovu is currently recruiting patients in trials for the treatment of DME.
- Intravitreal triamcinolone is used by some physicians for the treatment of DME although it is not approved for DME.
- Laser photocoagulation is currently used to treat DME and may be used in conjunction with drug therapies as well. Other laser or surgical treatments for DME may also compete against ILUVIEN.

In addition, a number of other companies, including Ampio Pharmaceuticals, Aerie Pharmaceuticals, Allegro Opthalmics, and Clearside Biomedical are developing drug therapies or sustained delivery platforms for the treatment of retinal diseases.

We believe we will be less likely to face a generic competitor for ILUVIEN for the treatment of DME because of the bioequivalency requirements of a generic form of ILUVIEN. A generic pharmaceutical competitor to ILUVIEN would need to establish bioequivalency through the demonstration of an equivalent pharmacodynamic endpoint in a clinical trial. We believe conducting such a clinical trial would be cost-prohibitive and time-consuming, although we cannot provide any assurances in that regard.

The licensing and acquisition of pharmaceutical products, which is part of our strategy, is a highly competitive area. A number of more established companies are also pursuing strategies to license or acquire products. These established companies may have a competitive advantage over us due to, among other factors, their size, cash flow and institutional experience.

The active pharmaceutical ingredient in ILUVIEN is FAc, which is not patent protected. As a result, our competitors could develop an alternative formulation or delivery mechanisms to treat diseases of the eye with FAc. For a description of our license of proprietary insert technology for ILUVIEN, see the section immediately below.

Licenses and Agreements

EyePoint Pharmaceuticals US, Inc.

In 2005, we entered into an agreement with EyePoint Pharmaceuticals US, Inc. (EyePoint), formerly known as pSivida US, Inc., for the use of FAc in EyePoint's proprietary insert technology. In July 2017, we amended and restated the EyePoint agreement in the Second Amended and Restated Collaboration Agreement (New Collaboration Agreement). The New Collaboration Agreement provides us with a license to utilize certain underlying technology used in the development and commercialization of ILUVIEN. Before entering into the New Collaboration Agreement, we held a worldwide license from EyePoint for the use of steroids, including FAc, in EyePoint's proprietary insert technology for the treatment of all ocular diseases other than uveitis. The New Collaboration Agreement expands the license to include uveitis, including NIU-PS, in Europe, the Middle East and Africa.

The New Collaboration Agreement provides us with a license to develop and sell EyePoint's proprietary insert technology to deliver other corticosteroids to the back of the eye for the treatment and prevention of eye diseases in humans or to treat DME by delivering a compound to the back of the eye through a direct delivery method through an incision required for a 25-gauge or larger needle. We do not have the right to develop and sell EyePoint's proprietary insert technology for indications for diseases outside of the eye anywhere in the world, or for the treatment of uveitis outside of Europe, the Middle East and Africa. EyePoint retained the right to develop and sell EyePoint's proprietary insert technology for indications and countries not licensed to us. Further, our agreement with EyePoint permits EyePoint to grant to any other party the right to use its intellectual property (a) to treat DME through an incision smaller than that required for a 25-gauge needle, unless using a corticosteroid delivered to the back of the eye, (b) to deliver any compound outside the back of the eye unless it is to treat DME through an incision required for a 25-gauge or larger needle, or (c) to deliver non-corticosteroids to the back of the eye, unless it is to treat DME through an incision required for a 25-gauge or larger needle.

Before we entered into the New Collaboration Agreement, we were required to share 20% of our net profits on a country-by-country basis. We were permitted to offset up to 20% of this amount with our commercialization costs incurred during unprofitable calendar quarters in each country. The New Collaboration Agreement converts this profit share obligation to a royalty payable on global net revenues of ILUVIEN. We began paying a 2% royalty on net revenues and other related consideration to EyePoint effective July 1, 2017. This royalty amount increased to 6% effective December 12, 2018. We will pay an additional 2% royalty on global net revenues and other related consideration in excess of $75.0 million in any year. During 2019, we recognized approximately $2.2 million of royalty expense. During 2018, we recognized approximately $998,000 of royalty and profit share expense.

Following the signing of the New Collaboration Agreement, we retained a right to offset $15.0 million of future royalty payments (the Future Offset). In accordance with the terms of the New Collaboration Agreement, this offset was reduced by $5.0 million when we obtained regulatory approval in the U.K. in March 2019 for the use of ILUVIEN to treat NIU-PS. As of December 31, 2019, the balance of the Future Offset was approximately $8.9 million.

Our license rights to EyePoint's proprietary insert technology could revert to EyePoint if we were to:

(a) fail twice to cure our breach of an obligation to make certain payments to EyePoint following receipt of written notice of the breach;

(b) fail to cure other breaches of material terms of our agreement with EyePoint within 30 days after notice of such breaches or such longer period (up to 90 days) as may be reasonably necessary if the breach cannot be cured within such 30-day period;

(c) file for protection under the bankruptcy laws, make an assignment for the benefit of creditors, appoint or suffer appointment of a receiver or trustee over our property, file a petition under any bankruptcy or insolvency act or have any such petition filed against us and such proceeding remains undismissed or unstayed for a period of more than 60 days; or

(d) notify EyePoint in writing of our decision to abandon our license with respect to a certain product using EyePoint's proprietary insert technology. We were not in breach of our agreement with EyePoint as of December 31, 2019.

Government Regulation

General Overview

Government authorities in the U.S. and other countries extensively regulate, among other things the research, development, testing, quality, efficacy, safety (pre- and post-marketing), manufacturing, labeling, storage, record-keeping, advertising, promotion, export, import, marketing and distribution of pharmaceutical products. In addition, although third parties manufacture ILUVIEN for us, these manufacturing operations and our research and development activities must follow applicable environmental laws and regulations. The cost to comply with these environmental laws and regulations is not currently significant, but in the future complying with these environmental laws and regulations could increase our costs for manufacturing, research and development.

U.S.

In the U.S., the FDA, under the Federal Food, Drug, and Cosmetic Act (FD&C Act) and other federal and local statutes and regulations, subjects pharmaceutical products to review. If we do not comply with applicable regulations, the government may refuse to approve or place our clinical studies on clinical hold, refuse to approve our marketing applications, refuse to allow us to manufacture or market our products, seize our products, impose injunctions and monetary fines on us, and prosecute us for criminal offenses.

To obtain approval of a new product from the FDA, we must, among other requirements, submit data supporting the safety and efficacy as well as detailed information on the manufacture and composition of the product and proposed labeling.

The testing and collection of data and the preparation of the necessary applications are expensive and time-consuming. The FDA may not act quickly or favorably in reviewing these applications, and we may encounter significant difficulties or costs in our efforts to obtain FDA approval that could delay or preclude us from marketing additional products. Once approved by the FDA, a drug requires an annual product and establishment fee, which was approximately $325,000 as of our last renewal in October 2019.

Post-Marketing Requirements

We are required to meet post-marketing safety surveillance requirements to continue marketing an approved product. We must report any adverse events with the product to the FDA, and the FDA could impose market restrictions through labeling changes or in product removal. The FDA may withdraw product approvals if we fail to maintain compliance with regulatory requirements or if problems concerning safety and/or efficacy of the product occur following approval. The FDA may, at its discretion, also require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any approvals that could restrict the commercial applications of these products. The FDA did not require any post-marketing testing as part of its approval of ILUVIEN.

As part of the approval process in Europe, we committed to conduct a five-year, post-authorization, open label registry study in 800 patients treated with ILUVIEN. Due to our post market safety surveillance not showing any unexpected safety signals, we requested and received approval to modify our protocol to cap enrollment in the study. Enrollment was completed with 562 patients. We anticipate this study to be completed in early 2020.

U.S. FDA Regulations

With respect to product advertising and promotion of marketed products, the FDA imposes a number of complex regulations that include standards for direct-to-consumer advertising, off-label promotions, industry-sponsored scientific and educational activities and Internet promotional activities. The FDA has very broad enforcement authority under the FD&C Act, and failure to abide by these regulations can result in (a) penalties, (b) the issuance of warning letters directing the sponsor to correct deviations from FDA standards, a requirement that future advertising and promotional materials must be pre-cleared by the FDA, and (d) federal civil and criminal investigations and prosecutions (as well as state prosecutions).

The manufacturing facility that produces our product must maintain compliance with the FDA's current Good Manufacturing Practices (cGMP) and is subject to periodic inspections by the FDA. Failure to comply with statutory and regulatory requirements subjects a manufacturer to possible legal and regulatory action, including Warning Letters, seizure or recall of products, injunctions, consent decrees placing significant restrictions on or suspending manufacturing operations and civil and criminal penalties.

Foreign Regulations

Foreign regulatory systems, although varying from country to country, include risks similar to those associated with FDA regulations in the U.S.

Under the EU regulatory system, applications for drug approval may be submitted either in a centralized or decentralized procedure. Under the centralized procedure, a single application to the European Medicines Evaluation Agency, if approved, would permit marketing of the product throughout the EU (currently 26 member states). The decentralized procedure provides for applications to be submitted for marketing authorization in a select number of EU countries. The process is managed by a Reference Member State that coordinates the review process with the other countries in the EEA in which the applicant has applied for marketing authorization.

A mutual recognition procedure of nationally approved decisions is available to pursue marketing authorizations for a product in the remaining EU countries. Under the mutual recognition procedure, the holders of national marketing authorization in one of the countries within the EU may submit further applications to other countries within the EU, who will be requested to recognize the original authorization.

We chose to pursue the decentralized procedure for ILUVIEN for DME and used the mutual recognition procedure due to our limited resources. Through this procedure, we obtained marketing authorizations in the 17 countries in the EEA discussed above. For ILUVIEN for NIU-PS, we filed a type II variation in these 17 countries in the EEA using the same procedure.

Third-Party Reimbursement and Pricing Controls

In the U.S., the EEA and elsewhere, sales of pharmaceutical products depend in significant part on the availability of reimbursement to the consumer from third-party payers, such as government and private insurance plans. Third-party payers are increasingly challenging the prices charged for medical products and services.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act of 2010 (together, the ACA), significantly changed the way healthcare is financed by both governmental and private insurers. The provisions of the ACA became effective beginning in 2010, although the current presidential administration and some legislators have attempted to repeal it and replace it with a different health care law and have affected some of its key provisions through the Tax Cuts and Jobs Act enacted in December 2017. While we cannot predict what impact on federal reimbursement policies this law or any replacement law will have in general or specifically on any product we commercialize, the ACA or any replacement may result in downward pressure on pharmaceutical reimbursement, which could negatively affect market acceptance of new products. Any rebates, discounts, taxes costs or regulatory or systematic changes on healthcare resulting from the ACA or its replacement may have a significant effect on our profitability in the future. We cannot predict whether the ACA will continue or what other laws or proposals will be made or adopted, or what impact these efforts may have on us.

We expect that additional federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, and in turn could significantly reduce the projected value of certain development projects and reduce our profitability.

In many foreign markets, including the countries in the EEA, pricing of pharmaceutical products is subject to governmental control. In the U.S., there have been, and we expect that there will continue to be, a number of federal and state proposals to implement similar governmental pricing control. While we cannot predict whether such legislative or regulatory proposals will be adopted, the adoption of those proposals could have a material adverse effect on our business, financial condition and profitability.

For a summary of where we have received reimbursement approval, see “Business - Overview - Where We Market ILUVIEN to Treat Diabetic Macular Edema (DME)” and “ - Where We Market ILUVIEN to Treat Recurrent Non-Infectious Uveitis Affecting the Posterior Segment of the Eye (NIU-PS).”

Patents and Proprietary Rights

Our success depends in part on our ability to obtain and maintain proprietary protection for ILUVIEN or any future products or product candidates, technology and know-how, to operate without infringing on the proprietary rights of others and to prevent others from infringing our proprietary rights. Because we license certain intellectual property relating to ILUVIEN from third parties, we depend on their ability to obtain and maintain such protection. Where we have conducted our own research, our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. We also rely on trade secrets, know-how, continuing technological innovation and in-licensing opportunities to develop and maintain our proprietary position.

As of December 31, 2019, we owned or licensed seven U.S. utility patents and one U.S. design patent as well as numerous foreign counterparts to many of these patents and patent applications relating to ILUVIEN or the ILUVIEN applicator. We licensed our six utility patent rights relating to ILUVIEN from EyePoint. Pursuant to our agreement with EyePoint, our ILUVIEN-related patent rights are only for diseases of the human eye in Europe, the Middle East and Africa, and for diseases of the human eye excluding uveitis in the rest of the world. In addition to the U.S. patents licensed from EyePoint, we also license two European patents from EyePoint. We have a U.S. utility patent directed to our applicator system for ILUVIEN. Our licensed patent portfolio includes U.S. patents (with no currently pending or issued corresponding European applications or patents) with claims directed to methods for administering a corticosteroid with an implantable sustained delivery device to deliver the corticosteroid to the vitreous of the eye wherein aqueous corticosteroid concentration is less than vitreous corticosteroid concentration during release.

U.S. utility patents generally have a term of 20 years from the date of filing. The utility patent rights relating to ILUVIEN that EyePoint licensed to us include six U.S. patents that expire between April 2020 and August 2027 and counterpart filings to these patents in a number of other jurisdictions. The two European patents that EyePoint licensed to us that are directed to our low-dose device expire in April 2021 and October 2024. No patent term extension or supplementary protection certificate will be available for any of these U.S. or European patents or applications.

The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions. Our ability to maintain and solidify our proprietary position for our technology will depend on our success in obtaining effective claims and enforcing those claims once granted. We do not know whether any of our patent applications or those patent applications that we license will result in the issuance of any patents. Our issued patents and those that may issue in the future, or those licensed to us, may be challenged, invalidated or circumvented, which could limit our ability to stop competitors from marketing related products or the length of term of patent protection that we may have for our products. In addition, the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages against competitors with similar technology. Furthermore, our competitors may independently develop similar technologies or duplicate any technology we develop. Because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before such product can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent.

We may rely, in some circumstances, on trade secrets to protect our technology. However, trade secrets are difficult to protect. We seek to protect our proprietary technology and processes, in part, by confidentiality agreements with our employees, consultants, scientific advisors and other contractors. These agreements may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Research and Development

We invested $368,000 and $1.1 million in research and development during 2019 and 2018.

Employees

As of January 31, 2020, we had 127 employees, 122 of whom were full-time employees.

Corporate Information

We are a Delaware corporation incorporated on June 4, 2003. Our principal executive office is located at 6120 Windward Parkway, Suite 290, Alpharetta, Georgia 30005 and our telephone number is (678) 990-5740. Our website address is www.alimerasciences.com. The information contained in our website, or that can be accessed through our website, is not part of this report and should not be considered part of this report.

Available Information

We file annual, quarterly and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act). Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge at our website, www.alimerasciences.com, as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. Our code of ethics, other corporate policies and procedures, and the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, are also available through our website.

ITEM 1A. *RISK FACTORS*

Investing in our common stock involves risk. You should carefully consider the risks described below as well as all the other information in this Annual Report on Form 10-K, including the consolidated financial statements and the related notes appearing at the end of this report, before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

RISKS RELATED TO OUR BUSINESS, INCLUDING OUR DEPENDENCE ON ILUVIEN

We rely on a single manufacturer for ILUVIEN, a single manufacturer for the ILUVIEN applicator and a single manufacturer for ILUVIEN's active pharmaceutical ingredient. Our business would be seriously harmed if any of these third parties are unable to satisfy our demand and alternative sources are not available.

We do not have, nor do we currently intend to establish, in-house manufacturing capability. We depend entirely on, and have agreements with, a single third-party manufacturer for each of:

- the manufacture of the ILUVIEN implant, final assembly of the injector with the implant and release testing for the U.S. (Alliance Medical Products, Inc., a Siegfried Company (Alliance)),
- the manufacture of the ILUVIEN applicator (FlexMedical or an affiliate of Flextronics International, Ltd. (Flextronics)),
- the manufacture of ILUVIEN's active pharmaceutical ingredient (FARMABIOS SpA./Byron Chemical Company Inc. (FARMABIOS)), and
- the quality release testing of ILUVIEN in the European Economic Area (EEA) including the U.K., post Brexit (AndersonBrecon Limited trading as Packaging Coordinators, Inc. (PCI)).

If any of the third-party manufacturers (a) breach their agreements, (b) are unable to meet their contractual or quality requirements or (c) become unwilling to perform for any reason, we may be unable, or may be unable in a timely manner, to locate alternative acceptable manufacturers, enter into favorable agreements with them and ensure that they are approved by the applicable regulatory authorities, such as the U.S. Food and Drug Administration (FDA). Further, all of our manufacturers rely on additional third parties for the manufacture of component parts. Any inability to acquire sufficient quantities of ILUVIEN implants, the ILUVIEN applicator or the active pharmaceutical ingredient in a timely manner from these third parties could delay commercial production of ILUVIEN and adversely affect our ability to fulfill demand for ILUVIEN, which could in turn adversely affect our revenue, operations and cash flow.

In the first quarter of 2020, we were unable to obtain a sufficient number of ILUVIEN units to meet end user demand in the ordinary course of business (a stock-out) due to greater than anticipated demand in the fourth quarter of 2019 and an equipment issue within our third-party manufacturing facility. Although we have now rectified the equipment issue and believe that this unavailability of product during this period will not materially affect our overall revenues for 2020, any recurrence, for whatever reason, could have a material adverse effect on our revenues, reputation and relationships with our distributors and end users.

We must replace our key third-party manufacturer of certain component parts of the ILUVIEN injector before our manufacturing contract with the manufacturer expires on September 30, 2020, and we may be unable to replace that third party on favorable terms in a timely manner, or at all.

On March 28, 2019 we received notice (dated April 1, 2019) from Flextronics Medical Sales and Marketing, Ltd. (Flextronics) that it intends to terminate the Manufacturing Services Agreement dated March 2, 2012 between us and Flextronics for the manufacture of certain component parts of the ILUVIEN injector (the Flextronics Agreement). Based on Flextronics' notice, the Flextronics Agreement will terminate on September 30, 2020. In the notice, Flextronics stated that it is available to work with us and will continue to supply product during the notice period.

We have identified an alternative manufacturer and are currently negotiating a final agreement to allow the transfer of equipment from Flextronics to the alternative manufacturer and the qualification of the transferred process by the FDA. However, unless and until we transition to a replacement manufacturer, there can be no assurances that manufacturing of the affected parts will be performed timely and effectively or that we will be able to transition to a new manufacturer in a timely and effective manner. Significant disruption in this transition, or unanticipated costs related to the transition, could materially and adversely affect our business, financial condition and results of operations. Additionally, if we are unable to transition manufacturing to a new vendor in a timely fashion or without disruption to our operations,

we could experience a material adverse effect on our business, financial condition and cash flows, and results of operations.

Materials necessary to manufacture ILUVIEN may not be available on commercially reasonable terms, or at all.

We rely on our manufacturers to purchase materials from third-party suppliers necessary to produce ILUVIEN. Suppliers may not sell these materials to our manufacturers when needed or on commercially reasonable terms. We do not have any control over the process or timing of our manufacturers' acquisition of these materials. If our manufacturers are unable to obtain these materials in sufficient amounts, our sales of ILUVIEN would be hampered or there would be a shortage in supply, which would materially affect our ability to generate the revenues from the sale of ILUVIEN that we expect. Moreover, although we have agreements with our suppliers for the commercial production of the ILUVIEN implant, the commercial production of the ILUVIEN applicator and the supply of the active pharmaceutical ingredient in ILUVIEN, the suppliers may be unable to meet their contractual or quality requirements or choose not to supply us in a timely manner or in the minimum guaranteed quantities. (See the previous risk factor.) If our manufacturers are unable to obtain these essential supplies, their ability to manufacture ILUVIEN and thus our supply of ILUVIEN for sale would be delayed, which could significantly reduce our sales of ILUVIEN and have an adverse impact on our business.

We depend on the commercial success of our only product, ILUVIEN, which in the near term will depend almost entirely on our ability to successfully commercialize ILUVIEN on our own in the countries where we sell direct, and on our distributors' ability to successfully commercialize ILUVIEN in other countries.

We are a pharmaceutical company with only one product available for commercial sale in a limited number of markets. Because we do not currently have any products or product candidates available for sale or in clinical development other than ILUVIEN, our future success depends on our and our distributors' successful commercialization of ILUVIEN.

We have incurred and expect to continue to incur significant expenses:

- to continue to support our sales efforts in the U.S., Germany, Ireland, Portugal and the U.K.,
- to pursue the regulatory and reimbursement approval for ILUVIEN in other countries for both DME and NIU-PS and
- to grow our operational capabilities.

These investments represent a significant investment in the commercial and regulatory success of ILUVIEN, which is uncertain.

If we or our distributors do not successfully maintain our sales in countries where we are approved to sell ILUVIEN or our distributors do not successfully commence and grow our sales of ILUVIEN in other countries where we are seeking to begin selling ILUVIEN or have recently done so, our business may be seriously harmed. In addition, we may experience delays and unforeseen difficulties in the commercialization of ILUVIEN, including unfavorable pricing or reimbursement levels in certain countries that could negatively affect our ability to increase revenues.

Our existing cash may be inadequate to fund our operations and support our growth.

As of December 31, 2019, we had approximately $9.4 million in cash and cash equivalents. Whether this amount will be sufficient to fund our operations and support our growth will be determined by many factors, some of which are beyond our control, and we may need capital to fund our operations and support our growth sooner than we might anticipate. These factors include:

- the level of continued success of the commercialization of ILUVIEN in the U.S., and in our international markets,
- expenses relating to the commercialization of ILUVIEN;
- our research, development and general and administrative expenses;
- the timing of approvals, if any, of ILUVIEN for additional indications or in additional jurisdictions;
- the extent to which we enter into, maintain and derive revenues from licensing agreements, including agreements to license ILUVIEN in additional countries or regions; research and other collaborations; joint ventures; and other business arrangements;
- the extent to which we acquire, and our success in integrating, technologies or companies;

- regulatory changes and technological developments in our markets; and
- the extent to which we can manage the use of cash in our business operations.

If we need additional capital to fund our operations and support our growth and we are unable to obtain that capital as noted below, our business may suffer.

The terms of our Loan and Security Agreement with Solar Capital Ltd. (Solar Capital) require us to meet certain operating covenants and place restrictions on our operating and financial flexibility.

Our Loan and Security Agreement with Solar Capital (the Solar Loan Agreement), which we entered into on December 31, 2019, contains certain operating covenants and restricts our operating and financial flexibility. The Solar Loan Agreement is secured by a lien covering all of our U.S. assets (and certain ownership interests in one of our foreign subsidiaries), other than our intellectual property. The Solar Loan Agreement contains customary affirmative and negative covenants and events of default. Affirmative covenants include covenants requiring us to comply with applicable laws, maintain our legal existence, deliver certain financial reports and maintain insurance coverage. Negative covenants restrict our ability to transfer any part of our business or property, to change our business or key management, to incur additional indebtedness, to engage in mergers or acquisitions, to pay dividends or make other distributions, to make investments, to create other liens on our assets and to allow revenues from the sale of ILUVIEN to fall below certain minimums, in each case subject to customary exceptions.

If an event of default under our Solar Loan Agreement occurs, Solar Capital may accelerate all of our repayment obligations and take control of our pledged assets, potentially requiring us to raise additional financing, renegotiate the Solar Loan Agreement on terms less favorable to us or immediately cease operations. Any declaration by Solar Capital of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline significantly after we publicly disclose that event in an SEC filing. Further, if we are liquidated, Solar Capital's right to repayment would be senior to the rights of our stockholders.

The recent coronavirus outbreak could materially and adversely affect our business.

An outbreak of a new respiratory illness caused by coronavirus disease 2019 ("COVID-19") has resulted in tens of thousands of infections in China and continues to spread, including to the United States and Europe, the major markets in which we operate. The outbreak of COVID-19 could materially and adversely affect our business, financial condition and results of operations. Its effects could include disruptions from temporary hospital and clinic closures, disruptions in our ability to market and distribute ILUVIEN, deferral of ILUVIEN procedures as COVID-19 treatment and containment is prioritized, illness and quarantine of our personnel and restrictions on our employees' ability to travel. For example, in Italy, sales representatives, medical science liaisons and others are currently restricted from entering hospitals to make sales calls. COVID-19 could also result in social, economic and labor instability in the countries in which we or our customers and suppliers operate.

ILUVIEN is manufactured and assembled in Mexico and the U.S. and we do not currently source components of ILUVIEN directly from China. We have four third-party manufacturers in our supply chain, each of which performs an essential task in the manufacture and testing of ILUVIEN. We do not currently have alternate providers for any of these tasks. If workers at one or more of these facilities become ill or are quarantined and in either or both events are therefore unable to work, our manufacturing operations could be subject to disruption. Further, if our manufacturers become unable to obtain necessary raw materials or components, we may incur higher supply costs or our manufacturers may be required to reduce production levels, either of which may negatively affect our financial condition or results of operations.

If the effects of COVID-19 cause our revenue to be reduced below the minimum we are required to maintain under a covenant in our Solar Loan Agreement, we could suffer a default under that agreement, which could have the effects described above under the heading "*The terms of our Loan and Security Agreement with Solar Capital Ltd. (Solar Capital) require us to meet certain operating covenants and place restrictions on our operating and financial flexibility.*"

The extent to which COVID-19 affects our results will depend on future developments that are highly uncertain and cannot be predicted, including actions to contain COVID-19 or treat its effect, among others.

Regulatory agencies may impose limitations on the indicated uses for which ILUVIEN may be marketed, which would be adverse to our business.

Regulatory agencies generally approve products for particular indications, or the conditions that make a particular treatment or procedure advisable. If a regulatory agency approves ILUVIEN for a limited indication, the size of our potential market for ILUVIEN will be reduced. ILUVIEN has received marketing authorization in numerous countries in the EEA and elsewhere in the world for the treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies. In the U.S., Australia, Canada, Kuwait, Lebanon and the United Arab Emirates, the indication

for ILUVIEN is different, as ILUVIEN is indicated for the treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure. Either of these indications or future indications may limit the use of ILUVIEN to a narrower segment of the DME population than we believe is warranted. As a result, our potential revenues are now and may be in the future less that they would be with broader indications for ILUVIEN.

The manufacture and packaging of pharmaceutical products such as ILUVIEN are subject to the requirements of the FDA and similar foreign regulatory entities. If we or our third-party manufacturers fail to satisfy these requirements, our product development and commercialization efforts may be materially harmed.

The FDA and similar foreign regulatory agencies regulate the manufacture and packaging of pharmaceutical products such as ILUVIEN, which must be conducted in accordance with the FDA's current Good Manufacturing Practices (cGMP) and comparable requirements of foreign regulatory agencies. Only a limited number of manufacturers that operate under these cGMP regulations are both capable of manufacturing ILUVIEN and willing to do so. If we or our third-party manufacturers fail to comply with applicable regulations, requirements or guidelines, the regulatory agencies could refuse to grant marketing approval of ILUVIEN or any future products or product candidates and could impose sanctions on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect our business. Failure of our manufacturers to maintain compliance could interrupt the production of ILUVIEN, resulting in delays and additional costs that could significantly and adversely affect our business. Any significant delays in the manufacture of ILUVIEN or issues with the quality of the product could materially harm our business and prospects.

Changes in certain aspects of the manufacturing process or procedures require prior FDA review or approval of the manufacturing process and procedures in accordance with the FDA's cGMP regulations. There are comparable foreign requirements as well. This review may be costly and time-consuming and could delay or prevent the launch of a product. If we elect to manufacture products at another facility or are required to do so (as is the case with Flextronics as noted above), we will transfer the manufacturing to a registered medical device manufacturing company to seek to ensure that the new facility and the manufacturing process comply with cGMP and comparable foreign regulations. Any such new facility would also be subject to inspection. In addition, we would be required to demonstrate by physical and chemical methods, which are costly and time consuming, that the product made at any new facility is equivalent to the product made at the former facility. The FDA or a foreign regulatory agency may require clinical testing to prove equivalency of the product manufactured at any new facility compared to the old facility, which would result in additional costs and delay.

Further, we are required to complete testing on both the active pharmaceutical ingredient and on the finished product in the packaging that we propose for commercial sales. This includes testing of stability, identification of impurities and testing of other product specifications by validated test methods. In addition, our manufacturers are required to consistently produce our product in commercial quantities and of specified quality in a reproducible manner and document their ability to do so. This requirement is referred to as process validation. The FDA and similar foreign regulatory agencies may also implement new standards, or change their interpretation and enforcement of existing standards and requirements, for the manufacture, packaging, or testing of products at any time.

ILUVIEN and any future products or product candidates may not remain commercially viable in the U.S. if we fail to obtain or maintain an adequate level of reimbursement for these products from any of the following: private insurers, the Medicare and Medicaid programs or other third-party payers.

Our revenue from sales of ILUVIEN in the U.S. depends on our ability to maintain pricing and reimbursement guidelines at our desired levels. Those guidelines, however, may fall well below our current expectations. The same could also occur for any future products or product candidates we may develop that receive approval, if any.

Our list pricing in the U.S. for ILUVIEN is based upon the burden of diabetic macular edema (DME), the current pricing of approved therapies for DME, our perception of the overall cost to benefit ratio of ILUVIEN and the current pricing of other therapies. Due to numerous factors beyond our control, including efforts to provide for containment of health care costs, the U.S. may not support our current level of governmental pricing and reimbursement for ILUVIEN, which would reduce our anticipated revenue from ILUVIEN.

In the U.S., the Medicare and Medicaid programs currently provide reimbursement for ILUVIEN, but the reimbursement amount for ILUVIEN could be modified in the future, and the types of patients for whom ILUVIEN is reimbursed could be reduced to a smaller subset of patients. In addition, in some states, Medicare reimburses physicians for less than the cost of ILUVIEN. In recent years, through legislative and regulatory actions, the federal government has made substantial changes to various payment systems under the Medicare program. Comprehensive reforms to the U.S. healthcare system were recently enacted, including changes to the methods for, and amounts of, Medicare reimbursement. The current presidential

administration and Congress have indicated they may further reform the Medicare program and the U.S. healthcare system, but they have not made any definitive proposals that allow us to gauge the impact of such potential reforms, if any, on our business and operations. Some of these changes and proposed changes and reforms could result in reduced reimbursement rates for ILUVIEN and our future product candidates, which would adversely affect our business strategy, operations and financial results. Our business could also be adversely affected if retinal specialists are not reimbursed for the cost of the procedure in which they administer ILUVIEN at a level that is satisfactory to them. Limitations on coverage could also be imposed at the local Medicare carrier level or by fiscal intermediaries. Our business could be materially adversely affected if the Medicare program, local Medicare carriers or fiscal intermediaries were to make such a determination and deny or limit the reimbursement of ILUVIEN. If the local contractors that administer the Medicare program are slow to reimburse retinal specialists for ILUVIEN, that delay could ultimately affect the timing of payments to us, which would in turn adversely affect our working capital.

In the U.S., almost all private insurers, including managed care organizations, have agreed to reimburse for ILUVIEN, but the reimbursement amount could be modified in the future, and the types of patients for whom ILUVIEN is reimbursed could be reduced to a smaller subset of patients. We expect that private insurers will consider the efficacy, cost effectiveness and safety of ILUVIEN in determining whether to maintain approval for reimbursement for ILUVIEN in the U.S. and at what level. Maintaining these approvals can be a time consuming and expensive process. Our business would be materially adversely affected if we do not maintain approval for reimbursement of ILUVIEN from private insurers on a timely or satisfactory basis or such approvals are changed to reduce the level of reimbursements.

We may experience pricing pressures in connection with the sale of ILUVIEN due to the potential healthcare reforms discussed above, as well as the trend toward programs aimed at reducing health care costs, the increasing influence of health maintenance organizations, additional legislative proposals and the economic health of the U.S. economy. If reimbursement for our products is unavailable, limited in scope or amount or if pricing is set at unsatisfactory levels, our business could be materially harmed.

ILUVIEN and any future products or product candidates may not be commercially viable in the European Economic Area if we fail to obtain or maintain an adequate level of reimbursement for these products from any of the following: governments, private insurers or other third-party payers.

In the EEA, each country has a different reviewing body that evaluates reimbursement dossiers submitted by marketing authorization holders of new drugs and then makes recommendations as to whether or not the drug should be reimbursed. In these countries, pricing negotiations with governmental authorities can take 12 months or longer after the receipt of regulatory approval. For example, in February 2017 we announced that the Italian government had published a change in the reimbursement status of ILUVIEN, allowing ILUVIEN to be hospital-administered and that ILUVIEN should be fully reimbursed for pseudophakic patients. The negotiation for this reimbursement change took more than 15 months. In some countries, to obtain reimbursement approval or pricing approval at a level that we believe is appropriate, we may be required to conduct a clinical trial that compares the cost-effectiveness of ILUVIEN to other available therapies. Limitations on reimbursement could be imposed at the national, regional or local level or by fiscal intermediaries in each country, either through the initial authorization process or at some point in the future.

In addition, due to price referencing within the EEA and certain other countries, existing pricing in our current markets could be negatively affected by a change in pricing in a country where we currently have reimbursement approval or by a new price in a country where we obtain reimbursement approval in the future. For example, in 2019 we gained pricing approval in France that is lower than our current established price in Portugal. Consequently, the Portuguese government reduced the published price for ILUVIEN. Such cross-border price referencing could have a material adverse effect on our business.

Our business could also be adversely affected if governments, private insurers or other reimbursing bodies or payers (a) limit the indications for reimbursement approval to a smaller subset than we believe ILUVIEN is effective in treating or (b) establish a limit on the frequency with which ILUVIEN may be administered that is less often than we believe would be effective. (An “indication” is a condition that makes a particular treatment or procedure advisable.) Those actions could limit our revenues and harm our business.

Failure to comply with government regulations regarding the sale and marketing of our products could harm our business.

Our and our distribution partners’ activities, including the sale and marketing of our products, are subject to extensive government regulation and oversight, including regulation under the federal Food, Drug and Cosmetic Act and other federal and state statutes, along with requirements in Europe, such as the Medicines Act of 1968 in the U.K. In the U.S., we are also subject to the provisions of the Federal Anti-Kickback Statute, the Federal False Claims Act and several similar state laws, which prohibit payments intended to induce physicians or others either to purchase or arrange for or recommend the purchase

of healthcare products or services. While the federal law applies only to products or services for which payment may be made by a federal healthcare program, state laws may apply regardless of whether federal funds may be involved. These laws constrain the sales, marketing and other promotional activities of manufacturers of drugs by limiting the kinds of financial arrangements, including sales programs, we may have with hospitals, physicians and other potential purchasers of drugs. Other federal and state laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other third-party payors that are false or fraudulent, or are for items or services that were not provided as claimed. Anti-kickback and false claims laws prescribe civil and criminal penalties for noncompliance that can be substantial, including the possibility of exclusion from federal healthcare programs (including Medicare and Medicaid).

Pharmaceutical and biotechnology companies have been the target of lawsuits and investigations alleging violations of government regulation, including claims asserting antitrust violations, violations of the Federal False Claim Act, the Anti-Kickback Statute, the Prescription Drug Marketing Act and other violations in connection with off-label promotion of products and Medicare and/or Medicaid reimbursement and claims under state laws, including state anti-kickback and fraud laws. In Europe, each country has different regulations that govern the promotional claims and activities of pharmaceutical and biotechnology companies. The violation and enforcement of these regulations by each country may result in heavy fines, further legal action, public reprimand, injunction and may include the loss of market authorization.

While we have implemented a compliance program to assist with monitoring and complying with these activities and we strive to comply with these complex requirements, interpretations of the applicability of these laws to marketing practices are ever evolving. If any such actions are instituted against us or our partners and we or they are not successful in defending those actions or asserting our rights, those actions could have a significant and material adverse effect on our business, including the imposition of significant fines or other sanctions. Even an unsuccessful challenge could cause adverse publicity and be costly to respond to, and thus could have a material adverse effect on our business, results of operations and financial condition.

If we fail to successfully manage our international operations, our business, operating results and financial condition could suffer.

Our international operations require significant management attention and financial resources. In addition, there are many risks inherent in international business activities, including:

- extended collection timelines for accounts receivable and greater working capital requirements;
- multiple legal systems and unexpected changes in legal requirements;
- tariffs, export restrictions, trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets;
- trade laws and business practices favoring local competition;
- potential tax issues, including restrictions on repatriating earnings, resulting from multiple, conflicting and complex tax laws and regulations;
- weaker intellectual property protection in some countries;
- political instability, including war and terrorism or the threat of war and terrorism; and
- adverse economic conditions, including the stability and solvency of business financial markets, financial institutions and sovereign nations.

In addition, compliance with foreign and U.S. laws and regulations that are applicable to our international operations is complex and may increase our cost of doing business in international jurisdictions, and our international operations could expose us to fines and penalties if we fail to comply with these regulations. These laws and regulations include import and export requirements, U.S. laws such as the Foreign Corrupt Practices Act and local laws prohibiting corrupt payments to governmental officials. Although we have implemented policies and procedures designed to help ensure compliance with these laws, there can be no assurance that our employees, partners and other persons with whom we do business will not take actions in violation of our policies or these laws. Any violations of these laws could subject us to civil or criminal penalties, including substantial fines or prohibitions on our ability to offer our products in one or more countries, and could also materially and adversely harm our business and financial condition.

Maintaining our commercial infrastructure is a significant undertaking that requires substantial financial and managerial resources, and we may not be successful in our efforts or we may experience difficulties with these efforts. We

may also encounter unexpected or unforeseen challenges, which may negatively affect our commercial efforts for ILUVIEN.

We anticipate that in the near term our ability to generate revenues will depend almost entirely on our ability to continue the successful commercialization of ILUVIEN. We launched ILUVIEN in Germany and the U.K. in 2013, and in the U.S. and Portugal in 2015. We launched ILUVIEN in Ireland and Austria in 2017. A commercial launch of this size is a significant undertaking that requires substantial financial and managerial resources. We anticipate that our distributors in Italy, the Middle East, Spain and France will continue to generate revenues for us in 2020, if they are able to continue to successfully commercialize ILUVIEN in those territories.

As of January 31, 2020, we had 120 employees. As our commercialization plans and strategies evolve, we will need to further expand the size of our organization by recruiting additional managerial, operational, sales, marketing, financial and other personnel.

We may not be able to maintain and expand our commercial operation in a cost-effective manner or realize a positive return on this investment. In addition, we have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain sales and marketing personnel. Factors that may inhibit our efforts to commercialize our products include:

- our inability to recruit and retain adequate numbers of effective personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of ophthalmologists to prescribe our products;
- the lack of complementary products or additional labeled indications for ILUVIEN to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating a commercial organization.

If we are not successful in recruiting and retaining sales and marketing personnel or in maintaining our sales and marketing infrastructure or if we do not successfully enter into additional collaboration arrangements with third parties, we will have difficulty commercializing ILUVIEN or any future products or product candidates, which would adversely affect our business, operating results and financial condition. In the first six months of 2019, our revenues in the U.S. market were negatively affected by a competitor's hiring some of our key sales personnel.

Additionally, we may encounter unexpected or unforeseen delays in expanding our commercial operations that delay the commercial launch in one or more countries in which ILUVIEN has received marketing authorization. These delays may increase the cost of and the resources required for successful commercialization of ILUVIEN. Further, a delay in the commercial launch of ILUVIEN could result in the withdrawal of our marketing or regulatory authorization for ILUVIEN in certain jurisdictions, including certain EU member states where ILUVIEN has already received marketing authorization.

If we fail to comply with our obligations in the agreements under which we license development or commercialization rights to products or technology from third parties, we could lose license rights that are material to our business.

Our licenses are material to our business, and we may enter into additional licenses in the future. We hold a license from EyePoint to intellectual property relating to ILUVIEN. Our ability to pursue the development and commercialization of ILUVIEN depends upon the continuation of our license from EyePoint. This license imposes various commercialization, milestone payment, royalty payments, insurance and other obligations on us, including the right by EyePoint to audit. If we fail to comply with these obligations, EyePoint may have the right to terminate the license. Our license rights to EyePoint's proprietary insert technology could revert to EyePoint if we:

(a) fail twice to cure our breach of an obligation to make certain payments to EyePoint following receipt of written notice of the breach;

(b) fail to cure other breaches of material terms of our agreement with EyePoint within 30 days after notice of such breaches or such longer period (up to 90 days) as may be reasonably necessary if the breach cannot be cured within such 30-day period;

(c) file for protection under the bankruptcy laws, make an assignment for the benefit of creditors, appoint or suffer appointment of a receiver or trustee over our property, file a petition under any bankruptcy or insolvency act or have any such petition filed against us and such proceeding remains undismissed or unstayed for a period of more than 60 days; or

(d) notify EyePoint in writing of our decision to abandon our license with respect to a certain product using EyePoint's proprietary delivery device.

If our license with EyePoint, or any other current or future material license agreement, were terminated, we would be unable to market the applicable products, such as ILUVIEN, that may be covered by such license, which would materially and adversely affect our business, results of operations and future prospects.

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

Any regulatory approval is limited to those specific diseases and indications for which a product is deemed to be safe and effective by the applicable regulatory authorities, including the FDA in the U.S. and various regulatory authorities in Europe. In addition to approval required for new formulations, any new indication for an approved product also requires regulatory approval. If we are unable to obtain regulatory approval for any desired future indications for our products, our ability to effectively market and sell our products may be reduced and our opportunity for future growth could be limited.

While physicians may choose to prescribe drugs for uses that are not described in the product's labeling and for uses that differ from those tested in clinical studies and approved by the regulatory authorities, our ability to promote the products is limited to those indications that are specifically approved by regulatory authority. These "off-label" uses by physicians are common across medical specialties and may constitute an appropriate treatment for some patients in some circumstances. Regulatory authorities generally do not regulate the behavior of physicians in their choice of treatments. Regulatory authorities do restrict, however, communications by pharmaceutical companies on the subject of off-label use. If our promotional activities fail to comply with these regulations or guidelines, we may be subject to warnings from, or enforcement action by, these authorities. In addition, our failure to follow regulatory authority rules and guidelines relating to promotion and advertising may cause the regulatory authority to suspend or withdraw an approved product from the market in the applicable country, require a recall or payment of fines, or impose sanctions that could include disgorgement of money, operating restrictions, injunctions or criminal prosecution, any of which could harm our business.

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

The development and commercialization of new drugs is highly competitive, and the commercial success of ILUVIEN or any of our future products or product candidates will depend on several factors, including our ability to differentiate ILUVIEN or any of our future products or product candidates from our competitors' current or future products. We will face competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide with respect to ILUVIEN and to any future products or product candidates that we may develop or commercialize in the future.

Our commercial opportunities for ILUVIEN will be reduced or eliminated if our competitors develop or market products that:

- are more effective;
- receive better reimbursement terms;
- have higher rates of acceptance by physicians;
- have fewer or less severe adverse side effects;
- are better tolerated;
- are more adaptable to various modes of dosing;
- have better distribution channels;
- are easier to administer; or
- are less expensive, including a generic version of ILUVIEN.

Many pharmaceutical companies, biotechnology companies, public and private universities, government agencies and research organizations actively engaged in research and development of products, some of which may target the same indications as ILUVIEN or any future products or product candidates. Our competitors include larger, more established, fully integrated pharmaceutical companies and biotechnology companies that have substantially greater capital resources, existing competitive products, larger research and development staffs and facilities, greater experience in drug development and in

obtaining regulatory approvals and greater marketing capabilities than we do. Each of Genentech, Novartis, Regeneron, Allergan, and Abbvie provides a short-term therapy that competes with ILUVIEN.

We may not be successful in our efforts to expand our portfolio of ophthalmic products.

In the future, we may choose to commercialize a portfolio of new ophthalmic drugs in addition to ILUVIEN. We may seek to do so through our internal research programs and through licensing or otherwise acquiring the rights to potential new products and future product candidates for the treatment of ophthalmic disease.

A significant portion of the research that we may choose to conduct may involve new and unproven technologies. Research programs to identify new disease targets and product candidates require substantial technical, financial and human resources, whether or not we ultimately identify any candidates. Any future research programs may initially show promise in identifying potential products or product candidates, yet fail to yield products or product candidates for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential products or product candidates; or
- we may learn after further study that potential products or product candidates have harmful side effects or other characteristics that indicate they are unlikely to be effective drugs.

We may be unable to license or acquire suitable products or product candidates or products from third parties for a number of reasons. In particular, the licensing and acquisition of pharmaceutical products is highly competitive. Several more established companies are also pursuing strategies to license or acquire products in the ophthalmic field. These established companies may have a competitive advantage over us due to their size, cash resources and greater development and commercialization capabilities. Other factors that may prevent us from licensing or otherwise acquiring suitable products or product candidates include the following:

- we may be unable to license or acquire the relevant technology on terms that would allow us to make an appropriate return from the product;
- we may need to obtain our lender’s consent to any significant payment or potential payment in conjunction with a license of acquisition of technology;
- companies that perceive us to be their competitors may be unwilling to assign or license their product rights to us; or
- we may be unable to identify suitable products or product candidates within our areas of expertise.

Additionally, it may take greater human and financial resources to develop suitable potential products or product candidates through internal research programs or by obtaining rights than we will possess, thereby limiting our ability to develop a diverse product portfolio.

If we are unable to develop suitable potential product candidates through internal research programs or by obtaining rights to novel therapeutics from third parties, opportunity for future growth could be limited.

We may acquire additional businesses or form strategic alliances in the future, and we may not realize the benefits of those acquisitions or alliances.

We may acquire additional businesses or products, form strategic alliances or create joint ventures with third parties that we believe will complement or augment our existing business, including adding new products in the ophthalmic field. If we acquire businesses with promising markets or ophthalmic products, we may be unable to realize the benefit of acquiring those businesses if we are unable to successfully integrate them with our existing operations and company culture. We may have difficulty in developing, manufacturing and marketing the ophthalmic products of a newly acquired company that enhances the performance of our combined businesses or product lines to realize value from expected synergies. We cannot assure that, following an acquisition, we will achieve the revenues or specific net income that justifies the acquisition.

If we lose key management personnel, or if we fail to recruit additional highly skilled personnel, it will impair our ability to identify, develop and commercialize ILUVIEN and any future products or product candidates.

We depend on the principal members of our management team, including Richard S. Eiswirth, Jr., our President and Chief Executive Officer, Philip Ashman, Ph.D., our Chief Operating Officer and Senior Vice President Commercial Operations Europe, J. Philip Jones, our Chief Financial Officer, David Holland, our Chief Marketing Officer and Senior Vice President Corporate Communications and Managed Markets, and Dr. Samer Kaba, Chief Medical Officer. These executives have significant ophthalmic, regulatory industry, sales and marketing, operational and/or corporate finance experience. The loss of any such executives or any other principal member of our management team may impair our ability to identify, develop and market ILUVIEN and any future ophthalmic products or product candidates.

In addition, our growth will require us to hire a significant number of qualified technical, commercial and administrative personnel. We face intense competition from other companies and research and academic institutions for the qualified personnel we need in our business. If we cannot continue to attract and retain, on acceptable terms, the qualified personnel necessary for the continued development of our business, we may not be able to sustain or grow our operations.

We have incurred operating losses in each year since our inception and may continue to incur losses.

To date we have incurred recurring losses and negative cash flow from operations, and we have accumulated a deficit of $387,570,000 from our inception through December 31, 2019. Our ability to achieve profitability and positive cash flow depends on our ability to maintain revenue and contain our expenses. However, ILUVIEN is our only product currently approved for commercial sale, and as a result, we are uncertain if we will achieve profitability and, if so, whether we will be able to sustain it. Our ability to maintain revenue and achieve profitability depends on our ability to continue to successfully market and sell ILUVIEN in the geographic areas where we or our distributors sell ILUVIEN. We cannot assure you that we will be profitable even if we successfully commercialize ILUVIEN or future products or product candidates. Failure to become and remain profitable may adversely affect the market price of our common stock and our ability to raise capital and continue operations.

Our recurring losses from operations raise substantial doubt regarding our ability to continue as a going concern.

Our recurring losses from operations raise substantial doubt about our ability to continue as a going concern. In that regard, the audit report issued by our independent registered public accounting firm for the audit of our 2019 financial statements includes an explanatory paragraph describing the existence of conditions that raise substantial doubt about our ability to continue as a going concern.

There is no assurance that sufficient financing will be available to us when needed to allow us to continue as a going concern. The perception that we may not be able to continue as a going concern may cause others to choose not to deal with us due to concerns about our ability to meet our contractual obligations.

Our quarterly operating results and cash flows may fluctuate significantly.

We expect our operating results and cash flows to continue to be subject to quarterly fluctuations. The revenues we generate and our operating results will be affected by numerous factors, including:

- the ongoing commercial success of ILUVIEN (or lack thereof);
- inconsistent timing and ordering patterns from our U.S. distributors;
- seasonality caused by insurance renewals for patients in the U.S. and by doctor and or patient absences due to holidays and vacations;
- sales, marketing and medical affairs expenses;
- the timing and amount of royalties, milestone payments or product purchases by our distributors;
- our ability to obtain regulatory approval of ILUVIEN in additional jurisdictions or for additional indications;
- regulatory developments affecting ILUVIEN, our future product candidates or our competitors' products;
- the emergence of products or treatments that compete with ILUVIEN;
- variations in the level of expenses related to our products or future development programs;
- the status of our clinical development programs;

- our execution of collaborative, licensing or other arrangements, and the timing of payments we may make or receive under these arrangements;
- any lawsuit or intellectual property infringement in which we are or may become involved; and
- the timing and recognition of stock-based compensation expense.

If our operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any fluctuations in our operating results or cash flows may, in turn, cause significant volatility in the price of our stock. We believe that comparisons of our quarterly financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Exchange rate fluctuations of foreign currencies relative to the U.S. Dollar could materially and adversely affect our business.

A substantial majority of our international revenues and expenses are denominated in British Pounds and Euros, and as such are sensitive to changes in exchange rates. We also have balances, such as cash, accounts receivable, accounts payable and accruals that are denominated in foreign currencies. These foreign currency transactions and balances are sensitive to changes in exchange rates. Fluctuations in exchange rates of the British Pound and Euro in relation to the U.S. Dollar could materially reduce our future revenues as compared to prior periods. We do not seek to mitigate this exchange rate effect by using derivative financial instruments. To the extent we are unable to match revenues received in foreign currencies with costs paid in the same currency, exchange rate fluctuations in that currency could have a material adverse effect on our business and results of operations.

Our ability to use our net operating loss carry-forwards may be limited.

As of December 31, 2019, we had U.S. federal and state net operating loss (NOL) carry-forwards of approximately $125.8 million and $173.0 million, respectively, which expire at various dates beginning in 2020 through 2039, subject to further limitation based upon the final results of our Internal Revenue Code sections 382 and 383 analyses. Sections 382 and 383 of the Internal Revenue Code limit the annual use of NOL carry-forwards and tax credit carry-forwards, respectively, following an ownership change. NOL carry-forwards may be subject to annual limitations under Section 382 (or comparable provisions of state law) if certain changes in ownership of our company were to occur. In general, an ownership change occurs for purposes of Section 382 if there is a more than 50% change in ownership of a company over a 3-year testing period. We have determined that a Section 382 change in ownership occurred in December of 2015. As a result of this change in ownership, we estimated that approximately $18.6 million of our federal NOLs and approximately $382,000 of federal tax credits generated prior to the change in ownership will not be utilized in the future. We are currently in the process of refining and finalizing these calculations, and upon finalization, will determine if a write-off is necessary. The reduction to our NOL deferred tax asset due to the annual Section 382 limitation and the NOL carryforward period would result in an offsetting reduction in valuation allowance recorded against the NOL deferred tax asset. Therefore, the limitation does not affect the statements of operations for the periods presented. Any future changes in our ownership or sale of our stock could further limit the use of our NOLs in the future. If we need to obtain alternative or additional financing to meet our liquidity requirements under our 2019 Solar Loan Agreement and we raise those funds by selling additional equity, this could further limit the use of our NOLs in the future.

We incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to comply with various securities laws and regulations and Nasdaq listing requirements.

As a public company, we incur significant accounting, legal and other expenses. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and Nasdaq, has imposed various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Our management and other personnel are required to devote a substantial amount of time to legal compliance.

If we fail to maintain proper and effective internal control over financial reporting, our operating results and our ability to operate our business could be harmed.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, pursuant to Section 404 of the Sarbanes-Oxley Act (Section 404), we are required to perform system and process evaluation and testing of our internal controls over financial reporting. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 requires us to incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group. Moreover, if we are unable to comply with the requirements of Section 404 in a timely manner or if we identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC, Nasdaq or other regulatory authorities, which would require additional financial and management resources.

If the interpretations, estimates or judgments we use to prepare our financial statements prove to be incorrect, we may be required to restate our financial results, which could have a number of material adverse effects on us.

We are also subject to complex tax laws, regulations, accounting principles and interpretations thereof. The preparation of our financial statements requires us to interpret accounting principles and guidance and to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. We base our interpretations, estimates and judgments on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for the preparation of our financial statements. Generally accepted accounting principles presentation is subject to interpretation by the SEC, the Financial Accounting Standards Board and various other bodies formed to interpret and create appropriate accounting principles and guidance. If one of these bodies disagrees with our accounting recognition, measurement or disclosure or any of our accounting interpretations, estimates or assumptions, it may have a significant effect on our reported results and may retroactively affect previously reported results. Any restatement of our financial results could, among other potential adverse effects:

- result in us incurring substantial costs,
- affect our ability to timely file our periodic reports until the restatement is completed,
- divert the attention of our management and employees from managing our business,
- result in material changes to our historical and future financial results,
- result in investors losing confidence in our operating results,
- subject us to securities class action litigation, and
- cause our stock price to decline.

Product liability lawsuits could divert our resources, reduce the commercial potential of our products and result in substantial liabilities, which insurance may not cover.

Our business exposes us to the risk of product liability claims, which is inherent in the manufacturing, testing and marketing of drugs and related products. We face an increased risk of product liability as we further commercialize ILUVIEN, especially in the U.S. If the use of ILUVIEN or one or more of our future products causes physical harm, we may be subject to costly and damaging product liability claims. We believe that we may be at a greater risk of product liability claims relative to other pharmaceutical companies because ILUVIEN is inserted into the eye, and it is possible that we may be held liable for eye injuries of patients who receive ILUVIEN. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forego further commercialization of ILUVIEN or one or more of our future products. Even if we are not held liable, product liability lawsuits could cause adverse publicity and decrease the demand for ILUVIEN, which could have a material adverse effect on our business, results or operations and financial condition. To date we have not had any material claims against us.

Although we maintain product liability insurance covering our clinical trial activities and our product sales, our aggregate coverage limit under these insurance policies is limited to $10 million in most jurisdictions, and while we believe this amount of insurance is sufficient to cover our product liability exposure, these limits may not be high enough to fully cover potential liabilities. The insurance provides worldwide coverage where allowed by law. As we generate product revenue in new countries, we intend to obtain compulsory coverage in those countries that require it. However, we may not be able to obtain or maintain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims. If

we are unable to obtain insurance at acceptable cost or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may materially and adversely affect our business and financial position. These liabilities could prevent or interfere with our product development and commercialization efforts.

Our internal information technology systems, or those of our third-party contract research organizations (CROs) or other contractors or consultants, may fail or suffer security breaches, loss or leakage of data and other disruptions, which could result in a material disruption of certain parts of our business, compromise sensitive information related to our business or prevent us from accessing critical information, potentially exposing us to liability or otherwise adversely affecting our business.

We depend on information technology systems, infrastructure and data to operate our business. In the ordinary course of business, we collect, store and transmit confidential information, including intellectual property, proprietary business information and personal information. We must maintain the confidentiality and integrity of that confidential information. We also have outsourced elements of our operations to third parties, and as a result we work with a number of third-party contractors that have access to some of our confidential information.

Although we have implemented security, backup and recovery measures, our internal information technology systems and those of our third-party manufacturers, CROs and other contractors or consultants are potentially vulnerable to breakdown or other damage or interruption from:

- service interruptions, system malfunction, natural disasters, terrorism, war and telecommunication and electrical failures, as well as security breaches from inadvertent or intentional actions by our employees, contractors, consultants, business partners or other third parties, and
- cyber-attacks by malicious third parties, including cyber-related threats of spoofed or manipulated electronic communications that lead to misdirected or fraudulent payments, the deployment of harmful malware or ransomware, malicious websites, denial-of-service attacks, and social engineering and other means to adversely affect service reliability and threaten the confidentiality, integrity and availability of information.

Any of the foregoing may compromise our system infrastructure or lead to data leakage.

While we have not experienced any such cyber-related fraud, system failure, accident or security breach to date that has materially affected our business, we cannot assure that our and our vendors' data protection efforts and our and our vendors' investment in information technology will prevent cyber-attacks by malicious third parties, significant breakdowns, data leakages, breaches in our systems or other cyber incidents that could have a material adverse effect upon our reputation, business, operations or financial condition. For example, if such an event were to occur and cause interruptions in our operations or a direct financial loss due to misdirected or fraudulent payments, it could result in a material disruption of our business operations, including, distribution and manufacturing, or to a direct financial loss.

For example, we sell ILUVIEN in the U.S. primarily to two distributors and in Europe use two logistics providers, and a security breach that impairs these distribution or logistics operations could significantly impair our ability to deliver our products to healthcare providers. In addition, ILUVIEN is manufactured and tested by third parties, and a security breach that impairs these third parties could significantly impair our ability to manufacture ILUVIEN and deliver it to our distributors in a timely manner. There can be no assurance that our or their efforts will detect, prevent or fully recover systems or data from all breakdowns, service interruptions, attacks or breaches of systems, any of which could adversely affect our business and operations and/or result in the loss of critical or sensitive data, which could result in financial, legal, business or reputational harm to us or impact our stock price.

In addition, the loss of clinical trial data for our product candidates or our post-market studies could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Furthermore, significant disruptions or security breaches of our internal information technology systems or our vendors' technology systems could adversely affect or result in the loss of, misappropriation of, unauthorized access to, use of, disclosure of or the prevention of access to our confidential information, including trade secrets or other intellectual property, proprietary business information and personal information of our employees and patients in studies conducted on our behalf, which could result in financial, legal, business and reputational harm to us. For example, any such event that leads to unauthorized access to, use of or disclosure of personal information, including personal information regarding our employees or information we may have regarding patients, could harm our reputation directly, compel us to comply with federal and state breach notification laws and foreign law equivalents, subject us to mandatory corrective action and otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information, which could result in significant legal and financial exposure and reputational damages that could potentially have an adverse effect on our business.

If we use hazardous and biological materials in a manner that causes injury or violates applicable law, we may be liable for damages.

Our operations may produce hazardous waste products. Federal, state and local laws and regulations in the U.S. govern the use, manufacture, storage, handling and disposal of hazardous materials. Although we believe that our procedures for use, handling, storing and disposing of these materials comply with legally prescribed standards, we may incur significant additional costs to comply with applicable laws in the future. Also, even if we comply with applicable laws, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials, and we may incur liability as a result of any such contamination or injury. If an accident occurs, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We do not have any insurance for liabilities arising from hazardous materials. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could harm our business, operating results and financial condition.

Prolonged economic uncertainties or downturns, as well as unstable market, credit and financial conditions, may exacerbate certain risks affecting our business and have serious adverse consequences on our business.

Economic conditions, and uncertainty as to the general direction of the macroeconomic environment, are beyond our control. Sales of our products will depend, in large part, on reimbursement from government health administration authorities, private health insurers, distribution partners and other organizations in the U.S., Germany, Portugal and the U.K. and other countries. Negative trends in the general economy in any of the jurisdictions in which we may do business may cause these organizations to be unable to satisfy their reimbursement obligations or to delay payment. In addition, health authorities in some jurisdictions may reduce reimbursements, and private insurers may increase their scrutiny of claims. A reduction in the availability or extent of reimbursement could negatively affect our product sales and revenue.

In addition, we rely on third parties for several important aspects of our business. During challenging and uncertain economic times and in tight credit markets, there may be a disruption or delay in the performance of our third-party contractors, suppliers or partners. If those third parties are unable to satisfy their commitments to us, our business and results of operations would be adversely affected. We sell to two large pharmaceutical distributors in the U.S. and they accounted for 60% and 69% of our consolidated revenues for the years ended December 31, 2019 and 2018, respectively.

The term loan under our Solar Loan Agreement matures on July 1, 2024, and our interest rate is based on LIBOR. As a result, we are exposed to the risks associated with the discontinuation of LIBOR by the anticipated January 1, 2022 deadline.

The term loan under our Solar Loan Agreement matures on July 1, 2024, and our interest rate is based on LIBOR, which is expected to be discontinued by January 1, 2022. LIBOR may be replaced by the Secured Overnight Financing Rate, or SOFR, or other benchmark rates over the next several years. The 2019 Solar Loan Agreement includes fallback language that seeks to facilitate an agreement with our lenders on a replacement rate for LIBOR in the event of its discontinuance. We cannot predict what reference rate would be agreed upon or what the impact of any such replacement rate would be to our interest expense, but such changes could result in increased interest expense on our 2019 Solar Loan, and increased borrowing costs in the future. Although the impact is uncertain at this time, the elimination of LIBOR could have an adverse impact on our business, results of operations, or financial condition.

The U.K.'s leaving the EU, or "Brexit," could have a material adverse effect on us.

On June 23, 2016, the U.K. held a referendum and voted in favor of leaving the European Union (Brexit). The U.K. formally left the EU on January 31, 2020, subject to a transition period ending December 31, 2020. The process of preparing for Brexit has created political and economic uncertainty, particularly in the U.K. and the EU, and this uncertainty may last for years, even though the U.K. has now left the EU. Our business in the U.K., the EU and in other parts of the world could be adversely affected by Brexit in many ways, only some of which we can identify.

We currently operate in Europe through two subsidiary companies, one based in the U.K. and the other based in the Republic of Ireland. The two subsidiary companies work very closely to cover our operations in Europe as a whole, which provides us with certain operational and other benefits when conducting business in the EU. Nevertheless, the U.K.'s withdrawal from the EU could adversely affect our ability to realize those benefits, and we may incur costs and suffer disruptions in our European operations as a result, including changing our base of operations or part of our operations from the U.K. to another country in the EU.

Brexit may continue to cause significant volatility in global financial markets, including in global currency and debt markets. This volatility could cause a slowdown in economic activity in the U.K., Europe or globally, which could adversely affect our operating results and growth prospects. Our business could be negatively affected by new trade agreements between

the U.K. and other countries, including the U.S., and by the possible imposition of trade or other regulatory barriers in the U.K. These possible negative impacts, and others resulting from the U.K.'s actual withdrawal from the EU, may adversely affect our operating results and growth prospects.

The regulatory approval of ILUVIEN in any additional countries is uncertain, and our regulatory approval in certain countries is contingent on our ability to sell ILUVIEN in an appropriate time frame. Failure to obtain regulatory approval in additional foreign jurisdictions or maintain regulatory approval in jurisdictions where we have received regulatory approval but have not yet sold ILUVIEN would prevent us from marketing and commercializing ILUVIEN in additional markets, which may have an adverse effect on our business and results of operations.

ILUVIEN has received marketing authorization in the U.S., in numerous other countries in Europe and in other places in the world as described above in "Business - Overview." We sell ILUVIEN directly in the U.S., Germany, the U.K., Portugal, Ireland and Austria. Our distributors will continue to sell ILUVIEN in France, Italy and Spain in 2020. When we received marketing authorization in the remaining countries in the EEA, those marketing authorizations required that we sell at least one ILUVIEN in those countries within three years or our license in those countries could be revoked unless we negotiate to extend the deadline. We intend to either sell one ILUVIEN in each of those countries or negotiate to extend the deadline, but we may not be able to make such a sale or extend the deadline, in which case our license in that country could be revoked. If our license in any of these countries is revoked, we will need to pursue marketing authorization again for that country, and we may be unsuccessful in that effort.

We intend to continue to pursue market authorizations for ILUVIEN internationally in additional jurisdictions. To market our products in foreign jurisdictions, we will be required to obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. We may not receive necessary approvals to commercialize ILUVIEN in any additional market.

The process of obtaining regulatory approvals and clearances in jurisdictions where ILUVIEN is not approved will require us to expend substantial time and capital. Despite the time and expense incurred, regulatory approval is never guaranteed. The number of preclinical and clinical tests that will be required for regulatory approval varies depending on the drug candidate, the disease or condition for which the drug candidate is in development, the jurisdiction in which we are seeking approval and the regulations applicable to that particular drug candidate. Regulatory agencies can delay, limit or deny approval of a drug candidate for many reasons, including that:

- regulatory agencies may interpret data from preclinical and clinical testing in different ways than we do;
- regulatory agencies may not approve of our manufacturing processes;
- a drug candidate may not be safe or effective;
- regulatory agencies may conclude that the drug candidate does not meet quality standards for stability, quality, purity and potency; and
- regulatory agencies may change their approval policies or adopt new regulations.

The applicable regulatory authorities may make requests or suggestions regarding our clinical trials, resulting in an increased risk of difficulties or delays in obtaining regulatory approval. For example, the regulatory authorities may not approve of certain of our methods for analyzing our trial data, including how we evaluate the relationship between risk and benefit. Additionally, the foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. For all of these reasons, we may not obtain additional foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or jurisdictions or by the FDA.

RISKS RELATED TO INTELLECTUAL PROPERTY AND OTHER LEGAL MATTERS

If we or our licensors are unable to obtain and maintain protection for the intellectual property incorporated into our products, the value of our technology and products will be adversely affected.

Our success depends largely on our ability or the ability of our licensors to obtain and maintain protection in the U.S. and other countries for the intellectual property incorporated into our products. The patent situation in the field of biotechnology and pharmaceuticals generally is highly uncertain and involves complex legal and scientific questions. We or our licensors may be unable to obtain additional issued patents relating to our technology. Our success will depend in part on the ability of our licensors to obtain, maintain (including making periodic filings and payments) and enforce patent protection for their intellectual property, in particular, those patents to which we have secured exclusive rights.

Under our license with EyePoint, EyePoint controls the filing, prosecution and maintenance of all patents. Our licensors may not successfully prosecute or continue to prosecute the patent applications to which we are licensed. Even if patents are issued in respect of these patent applications, we or our licensors may fail to maintain these patents, may determine not to pursue litigation against entities that are infringing upon these patents, or may pursue such litigation less aggressively than we ordinarily would. Without protection for the intellectual property that we own or license, other companies might be able to offer substantially identical products for sale, which could adversely affect our competitive business position and harm our business prospects. Moreover, FAc is an off-patent active ingredient that is commercially available in several forms, including the extended release ocular implant Retisert.

Even if issued, patents may be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the length of term of patent protection that we may have for our products. In addition, our patents and our licensors' patents may not afford us protection against competitors with similar technology.

Litigation or third-party claims of intellectual property infringement would require us to divert resources and may prevent or delay our commercialization of ILUVIEN or the development or regulatory approval of other product candidates.

ILUVIEN or any future products or product candidates may infringe upon other parties' intellectual property rights that are protected by patents or patent applications. Third parties may now or in the future own or control these patents and patent applications in the U.S. and abroad. These third parties could bring claims against us or our collaborators that would cause us to incur substantial expenses or divert substantial employee resources from our business. If those claims are successful, we could be required to pay substantial damages or could be prevented from developing any future product candidates. Further, if a patent infringement suit were brought against us or our collaborators, we or they could be forced to stop or delay manufacturing, sales, research or development of the product or product candidate that is the subject of the suit.

Several issued and pending U.S. patents claiming methods and devices for the treatment of eye diseases, including through the use of steroids, implants and injections into the eye, purport to cover aspects of ILUVIEN. For example, one of our potential competitors holds issued and pending U.S. patents and a pending European patent application with claims covering injecting an ocular implant into a patient's eye similar to the ILUVIEN applicator. There is also an issued U.S. patent with claims covering implanting a steroidal anti-inflammatory agent to treat an inflammation-mediated condition of the eye. If these or any other patents were held by a court of competent jurisdiction to be valid and to cover aspects of ILUVIEN, then the owners of such patents would be able to block our ability to commercialize ILUVIEN unless and until we obtain a license under such patents (which license might require us to pay royalties or grant a cross-license to one or more patents that we own), until those patents expire or unless we are able to redesign our product to avoid any such valid patents.

As a result of patent infringement claims, or in order to avoid potential claims, we or our collaborators may choose to seek, or be required to seek, a license from the third party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our collaborators were able to obtain a license, the rights may be nonexclusive, which would give our competitors access to the same intellectual property. Ultimately, we could be forced to cease some aspect of our business operations, or be prevented from commercializing a product if, as a result of actual or threatened patent infringement claims, we or our collaborators are unable to enter into licenses on acceptable terms. This could harm our business significantly.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference proceedings declared by the U.S. Patent and Trademark Office and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to our products and technology. The cost to us of any litigation or other proceeding, regardless of its merit, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings better than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Intellectual property litigation and other proceedings may, regardless of their merit, also absorb significant management time and employee resources.

If our efforts to protect the proprietary nature of the intellectual property related to our products are inadequate, we may not be able to compete effectively in our markets.

The strength of our patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. In addition to the rights we have licensed from EyePoint relating to ILUVIEN, we rely upon intellectual property we own, including patents, patent applications and trade secrets. Our patent applications may be challenged or fail to result in issued patents and our existing or future patents may be too narrow to prevent third parties from developing or designing around these patents. Moreover, it is possible that a third party could successfully challenge the scope (i.e., whether a

patent is infringed), validity and enforceability of our licensed patents before patent expiration and obtain approval to market a competitive product.

Further, the patent applications that we license or have filed may fail to result in issued patents. Patent examiners have rejected some claims in pending patent applications that we have filed or licensed. We may need to amend these claims. Even after amendment, a patent may not be permitted to issue. Further, the existing or future patents to which we have rights based on our agreement with EyePoint may be too narrow to prevent third parties from developing or designing around these patents. Additionally, we may lose our rights to the patents and patent applications we license in the event of a breach or termination of our license agreement with EyePoint. Manufacturers may also seek to obtain approval to sell a generic version of ILUVIEN before the expiration of the relevant licensed patents. If the sufficiency of the breadth or strength of protection provided by the patents we license with respect to ILUVIEN or the patents we pursue related to ILUVIEN or any future product candidate is threatened, it could dissuade companies from collaborating with us to commercialize ILUVIEN and develop any future product candidates. Further, if we encounter delays in our clinical trials for any future product candidate, the period during which we could market those product candidates under patent protection would be reduced.

We may be adversely affected by the expiration of patents that protect key aspects of ILUVIEN in the near- to medium-term.

The patent rights relating to ILUVIEN licensed to us from EyePoint include one U.S. patent that expired in March 2019 and six U.S. patents that will expire between April 2020 and August 2027, two European patents that expire in April 2021 and October 2024 and counterpart filings to these patents in a number of other jurisdictions. No patent term extension will be available for any of these U.S. patents, European patents or any of our licensed U.S. or European pending patent applications. After these patents expire in August 2027 in the U.S. and October 2024 in Europe, we will not be able to block others from marketing FAc in an implant similar to ILUVIEN.

We rely on patent, trademark and other intellectual property protection in the discovery, development, manufacturing and sale of our products. In particular, patent protection is, in the aggregate, important in our marketing of pharmaceutical products in the United States and most major markets outside of the United States. Patents covering our products normally provide market exclusivity, which is important for the profitability of many of our products.

As patents for certain of our products expire, we will or could face competition from lower priced generic or biosimilar products. The expiration or loss of patent protection for a product typically is followed promptly by substitutes that may significantly reduce sales for that product in a short amount of time. If our competitive position is compromised because of generics, biosimilars or otherwise, it could have a material adverse effect on our business and results of operations. In addition, proposals emerge from time to time for legislation to further encourage the early and rapid approval of generic drugs or biosimilars. Any such proposals that are enacted into law could increase the impact of generic competition.

Third-party claims of intellectual property infringement may prevent or delay our commercialization efforts with respect to ILUVIEN and our discovery, development or commercialization efforts with respect to any future product candidates.

Our commercial success depends in part on avoiding infringement of the patents and proprietary rights of third parties. Third parties may assert that we are employing their proprietary technology without authorization. In addition, at least several issued and pending U.S. patents claiming methods and devices for the treatment of eye diseases, including through the use of steroids, implants and injections into the eye, purport to cover aspects of ILUVIEN.

Although we are not currently aware of any litigation or other proceedings or third-party claims of intellectual property infringement related to ILUVIEN, the pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. Other parties may in the future allege that our activities infringe their patents or that we are employing their proprietary technology without authorization. We may not have identified all the patents, patent applications or published literature that could potentially affect our business either by blocking our ability to commercialize our products or product candidates, by preventing the patentability of one or more aspects of our products or those of our licensors or by covering the same or similar technologies that may affect our ability to market our product. We cannot predict whether we would be able to obtain a license on commercially reasonable terms, if at all. Any inability to obtain such a license under the applicable patents on commercially reasonable terms, or at all, may have a material adverse effect on our ability to commercialize ILUVIEN or any future products or product candidates until such patents expire.

In addition, third parties may obtain patents in the future and claim that use of ILUVIEN, our technologies or future products or product candidates infringes upon these patents. Furthermore, parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further commercialize ILUVIEN or develop and commercialize any future product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful

claim of infringement against us, we may have to pay substantial damages, obtain one or more licenses from third parties or pay royalties, or we may be enjoined from further commercializing ILUVIEN or developing and commercializing any future product candidates or technologies. In addition, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of ILUVIEN or any future product candidate, and we have done so from time to time. We may fail to obtain future licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be unable to further commercialize ILUVIEN or develop and commercialize any future product candidates, which could harm our business significantly.

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

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours or our licensors is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

Interference proceedings brought by the U.S. Patent and Trademark Office may be necessary to determine the priority of inventions with respect to our patents and patent applications or those of our collaborators or licensors. An unfavorable outcome could require us to cease using the technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if a prevailing party does not offer us a license on terms that are acceptable to us. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction of our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our proprietary rights, particularly in countries where the laws may not protect those rights as fully as in the U.S.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.

We rely on trade secret protection and confidentiality agreements to protect certain proprietary know-how that is not patentable, for processes for which patents are difficult to enforce and for any other elements of our development processes with respect to ILUVIEN that involve proprietary know-how, information and technology that is not covered by patent applications. Any involuntary disclosure or misappropriation by third parties of our confidential or proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

We seek to protect confidential or proprietary information in part by confidentiality agreements with our employees, consultants and third parties. While we require all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information and technology to enter into confidentiality agreements, we cannot be certain that this know-how, information and technology will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Further, the laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the U.S. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the U.S. and abroad. If we are unable to protect or defend the intellectual property related to our technologies, we will not be able to establish or maintain a competitive advantage in our market.

RISKS RELATED TO THE OWNERSHIP OF OUR COMMON STOCK

If we seek to raise additional capital, we may be unable to do so on commercially reasonable terms, the terms on which we obtain the capital may restrict our operations and if the capital we raise is equity or a debt security that is convertible into equity, our stockholders' investment could be diluted.

For the reasons described above, we may need to raise alternative or additional financing to fund our operations and support growth. General market conditions or the market price of our common stock may not support capital-raising transactions such as an additional public or private offering of our common stock or other securities. In addition, our ability to raise additional capital may depend on our stock being quoted on the Nasdaq Stock Market or upon obtaining stockholder

approval. There can be no assurance that we will be able to regain compliance for continued listing on Nasdaq as we expect, that we will be able to satisfy the criteria for continued listing on Nasdaq in the future or that we will be able to obtain stockholder approval for a capital raise if it is necessary under applicable Nasdaq rules that require capital raises over a certain size to be approved by stockholders. If we need additional financing, we may seek to fund our operations through the sale of equity securities, additional debt financing and strategic collaboration agreements. We cannot be sure that additional financing from any of these sources will be available when needed or that, if available, the additional financing will be obtained on terms favorable to us or our stockholders.

If we raise additional funds by selling shares of our capital stock, the ownership interest of our current stockholders will be diluted. If we attempt to raise additional funds through strategic collaboration agreements, we may not be successful in obtaining those agreements, or in receiving milestone or royalty payments under those agreements. If we raise additional funds by incurring additional debt (assuming Solar Capital would permit such debt, which would be subordinated to the debt outstanding under our Solar Loan Agreement), the terms of the debt may include significant installment payments as well as covenants and specific financial ratios that may restrict our ability to commercialize ILUVIEN or any future products or product candidates or otherwise successfully operate our business.

We are currently not in compliance with the continued listing requirements of The Nasdaq Stock Market (Nasdaq). We believe that Nasdaq will concur with our view that our revenue and total assets as of December 31, 2019 enable us to regain continued listing compliance. If Nasdaq does not concur with our view, however, our common stock could be delisted from The Nasdaq Global Market, which could materially reduce the liquidity of our common stock and have an adverse effect on its market price.

Our common stock trades on The Nasdaq Global Market, which we believe helps support and maintain liquidity for our stock. Companies whose shares are listed on The Nasdaq Global Market, however, are subject to various rules and requirements imposed by Nasdaq that a listed company must satisfy to continue having its stock listed on the exchange. We received notice in September 2019 from The Nasdaq Stock Market (Nasdaq) that, for the last 30 consecutive trading days before the date of the notice, the Market Value of Listed Securities (MVLS) for our common stock was below the minimum MVLS of $50,000,000 required for continued listing on The Nasdaq Global Market. We have not regained compliance with Nasdaq's minimum MVLS requirement, and our 180-day compliance period expires on March 9, 2020. However, Nasdaq has three alternate standards for continued listing, and we expect to regain compliance with Nasdaq's continued listing standards by qualifying under a different listing standard that requires a listed company's revenue and total assets in each case to exceed $50 million (the Total Assets/Total Revenue Standard). Based on our revenue and total assets as reflected on the audited consolidated financial statements included in this Annual Report on Form 10-K, we believe that we meet the Total Assets/Total Revenue Standard. If Nasdaq concurs with our view as we expect, the Listing Qualifications Department of Nasdaq will send us a letter to that effect. We expect the letter to state that we have complied with the Total Assets/Total Revenue Standard and therefore our failure to comply with the minimum MVLS requirement will no longer affect our continued listing. We will not be able to confirm that we have regained compliance, however, until we receive a letter to that effect from the Listing Qualifications Department of Nasdaq.

For our common stock to remain listed on The Nasdaq Global Market, we must meet either (a) the Total Assets/Total Revenue Standard, (b) the Market Value Standard (which would require us to meet the minimum MVLS requirement) or (c) the Equity Standard, which is based on stockholders' equity. Because we currently do not meet the Market Value Standard or the Equity Standard, we can regain compliance in the near future only by complying with the Total Assets/Total Revenue Standard. If we were to fail to regain compliance with Nasdaq's continued listing requirements, our shares could be delisted from The Nasdaq Global Market, which could materially reduce the liquidity of our common stock and have an adverse effect on its market price. If our common stock is delisted from Nasdaq, the only established trading market for our common stock would be eliminated and we would be forced to list our shares on the OTC Markets or another quotation medium, depending on our ability to meet the specific listing requirements of those quotation systems. As a result, an investor would likely find it more difficult to trade, or to obtain accurate price quotations for, our shares. Delisting would likely also reduce the visibility, liquidity and value of our common stock, including as a result of reduced institutional investor interest in our company, and may increase the volatility of our common stock. Delisting could also cause a loss of confidence of potential industry partners, lenders and employees, which could further harm our business and our future prospects.

We cannot provide any assurances, however, that we will be able to regain and maintain compliance with the continued listing standards. Our statements in this risk factor that we expect to regain compliance with the continued listing standards are forward-looking statements. We may not regain compliance, and actual results could differ materially from those projected in our forward-looking statements. Meaningful factors that could cause actual results to differ include our inability to meet the Total Assets/Total Revenue Standard as interpreted by Nasdaq.

Our stock price has been and may continue to be volatile, and the value of an investment in our common stock may decline.

The realization of any of the risks described in these risk factors or other unforeseen risks could have a dramatic and adverse effect on the market price of our common stock. The trading price of our common stock is likely to continue to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in the "Risk Factors" section and those that are summarized in Special Note Regarding Forward-Looking Statements and Projections."

From time to time, we estimate the timing of the accomplishment of various regulatory, scientific, clinical and other product development goals or milestones. These milestones may include:

- the submission of regulatory filings,
- the notification of the results of regulatory filings,
- the anticipated commercial launch of ILUVIEN in various new jurisdictions or for new or expanded indications,
- any future products or product candidates and
- the commencement or completion of scientific studies and clinical trials.

Also, from time to time, we expect that we will publicly announce the anticipated timing of some of these milestones. All of these milestones are based on a variety of assumptions. The actual timing of these milestones can vary dramatically compared to our estimates, in some cases for reasons beyond our control. If we do not meet these milestones as publicly announced, our stock price may decline and the further commercialization of ILUVIEN or any future products or product candidates may be delayed.

In addition, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of publicly traded companies, including us. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been initiated against these companies. This litigation, if brought against us, could result in substantial costs and a diversion of our management's attention and resources.

Holders of our Series A Convertible Preferred Stock have the ability to significantly influence the outcome of matters submitted for stockholder approval and may have interests that differ from those of our other stockholders.

The terms of the Series A Convertible Preferred Stock provide that certain corporate actions require the prior consent of the holders of at least 70% of the then outstanding shares of Series A Convertible Preferred Stock. As a result, there may be actions that management and the holders of a majority of our outstanding voting power may approve but that the holders of our Series A Convertible Preferred Stock may elect to block.

Significant sales of our common stock could depress or reduce the market price of our common stock, cause our shares of common stock to trade below the prices at which they would otherwise trade, or impede our ability to raise future capital.

A small number of institutional investors and private equity funds hold a significant number of shares of our common stock and all of our shares of Series A Convertible Preferred Stock and Series C Convertible Preferred Stock. Sales by these stockholders of a substantial number of common shares, or the expectation of such sales, could cause a significant reduction in the market price of our common stock.

We may sell our shares in registered public offerings. For example, in August 2016, we sold an aggregate of 18,900,000 shares of our common stock at a price of $1.40 each, resulting in gross proceeds of approximately $26.5 million, before deducting underwriting fees, commissions and offering expenses.

We also may elect to sell shares of our common stock through an at-the-market offering. Any sale of additional shares of common stock in the future, if we determined it was appropriate or necessary to do so, could cause a significant reduction in the market price of our common stock.

In addition to our outstanding common stock, as of December 31, 2019, we were obligated to issue: (a) a total of 871,472 shares of common stock upon the exercise of outstanding common stock options (b) a total of 36,763 shares of common stock

upon the vesting of restricted stock units (RSUs); and (c) a total of 119,712 shares of common stock upon the exercise of outstanding common stock warrants. Upon the exercise of the stock options and vesting of the RSUs in accordance with their respective terms, the shares so acquired may be resold freely, subject to restrictions imposed on our affiliates under the SEC's Rule 144. The shares acquired upon exercise of warrants can be sold under Rule 144. If significant sales of these shares occur in short periods, these sales could reduce the market price of our common stock. Any reduction in the trading price of our common stock could impede our ability to raise capital on attractive terms.

Actual or perceived significant sales of our common stock could depress or reduce the market price of our common stock, cause our shares of common stock to trade below the prices at which they would otherwise trade or impede our ability to raise future capital.

Future sales and issuances of our equity securities or rights to purchase our equity securities, including pursuant to our equity incentive plans, would result in dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

To the extent we raise additional capital by issuing equity securities; our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, whether in public or private offerings, investors may be diluted by subsequent sales. Those sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to existing stockholders. In addition, the Series A Convertible Preferred Stock is entitled to price-based anti-dilution protection in connection with certain financings, which has the potential to further dilute our other stockholders.

Pursuant to our 2019 Omnibus Incentive Plan, our board of directors is authorized to grant various types of equity-based awards, including stock options and RSUs, to our employees, directors and consultants. As of January 1, 2020, a total of 464,561 shares of our common stock were available for issuance under new awards granted under our 2019 Omnibus Incentive Plan.

The Series A Convertible Preferred Stock contains covenants that may limit our business flexibility.

For so long as at least 37.5% of the shares of Series A Convertible Preferred Stock originally issued to the investors at the closing of our Series A Convertible Preferred Stock financing in October 2012 are held by the initial investors or their affiliates, we may not, without first obtaining the approval of the holders of at least 70% of the then outstanding shares of Series A Convertible Preferred Stock:

- increase or decrease the authorized number of shares of Series A Convertible Preferred Stock;
- authorize, create, issue or obligate us to issue (by reclassification, merger or otherwise) any security (or any class or series thereof) or any indebtedness, in each case that has any rights, preferences or privileges senior to, or on a parity with, the Series A Convertible Preferred Stock, or any security convertible into or exercisable for any such security or indebtedness, subject to limited exceptions for certain debt transactions;
- amend our certificate of incorporation or the certificate of designation of the Series A Convertible Preferred Stock, in each case in a manner that adversely affects the rights, preference or privileges of the Series A Convertible Preferred Stock;
- redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any shares of common stock or preferred stock; provided, however, that this restriction shall not apply to (A) the redemption of rights issued pursuant to any "poison pill" rights plan or similar plan we adopt in the future or (B) the repurchases of stock from former employees, officers, directors or consultants who performed services for us in connection with the cessation of such employment or service pursuant to the terms of existing agreements with such individuals;
- declare or pay any dividend or distribution on any shares of capital stock; provided, however, that this restriction shall not apply to (A) dividends payable to holders of common stock that consist solely of shares of common stock for which adjustment to the conversion price of the Series A Convertible Preferred Stock is made pursuant to the certificate of designation or (B) dividends or distributions issued pro rata to all holders of capital stock (on an as-converted basis) in connection with our implementation of a "poison pill" rights plan or similar plan;
- authorize or approve any increase to the number of aggregate shares of capital stock reserved for issuance pursuant to stock option, stock purchase plans or other equity incentive plans such that the total aggregate number of shares issued under such plans and reserved for issuance under such plans (on an as-converted basis)

exceeds the number of shares issued and reserved for issuance under such plans (on an as-converted basis) on the date of the closing of the Series A Convertible Preferred Stock financing by more than 20% (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like);

- issue stock or other equity securities of any subsidiary (other than to us or another of our wholly-owned subsidiaries);
- declare or pay any dividend or other distribution of cash, shares or other assets or redemption or repurchase of shares of any subsidiary; or
- incur any secured indebtedness other than certain limited debt transactions.

There is no guarantee that the holders of the Series A Convertible Preferred Stock would approve any such restricted action, even where such an action would be in the best interests of our stockholders. Any failure to obtain such approval could harm our business and result in a decrease in the value of our common stock.

Anti-takeover provisions in our charter and bylaws and in Delaware law could prevent or delay acquisition bids for us that stockholders might consider favorable and could entrench current management.

We are a Delaware corporation. The anti-takeover provisions of the Delaware General Corporation Law may deter, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our restated certificate of incorporation and bylaws:

- authorize the issuance of “blank check” preferred stock that could be issued by our Board of Directors to thwart a takeover attempt;
- do not provide for cumulative voting in the election of directors, which would allow holders of less than a majority of our outstanding common stock to elect some directors;
- establish a classified Board of Directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause;
- provide that vacancies on the Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- contain certain protective provisions in favor of the holders of Series A Convertible Preferred Stock;
- limit who may call special meetings of stockholders;
- prohibit common stockholder action by written consent, requiring all actions of the holders of common stock to be taken at a meeting of the stockholders; and
- establish advance notice requirements for nominating candidates for election to the Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

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

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. If one or more of the analysts who covers us downgrades our stock, our stock price would likely decline. If one or more of these analysts ceases to cover us or fails to regularly publish reports on us, interest in our stock could decrease, which could cause our stock price or trading volume to decline.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

Not applicable.

ITEM 2. ***PROPERTIES***

In our U.S. segment, our U.S. headquarters are located in Alpharetta, Georgia, consisting of approximately 18,000 square feet of office space. Our lease for this facility expires in September 2021. In our international segment, we lease approximately 1,000 square feet of office space in each of Dublin, Ireland, Berlin, Germany, and Lisbon, Portugal, and approximately 6,000 square feet of office space in Aldershot, U.K. Our leases for these facilities in Ireland, Germany and Portugal expire in June 2020, June 2021 and March 2020, respectively. Our lease for the UK facility expires in December 2024. We anticipate that following the expiration of the leases, we will be able to lease additional or alternative space at commercially reasonable terms.

ITEM 3. ***LEGAL PROCEEDINGS***

None.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

PART II

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

Our common stock has been trading on The Nasdaq Global Market (Nasdaq) under the symbol "ALIM" since our IPO on April 22, 2010.

Stockholder Data

As of February 27, 2020, there were 25 holders of record of our common stock, and there were 4,965,949 shares of our common stock issued and outstanding.

Dividends

We have not declared or paid any cash dividends on our common stock since our inception. We do not plan to pay dividends in the foreseeable future. Further, the rights and preferences of our Series A Convertible Preferred Stock also place limitations on our ability to declare or pay any dividend or distribution on any shares of capital stock. We currently intend to retain earnings, if any, to finance our growth. Consequently, stockholders will need to sell shares of our common stock to realize a return on their investment, if any.

Recent Sales of Unregistered Securities

In 2017, 2018 and 2019, we did not sell any shares of stock that were not registered under the Securities Act of 1933, as amended, other than those sales previously reported in a Current Report on Form 8-K.

ITEM 6. ***SELECTED CONSOLIDATED FINANCIAL DATA***

Because we are allowed to comply with the disclosure obligations applicable to a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, with respect to this Annual Report on Form 10-K, we are not required to provide the information required by this Item.

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

The following discussion and analysis should be read in conjunction with our audited annual consolidated financial statements and the related notes that appear elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including those described in the section entitled "Risk Factors" and elsewhere in this Annual Report on Form 10-K. For further information regarding forward-looking statements, please refer to the "Special Note Regarding Forward-Looking Statements and Projections" at the beginning of Part I of this Annual Report on Form 10-K.

Overview

Alimera Sciences, Inc., and its subsidiaries (we, our or us), is a pharmaceutical company that specializes in the commercialization and development of prescription ophthalmic pharmaceuticals. We presently focus on diseases affecting the back of the eye, or retina, because these diseases are not well treated with current therapies and affect millions of people in our aging populations.

ILUVIEN

Our only product is ILUVIEN®, which has received marketing authorization and reimbursement approval in numerous countries for the treatment of DME. In the U.S. and certain other countries outside Europe, ILUVIEN is indicated for the treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure. In 17 countries in Europe, ILUVIEN is indicated for the treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies. ILUVIEN is also now indicated in 16 countries in Europe for prevention of relapse in recurrent non-infectious uveitis affecting the posterior segment of the eye (NIU-PS). See "Business - Overview" above.

We market ILUVIEN directly in the U.S., Germany, the U.K., Portugal, Austria and Ireland. In addition, we have entered into various agreements under which distributors are providing or will provide regulatory, reimbursement and sales and marketing support for ILUVIEN in Belgium, France, Italy, Luxembourg, the Netherlands, Spain, Australia, New Zealand, Canada and several countries in the Middle East. As of December 31, 2019, we have recognized sales of ILUVIEN to our international distributors in the Middle East, France, Italy and Spain.

Accumulated Deficit

We commenced operations in June 2003. Since our inception we have incurred significant losses. As of December 31, 2019, we had accumulated a deficit of $387.6 million. We expect to incur additional expenses as we pursue our business strategy. See "Business - Business Strategy" above.

As of December 31, 2019, we had approximately $9.4 million in cash and cash equivalents.

License Agreement with EyePoint Pharmaceuticals US, Inc.

In July 2017, we amended and restated our license agreement with EyePoint Pharmaceuticals US, Inc. (EyePoint), formerly known as pSivida US, Inc., which was made effective July 1, 2017 (the New Collaboration Agreement). Under the New Collaboration Agreement, we have rights to the technology underlying ILUVIEN for the treatment of uveitis, including NIU-PS, in Europe, the Middle East and Africa. The New Collaboration Agreement converted our previous profit share obligation to a royalty payable on global net revenues of ILUVIEN. We began paying a 2% royalty on net revenues and other related consideration to EyePoint effective July 1, 2017. The royalty amount increased to 6% as of December 12, 2018. We will pay an additional 2% royalty on global net revenues and other related consideration in excess of $75.0 million in any year. During 2019 and 2018, we recognized approximately $2,158,000 and $998,000 of royalty expense, respectively.

Following the signing of the New Collaboration Agreement, we retained a right to offset $15.0 million of future royalty payments. In March 2019, pursuant to the New Collaboration Agreement, we forgave $5,000,000 of the Future Offset in connection with the approval of ILUVIEN for NIU-PS in the U.K. As of December 31, 2019, the balance of the Future Offset was approximately $8,858,000. (See Note 10 of our notes to consolidated financial statements below.)

Solar Capital Loans and Related Agreements

On January 5, 2018, we entered into a $40.0 million Loan and Security Agreement (the 2018 Solar Loan Agreement) with Solar Capital Ltd. (Solar Capital). Under the 2018 Solar Loan Agreement, we borrowed the entire $40.0 million as a term loan that was scheduled to mature on July 1, 2022 (the 2018 Solar Loan). We used the proceeds of the 2018 Solar Loan to refinance

the then outstanding loan (the Hercules Loan) under our previous loan agreement with Hercules Capital, Inc. (the Hercules Loan Agreement) and to pay closing expenses associated with the 2018 Solar Loan Agreement. On December 31, 2019, we refinanced the 2018 Solar Loan Agreement by entering into a $45.0 million Loan and Security Agreement (the 2019 Solar Loan Agreement) with Solar Capital. Under the 2019 Solar Loan Agreement, we borrowed $42.5 million on December 31, 2019 and $2.5 million on February 21, 2020 (the 2019 Solar Loan). The 2019 Solar Loan matures on July 1, 2024. We used the initial proceeds of the 2019 Solar Loan to pay off the 2018 Solar Loan, along with related prepayment, legal and other fees and expenses totaling approximately $2.3 million, which included a $1.8 million fee to Solar Capital upon repayment of the 2018 Solar Loan that was previously accrued and a $400,000 prepayment fee to Solar Capital that was capitalized as deferred financing costs.

We expect to use the remaining proceeds of the 2019 Solar Loan to provide additional working capital for general corporate purposes. (See Note 11 of our notes to consolidated financial statements below.)

Sources of Revenues

Our revenues for the fiscal years ended December 31, 2019 and 2018 were generated from product sales primarily in the U.S., Germany and the U.K. In the U.S., two large pharmaceutical distributors accounted for 60% and 69% of our consolidated revenues for the years ended December 31, 2019 and 2018, respectively. These U.S.-based distributors purchase ILUVIEN from us, maintain inventories of ILUVIEN and sell downstream to physician offices, pharmacies and hospitals. Internationally, in countries where we sell direct, our customers are hospitals, clinics and pharmacies. We sometimes refer to physician offices, pharmacies, hospitals and clinics as end users. In international countries where we sell to distributors, these distributors maintain inventory levels of ILUVIEN and sell to their customers.

Reverse Stock Split Effective November 14, 2019

On November 14, 2019, we filed a certificate of amendment to our restated certificate of incorporation with the Secretary of State of the State of Delaware, which effected a one-for-15 reverse stock split (the “reverse split”) of our issued and outstanding shares of common stock at 5:01 PM Eastern Time on that date. As a result of the reverse split, every 15 shares of common stock issued and outstanding were converted into one share of common stock. No fractional shares were issued in connection with the reverse split. Stockholders who would otherwise have been entitled to a fractional share of common stock instead received a cash payment equal to such fraction multiplied by the average of the closing sales prices of the common stock (as adjusted to give effect to the reverse split) on The Nasdaq Global Market for the five consecutive trading days immediately preceding the effective date.

The reverse split did not change the par value of the common stock or the authorized number of shares of common stock. The reverse split affected all stockholders uniformly and did not alter any stockholder’s percentage interest in our equity (other than as a result of the payment of cash in lieu of fractional shares). All outstanding options, preferred stock, restricted stock units, warrants and other securities entitling their holders to purchase or otherwise receive shares of Alimera’s common stock have been adjusted as a result of the reverse split, as required by the terms of each security. The number of shares available to be awarded under our 2019 Omnibus Incentive Plan and the number of shares that are purchasable under our 2010 Employee Stock Purchase Plan have also been appropriately adjusted. The common stock began trading on The Nasdaq Global Market on a post-reverse split basis on November 15, 2019. The reverse split permitted us to regain compliance with Nasdaq’s “minimum bid price” requirement for continued listing, which requires that the bid price of the stock of a listed company be at least $1.00 per share.

Failure to Comply with Nasdaq Continued Listing Requirement

Our common stock trades on The Nasdaq Global Market, which we believe helps support and maintain liquidity for our stock. Companies whose shares are listed on The Nasdaq Global Market, however, are subject to various rules and requirements imposed by Nasdaq that a listed company must satisfy to continue having its stock listed on the exchange. We received notice in September 2019 from The Nasdaq Stock Market (Nasdaq) that, for the last 30 consecutive trading days before the date of the notice, the Market Value of Listed Securities (MVLS) for our common stock was below the minimum MVLS of $50,000,000 required for continued listing on The Nasdaq Global Market. We have not regained compliance with Nasdaq’s minimum MVLS requirement, and our 180-day compliance period expires on March 9, 2020. Nasdaq has three alternate standards for continued listing, and we expect to regain compliance with Nasdaq’s continued listing standards by qualifying under a different listing standard that requires a listed company’s revenue and total assets in each case to exceed $50 million (the Total Assets/Total Revenue Standard). Based on our revenue and total assets as reflected on the audited consolidated financial statements included in this Annual Report on Form 10-K, we believe that we meet the Total Assets/Total Revenue Standard. If Nasdaq concurs with our view as we expect, the Listing Qualifications Department of Nasdaq will send us a letter to that effect. We expect the letter to state that we have complied with the Total Assets/Total Revenue Standard and therefore our failure to comply with the minimum MVLS requirement will no longer affect our continued listing. We will not

be able to confirm that we have regained compliance, however, until we receive a letter to that effect from the Listing Qualifications Department of Nasdaq.

We cannot provide any assurances, however, that we will be able to regain compliance with the continued listing standards. Our statements in this section that we expect to regain compliance with the continued listing standards are forward-looking statements. We may not regain compliance, and actual results could differ materially from those projected in our forward-looking statements. Meaningful factors that could cause actual results to differ include our inability to meet the Total Assets/Total Revenue Standard as interpreted by Nasdaq. For more information about this topic, see the first risk factor under the heading “Risk Factors - Risks Related to the Ownership of Our Common Stock” above.

Results of Operations - Year ended December 31, 2019 compared to year ended December 31, 2018

	Years Ended December 31,	
	2019	2018
	(In thousands, except share and per share data)	
NET REVENUE	$ 53,943	$ 46,599
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(6,626)	(4,308)
GROSS PROFIT	47,317	42,291
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	10,992	11,274
GENERAL AND ADMINISTRATIVE EXPENSES	13,954	14,525
SALES AND MARKETING EXPENSES	25,004	23,517
DEPRECIATION AND AMORTIZATION	2,641	2,645
OPERATING EXPENSES	52,591	51,961
NET LOSS FROM OPERATIONS	(5,274)	(9,670)
INTEREST EXPENSE AND OTHER	(4,869)	(4,775)
UNREALIZED FOREIGN CURRENCY LOSS, NET	(84)	(65)
LOSS ON EARLY EXTINGUISHMENT OF DEBT	—	(1,766)
NET LOSS BEFORE TAXES	(10,227)	(16,276)
PROVISION FOR TAXES	(216)	(106)
NET LOSS	(10,443)	(16,382)
GAIN ON EXTINGUISHMENT OF PREFERRED STOCK	—	$ 38,330
NET (LOSS) INCOME AVAILABLE TO STOCKHOLDERS	$ (10,443)	$ 21,948
NET (LOSS) INCOME PER SHARE — Basic (Note 2)	$ (2.19)	$ 3.74
WEIGHTED AVERAGE SHARES OUTSTANDING — Basic	4,770,204	5,866,809
NET (LOSS) INCOME PER SHARE — Diluted (Note 2)	$ (2.19)	$ 3.71
WEIGHTED AVERAGE SHARES OUTSTANDING — Diluted	4,770,204	5,915,872

Revenue

We began generating revenue from ILUVIEN in 2013. In addition to generating revenue from product sales, we intend to seek to generate revenue from other sources such as upfront fees, milestone payments in connection with collaborative or strategic relationships, and royalties resulting from the licensing of ILUVIEN or any future product candidates and other intellectual property. Additionally, revenue from our international distributors fluctuates depending on the timing of the shipment of ILUVIEN to the distributors and the distributors’ sales of ILUVIEN to their customers.

Net revenue increased by approximately $7.3 million, or 16%, to approximately $53.9 million for 2019, compared to approximately $46.6 million for 2018. The increase was primarily attributable to the new and existing markets in which we sell to our international distributors. We also increased our sales volume in the U.S. and the countries in our international segment where we sell direct.

Cost of Goods Sold, Excluding Depreciation and Amortization, and Gross Profit

Gross profit is affected by costs of goods sold, which includes costs of manufactured goods sold and royalty payments to EyePoint under the New Collaboration Agreement. Additionally, cost of goods sold by our international distributors fluctuates depending on the revenue share attributable to the respective contract.

Cost of goods sold, excluding depreciation and amortization increased by approximately $2.3 million, or 53%, to approximately $6.6 million for 2019, compared to approximately $4.3 million for 2018. The increase was primarily attributable to our increased sales volume and an increase in royalty expense payable on our global net revenue as a result of the increased royalty percentage payable to EyePoint.

Gross profit increased by approximately $5.0 million, or 12%, to approximately $47.3 million for 2019, compared to approximately $42.3 million for 2018. Gross margin was 88% and 91% for 2019 and 2018, respectively. As our revenues to our international distributors increase and our royalty expense payable to EyePoint increases, we expect our gross margin to decrease.

Research, Development and Medical Affairs Expenses

Currently, our research, development and medical affairs expenses are primarily focused on activities that support ILUVIEN and include salaries and related expenses for research and development and medical affairs personnel, including medical science liaisons. Our research, development and medical affairs expenses also include costs related to the provision of medical affairs support, including symposia development for physician education, and costs related to compliance with FDA, EEA or other regulatory requirements. We expense both internal and external development costs as they are incurred.

Research, development and medical affairs expenses decreased by approximately $300,000, or 3%, to approximately $11.0 million for 2019, compared to approximately $11.3 million for 2018. The decrease was primarily attributable to decreases of approximately $610,000 in clinical studies as we are approaching the termination of our ongoing clinical studies, $280,000 in stability studies and approximately $160,000 of scientific communications costs. This decrease was partially offset by increases of approximately $580,000 in consultant expenses primarily due to staff turnover, and $190,000 in safety and quality costs.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation for employees in executive and administrative functions, including finance, accounting, information technology and human resources. Other significant costs include facilities costs and professional fees for accounting and legal services, including legal services associated with obtaining and maintaining patents. We expect to continue to incur significant costs to comply with the corporate governance, internal control and similar requirements applicable to public companies.

General and administrative expenses decreased by approximately $500,000, or 3%, to approximately $14.0 million for 2019, compared to approximately $14.5 million for 2018. The decrease was primarily attributable to decreases of approximately $940,000 in non-cash stock-based compensation expenses and approximately $620,000 for a one-time non-cash accrued severance expense incurred in 2018 due to the transition of our previous chief executive officer to a consulting role. This decrease was partially offset by increases of approximately $480,000 in logistics and supply chain costs and $400,000 in legal fees; both in part are attributable to Brexit preparation.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of third-party service fees and compensation for employees for the commercial promotion, the assessment of the commercial opportunity of, the development of market awareness for, the pursuit of reimbursement approval for and the commercialization of ILUVIEN, including launch plans for ILUVIEN in new markets. Other costs include professional fees associated with developing plans for ILUVIEN or any future products or product candidates and maintaining public relations.

Sales and marketing expenses increased by approximately $1.5 million, or 6%, to approximately $25.0 million for 2019, compared to approximately $23.5 million for 2018. The increase was primarily attributable to increases of approximately $970,000 in marketing costs, the largest component of which was associated with the launch of our direct-to-patient advertising pilot program in the U.S., and approximately $240,000 in market access costs.

Operating Expenses

As a result of the changes in expenses described above, total operating expenses increased by approximately $600,000, or 1%, to approximately $52.6 million for 2019, compared to approximately $52.0 million for 2018. The increase was primarily attributable to an approximately $1.5 million increase in sales and marketing expenses, partially offset by decreases of $500,000 in general and administrative expenses and $300,000 in research, development and medical affairs expenses as described above.

Interest Expense and Other

As described in our Overview above, we entered into the 2018 Solar Loan Agreement on January 5, 2018, which we refinanced with the 2019 Solar Loan Agreement on December 31, 2019. For 2018 and 2019, interest expense consisted primarily of interest and amortization of deferred financing costs and debt discounts associated with our outstanding debt under the 2018 Solar Loan Agreement. Interest income consisted primarily of interest earned on our cash, cash equivalents and investments.

Interest expense and other. Interest expense and other increased by approximately $100,000, or 2%, to approximately $4.9 million for 2019, compared to approximately $4.8 million for 2018.

Loss on Early Extinguishment of Debt

We recorded a loss on early extinguishment of debt of approximately $1.8 million during 2018 as a result of our refinancing the Hercules Loan by entering into the 2018 Solar Loan Agreement on January 5, 2018. We accounted for the December 31, 2019 refinancing of the 2018 Solar Loan Agreement with the 2019 Solar Loan Agreement as a modification, and as such, we did not incur a loss on extinguishment of debt in 2019.

Gain on Extinguishment of Preferred Stock

On September 4, 2018, we entered into and closed a Series B Preferred Stock Exchange Agreement (Exchange Agreement) with the holders of all of the outstanding approximately 8,416 shares of Series B Preferred Stock. Under the Exchange Agreement, the holders of Series B Preferred Stock exchanged their shares of Series B Preferred Stock for an aggregate of 10,150 shares of Series C Convertible Preferred Stock, par value $0.01 per share (Series C Preferred Stock). We determined that the Exchange Agreement resulted in an extinguishment of the Series B Preferred Stock. As a result, we recognized a gain of $38,330,000 on the extinguishment of preferred stock during 2018. (See Note 13 of our notes to consolidated financial statements below.)

Basic and Diluted Net Income (Loss) Applicable to Common Stockholders per Share of Common Stock

We follow FASB Accounting Standards Codification (ASC), *Earnings Per Share* (ASC 260), which requires the reporting of both basic and diluted earnings per share. Because our preferred stockholders participate in dividends equally with common stockholders (if we were to declare and pay dividends), we use the two-class method to calculate EPS. However, our preferred stockholders are not contractually obligated to share in losses.

Basic EPS is computed by dividing net income (loss) available to stockholders by the weighted average number of shares outstanding for the period. Diluted EPS is calculated in accordance with ASC 260 by adjusting weighted average shares outstanding for the dilutive effect of common stock options, restricted stock units and warrants. In periods where a net loss is recorded, no effect is given to potentially dilutive securities, since the effect would be anti-dilutive.

We had net income available to stockholders for 2018 due to the gain on extinguishment of preferred stock. (See Note 13 of our notes to consolidated financial statements below.)

Basic and diluted earnings per share attributable to shares of common stock and shares of preferred stock that are convertible into common stock (participating securities) are as follows:

	Years Ended December 31,	
	2019	2018
	(In thousands, except share and per share data)	
Net (loss) income available to stockholders	$ (10,443)	$ 21,948
Allocation of undistributed (loss) income:		
(Loss) income attributable to common stock	$ (10,443)	$ 17,459
Income attributable to participating securities	$ —	$ 4,489
Basic shares:		
Weighted average common shares	4,770,204	4,666,856
Weighted average participating shares	—	1,199,953
Total basic weighted average shares	4,770,204	5,866,809
Diluted shares:		
Weighted average common shares	4,770,204	4,666,856
Dilutive weighted average shares	—	49,063
Total dilutive weighted common shares	4,770,204	4,715,919
Weighted average participating shares	—	1,199,953
Total dilutive weighted average shares	4,770,204	5,915,872
Basic EPS	$ (2.19)	$ 3.74
Diluted EPS	$ (2.19)	$ 3.71

Common stock equivalent securities that would potentially dilute basic EPS in the future, but were not included in the computation of diluted EPS because they were either classified as participating or would have been anti-dilutive, totaled approximately 2.3 million and 0.9 million for 2019 and 2018, respectively.

Potentially dilutive common stock equivalents are excluded from the diluted earnings per share denominator for periods of net loss because of their anti-dilutive effect. Therefore, for 2019, the weighted average shares used to calculate both basic and diluted loss per share were the same.

Results of Operations - Segment Review

The following selected unaudited financial and operating data are derived from our consolidated financial statements. The results and discussions that follow reflect how executive management monitors the performance of our reporting segments.

We have three segments: U.S., International and Other. Each segment is separately managed and is evaluated primarily upon segment loss from operations. Non-cash items including stock-based compensation expense, depreciation and amortization are categorized as Other. We allocate certain operating expenses between our reporting segments based on activity-based costing methods. These activity-based costing methods require us to make estimates that affect the amount of each expense category that is attributed to each segment. Changes in these estimates will directly affect the amount of expense allocated to each segment and therefore the operating profit of each reporting segment. There were no significant changes in our expense allocation methodology during 2019 or 2018.

U.S. Segment

	Years Ended December 31,	
	2019	2018
	(In thousands)	
NET REVENUE	$ 32,283	$ 31,966
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(3,487)	(2,875)
GROSS PROFIT	28,796	29,091
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	5,943	6,457
GENERAL AND ADMINISTRATIVE EXPENSES	8,449	8,147
SALES AND MARKETING EXPENSES	17,591	16,569
OPERATING EXPENSES	31,983	31,173
SEGMENT LOSS FROM OPERATIONS	$ (3,187)	$ (2,082)

U.S. Segment - Year ended December 31, 2019 compared to year ended December 31, 2018

Net Revenue. Net revenue increased by approximately $300,000, or 1%, to approximately $32.3 million for 2019, compared to approximately $32.0 million for 2018. The increase was primarily attributable to our increased end user demand, which increased 5% for the year ended December 31, 2019, increasing to 3,993 units compared to 3,802 units for the year ended December 31, 2018.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization increased by approximately $600,000, or 21%, to approximately $3.5 million for 2019 compared to approximately $2.9 million for 2018. The increase was primarily attributable to our increased royalty expense payable as a result of the increased royalty percentage payable to EyePoint.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $600,000, or 9%, to approximately $5.9 million for 2019, compared to approximately $6.5 million for 2018. The decrease was primarily attributable to decreases of approximately $390,000 in stability studies, $360,000 in clinical studies and $200,000 of scientific communications costs. This decrease was partially offset by an increase of approximately $360,000 in consultant costs primarily due to staff turnover.

General and administrative expenses. General and administrative expenses increased by approximately $300,000, or 4%, to approximately $8.4 million for 2019, compared to approximately $8.1 million for 2018. The increase was primarily attributable to an increase in legal fees.

Sales and marketing expenses. Sales and marketing expenses increased by approximately $1.0 million, or 6%, to approximately $17.6 million for 2019, compared to approximately $16.6 million for 2018. The increase was primarily attributable to increases of approximately $800,000 in marketing costs, some of which were associated with the launch of our direct-to-patient advertising pilot program, and approximately $200,000 in market access costs.

International Segment

	Years Ended December 31,	
	2019	2018
	(In thousands)	
NET REVENUE	$ 21,660	$ 14,633
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(3,139)	(1,433)
GROSS PROFIT	18,521	13,200
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	4,634	3,946
GENERAL AND ADMINISTRATIVE EXPENSES	3,944	3,259
SALES AND MARKETING EXPENSES	6,933	5,910
OPERATING EXPENSES	15,511	13,115
SEGMENT INCOME FROM OPERATIONS	$ 3,010	$ 85

International Segment - Year ended December 31, 2019 compared to year ended December 31, 2018

Net Revenue. Net revenue increased by approximately $7.1 million, or 49%, to approximately $21.7 million for 2019, compared to approximately $14.6 million for 2018. The increase was primarily attributable to increased sales volume in the new and existing markets in which we sell to our international distributors. We also increased our sales volume in the countries in our international segment where we sell direct.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization increased by approximately $1.7 million, or 121%, to approximately $3.1 million for 2019, compared to approximately $1.4 million for 2018. The increase was primarily attributable to the cost of units sold associated with our increased international net revenue and royalty expense payable on our increased international net revenue as a result of the increased royalty percentage payable to EyePoint.

Research, development and medical affairs expenses. Research, development and medical affairs expenses increased by approximately $700,000, or 18%, to approximately $4.6 million for 2019, compared to approximately $3.9 million for 2018. The increase was primarily attributable to increases of approximately $430,000 in personnel costs and $220,000 in consultant costs.

General and administrative expenses. General and administrative expenses increased by approximately $600,000, or 18%, to approximately $3.9 million for 2019, compared to approximately $3.3 million for 2018. The increase was primarily attributable to increases of approximately $310,000 in logistics and supply chain costs, some of which are attributable to Brexit preparation, and $260,000 in legal fees.

Sales and marketing expenses. Sales and marketing expenses increased by approximately $1.0 million, or 17%, to approximately $6.9 million for 2019, compared to approximately $5.9 million for 2018. The increase was primarily attributable to increases of approximately $850,000 in personnel costs, including increased commission expense associated with our increased international net revenue, and approximately $170,000 in marketing costs.

Other Segment

	Years Ended December 31,	
	2019	2018
	(In thousands)	
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	$ 415	$ 871
GENERAL AND ADMINISTRATIVE EXPENSES	1,561	3,119
SALES AND MARKETING EXPENSES	480	1,038
DEPRECIATION AND AMORTIZATION	2,641	2,645
OPERATING EXPENSES	5,097	7,673
SEGMENT LOSS FROM OPERATIONS	$ (5,097)	$ (7,673)

Our chief operating decision maker manages and evaluates our U.S. and International segments based on net loss from operations adjusted for certain non-cash items, such as stock-based compensation expense, accrued severance expenses and depreciation and amortization. Therefore, these non-cash expenses included in research, development and medical affairs expenses, general and administrative expenses, and sales and marketing expenses are classified within the Other segment within our Consolidated Financial Statements.

Within the respective financial statement line items included in the Other segment, stock-based compensation expense, collectively, decreased by approximately $1.9 million, or 43%, to $2.5 million for 2019, compared to $4.4 million for 2018. The decrease was primarily attributable to (a) a decrease in the average fair value of outstanding unvested options, which caused a decrease in option expense recognized in 2019, and (b) our paying cash bonuses to our non-executive employees for 2019, compared to our issuing RSUs to all employees in lieu of cash bonuses for 2018. Additionally, within general and administrative expenses we had a decrease of approximately $600,000 of one-time non-cash accrued severance expenses due to the transition of our previous chief executive officer to a consulting role; these expenses were accrued in 2018 and paid in 2019.

Depreciation and amortization were approximately $2.6 million for both 2019 and 2018.

Liquidity and Capital Resources

Since inception, we have incurred recurring losses and negative cash flow from operations, and we have accumulated a deficit of $387.6 million through December 31, 2019. In 2018 and 2019, we funded our operations through the $40.0 million 2018 Solar Loan Agreement and an offering of common stock.

On January 5, 2018, we entered into the $40.0 million 2018 Solar Loan Agreement. Under that agreement, we borrowed the entire $40.0 million as a term loan that was scheduled to mature on July 1, 2022 (the 2018 Solar Loan). We used the proceeds of the 2018 Solar Loan Agreement to repay the Hercules Loan and pay related expenses. On December 31, 2019, we refinanced the 2018 Solar Loan Agreement by entering into the $45.0 million 2019 Solar Loan Agreement. Under the 2019 Solar Loan Agreement, we borrowed $42.5 million on December 31, 2019, and thereafter we borrowed the remaining $2.5 million on February 21, 2020 (the 2019 Solar Loan). The 2019 Solar Loan matures on July 1, 2024. We used the initial proceeds of the 2019 Solar Loan to pay off the 2018 Solar Loan, along with related prepayment, legal and other fees and expenses of approximately $2.3 million, which included a $1.8 million fee to Solar Capital upon repayment of the 2018 Solar Loan that was previously accrued and a $400,000 prepayment fee to Solar Capital that was capitalized as deferred financing costs. We expect to use the remaining proceeds of the 2019 Solar Loan to provide additional working capital for general corporate purposes. (See Note 11 of our notes to consolidated financial statements below.)

On October 24, 2019, we entered into a purchase agreement (Purchase Agreement) with Lincoln Park Capital Fund, LLC (Lincoln Park). The Purchase Agreement provided that, upon its terms and subject to its conditions and limitations, we could have directed Lincoln Park to purchase up to $20.0 million of shares of our common stock from time to time over the 36-month term of the Purchase Agreement. As consideration for Lincoln Park's commitment to purchase shares of common stock pursuant to the Purchase Agreement, on October 25, 2019 we issued to Lincoln Park 90,909 shares of our common stock (as adjusted to reflect the reverse split) for no additional consideration. On October 28, 2019, Lincoln Park purchased 133,333 shares at a price of $7.50 per share (which number of shares and per share amount have been adjusted to reflect the reverse split), for an aggregate price of $1,000,000. We terminated the Purchase Agreement effective November 12, 2019 after determining that we had no intention to conduct further sales to Lincoln Park under the Purchase Agreement.

As of December 31, 2019, we had approximately $9.4 million in cash and cash equivalents. We may need to raise additional capital to fund our business strategy, including the continued commercialization of ILUVIEN. If we need to raise additional financing and are unable to do so, we will need to adjust our commercial plans so that we can continue to operate with our existing cash resources. The actual amount of funds that we will need will depend on many factors, some of which are beyond our control. We may need funds sooner than currently anticipated.

We cannot be sure that other additional financing will be available when needed or that, if available, the additional financing would be obtained on terms favorable to us or our stockholders. If we were to raise additional funds by issuing equity securities, substantial dilution to existing stockholders would likely result, and the terms of any new equity securities may have a preference over our common stock. If we were to attempt to raise additional funds through strategic collaboration agreements, we may not be successful in obtaining those agreements, or in receiving milestone or royalty payments under them. If we were to attempt to raise additional funds through debt financing, (a) 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 commercialize ILUVIEN or any future products or product candidates or to operate our business; and (b) we would be required to obtain the permission or participation of Solar Capital, which we might not be able to obtain. Our capital raising efforts may be hindered by our current failure to comply with Nasdaq's continuing listing requirements, which could ultimately lead to our delisting from Nasdaq if we are unable to regain compliance. See "Overview - Failure to Comply with Nasdaq Continued Listing Requirement" and the first risk factor under the heading "Risk Factors - Risks Related to the Ownership of Our Common Stock" above. Our recurring losses and any potential needs to raise capital create substantial doubt about our ability to continue as a going concern for the next 12 months following the issuance of the audited financial statements including in this Annual Report on Form 10-K.

For 2019, net cash used in our operations of $4.2 million was primarily due to our net loss of $10.4 million, offset by $2.6 million of non-cash depreciation and amortization, $2.5 million of non-cash stock-based compensation expense and $840,000 of non-cash interest expense associated with the amortization of our debt discount. Further reducing cash from operations was a $2.2 million increase in accounts receivable that was driven by increased revenue, a $1.0 million increase in inventory, an $830,000 increase in prepaid expenses and other current assets and a $450,000 decrease in deferred tax asset. This reduction was offset by a $1.4 million increase in accounts payable, accrued expenses and other current liabilities and a $390,000 increase in long-term liabilities.

For 2018, net cash used in our operations of $11.6 million was primarily due to our net loss of $16.4 million, offset by approximately $4.4 million in stock compensation expense, $2.6 million of depreciation and amortization expense, a $1.8 million charge for the loss on early extinguishment of debt and $840,000 of amortization costs associated with our debt discount. Further reducing cash from operations was a $6.0 million increase in accounts receivable that was driven by increased

revenue and a $930,000 increase in inventory. This reduction was offset by a $1.4 million increase in accounts payable and accrued expenses and other current liabilities.

For 2019, net cash used in our investing activities was approximately $174,000, which was primarily due to the purchase of equipment and software.

For 2018, net cash used in our investing activities was approximately $175,000, which was primarily due to the purchase of equipment and software.

For 2019, net cash provided by our financing activities was approximately $869,000, which was primarily due to incurring $2.5 million of additional debt by entering into the $45.0 million 2019 Solar Loan Agreement and our sale of $1.0 million of common stock to Lincoln Park. These increases in cash were offset by payments of approximately $2.3 million, which included a $1.8 million fee to Solar Capital upon repayment of the 2018 Solar Loan that was previously accrued and a $400,000 prepayment fee to Solar Capital that was capitalized as deferred financing costs.

For 2018, net cash provided by our financing activities was approximately $950,000, which was primarily due to entering into the $40.0 million 2018 Solar Loan Agreement, offset by paying off the $35.0 million Hercules Loan and related debt costs of $3.7 million.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates. We believe that the following accounting policies are the most critical to understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we use to prepare our consolidated financial statements.

Revenue Recognition

Net Revenue

We sell our products to major pharmaceutical distributors, pharmacies, hospitals and wholesalers (collectively, our Customers). In addition to distribution agreements with Customers, we enter into arrangements with healthcare providers and payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks, and discounts with respect to the purchase of our products. All of our current contracts have a single performance obligation, as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

Currently, all of our revenue is derived from product sales. We recognize revenues from product sales when the Customer obtains control, typically upon delivery. We accrue for fulfillment costs when the related revenue is recognized. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues.

As of December 31, 2019 and 2018, we had received a total of $1.0 million of milestone payments in connection with our Canadian distributor that we have not recognized as revenue based on our analysis in connection with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. These deferred revenues are included as a component of other non-current liabilities on our balance sheets.

Estimates of Variable Consideration

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for reserves related to statutory rebates to state Medicaid and other government agencies; commercial rebates and fees to Managed Care Organizations (MCOs), Group Purchasing Organizations (GPOs), distributors and specialty pharmacies; product returns; sales discounts (including trade discounts); distributor costs; wholesaler chargebacks; and allowances for patient assistance programs relating to sales of our products.

These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Our estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and Customer buying and payment patterns. Overall, these reserves reflect our best estimates of the amount of consideration to which we are entitled based on the terms of the contract. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period. If actual results vary, we may adjust these estimates, which could have an effect on earnings in the period of adjustment.

With respect to our international contracts with third party distributors, certain contracts have elements of variable consideration, and management reviews those contracts on a regular basis and makes estimates of revenue based on historical ordering patterns and known market events and data. The amount of variable consideration included in net sales in each period can vary depending on the terms of these contracts and the probability of reversal in future periods.

Consideration Payable to Customers

Distribution service fees are payments issued to distributors for compliance with various contractually-defined inventory management practices or services provided to support patient access to a product. Distribution service fees reserves are based on the terms of each individual contract and are classified within accrued expenses and are recorded as a reduction of revenue.

Product Returns

Our policies provide for product returns in the following circumstances: (a) expiration of shelf life on certain products; (b) product damaged while in the Customer’s possession; and (c) following product recalls. Generally, returns for expired

product are accepted three months before and up to one year after the expiration date of the related product, and the related product is destroyed after it is returned. We may either refund the sales price paid by the Customer by issuance of a credit, or exchange the returned product with replacement inventory. We typically do not provide cash refunds. We estimate the proportion of recorded revenue that will result in a return by considering relevant factors, including historical returns experience, the estimated level of inventory in the distribution channel, the shelf life of products and product recalls, if any.

The estimation process for product returns involves, in each case, a number of interrelating assumptions, which vary for each Customer. We estimate the amount of our product sales that may be returned by our Customers and record this estimate as a reduction of revenue from product sales in the period the related revenue is recognized, and because this returned product cannot be resold, there is no corresponding asset for product returns. To date, product returns have been minimal.

Other Revenue

We enter into agreements in which we license certain rights to our products to partner companies that act as distributors. The terms of these arrangements may include payment to us of one or more of the following: non-refundable, up-front license fees; development, regulatory and commercial milestone payments; payments for manufacturing supply services we provide; and a revenue share on net sales of licensed products. Each of these payments is recognized as other revenues.

As part of the accounting for these arrangements, we must develop estimates that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. Performance obligations are promises in a contract to transfer a distinct good or service to the Customer, and we recognize revenue when, or as, performance obligations are satisfied. We use key assumptions to determine the stand-alone selling price; these assumptions may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical, regulatory and commercial success.

Certain of these agreements include consideration in the form of milestone payments. At the inception of each arrangement that includes milestone payments, we evaluate the recognition of milestone payments. Typically, milestone payments are associated with events that are not entirely within our control or the licensee, such as regulatory approvals; are included in the transaction price; and are subject to a constraint until it is probable that there will not be a significant revenue reversal, typically upon achievement of the milestone. At the end of each reporting period, we re-evaluate the probability of achievement of such milestones and any related constraint, and if necessary, adjust our estimate of the overall transaction price.

Customer Payment Obligations

We receive payments from our Customers based on billing schedules established in each contract, which vary across locations, but generally range between 30 to 120 days. Occasionally, we offer extended payment terms or payment term discounts to certain customers. Amounts are recorded as accounts receivable when our right to consideration is unconditional. We do not assess whether a contract has a significant financing component if the expectation is that our Customer will pay for the product or services within one year or less of receiving those products or services.

Additional Critical Accounting Policies and Estimates

Research and Development Costs

Research and development expenditures are expensed as incurred, pursuant to ASC 730, *Research and Development*. Costs to license technology to be used in our research and development are expensed when incurred. Payments to licensors that relate to the achievement of preapproval development milestones are recorded as research and development expense when incurred.

Clinical Trial Prepaid and Accrued Expenses

We record prepaid assets and accrued liabilities related to clinical trials associated with contract research organizations (CROs), clinical trial investigators and other vendors based upon amounts paid and the estimated amount of work completed on each clinical trial. The financial terms of agreements vary from vendor to vendor and may result in uneven payment flows. As such, if we have advanced funds exceeding our estimate of the work completed, we record a prepaid asset. If our estimate of the work completed exceeds the amount paid, we record an accrued liability. All such costs are charged to research and development expenses based on these estimates. Our estimates may or may not match the actual services performed by the organizations as determined by patient enrollment levels and related activities. We monitor patient enrollment levels and related activities to the extent possible through internal reviews, correspondence and discussions with our CROs and review of contractual terms. However, if we have incomplete or inaccurate information, we may underestimate or overestimate activity levels associated with various clinical trials at a given point in time. In this event, we could record significant research and development expenses in future periods when the actual level of activities becomes known. To date, we have not experienced material changes in these estimates. Additionally, we do not expect material adjustments to research and development expenses

to result from changes in the nature and level of clinical trial activity and related expenses that are currently subject to estimation. In the future, as we expand our clinical trial activities, we expect to have increased levels of research and development costs that will be subject to estimation.

Stock-Based Compensation

We have stock-based compensation under which various types of equity-based awards may be granted, including restricted stock units (RSUs) and stock options, to employees, directors and consultants. The exercise prices of stock options generally equal the fair values of our common stock at the dates of grant. We recognize compensation cost for all stock-based awards based on the grant date fair value in accordance with the provisions of ASC 718, *Compensation — Stock Compensation*. We recognize the grant date fair value as compensation cost of employee stock-based awards using the straight-line method over the actual vesting period, adjusted for our estimates of forfeiture. Typically, we grant stock options with a requisite service period of four years from the grant date. We have elected to use the Black-Scholes option pricing model to determine the fair value of stock-based awards.

We concluded that this was the most appropriate method by which to value our share-based payment arrangements, but if any share-based payment instruments should be granted for which the Black-Scholes method does not meet the measurement objective as stated within ASC 718, we will use a more appropriate method for valuing that instrument. However, we do not believe that any instruments granted to date and accounted for under ASC 718 would require a method other than the Black-Scholes method.

Our determination of the fair market value of share-based payment awards on the grant date using option valuation models requires the input of highly subjective assumptions, including the expected price volatility and option life. Changes in these input variables would affect the amount of expense associated with equity-based compensation. Expected volatility is based on the historical volatility of our common stock over the expected term of the stock option grant. To estimate the expected term, we use the “simplified” method for “plain vanilla” options as discussed within the SEC’s Statement of Accounting Bulletin (SAB) 107. We believe that all factors listed within SAB 107 as pre-requisites for utilizing the simplified method are true for us and for our share-based payment arrangements. We intend to use the simplified method for the foreseeable future until more detailed information about exercise behavior will be more widely available. The risk-free interest rate is based on U.S. Treasury Daily Treasury Yield Curve Rates corresponding to the expected life assumed at the date of grant. Dividend yield is zero as there are no payments of dividends made or expected.

Income Taxes

We recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities in accordance with ASC 740, *Income Taxes*. We evaluate the positive and negative evidence bearing upon the realizability of our deferred tax assets on an annual basis. Significant management judgment is involved in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against net deferred tax assets. Due to uncertainties with respect to the realization of our U.S. deferred tax assets resulting from our history of operating losses, we have established a valuation allowance against our U.S. deferred tax asset balances to reduce the net carrying value to an amount that is more likely than not to be realized. As a result, we have fully reserved against the U.S. deferred tax asset balances. The valuation allowances are based on our estimates of taxable income in the jurisdictions in which we operate and the period over which deferred tax assets will be recoverable. If actual results differ from these estimates or we adjust these estimates in future periods, a change in the valuation allowance may be needed, which could materially impact our financial position and results of operations.

Our deferred tax assets primarily consist of net operating loss (NOL) carry-forwards. As of December 31, 2019, we had federal NOL carry-forwards of approximately $125.8 million and state NOL carry-forwards of approximately $173.0 million, respectively, subject to further limitation based upon the final results of our Internal Revenue Code (IRC) sections 382 and 383 analyses. These NOLs are available to reduce future income otherwise taxable. If not utilized, the federal NOL carry-forwards will expire at various dates between 2029 and 2037, our federal NOL created in 2018 will carry forward indefinitely and the state NOL carry-forwards will expire at various dates between 2020 and 2038.

Sections 382 and 383 of the Internal Revenue Code limit the annual use of NOL carry-forwards and tax credit carry-forwards, respectively, following an ownership change. NOL carry-forwards may be subject to annual limitations under IRC Section 382 (Section 382) (or comparable provisions of state law) if certain changes in ownership were to occur. We periodically evaluate our NOL carry-forwards and whether certain changes in ownership have occurred that would limit our ability to utilize a portion of our NOL carry-forwards. If we determine that significant ownership changes have occurred since we generated our NOL carry-forwards, we may be subject to annual limitations on the use of these NOL carry-forwards under Section 382 (or comparable provisions of state law). We have determined that a Section 382 change in ownership occurred in late 2015. As a result of this change in ownership, we estimated that approximately $18.6 million of our federal NOLs and

approximately $382,000 of federal tax credits generated prior to the change in ownership will not be utilized in the future. We are currently in the process of refining and finalizing these calculations, and upon finalization, will determine if a write-off is necessary. The reduction to our NOL deferred tax asset due to the annual Section 382 limitation and the NOL carryforward period would result in an offsetting reduction in valuation allowance recorded against the NOL deferred tax asset.

If we were to determine that we are able to realize any of our net deferred tax assets in the future, we would adjust the valuation allowance to increase net income in the period in which we make that determination. We believe that the most significant uncertainty affecting the determination of our valuation allowance will be our estimation of the extent and timing of future net income, if any.

We considered our income tax positions for uncertainty in accordance with ASC 740. The balance of unrecognized tax benefits as of December 31, 2019 and December 31, 2018 are approximately $58,000 and $68,000, respectively. Both balances relate to research and development tax credits. In accordance with ASC 740-10, such attributes are reduced to the amount that is expected to be recognized in the future. We do not accrue interest or penalties, as there is no risk of additional tax liability due to significant NOLs available. We do not expect any decreases to the unrecognized tax benefits within the next twelve months due to any lapses in statute of limitations. Tax years from 2015 to 2018 remain subject to examination in California, Georgia, Kentucky, New Jersey, Tennessee, Texas and on the federal level, provided that assessment of NOL carry-forwards available for use can be examined for all years since 2009. The statute of limitations on these years will close when the NOLs expire or when the statute closes on the years in which we use the NOLs.

Foreign Currency Translation

The U.S. dollar is the functional currency of Alimera Sciences, Inc. The Euro is the functional currency for the majority of our subsidiaries operating outside of the U.S.

Our foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for nonmonetary balance sheet accounts, which are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the non-monetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in income.

The financial statements of the foreign subsidiaries whose functional currency is not the U.S. dollar have been translated into U.S. dollars in accordance with ASC 830-30, *Translation of Financial Statements*. For the subsidiaries operating outside of the U.S. that are denominated in the Euro, assets and liabilities are translated at end-of-period rates while revenues and expenses are translated at average rates in effect during the period in which the activity took place. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive income.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that would have been established to facilitate off-balance sheet arrangements (as that term is defined in Item 303(a)(4)(ii) of SEC Regulation S-K) or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships. We enter into guarantees in the ordinary course of business related to the guarantee of our own performance and the performance of our subsidiaries.

New Accounting Pronouncements

See Note 2 of our notes to consolidated financial statements below for a description of recent accounting pronouncements, including the expected dates of adoption and expected effects on results of operations and financial condition, if known.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Because we are allowed to comply with the disclosure obligations applicable to a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, with respect to this Annual Report on Form 10-K, we are not required to provide the information required by this Item.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

The consolidated financial statements and related consolidated financial statement schedules required to be filed are indexed on page 67 and are incorporated herein.

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we evaluated the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2019.

Management's 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 is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officer 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 and includes those policies and procedures that:

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

Under the supervision and with the participation of management, including our principal executive and financial officers, we assessed our internal control over financial reporting as of December 31, 2019, based on criteria for effective internal control over financial reporting established in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, our management concluded that we maintained effective internal control over financial reporting as of December 31, 2019.

The independent registered public accounting firm of Grant Thornton LLP, as auditor of the consolidated balance sheets of Alimera Sciences Inc. and its subsidiaries as of December 31, 2019 and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for 2019, has issued an attestation report on our internal control over financial reporting, which is included on page 60.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the fourth quarter of 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, 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. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Alimera Sciences, Inc.

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of Alimera Sciences, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2019, and our report dated March 2, 2020 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting
A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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 the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
March 2, 2020

ITEM 9B. ***OTHER INFORMATION***

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by this item regarding our executive officers will be presented under the caption “Executive Officers” in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2019 (the 2020 Proxy Statement) and is incorporated herein by reference.

The information required by this item regarding our directors will be presented under the caption “Proposal 1: Election of Directors” in our 2020 Proxy Statement and is incorporated herein by reference.

The information required by this item regarding our compliance with Section 16 of the Exchange Act of 1934, as amended, will be presented under the caption “Security Ownership of Certain Beneficial Owners and Management - Delinquent Section 16(a) Reports” in our 2020 Proxy Statement and is incorporated herein by reference.

The information required by this item regarding our audit committee will be presented under the caption “Corporate Governance - Board Committee - Audit Committee” in our 2020 Proxy Statement and is incorporated herein by reference.

The information required by this item regarding our code of ethics will be presented under the caption “Corporate Governance - Code of Business Conduct” in our 2020 Proxy Statement and is incorporated herein by reference.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by this item regarding executive compensation will be presented under the caption “Executive Compensation” in our 2020 Proxy Statement and is incorporated herein by reference.

The information required by this item regarding director compensation will be presented under the caption “Corporate Governance - Director Compensation” in our 2020 Proxy Statement and is incorporated herein by reference.

The information required by this item regarding our compensation committee will be presented under the caption “Corporate Governance - Compensation Committee Interlocks and Insider Participation” in our 2020 Proxy Statement and is incorporated herein by reference.

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

The information required by this item regarding security ownership and certain beneficial owners and management will be presented under the caption "Security Ownership of Certain Beneficial Owners and Management" in our 2020 Proxy Statement and is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information, as of December 31, 2019, with respect to shares of our common stock that may be issued, subject to certain vesting requirements, under (a) existing awards under our 2010 Equity Incentive Plan (2010 Plan), and (b) existing and future awards under our 2019 Omnibus Incentive Plan (2019 Plan). The following table also provides information, as of December 31, 2019, with respect to shares of our common stock that we may sell to our employees under our 2010 Employee Stock Purchase Plan (ESPP).

	A	B	C
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
Equity compensation plans approved by security holders	908,235 (1)	$ 35.46 (2)	491,867 (3)
Equity compensation plans not approved by security holders	—	—	—
Total	908,235	$ 35.46	491,867

(1) Of these shares, 30,620 were subject to options then outstanding under the 2019 Plan, 840,852 were subject to options then outstanding under the 2010 Plan and 36,763 were outstanding restricted stock units then outstanding under the 2010 Plan.

(2) The weighted-average exercise price does not take into account restricted stock units, which do not have an exercise price.

(3) Represents 464,561 shares of common stock available for issuance under our 2019 Plan and 27,306 shares of common stock available for issuance under our ESPP. No shares are available for future issuance under the 2010 Plan. In addition, our ESPP provides for annual increases in the number of shares available for issuance thereunder equal to such number of shares necessary to restore the number of shares reserved thereunder to 32,961 shares of our common stock. As such, on January 1, 2020, an additional 5,655 shares became available for future issuance under our ESPP. These additional shares from the annual increase under the ESPP are not included in the table above.

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

The information required by this item regarding certain relationships and related persons transactions will be presented under the caption “Certain Relationships and Related Persons Transactions” in our 2020 Proxy Statement and is incorporated herein by reference.

The information required by this item regarding director independence will be presented under the caption “Corporate Governance - Independent Directors” in our 2020 Proxy Statement and is incorporated herein by reference.

ITEM 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES***

The information required by this item regarding aggregate fees billed to us by our independent registered public accounting firm’s fees will be presented under the caption “Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm - Independent Registered Public Accounting Firm’s Fees” in our 2020 Proxy Statement and is incorporated herein by reference.

The information required by this item regarding our audit committee’s pre-approval policies and procedures will be presented under the caption “Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm - Pre-Approval Policies and Procedures of the Audit Committee” in our 2020 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES*

(a) The following documents are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

1. *Financial Statements*. See Index to Financial Statements under Item 8 of this Annual Report on Form 10-K.

2. *Financial Statement Schedules.* All schedules have been omitted because the information required to be presented in them is not applicable or is shown in the financial statements or related notes.

3. *Exhibits.* We have filed, or incorporated into this Annual Report on Form 10-K by reference, the exhibits listed on the accompanying Exhibit Index immediately following the financial statements contained in this Annual Report on Form 10-K.

(b) *Exhibits.* See Item 15(a)(3) above.

(c) *Financial Statement Schedules.* See Item 15(a)(2) above.

ITEM 16. *FORM 10-K SUMMARY*

Not applicable.

ALIMERA SCIENCES, INC.
INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Alimera Sciences, Inc.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of Alimera Sciences Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, changes in stockholders' (deficit) equity, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 2, 2020 expressed an unqualified opinion.

Going concern
The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 5 to the consolidated financial statements, the Company has incurred recurring losses, negative cash flows from operations, and has an accumulated deficit of $387,570,000 as of December 31, 2019. These conditions, along with the other matters as set forth in Note 5, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in accounting principle
As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019, due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2012.

Atlanta, Georgia

March 2, 2020

ALIMERA SCIENCES, INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018

	December 31,	
	2019	2018
	(In thousands, except share and per share data)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,426	$ 13,043
Restricted cash	33	32
Accounts receivable, net	19,331	17,259
Prepaid expenses and other current assets	2,565	2,109
Inventory (Note 6)	1,390	2,405
Total current assets	32,745	34,848
NON-CURRENT ASSETS:		
Property and equipment, net	940	1,355
Right of use assets, net	1,107	—
Intangible asset, net	14,783	16,723
Deferred tax asset	734	1,182
TOTAL ASSETS	$ 50,309	$ 54,108
CURRENT LIABILITIES:		
Accounts payable	$ 7,077	$ 6,355
Accrued expenses (Note 9)	4,716	3,643
Finance lease obligations	255	236
Total current liabilities	12,048	10,234
NON-CURRENT LIABILITIES:		
Note payable (Note 11)	38,658	37,873
Finance lease obligations — less current portion	94	305
Other non-current liabilities	3,954	2,974
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS' (DEFICIT) EQUITY:		
Preferred stock, $.01 par value — 10,000,000 shares authorized at December 31, 2019 and 2018:		
Series A Convertible Preferred Stock, 1,300,000 authorized and 600,000 issued and outstanding at December 31, 2019 and 2018; liquidation preference of $24,000 at December 31, 2019 and 2018	19,227	19,227
Series C Convertible Preferred Stock, 10,150 authorized issued and outstanding at December 31, 2019 and 2018; liquidation preference of $10,150 at December 31, 2019 and 2018	11,117	11,117
Common stock, $.01 par value — 150,000,000 shares authorized, 4,965,949 shares issued and outstanding at December 31, 2019 and 4,671,921 shares issued and outstanding at December 31, 2018 (Note 2)	50	47
Additional paid-in capital	350,117	346,762
Common stock warrants	3,707	3,707
Accumulated deficit	(387,570)	(377,127)
Accumulated other comprehensive loss — foreign currency translation adjustments	(1,093)	(1,011)
TOTAL STOCKHOLDERS' (DEFICIT) EQUITY	(4,445)	2,722
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 50,309	$ 54,108

See Notes to Consolidated Financial Statements.

ALIMERA SCIENCES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Years Ended December 31,	
	2019	2018
	(In thousands, except share and per share data)	
NET REVENUE	$ 53,943	$ 46,599
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(6,626)	(4,308)
GROSS PROFIT	47,317	42,291
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	10,992	11,274
GENERAL AND ADMINISTRATIVE EXPENSES	13,954	14,525
SALES AND MARKETING EXPENSES	25,004	23,517
DEPRECIATION AND AMORTIZATION	2,641	2,645
OPERATING EXPENSES	52,591	51,961
NET LOSS FROM OPERATIONS	(5,274)	(9,670)
INTEREST EXPENSE AND OTHER	(4,869)	(4,775)
UNREALIZED FOREIGN CURRENCY LOSS, NET	(84)	(65)
LOSS ON EARLY EXTINGUISHMENT OF DEBT	—	(1,766)
NET LOSS BEFORE TAXES	(10,227)	(16,276)
PROVISION FOR TAXES	(216)	(106)
NET LOSS	(10,443)	(16,382)
GAIN ON EXTINGUISHMENT OF PREFERRED STOCK	—	38,330
NET (LOSS) INCOME AVAILABLE TO STOCKHOLDERS	$ (10,443)	$ 21,948
NET (LOSS) INCOME PER SHARE — Basic (Note 2)	$ (2.19)	$ 3.74
WEIGHTED AVERAGE SHARES OUTSTANDING — Basic	4,770,204	5,866,809
NET (LOSS) INCOME PER SHARE — Diluted (Note 2)	$ (2.19)	$ 3.71
WEIGHTED AVERAGE SHARES OUTSTANDING — Diluted	4,770,204	5,915,872

See Notes to Consolidated Financial Statements.

ALIMERA SCIENCES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Years Ended December 31,	
	2019	**2018**
	(In thousands)	
NET LOSS	$ (10,443)	$ (16,382)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustments	(82)	(190)
TOTAL OTHER COMPREHENSIVE LOSS	(82)	(190)
COMPREHENSIVE LOSS	$ (10,525)	$ (16,572)

See Notes to Consolidated Financial Statements.

ALIMERA SCIENCES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Common Stock		Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Additional Paid-In Capital	Common Stock Warrants	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
	(In thousands, except share data)												
BALANCE — December 31, 2017	4,609,754	$ 46	600,000	$19,227	8,416	$49,568	—	$ —	$342,267	$ 3,707	$ (399,075)	$ (821)	$ 14,919
Issuance of common stock, net of issuance costs	62,063	1	—	—	—	—	—	—	82	—	—	—	83
Exercise of stock options	104	—	—	—	—	—	—	—	2	—	—	—	2
Preferred stock exchange, net of transaction costs (Note 13)	—	—	—	—	(8,416)	(49,568)	10,150	11,117	—	—	38,330	—	(121)
Stock-based compensation	—	—	—	—	—	—	—	—	4,411	—	—	—	4,411
Net loss	—	—	—	—	—	—	—	—	—	—	(16,382)	—	(16,382)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	—	(190)	(190)
BALANCE — December 31, 2018	4,671,921	$ 47	600,000	$19,227	—	$ —	10,150	$11,117	$346,762	$ 3,707	$ (377,127)	$ (1,011)	$ 2,722
Issuance of common stock, net of issuance costs	294,028	3	—	—	—	—	—	—	899	—	—	—	902
Stock-based compensation	—	—	—	—	—	—	—	—	2,456	—	—	—	2,456
Net loss	—	—	—	—	—	—	—	—	—	—	(10,443)	—	(10,443)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	—	(82)	(82)
BALANCE — December 31, 2019	4,965,949	$ 50	600,000	$19,227	—	$ —	10,150	$11,117	$350,117	$ 3,707	$ (387,570)	$ (1,093)	$ (4,445)

See Notes to Consolidated Financial Statements.

ALIMERA SCIENCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Years Ended December 31,	
	2019	2018
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,443)	$ (16,382)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,641	2,645
Unrealized foreign currency transaction loss	84	65
Amortization of debt discount and deferred financing costs	837	842
Deferred taxes expense (benefit)	454	(653)
Loss on early extinguishment of debt	—	1,766
Stock compensation expense	2,456	4,411
Changes in assets and liabilities:		
Accounts receivable	(2,160)	(5,995)
Prepaid expenses and other current assets	(828)	129
Inventory	996	(933)
Accounts payable	779	556
Accrued expenses and other current liabilities	641	1,547
Other long-term liabilities	391	449
Net cash used in operating activities	(4,152)	(11,553)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(174)	(175)
Net cash used in investing activities	(174)	(175)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	—	2
Proceeds from sale of common stock, net of issuance costs	902	83
Issuance of debt	42,500	40,000
Payment of principal on notes payable	(40,000)	(35,000)
Payment of extinguishment of debt costs	—	(2,544)
Payment of debt costs, including end of term payment	(2,227)	(1,142)
Payment of preferred stock exchange costs	—	(122)
Payments on finance lease obligations	(306)	(327)
Net cash provided by financing activities	869	950
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(159)	(248)
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(3,616)	(11,026)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of year	13,075	24,101
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — End of year	$ 9,459	$ 13,075
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 4,041	$ 3,571
Cash paid for income taxes	$ 239	$ 239
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired under finance leases	$ 154	$ 575
Property and equipment acquired under operating leases	$ 676	$ —
Note payable end of term payment accrued but unpaid	$ 2,125	$ 1,800

The Company paid no dividends during the years ended December 31, 2019 and 2018.
See Notes to Consolidated Financial Statements.

ALIMERA SCIENCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Alimera Sciences, Inc., together with its wholly-owned subsidiaries (the Company), is a pharmaceutical company that specializes in the commercialization and development of ophthalmic pharmaceuticals. The Company was formed on June 4, 2003 under the laws of the State of Delaware.

The Company's only product is ILUVIEN®, which has received marketing authorization and reimbursement approval in numerous countries for the treatment of DME. In the U.S. and certain other countries outside Europe, ILUVIEN is indicated for the treatment of DME in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure. In 17 countries in Europe, ILUVIEN is indicated for the treatment of vision impairment associated with chronic DME considered insufficiently responsive to available therapies. ILUVIEN is also indicated in 16 countries in Europe for prevention of relapse in recurrent non-infectious uveitis affecting the posterior segment of the eye (NIU-PS).

The Company markets ILUVIEN directly in the U.S., Germany, the U.K., Portugal, Austria and Ireland. In addition, the Company has entered into various agreements under which distributors are providing or will provide regulatory, reimbursement and sales and marketing support for ILUVIEN in Belgium, France, Italy, Luxembourg, the Netherlands, Spain, Australia, New Zealand, Canada and several countries in the Middle East. As of December 31, 2019, the Company has recognized sales of ILUVIEN to our international distributors in the Middle East, France, Italy and Spain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Financial Statements

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Alimera Sciences, Inc. and its wholly-owned subsidiaries. All significant inter-company balances have been eliminated in consolidation.

Cash, Cash Equivalents and Restricted Cash

Cash equivalents include highly liquid investments that are readily convertible into cash and have a maturity of 90 days or less when purchased. Generally, cash and cash equivalents held at financial institutions are in excess of federally insured limits. Cash and cash equivalents were $9,426,000 and $13,043,000 as of December 31, 2019 and 2018, respectively, with approximately 57.0% and 82.0% of these balances, respectively, held in U.S.-based financial institutions.

Product Revenue

See Note 3 for expanded disclosures regarding the Company's revenues and how the Company accounts for revenue.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generated through sales primarily to major pharmaceutical distributors, pharmacies, hospitals and wholesalers. The Company does not require collateral from its customers for accounts receivable. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, management considers many factors in estimating its general allowance, including historical data, experience, customer types, credit worthiness and economic trends. From time to time, management may adjust its assumptions for anticipated changes in any of those or other factors expected to affect collectability. A provision for doubtful accounts is charged to operations when management determines the accounts may become uncollectable. The Company writes off accounts receivable when management determines they are uncollectable and credits payments subsequently received on such receivables to bad debt expense in the period received. As of December 31, 2019 and 2018, the Company had no reserve for doubtful accounts.

Inventory

Inventories are stated at the lower of cost or net realizable value with cost determined under the first in, first out (FIFO) method. Included in inventory costs are component parts, work-in-progress and finished goods. The Company relies on third party manufacturers for the production of all inventory and does not capitalize any internal costs. The Company periodically reviews inventories for excess, obsolete or expiring inventory and writes down obsolete or otherwise unmarketable inventory to its estimated net realizable value.

Intangible Assets

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, which approximates a straight-line basis, over the estimated periods benefited. The Company estimated the useful life of its intangible asset at approximately thirteen years (see Note 8).

Property and Equipment

Property and equipment are stated at cost. Additions and improvements are capitalized while repairs and maintenance are expensed. Depreciation is provided on the straight-line method over the useful life of the related assets beginning when the asset is placed in service. The estimated useful lives of the individual assets are as follows: furniture, fixtures and manufacturing equipment, five years; automobiles, three years or the related lease life; software and information technology hardware, three years; and office equipment and leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life.

Impairment

Property and equipment and definite lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Company evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. The Company recorded no impairment during the years ended December 31, 2019 and 2018.

Income Taxes

The Company provides for income taxes based on pretax income and applicable tax rates available in the various jurisdictions in which it operates. Significant judgment is required in determining the provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws. Deferred income taxes are recorded for the expected tax consequences of temporary differences between the bases of assets and liabilities, as well as for loss and tax credit carryforwards for financial reporting purposes and amounts recognized for income tax purposes. A valuation allowance is recorded to reduce the Company's deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The tax benefit recognized in the consolidated financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits (UTBs) is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. The Company recognizes both accrued interest and penalties, where appropriate, related to UTBs in income tax expense.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development expenses were $368,000 and $1,096,000 for 2019 and 2018, respectively.

Reverse Stock Split

On November 14, 2019, the Company filed a certificate of amendment to its restated certificate of incorporation with the Secretary of State of the State of Delaware, which effected a one-for-15 reverse stock split (the "reverse split") of its issued and outstanding shares of common stock at 5:01 PM Eastern Time on that date. As a result of the reverse split, every 15 shares of common stock issued and outstanding were converted into one share of common stock. No fractional shares were issued in connection with the reverse split. Stockholders who would otherwise have been entitled to a fractional share of common stock instead received a cash payment equal to such fraction multiplied by the average of the closing sales prices of the common stock (as adjusted to give effect to the reverse split) on The Nasdaq Global Market for the five consecutive trading days immediately preceding the effective date.

The reverse split did not change the par value of the common stock or the authorized number of shares of common stock. The reverse split affected all stockholders uniformly and did not alter any stockholder's percentage interest in equity (other than as a result of the payment of cash in lieu of fractional shares). All outstanding options, preferred stock, restricted stock units, warrants and other securities entitling their holders to purchase or otherwise receive shares of Alimera's common stock have been adjusted as a result of the reverse split, as required by the terms of each security. The number of shares available to be awarded under the 2019 Omnibus Incentive Plan and the number of shares that are purchasable under the 2010 Employee Stock Purchase Plan have also been appropriately adjusted. The common stock began trading on The Nasdaq Global Market on a post-reverse split basis on November 15, 2019. The reverse split permitted the Company to regain compliance with Nasdaq's "minimum bid price" requirement for continued listing, which requires that the bid price of the stock of a listed company be at least $1.00 per share.

Stock-Based Compensation

The Company has stock-based compensation plans under which various types of equity-based awards are granted, including restricted stock units (RSUs) and stock options. The fair values of RSUs and stock option awards, which are subject only to service conditions with graded vesting, are recognized as compensation expense, generally on a straight-line basis over a service period, net of estimated forfeitures.

Compensation expense is recognized for all share-based awards based on the grant date fair value in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 718, *Compensation — Stock Compensation*. The fair values for the options are estimated at the dates of grant using a Black-Scholes option-pricing model.

Additionally, the Company sponsors an employee stock purchase plan (ESPP) under which U.S.-based employees may elect payroll withholdings to fund purchases of the Company's stock at a discount. The Company estimates the fair value of the option to purchase shares of the Company's common stock using the Black-Scholes valuation model and recognizes compensation expense in accordance with the provisions of ASC 718-50, *Employee Share Purchase Plans*.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents and current assets and liabilities approximate their fair value because of their short maturities. The weighted average interest rate of the Company's notes payable approximates the rate at which the Company could obtain alternative financing; therefore, the carrying amount of the note approximates the fair value. The Company uses the Black-Scholes option pricing model and assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value of options granted.

Foreign Currency Translation

The net assets of international subsidiaries where the local currencies have been determined to be the functional currencies are translated into U.S. dollars using applicable exchange rates. The U.S. dollar effects that arise from translating net assets of these subsidiaries at changing rates are recognized in accumulated other comprehensive loss and is the only adjustment recognized in accumulated other comprehensive loss. The earnings of these subsidiaries are translated into U.S. dollars using average exchange rates.

Earnings Per Share (EPS)

The Company follows ASC 260, *Earnings Per Share* (ASC 260), which requires the reporting of both basic and diluted earnings per share. Because the Company's preferred stockholders participate in dividends equally with common stockholders (if the Company were to declare and pay dividends), the Company uses the two-class method to calculate EPS. However, the Company's preferred stockholders are not contractually obligated to share in losses.

Basic EPS is computed by dividing net (loss) income available to stockholders by the weighted average number shares outstanding for the period. Diluted EPS is calculated in accordance with ASC 260 by adjusting weighted average shares outstanding for the dilutive effect of common stock options, restricted stock units and warrants. In periods where a net loss is recorded, no effect is given to potentially dilutive securities, since the effect would be anti-dilutive.

The Company had net income available to stockholders for 2018 primarily due to the gain on extinguishment of preferred stock (Note 13).

The numbers of shares in the following table reflect the Company's one-for-15 reverse stock split (the "reverse split") of its issued and outstanding shares of common stock at 5:01 PM Eastern Time on November 14, 2019. As a result of the reverse split, every 15 shares of common stock issued and outstanding were converted into one share of common stock.

Basic and diluted earnings per share attributable to common and participating shares of common stock for 2019 and 2018 were as follows:

	Years Ended December 31,	
	2019	2018
	(In thousands, except share and per share data)	
Net (loss) income available to stockholders	$ (10,443)	$ 21,948
Allocation of undistributed (loss) income:		
(Loss) income attributable to common stock	$ (10,443)	$ 17,459
Income attributable to participating securities	$ —	$ 4,489
Basic shares:		
Weighted average common shares	4,770,204	4,666,856
Weighted average participating shares	—	1,199,953
Total basic weighted average shares	4,770,204	5,866,809
Diluted shares:		
Weighted average common shares	4,770,204	4,666,856
Dilutive weighted average shares	—	49,063
Total dilutive weighted common shares	4,770,204	4,715,919
Weighted average participating shares	—	1,199,953
Total dilutive weighted average shares	4,770,204	5,915,872
Basic EPS	$ (2.19)	$ 3.74
Diluted EPS	$ (2.19)	$ 3.71

Common stock equivalent securities that would potentially dilute basic EPS in the future, but were not included in the computation of diluted EPS because they were either classified as participating or would have been anti-dilutive, were as follows:

	Years Ended December 31,	
	2019	2018
Series A convertible preferred stock	601,503	—
Series C convertible preferred stock	676,667	—
Common stock warrants	119,712	119,712
Stock options	871,472	830,100
Restricted stock units	36,763	—
Total	2,306,117	949,812

Reporting Segments

The Company determines segments in accordance with its internal operating structure. The Company's chief operating decision maker is the Chief Executive Officer (CEO). While the CEO is apprised of a variety of financial metrics and information, the business is principally managed and organized based upon geographic and regulatory environment. Each segment is separately managed and is evaluated primarily on net loss from operations adjusted for certain non-cash items, such as stock-based compensation expense and depreciation and amortization. The Company does not report balance sheet information by segment because it is not reviewed by the Company's chief operating decision maker. The Company has three reportable segments, U.S., International and Other. See Note 19.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*, to increase transparency and comparability among organizations for lease recognition and disclosure. ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet, while recognizing expenses on the income statements in a manner similar to the guidance previously in effect. ASU 2016-02 became effective for fiscal years and interim periods for the Company in the first quarter of 2019. ASU 2016-02 requires that leases be recognized and measured as of the earliest period presented, using a modified retrospective approach, with all periods presented being adjusted and presented under the new standard. In July 2018, the FASB issued ASU 2018-11, *Leases (ASC 842)*: *Targeted Improvements*, which provides companies an optional adoption method to ASU 2016-02 whereby a company does not have to adjust comparative period financial statements for the new standard.

The Company adopted this ASU on January 1, 2019 and did not restate comparative periods. The Company elected the transition package of three practical expedients permitted within the standard. In accordance with the package of practical expedients, the Company did not reassess initial direct costs, lease classification, or whether its contracts contain or are leases. The Company also made an accounting policy election not to recognize right of use assets and liabilities for leases with a term of 12 months or less, unless the leases include options to renew or purchase the underlying asset that are reasonably certain to be exercised. See Note 4 for expanded disclosures.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, to allow reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted in December 2017. Upon adoption of the ASU, entities are required to describe the accounting policy for releasing income tax effects from accumulated other comprehensive income. The Company adopted this standard on January 1, 2019. The adoption of this guidance did not have a material impact on the Company's financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Stock-based Compensation: Improvements to Nonemployee Share-based Payment Accounting*, which amends the existing accounting standards for share-based payments to nonemployees. This ASU aligns much of the guidance on measuring and classifying nonemployee awards with that of awards to employees. Under the new guidance, the measurement of nonemployee equity awards is fixed on the grant date. This ASU became effective on January 1, 2019, and the Company adopted it at that time. Entities will apply the ASU by recognizing a cumulative-effect adjustment to retained earnings as of the beginning of the annual period of adoption. The adoption of this guidance did not have an impact on the Company's financial statements.

Accounting Standards Issued but Not Yet Effective

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*. This ASU replaces the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. The standard becomes effective for the Company on January 1, 2023. The Company does not anticipate the adoption of this ASU will have a material impact on its financial statements.

3. REVENUE RECOGNITION

Net Revenue

The Company sells its products to major pharmaceutical distributors, pharmacies, hospitals and wholesalers (collectively, its Customers). In addition to distribution agreements with Customers, the Company enters into arrangements with healthcare providers and payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks, and discounts with respect to the purchase of the Company's products. All of the Company's current contracts have a single performance obligation, as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

Currently, all of the Company's revenue is derived from product sales. The Company recognizes revenues from product sales at a point in time when the Customer obtains control, typically upon delivery. The Company accrues for fulfillment costs when the related revenue is recognized. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues.

As of December 31, 2019 and 2018, the Company had received a total of $1,000,000 of milestone payments in connection with the Company's Canadian distributor that it has not recognized as revenue based on the Company's analysis in connection with ASU 2014-09, *Revenue from Contracts with Customers (ASC 606)*. These deferred revenues are included as a component of other non-current liabilities within the Company's balance sheets.

Estimates of Variable Consideration

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for reserves related to statutory rebates to State Medicaid and other government agencies; commercial rebates and fees to Managed Care Organizations (MCOs), Group Purchasing Organizations (GPOs), distributors, and specialty pharmacies; product returns; sales discounts (including trade discounts); distributor costs; wholesaler chargebacks; and allowances for patient assistance programs relating to the Company's sales of its products.

These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Management's estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data, and Customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period. If actual results vary, the Company may adjust these estimates, which could have an effect on earnings in the period of adjustment.

With respect to the Company's international contracts with third party distributors, certain contracts have elements of variable consideration, and management reviews those contracts on a regular basis and makes estimates of revenue based on historical ordering patterns and known market events and data. The amount of variable consideration included in net sales in each period could vary depending on the terms of these contracts and the probability of reversal in future periods.

Consideration Payable to Customers

Distribution service fees are payments issued to distributors for compliance with various contractually-defined inventory management practices or services provided to support patient access to a product. Distribution service fees reserves are based on the terms of each individual contract and are classified within accrued expenses and are recorded as a reduction of revenue.

Product Returns

The Company's policies provide for product returns in the following circumstances: (a) expiration of shelf life on certain products; (b) product damaged while in the Customer's possession; and (c) following product recalls. Generally, returns for expired product are accepted three months before and up to one year after the expiration date of the related product, and the related product is destroyed after it is returned. The Company may, at its option, either refund the sales price paid by the Customer by issuing a credit or exchanging the returned product for replacement inventory. The Company typically does not provide cash refunds. The Company estimates the proportion of recorded revenue that will result in a return by considering relevant factors, including historical returns experience, the estimated level of inventory in the distribution channel, the shelf life of products and product recalls, if any.

The estimation process for product returns involves, in each case, several interrelating assumptions, which vary for each Customer. The Company estimates the amount of its product sales that may be returned by its Customers and records this

estimate as a reduction of revenue from product sales in the period the related revenue is recognized, and because this returned product cannot be resold, there is no corresponding asset for product returns. To date, product returns have been minimal.

Other Revenue

The Company enters into agreements in which it licenses certain rights to its products to partner companies that act as distributors. The terms of these arrangements may include payment to the Company of one or more of the following: non-refundable, up-front license fees; development, regulatory and commercial milestone payments; payments for manufacturing supply services the Company provides; and a revenue share on net sales of licensed products. Each of these payments is recognized as other revenues.

As part of the accounting for these arrangements, the Company must develop estimates that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. Performance obligations are promises in a contract to transfer a distinct good or service to the Customer, and the Company recognizes revenue when, or as, performance obligations are satisfied. The Company uses key assumptions to determine the stand-alone selling price; these assumptions may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical, regulatory and commercial success.

Certain of these agreements include consideration in the form of milestone payments. At the inception of each arrangement that includes milestone payments, the Company evaluates the recognition of milestone payments. Typically, milestone payments are associated with events that are not entirely within the control of the Company or the licensee, such as regulatory approvals; are included in the transaction price; and are subject to a constraint until it is probable that there will not be a significant revenue reversal, typically upon achievement of the milestone. At the end of each reporting period, the Company re-evaluates the probability of achievement of such milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. To date Other Revenue has been insignificant.

Customer Payment Obligations

The Company receives payments from its Customers based on billing schedules established in each contract, which vary across the Company’s locations, but generally range between 30 to 120 days. Occasionally, the Company offers extended payment terms or payment term discounts to certain customers. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation is that the Customer will pay for the product or services within one year or less of receiving those products or services.

4. LEASES

The Company evaluates all of its contracts to determine whether it is or contains a lease at inception. The Company reviews its contracts for options to extend, terminate or purchase any right of use assets and accounts for these, as applicable, at inception of the contract. Upon adoption of ASC 842, the Company elected the transition package of three practical expedients permitted within the standard. In accordance with the package of practical expedients, the Company did not reassess initial direct costs, lease classification, or whether its contracts contain or are leases. The Company made an accounting policy election not to recognize right of use assets and liabilities for leases with a term of 12 months or less, or those that do not meet the Company's capitalization threshold, unless the leases include options to renew or purchase the underlying asset that are reasonably certain to be exercised. Lease costs associated with those leases are recognized as incurred. The Company has also chosen the practical expedient that allows it to combine lease and non-lease components as a single lease component.

Lease renewal options are not recognized as part of the lease liability until the Company determines it is reasonably certain it will exercise any applicable renewal options. The Company has determined it is not reasonably certain it will exercise any applicable renewal options. The Company has not recorded any liability for renewal options in these consolidated financial statements. The useful lives of leased assets as well as leasehold improvements, if any, are limited by the expected lease term.

Operating Leases

The Company's operating lease activities primarily consist of leases for office space in the U.S., the U.K. and Germany. Most of these leases include options to renew, with renewal terms generally ranging from one to seven years. The exercise of lease renewal options is at the Company's sole discretion. Certain of the Company's operating lease agreements include variable lease costs that are based on common area maintenance and property taxes. The Company expenses these payments as incurred. The Company's operating lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information as of December 31, 2019 for the Company's operating leases is as follows:

		(in thousands)
NON-CURRENT ASSETS:		
Right of use assets, net	$	1,107
Total lease assets	$	1,107
CURRENT LIABILITIES:		
Accrued expenses (Note 9)	$	469
NON-CURRENT LIABILITIES:		
Other non-current liabilities		829
Total lease liabilities	$	1,298

The Company's operating lease cost for the year ended December 31, 2019 was $508,000 and is included in general and administrative expenses in its consolidated statement of operations.

As of December 31, 2019, a schedule of maturity of lease liabilities under all of the Company's operating leases is as follows:

Years Ending December 31	(In thousands)
2020	$ 615
2021	461
2022	162
2023	162
2023	165
Total	1,565
Less amount representing interest	(267)
Present value of minimum lease payments	1,298
Less current portion	(469)
Non-current portion	$ 829

Cash paid for operating leases was $480,000 during the year ended December 31, 2019. Right of use assets of $676,000 were obtained in exchange for operating leases for the year ended December 31, 2019.

As of December 31, 2019, the weighted average remaining lease terms of the Company's operating leases was 3.5 years. The weighted average discount rate used to determine the lease liabilities was 10.1%. When available, the Company uses the rate implicit in the lease or sublease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment. In using the Company's incremental borrowing rate, management has elected to utilize a portfolio approach and apply the rates to a portfolio of leases with similar underlying assets and terms. Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

Finance Leases

The Company's finance lease activities primarily consist of leases for office equipment and automobiles. The property and equipment is capitalized at the lesser of fair market value or the present value of the minimum lease payments at the inception of the leases using the Company's incremental borrowing rate. The Company's finance lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information as of December 31, 2019 and December 31, 2018 for the Company's finance leases is as follows:

	December 31, 2019	December 31, 2018
	(In thousands)	
NON-CURRENT ASSETS:		
Property and equipment, net	$ 414	$ 615
Total lease assets	$ 414	$ 615
CURRENT LIABILITIES:		
Finance lease obligations	$ 255	$ 236
NON-CURRENT LIABILITIES:		
Finance lease obligations — less current portion	94	305
Total lease liabilities	$ 349	$ 541

Depreciation expense associated with property and equipment under finance leases was approximately $314,000 and $281,000 for the years ended December 31, 2019 and 2018, respectively. Interest expense associated with finance leases was $33,000 and $35,000 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, a schedule of maturity of lease liabilities under finance leases, together with the present value of minimum lease payments, is as follows:

Years Ending December 31	(In thousands)
2020	272
2021	87
2022	10
Total	369
Less amount representing interest	(20)
Present value of minimum lease payments	349
Less current portion	(255)
Non-current portion	$ 94

Cash paid for finance leases was $378,000 during the year ended December 31, 2019. The Company acquired $154,000 of property and equipment in exchange for finance leases during the year ended December 31, 2019.

As of December 31, 2019, the weighted average remaining lease terms of the Company's financing leases was 1.2 years. The weighted average discount rate used to determine the financing lease liabilities was 7.5%. When available, the Company uses the rate implicit in the lease or sublease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment. In using the Company's incremental borrowing rate, management has elected to utilize a portfolio approach and applies the rates to a portfolio of leases with similar underlying assets and terms.

5. GOING CONCERN

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

To date the Company has incurred recurring losses, negative cash flow from operations and has accumulated a deficit of $387,570,000 from the Company's inception through December 31, 2019. As of December 31, 2019, the Company had approximately $9,426,000 in cash and cash equivalents. The Company's ability to achieve profitability and positive cash flow depends on its ability to increase revenue and contain its expenses.

Further, the Company must maintain compliance with the debt covenants of its $45,000,000 Loan and Security Agreement dated December 31, 2019 with Solar Capital Ltd. (see Note 11). In management's opinion, the uncertainty regarding future revenues raises substantial doubt about the Company's ability to continue as a going concern without access to additional debt and/or equity financing, over the course of the next twelve months.

To meet the Company's future working capital needs, the Company may need to raise additional debt or equity financing. While the Company has historically been able to raise additional capital through issuance of equity and/or debt financing, and while the Company has implemented a plan to control its expenses in order to satisfy its obligations due within one year from the date of issuance of these financial statements, the Company cannot guarantee that it will be able to maintain debt compliance, raise additional equity, contain expenses, or increase revenue. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern within one year after these financial statements are issued.

6. INVENTORY

Inventory consisted of the following:

	December 31,	
	2019	2018
	(In thousands)	
Component parts (1)	$ 389	$ 129
Work-in-process (2)	399	924
Finished goods	602	1,352
Total inventory	1,390	2,405

(1) Component parts inventory consisted of manufactured components of the ILUVIEN applicator.
(2) Work-in-process consisted of completed units of ILUVIEN that are undergoing, but have not completed, quality assurance testing as required by U.S. or EEA regulatory authorities.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2019	2018
	(In thousands)	
Furniture and fixtures	$ 392	$ 392
Office equipment	543	809
Finance leases	890	930
Software	1,301	1,275
Leasehold improvements	471	474
Manufacturing equipment	1,154	1,087
Total property and equipment	4,751	4,967
Less accumulated depreciation and amortization	(3,811)	(3,612)
Property and equipment — net	$ 940	$ 1,355

Depreciation and amortization expense associated with property and equipment totaled $701,000 and $705,000 for the years ended December 31, 2019 and 2018, respectively.

8. INTANGIBLE ASSET

As a result of the U.S. Food and Drug Administration's (FDA) approval of ILUVIEN in September 2014, the Company was required to pay in October 2014 a milestone payment of $25,000,000 (the EyePoint Milestone Payment) to EyePoint Pharmaceuticals US, Inc. (EyePoint), formerly known as pSivida US, Inc. (see Note 10).

The gross carrying amount of the intangible asset is $25,000,000, which is being amortized over approximately 13 years from the acquisition date. The net book value of the intangible asset was $14,783,000 and $16,723,000 as of December 31, 2019 and 2018, respectively, and amortization expense was $1,940,000 for both the years ended December 31, 2019 and 2018, respectively.

The estimated remaining amortization as of December 31, 2019 is as follows (in thousands):

Years Ending December 31	
2020	$ 1,946
2021	1,940
2022	1,940
2023	1,940
2024	1,946
Thereafter	5,071
Total	$ 14,783

9. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 31,	
	2019	**2018**
	(In thousands)	
Accrued clinical investigator expenses	$ 576	$ 781
Accrued compensation expenses	2,159	1,427
Accrued rebate, chargeback and other revenue reserves	766	346
Accrued lease liabilities (note 4)	469	—
Other accrued expenses	746	1,089
Total accrued expenses	$ 4,716	$ 3,643

10. LICENSE AGREEMENTS

EyePoint Agreement

In February 2005, the Company entered into an agreement with EyePoint for the use of fluocinolone acetonide (FAc) in EyePoint's proprietary insert technology. This agreement was subsequently amended a number of times (as amended, the EyePoint Agreement). The EyePoint Agreement provides the Company with a worldwide exclusive license to utilize certain underlying technology used in the development and commercialization of ILUVIEN.

Second Amended and Restated Collaboration Agreement

On July 10, 2017, the Company and EyePoint entered into a Second Amended and Restated Collaboration Agreement (the New Collaboration Agreement), which amended and restated the EyePoint Agreement.

Before entering into the New Collaboration Agreement, the Company held the worldwide license from EyePoint for the use of EyePoint's proprietary insert technology for the treatment of all ocular diseases other than uveitis. The New Collaboration Agreement expanded the license to include uveitis, including NIU-PS, in Europe, the Middle East and Africa and also allows the Company to pursue an indication for NIU-PS for ILUVIEN in those territories.

The New Collaboration Agreement converted the Company's obligation to share 20% of its net profits to a royalty payable on global net revenues of ILUVIEN. The Company began paying a 2% royalty on net revenues and other related consideration to EyePoint on July 1, 2017. This royalty amount increased to 6% effective December 12, 2018. Pursuant to the New Collaboration Agreement the Company is required to pay an additional 2% royalty on global net revenues and other related consideration in excess of $75,000,000 in any year. During 2019 and 2018, the Company recognized approximately $2,158,000 and $998,000 of royalty expense, respectively, which is included in cost of goods sold, excluding depreciation and amortization. As of December 31, 2019, approximately $697,000 of this royalty expense was included in the Company's accounts payable.

In connection with a previous agreement with EyePoint, the Company was entitled to recover commercialization costs that were incurred prior to profitability of ILUVIEN and offset a portion of future payments owed to EyePoint in connection with sales of ILUVIEN with those accumulated commercialization costs. (The Company's future rights to recover these amounts from EyePoint are referred to as the Future Offset.) Following the signing of the New Collaboration Agreement, the Company retained a right to recover up to $15,000,000 of the Future Offset. Due to the uncertainty of future net profits, the Company has fully reserved the Future Offset in the accompanying consolidated financial statements. In March 2019, pursuant to the New Collaboration Agreement, the Company forgave $5,000,000 of the Future Offset in connection with the approval of ILUVIEN for NIU-PS in the U.K. As of December 31, 2019, the balance of the Future Offset was approximately $8,858,000. The Company will be able to recover the balance of the Future Offset as a reduction of future royalties that would otherwise be owed to EyePoint as follows:

- From December 12, 2018 through December 12, 2020, the royalty has been and will continue to be reduced from 6%, to 4% for net revenues and other related consideration up to $75,000,000 annually and from 8% to 5% for net revenues and other related consideration in excess of $75,000,000 on an annual basis; and
- Beginning December 13, 2020, the royalty will be reduced from 6% to 5.2% for net revenues and other related consideration up to $75,000,000 annually and from 8% to 6.8% for net revenues and other related consideration in excess of $75,000,000 on an annual basis.

Possible Reversion of the Company's License Rights to EyePoint

The Company's license rights to EyePoint's proprietary delivery device could revert to EyePoint if the Company were to:

(i) fail twice to cure its breach of an obligation to make certain payments to EyePoint following receipt of written notice thereof;

(ii) fail to cure other breaches of material terms of the EyePoint Agreement within 30 days after notice of such breaches or such longer period (up to 90 days) as may be reasonably necessary if the breach cannot be cured within such 30-day period;

(iii) file for protection under the bankruptcy laws, make an assignment for the benefit of creditors, appoint or suffer appointment of a receiver or trustee over its property, file a petition under any bankruptcy or insolvency act or have any such petition filed against it and such proceeding remains undismissed or unstayed for a period of more than 60 days; or

(iv) notify EyePoint in writing of its decision to abandon its license with respect to a certain product using EyePoint's proprietary insert technology.

11. LOAN AGREEMENTS

Hercules Loan Agreement

In April 2014, Alimera Sciences Limited (Alimera UK), a subsidiary of the Company, entered into a loan and security agreement (Hercules Loan Agreement) with Hercules Capital, Inc. (Hercules) providing for a term loan of up to $35,000,000 (Hercules Loan). The Company and Hercules amended the Hercules Loan Agreement several times. On January 5, 2018 the Company paid off the Hercules Loan on behalf of Alimera UK, using the proceeds of the 2018 Solar Loan Agreement described below.

In accordance with the Hercules Loan Agreement, when the Company prepaid the Hercules Loan Agreement on January 5, 2018, (a) the Company paid a prepayment penalty of 2.0% of the principal amount prepaid, or $709,000, which is included in loss on early extinguishment of debt for 2018; and (b) Alimera UK paid an end of term payment of $1,400,000.

Extinguishment of Debt

In accordance with the guidance in ASC 470-50, *Debt*, the Company accounted for the prepayment of the Hercules Loan Agreement as an extinguishment and recognized a loss on early extinguishment of debt of approximately $1,766,000 within the consolidated statements of operations for the year ended December 31, 2018. The loss on early extinguishment consisted primarily of the prepayment penalty paid to Hercules and unamortized debt discounts including the remaining portion of warrant values and debt issuance costs.

2014 Warrant

In connection with Alimera UK entering into the Hercules Loan Agreement, the Company issued a warrant that granted Hercules the right to purchase up to 19,002 shares of the Company’s common stock at an exercise price of $92.10 per share (the 2014 Warrant). The Company amended the 2014 Warrant a number of times to increase the number of shares issuable upon exercise to 83,933 and decrease the exercise price to $20.85 per share. The right to exercise this warrant expires on November 2, 2020.

2016 Warrant

In connection with Alimera UK entering into an amendment to the Hercules Loan Agreement on October 20, 2016, the Company agreed to issue a new warrant to Hercules (the 2016 Warrant) that granted Hercules the right to purchase up to 30,582 shares of the Company’s common stock at an exercise price of $16.35 per share. The right to exercise this warrant expires on October 20, 2021.

Solar Capital

2018 Solar Capital Loan Agreement

On January 5, 2018, the Company entered into a $40,000,000 Loan and Security Agreement (the 2018 Solar Loan Agreement) with Solar Capital Ltd. (Solar Capital), as Collateral Agent (Agent), and the parties signing the 2018 Solar Loan Agreement from time to time as Lenders, including Solar Capital in its capacity as a Lender (collectively, the Lenders). Under the 2018 Solar Loan Agreement, the Company borrowed the entire $40,000,000 as a term loan (the 2018 Solar Loan) that was scheduled to mature on July 1, 2022. The Company paid Solar Capital a $400,000 fee at the closing of the 2018 Solar Loan Agreement. The Company repaid the 2018 Solar Loan on December 31, 2019 with a new loan agreement with Solar Capital as described below.

The Company used the proceeds of the 2018 Solar Loan to extinguish (prepay) the Hercules Loan Agreement and pay related expenses. The Company used the remaining loan proceeds to provide additional working capital for general corporate purposes.

Interest on the 2018 Solar Loan was payable at one-month LIBOR plus 7.65% per annum. The 2018 Solar Loan Agreement provided for interest only payments through the date of repayment. As of the final interest payment on the 2018 Solar Loan, the interest rate was approximately 9.3%.

The Company agreed, for itself and its subsidiaries, to customary affirmative and negative covenants and events of default in connection with the 2018 Solar Loan Agreement.

2018 Exit Fee Agreement

Notwithstanding the repayment of the 2018 Solar Loan, the Company remains obligated to pay additional fees under the Exit Fee Agreement (2018 Exit Fee Agreement) dated as of January 5, 2018 by and among the Company, Solar Capital as Agent, and the Lenders. The 2018 Exit Fee Agreement survived the termination of the 2018 Solar Loan Agreement upon the repayment of the 2018 Solar Loan and has a term of 10 years. The Company is obligated to pay up to, but no more than, $2,000,000 in fees under the 2018 Exit Fee Agreement.

Specifically, the Company is obligated to pay an exit fee of $2,000,000 on a “change in control” (as defined in the 2018 Exit Fee Agreement). To the extent that the Company has not already paid the $2,000,000 fee, the Company is also obligated to pay a fee of $1,000,000 on achieving each of the following milestones:

a. first, if the Company achieves revenues of $80,000,000 or more from the sale of its ILUVIEN product in the ordinary course of business to third party customers, measured on a trailing 12-month basis during the term of the agreement, tested at the end of each month; and

b. second, if the Company achieves revenues of $100,000,000 or more from the sale of its ILUVIEN product in the ordinary course of business to third party customers, measured in the same manner.

Modification of Debt

In accordance with the guidance in ASC 470-50, *Debt*, the Company entered into and accounted for the 2019 Solar Loan Agreement as a modification and capitalized approximately $427,000 of costs as additional deferred financing costs and expensed approximately $76,000 of costs incurred with third parties within the consolidated statements of operations for the year ended December 31, 2019. In connection with entering into this loan, the Company was obligated to pay a $1.8 million fee upon repayment of the 2018 Solar Loan that was previously accrued and a $400,000 prepayment fee.

2019 Solar Capital Loan Agreement

On December 31, 2019, the Company entered into a $45,000,000 Loan and Security Agreement (the 2019 Solar Loan Agreement) with Solar Capital, as Agent, and the parties signing the Loan Agreement from time to time as Lenders, including Solar Capital in its capacity as a Lender (collectively, the Lenders). Under the 2019 Solar Loan Agreement, the Company borrowed $42,500,000 on December 31, 2019 and subsequent to December 31, 2019, the Company borrowed the remaining $2,500,000 on February 21, 2020 (the two borrowings totaling $45,000,000 are referred to as the 2019 Solar Loan). The 2019 Solar Loan matures on July 1, 2024.

As noted above, the Company used the initial proceeds of the 2019 Solar Loan to pay off the 2018 Solar Loan, along with related prepayment, legal and other fees and expenses of approximately $2,278,000, which included a $1.8 million fee to Solar Capital upon repayment of the 2018 Solar Loan that was previously accrued and a $400,000 prepayment fee to Solar Capital that was capitalized as deferred financing costs. The Company expects to use the remaining loan proceeds to provide additional working capital for general corporate purposes.

Interest on the 2019 Solar Loan is payable at the greater of (i) one-month LIBOR or (ii) 1.78%, plus 7.65% per annum. As of December 31, 2019, the 2019 Solar Loan’s interest rate is 9.43%. The 2019 Solar Loan provides for interest only payments until January 1, 2023. If the Company meets certain revenue thresholds and no event of default shall have occurred and is continuing, the Company can extend the interest only period an additional six months, ending on June 30, 2023, followed by one year of monthly payments of principal and interest.

The Company paid the Lenders a non-refundable facility fee in the amount of $25,000 on February 21, 2020. In addition, the Company is obligated to pay a $2,250,000 fee upon repayment of the 2019 Solar Loan.

The Company may elect to prepay not less than $10,000,000 of the outstanding principal balance of the 2019 Solar Loan. The Company must pay a prepayment premium upon any prepayment of the 2019 Solar Loan before its maturity date, whether by mandatory or voluntary prepayment, acceleration or otherwise, equal to:

a. 2.00% of the principal amount prepaid for a prepayment made on or after December 31, 2019 through and including December 31, 2020;

b. 1.00% of the principal amount prepaid for a prepayment made after December 31, 2020 through and including December 31, 2021; and

c. 0.50% of the principal amount prepaid for a prepayment made after December 31, 2021 and greater than 30 days before the maturity date.

2019 Exit Fee Agreement

The Company is also obligated to pay additional fees under the Exit Fee Agreement dated as of December 31, 2019 by and among the Company, Solar Capital as Agent, and the Lenders (2019 Exit Fee Agreement). The 2019 Exit Fee Agreement will survive the termination of the 2019 Solar Loan Agreement and has a term of 10 years. The Company will be obligated to pay a $675,000 exit fee upon the occurrence of an exit event, which generally means a change in control, as defined in the 2019 Exit Fee Agreement.

If the Company has not already paid the $675,000 fee under the 2019 Exit Fee Agreement, the Company is also obligated to pay a fee of $337,500 on achieving each of the following milestones:

a. first, if the Company achieves revenues of $75,000,000 or more from the sale of ILUVIEN in the ordinary course of business to third party customers, measured on a trailing 12-month basis during the term of the 2019 Exit Fee Agreement, tested at the end of each month; and

b. second, if the Company achieves revenues of $95,000,000 or more from the sale of ILUVIEN in the ordinary course of business to third party customers, measured in the same manner.

In no event, however, will the Company be obligated to pay more than a total of $675,000 in fees under the 2019 Exit Fee Agreement.

The 2018 Exit Fee Agreement under the 2018 Solar Loan Agreement remains in effect, has a term ending January 5, 2028 and is further described above.

No warrants were issued in connection with the 2018 Solar Loan Agreement or the 2019 Solar Loan Agreement.

The Company agreed, for itself and its subsidiaries, to customary affirmative and negative covenants and events of default in connection with the 2019 Solar Loan Agreement. The occurrence of an event of default could result in the acceleration of the Company’s obligations under the 2019 Solar Loan Agreement and an increase to the applicable interest rate and would permit the Agent to exercise remedies with respect to the collateral under the 2019 Solar Loan Agreement.

The Company’s obligations to the Agent and the Lenders under the 2019 Solar Loan Agreement are secured by a first priority security interest in substantially all of the assets, excluding intellectual property, of the Company and its wholly owned subsidiary, Alimera Sciences (DE), LLC (Alimera DE), which is a guarantor of the loan, provided that only 65% of the voting interests in the foreign subsidiaries owned by the Company and Alimera DE are pledged to the Lenders, and no assets or equity interests in the direct or indirect subsidiaries of such foreign subsidiaries are subject to the Lenders’ security interests. The Lenders do, however, maintain a negative pledge on the property of the Company and all of its subsidiaries, including the Company’s intellectual property, requiring the Lenders’ consent for any liens (other than typical permitted liens) on or the sale of such property.

Fair Value of Debt

The weighted average interest rates of the Company’s notes payable approximate the rate at which the Company could obtain alternative financing. Therefore, the carrying amount of the notes approximated their fair value at December 31, 2019 and 2018.

12. COMMITMENTS AND CONTINGENCIES

2019 Solar Loan

Under the 2019 Solar Loan Agreement (see Note 11), as of December 31, 2019, the Company was obligated to make future minimum principal payments on the 2019 Solar Loan, excluding the $2,250,000 fee that will be due upon its repayment in full, as follows:

Years Ending December 31	(In thousands)
2020	—
2021	—
2022	—
2023	22,885
2024	19,615
Total	42,500
Less unamortized debt discount and deferred financing costs	(3,842)
Less current portion	—
Non-current portion	$ 38,658

As of December 31, 2019, the Company had no accrued or unpaid interest payable under the 2019 Solar Loan Agreement. As of December 31, 2018, the Company had $345,000 accrued and unpaid interest payable under the 2018 Solar Loan Agreement that is included in accounts payable on the Company's consolidated balance sheets.

Significant Agreements

In February 2010, the Company entered into an agreement with a third-party manufacturer for the manufacture of the ILUVIEN implant, the assembly of the ILUVIEN applicator and the packaging of the completed ILUVIEN commercial product. The Company is responsible for supplying the ILUVIEN applicator and the active pharmaceutical ingredient. In accordance with the terms of the agreement, the Company must order at least 80% of the ILUVIEN units required in the U.S., Canada and the EEA from the third-party manufacturer. This agreement had an initial term of six years. After that six-year term ended, the agreement automatically renewed for successive one-year periods. In February 2016, the Company and the third-party manufacturer amended and restated this agreement to extend the term by five years, at which point the agreement will automatically renew for successive one-year periods unless either party delivers notice of non-renewal to the other party at least 12 months before the end of the term or any renewal term.

Employment Agreements

The Company is party to employment agreements with four executives. The agreements generally provide for annual salaries, bonuses and benefits and for the "at-will" employment of such executives. Effective January 1, 2020, the Company is party to four agreements with annual salaries ranging from $285,000 to $575,000. If any of the agreements are terminated by the Company without cause, or by the employee for good reason, as defined in the agreements, the Company will be liable for one year to 18 months of salary and benefits. Certain other employees have general employment contracts that include stipulations regarding confidentiality, Company property, severance in an event of change of control and miscellaneous items.

13. PREFERRED STOCK

Series A Convertible Preferred Stock

On October 2, 2012, the Company closed its preferred stock financing in which it sold units consisting of 1,000,000 shares of Series A Convertible Preferred Stock (Series A Preferred Stock) and warrants (which expired on October 1, 2017) to purchase 300,000 shares of Series A Preferred Stock for gross proceeds of $40,000,000, prior to the payment of approximately $560,000 of related issuance costs. The powers, preferences and rights of the Series A Preferred Stock are set forth in the certificate of designation for the Series A Preferred Stock filed by the Company with the Delaware Secretary of State as part of the Company's certificate of incorporation. Each share of Series A Preferred Stock is convertible into shares of the Company's common stock at any time at the option of the holder at the rate equal to $40.00 divided by $39.90 (Conversion Price). Each share of Series A Preferred Stock shall automatically be converted into shares of common stock at the then-effective Conversion Price upon the date on which the Company consummates an equity financing transaction pursuant to which the Company sells to one or more third party investors either (a) shares of common stock or (b) other equity securities that are convertible into shares of common stock and that have rights, preference or privileges, senior to or on a parity with, the Series A Preferred Stock, in each case having an as-converted per share of common stock price of not less than $150.00 and that results in total gross proceeds to the Company of at least $30,000,000. The rights and preferences of Series A Preferred Stock also place limitations on the Company's ability to declare or pay any dividend or distribution on any shares of capital stock. Each share of Series A Preferred Stock is entitled to one vote per share of common stock underlying the Series A Preferred Stock on an as-converted basis based on a deemed conversion price of $44.25 per share.

In 2014, the Company issued 6,015,037 shares of common stock pursuant to the conversion of 400,000 shares of Series A Preferred Stock. As of December 31, 2019, there were 600,000 shares of Series A Convertible Preferred Stock issued and outstanding.

Series B Convertible Preferred Stock

On December 12, 2014, the Company closed a preferred stock financing in which it sold 8,291.873 shares of Series B Convertible Preferred Stock (Series B Preferred Stock) for a purchase price of $6,030 per share, or an aggregate purchase price of $50,000,000, prior to the payment of approximately $432,000 of related issuance costs. The Company issued an additional 124.378 shares of Series B Preferred Stock as a subscription premium to the purchasers. On September 4, 2018, all of the outstanding shares of Series B Preferred Stock were exchanged for shares of Series C Convertible Preferred Stock (see below).

On September 4, 2018, following the closing of the exchange of all outstanding shares of Series B Preferred Stock for shares of Series C Convertible Preferred Stock, the Company filed with the Delaware Secretary of State a Certificate of Elimination of Series B Convertible Preferred Stock of Alimera Sciences, Inc., which eliminated from the Company's amended and restated certificate of incorporation, as amended, the Alimera Sciences, Inc. Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock. As a result, all shares of the Company's preferred stock previously designated as Series B Convertible Preferred Stock were eliminated and returned to the status of authorized but unissued shares of preferred stock, without designation as to series.

Series C Convertible Preferred Stock

On September 4, 2018, the Company entered into and closed a Series B Preferred Stock Exchange Agreement (Exchange Agreement) with the holders of all of the outstanding approximately 8,416 shares of Series B Preferred Stock. Under the Exchange Agreement, the holders of Series B Preferred Stock exchanged their shares of Series B Preferred Stock for an aggregate of 10,150 shares of Series C Convertible Preferred Stock, par value $0.01 per share (Series C Preferred Stock). The powers, preferences and rights of the Series C Preferred Stock are set forth in the certificate of designation filed by the Company with the Delaware Secretary of State as part of the Company's certificate of incorporation, as amended. All of the outstanding shares of Series B Preferred Stock were canceled in the exchange. The Company incurred approximately $122,000 in legal costs related to the Exchange Agreement.

The 10,150 issued and outstanding shares of Series C Preferred Stock have an aggregate stated value of $10,150,000 and are convertible into shares of the Company's common stock at $15.00 per share, or 676,667 shares of the Company's common stock in total, at any time at the option of the holder, provided that the holder will be prohibited from converting shares of Series C Preferred Stock into shares of the Company's common stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 9.98% of the total number of shares of the Company's common stock then issued and outstanding. The Series C Preferred Stock is not redeemable at the option of the holder. In the event of a liquidation, dissolution or winding up of the Company and in the event of certain mergers, tender offers and asset sales, the holders of the Series C Preferred Stock will receive the greater of (a) the liquidation preference equal to $10,150,000 in the aggregate, plus any

declared but unpaid dividends, or (b) the amount such holders would receive had all shares of the Series C Preferred Stock been converted into the Company's common stock immediately before such event. With respect to rights upon liquidation, the Series C Preferred Stock ranks junior to the Company's Series A Preferred Stock and senior to the Company's common stock. The Series C Preferred Stock ranks junior to all existing and future indebtedness. Except as otherwise required by law (or with respect to approval of certain actions), the Series C Preferred Stock does not have voting rights. The Series C Preferred Stock is not subject to any price-based anti-dilution protections and does not provide for any accruing dividends.

The Company determined that the Exchange Agreement resulted in an extinguishment of the Series B Preferred Stock. As a result, the Company recognized a gain of $38,330,000 on the extinguishment of preferred stock during 2018. As of the transaction date, the Company made an assessment of the fair market value of the Series C Preferred Stock and calculated the value to be $11,239,000, prior to the payment of approximately $122,000 of related transaction costs. This Company recorded this gain within stockholders' equity and as an increase to earnings available to stockholders for 2018. The $38,330,000 gain on extinguishment of preferred stock was derived by the difference in the fair market value of the Series C Preferred Stock and the carrying value of the Series B Preferred Stock.

14. STOCK INCENTIVE PLANS

The Company has stock option and stock incentive plans that provide for grants of shares to employees and grants of options to employees and directors to purchase shares of the Company's common stock at exercise prices generally equal to the fair values of such stock at the dates of grant. Awards that can be granted under these plans include stock options, restricted stock units (RSUs) and restricted stock. The Company also has an employee stock purchase plan (see Note 18). Options granted to employees typically become exercisable over a four-year vesting period and have a ten-year contractual term. Initial options granted to directors typically vest over a four-year period and have a ten-year contractual term. Annual option grants to directors typically vest immediately and have a ten-year contractual term. Upon the exercise of stock options, the Company may issue the required shares out of authorized but unissued common stock or out of treasury stock at management's discretion.

A summary of stock option transactions under the plans are as follows:

	Years Ended December 31,			
	2019		2018	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of period	830,100	$ 39.41	773,295	$ 43.50
Grants	128,283	13.36	140,836	16.11
Forfeitures	(86,911)	40.49	(83,927)	38.10
Exercises	—	—	(104)	15.90
Options outstanding at year end	871,472	35.46	830,100	39.41
Options exercisable at year end	674,952	41.25	609,428	46.33
Weighted average per share fair value of options granted during the year	$ 8.28		$ 10.59	

The following table provides additional information related to outstanding stock options, fully vested stock options, and stock options expected to vest as of December 31, 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value
				(In thousands)
Outstanding	871,472	$ 35.46	5.83 years	$ 4,043
Exercisable	674,952	41.25	5.04 years	13
Outstanding, vested and expected to vest	849,285	36.00	5.75 years	3,324

The Company estimated the fair value of options granted using the Black-Scholes option pricing model. Use of a valuation model requires the Company to make certain assumptions with respect to selected model inputs. Changes in these input variables would affect the amount of expense associated with equity-based compensation. Expected volatility is based on the historical volatility of the Company's common shares over the expected term of the stock option grant. To estimate the expected term, the Company utilizes the "simplified" method for "plain vanilla" options as discussed within the SEC's Staff Accounting Bulletin 107. The Company intends to utilize the simplified method for the foreseeable future until more detailed information about exercise behavior will be more widely available. The risk-free interest rate is based on U.S. Treasury Daily Treasury Yield Curve Rates corresponding to the expected life assumed at the date of grant. Dividend yield is zero as there are no payments of dividends made or expected. The weighted-average assumptions used for option grants were as follows:

	Years Ended December 31,	
	2019	2018
Risk-free interest rate	2.39%	2.63%
Volatility factor	67.29%	72.60%
Grant date fair value of common stock options	$ 8.28	$ 10.59
Weighted-average expected life	6.03 years	6.02 years
Assumed forfeiture rate	10.00%	10.00%

Employee stock-based compensation expense related to stock options recognized in accordance with ASC 718 was as follows:

	Years Ended December 31,	
	2019	2018
	(In thousands)	
Sales and marketing	$ 339	$ 685
Research, development and medical affairs	328	565
General and administrative	1,240	2,130
Total employee stock-based compensation expense related to stock options	$ 1,907	$ 3,380

As of December 31, 2019, there was approximately $1,850,000 of total unrecognized compensation cost related to outstanding stock option awards that will be recognized over a weighted average period of 2.29 years. The total fair value of shares vested during 2019 was approximately $1,909,000.

The total estimated fair value of options granted during the years ended December 31, 2019 and 2018 was $1,063,000 and $2,268,000, respectively. There were no options exercised for the year ended December 31, 2019. The total estimated intrinsic value of options exercised was less than $1,000 for the year ended December 31, 2018.

Restricted Stock Units

A summary of RSU transactions under the plans are as follows:

	Years Ended December 31,			
	2019		2018	
	RSUs	Weighted Average Grant Date Fair Value	RSUs	Weighted Average Grant Date Fair Value
Restricted stock units outstanding at beginning of period	60,041	$ 17.30	55,979	$ 18.15
Grants	36,763	13.15	72,814	17.29
Vested units	(59,341)	17.30	(55,979)	18.15
Forfeitures	(700)	17.40	(12,773)	17.28
Restricted stock units outstanding at year end	36,763	13.15	60,041	17.30

As of December 31, 2019, there was approximately $123,000 of total unrecognized compensation cost related to outstanding RSUs that will be recognized during the first quarter of 2020.

Employee stock-based compensation expense related to RSUs recognized in accordance with ASC 718 was $517,000 and $1,002,000 for the years ended December 31, 2019, and 2018, respectively.

15. COMMON STOCK WARRANTS

The Company has issued warrants to purchase common stock to various members of the board of directors, third parties for services, and lenders. Warrants to purchase a total of 119,712 shares of common stock were outstanding as of December 31, 2019 and 2018. As of December 31, 2019, the exercise prices ranged from $16.35 to $165.00 per share. The warrants are exercisable for a period between 5 and 10 years from the issuance date.

In connection with Alimera UK entering into the Hercules Loan Agreement (Note 11), the Company entered into the 2014 Warrant, which granted Hercules the right to purchase up to 19,002 shares of the Company's common stock at an exercise price of $92.10 per share. The Company amended the 2014 Warrant a number of times to increase the number of shares issuable upon exercise to 83,933 and decrease the exercise price to $20.85 per share. The right to exercise this warrant expires on November 2, 2020.

In connection with Alimera UK entering into the Fourth Loan Amendment with Hercules, the Company agreed to issue the 2016 Warrant, which granted Hercules the right to purchase up to 30,582 shares of the Company's common stock at an exercise price of $16.35 per share. The right to exercise this warrant expires on October 20, 2021.

16. CONCENTRATIONS AND CREDIT RISK

For the years ended December 31, 2019 and 2018, there were three customers within the U.S. segment. Two of these customers, which are large pharmaceutical distributors, accounted for approximately 60% and 69%, respectively, of the Company's total consolidated revenues. These two customers accounted for approximately 68% and 73% of the Company's consolidated accounts receivable as of December 31, 2019 and 2018, respectively.

For the year ended December 31, 2019, no vendor comprised more than 10% of the Company's total purchases. For the year ended December 31, 2018, one of the Company's third-party manufacturers of ILUVIEN comprised approximately 13.7% of the Company's total purchases. The Company relies on a single manufacturer for ILUVIEN, a single manufacturer for the ILUVIEN applicator and a single active pharmaceutical ingredient manufacturer for ILUVIEN's active pharmaceutical ingredient.

17. INCOME TAXES

On December 22, 2017, the United States enacted major tax reform legislation, Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (2017 Tax Act). The more significant attributes of the 2017 Tax Act impose a repatriation tax on accumulated earnings of foreign subsidiaries, implement a territorial tax system together with a current tax on certain foreign earnings and lower the general corporate income tax rate to 21%.

Following guidance provided by SEC Staff Accounting Bulletin No. 118, which in March 2018 was codified by the FASB in ASU 2018-05, *Income Taxes (Topic 740)* the Company remeasured certain net deferred and other tax liabilities based on the tax rate at which they are expected to reverse, which is now 21% instead of 35%. The net impact of the 2017 Tax Act was $0 due to a full valuation allowance recorded against the U.S. deferred tax assets. During 2018, the Company continued to analyze other provisions of the 2017 Tax Act and as of December 31, 2018, we completed our accounting for the effects of the 2017 Tax Act.

The components of net loss before taxes are as follows:

	Years Ended December 31,	
	2019	2018
	(In thousands)	
United States	$ (1,840)	$ (2,908)
Foreign	(8,387)	(13,368)
Loss before provision for income taxes	$ (10,227)	$ (16,276)

In accordance with ASC 740, the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates in effect for the year in which the differences are expected to reverse. The Company records a valuation allowance against the net deferred tax asset to reduce the net carrying value to an amount that is more likely than not to be realized.

The provision for income taxes consists of the following components:

	Years Ended December 31,	
	2019	2018
	(In thousands)	
Current expense (benefit):		
Federal	$ —	$ —
State	—	—
Foreign	(238)	759
Current income tax expense	(238)	759
Deferred expense (benefit):		
Federal	34	256
State	(562)	411
Foreign	448	(654)
	(80)	13
Valuation allowance	534	(666)
Deferred income tax benefit	454	(653)
Total income tax expense	$ 216	$ 106

The following summarizes activity related to the Company's valuation allowance:

	Years Ended December 31,	
	2019	2018
	(In thousands)	
Valuation allowance at beginning of period	$ (42,151)	$ (41,485)
Income tax provision	534	(666)
U.S. Tax Reform	—	—
Valuation allowance at end of period	$ (41,617)	$ (42,151)

Worldwide net deferred tax assets and liabilities are as follows:

	December 31,	
	2019	2018
Deferred tax assets	(In thousands)	
Depreciation and amortization	$ 61	$ 55
Other deferred tax assets	662	1,382
NOL carry-forwards	34,530	34,217
Research and development costs	203	813
Equity compensation	4,774	4,485
Collaboration agreement receivable reserves	2,121	2,381
Valuation allowance	(41,617)	(42,151)
Total deferred tax assets	$ 734	$ 1,182

A reconciliation from the federal statutory rate to the total provision for income taxes is as follows:

	Years Ended December 31,			
	2019		2018	
	Amount	Percent	Amount	Percent
	(in thousands, except percentages)			
Federal tax benefit at statutory rate	$ (2,148)	21.0 %	$ (3,463)	21.0 %
State tax — net of federal benefit	573	(5.6)	1	—
Permanent items and other	278	(2.7)	528	(3.2)
Foreign rate differential	1,898	(18.6)	2,946	(17.9)
Deferred rate change	(15)	0.1	(438)	2.7
Other	164	(1.5)	(134)	0.8
Change in valuation allowance	(534)	5.2	666	(4.0)
Total tax expense (benefit)	$ 216	(2.1)%	$ 106	(0.6)%

The change in state taxes in 2019, net of federal benefit, was a result of reductions in state tax rates which impacted state deferred tax asset balances from the prior year. Additionally, the reduction in foreign earnings contributed to the overall decrease in the foreign rate differential. The abovementioned tax impacting items are fully offset by a valuation allowance recorded against U.S. federal and state income taxes; therefore, the overall impact of these items is zero to income tax expense.

A rollforward of the Company's uncertain tax positions is as follows:

	Years Ended December 31,	
	2019	2018
	(In thousands)	
Balance of uncertain tax positions at beginning of period	$ 68	$ 52
Gross increases - tax positions in current period	8	13
Gross increases - tax positions in prior period	—	10
Gross decreases - tax positions in prior period	—	(7)
Settlements	—	—
Lapse of statute of limitations	—	—
Balance of uncertain tax positions at end of period	$ 76	$ 68

Included in the balance of unrecognized tax benefits as of December 31, 2019 and 2018 are approximately $76,000 and $68,000, respectively, of tax benefits related to research and development tax credits. In accordance with ASC 740-10, such attributes are reduced to the amount that is expected to be recognized in the future. The Company does not accrue interest or penalties, as there is no risk of additional tax liability due to significant NOLs available. The Company does not expect any decreases to the unrecognized tax benefits within the next twelve months due to any lapses in statute of limitations. Tax years from 2015 to 2018 remain subject to examination in California, Georgia, Kentucky, Tennessee, Texas and on the federal level, with the exception of the assessment of NOL carry-forwards available for utilization, which can be examined for all years since 2009. The statute of limitations on these years will close when the NOLs expire or when the statute closes on the years in which the NOLs are utilized.

Significant management judgment is involved in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against net deferred tax assets. Due to uncertainties with respect to the realization of U.S. deferred tax assets due to the history of operating losses, a valuation allowance has been established against the entire net U.S. deferred tax asset balance. The valuation allowance is based on management's estimates of taxable income in the jurisdictions in which the Company operates and the period over which deferred tax assets will be recoverable. If actual results differ from these estimates or the Company adjusts these estimates in future periods, a change in the valuation allowance may be needed, which could materially impact the Company's financial position and results of operations.

As of December 31, 2019 and 2018, the Company had federal net operating loss (NOL) carry-forwards of approximately $125,756,000 and $122,455,000, and state NOL carry-forwards of approximately $172,993,000, and $153,333,000 respectively, subject to further limitation based upon the final results of our Internal Revenue Code (IRC) sections 382 and 383 analyses. These NOLs are available to reduce future income unless otherwise taxable. If not utilized, the federal NOL carry-forwards will expire at various dates between 2029 and 2038, the Company's federal NOL created in 2018 and onward will carry forward indefinitely and the state NOL carry-forwards will expire at various dates between 2020 and 2039.

Sections 382 and 383 of the Internal Revenue Code limit the annual use of NOL carry-forwards and tax credit carry-forwards, respectively, following an ownership change. NOL carry-forwards may be subject to annual limitations under IRC Section 382 (Section 382) (or comparable provisions of state law) if certain changes in ownership were to occur. The Company periodically evaluates its NOL carry-forwards and whether certain changes in ownership have occurred that would limit the Company's ability to utilize a portion of its NOL carry-forwards. If it is determined that significant ownership changes have occurred since the Company generated its NOL carry-forwards, the Company may be subject to annual limitations on the use of these NOL carry-forwards under Section 382 (or comparable provisions of state law). The Company has determined that a Section 382 change in ownership occurred in late 2015. As a result of this change in ownership, the Company estimated that approximately $18.6 million of the Company's federal NOLs and approximately $382,000 of federal tax credits generated prior to the change in ownership will not be utilized in the future. The Company is currently in the process of refining and finalizing these calculations, and upon finalization, will determine if a write-off is necessary. The reduction to the Company's NOL deferred tax asset due to the annual Section 382 limitation and the NOL carryforward period would result in an offsetting reduction in valuation allowance recorded against the NOL deferred tax asset.

As of December 31, 2019, the Company had cumulative book losses in foreign subsidiaries of approximately $134,379,000. The Company has not recorded a deferred tax asset for the excess of tax over book basis in the stock of its foreign subsidiaries. The Company anticipates that its foreign subsidiaries will be profitable and have earnings in the future. Once the foreign subsidiaries do have earnings, the Company intends to indefinitely reinvest in its foreign subsidiaries all undistributed earnings of and original investments in such subsidiaries. As a result, the Company does not expect to record deferred tax liabilities in the future related to excesses of book over tax basis in the stock of its foreign subsidiaries in accordance with ASC 740-30-25.

18. EMPLOYEE BENEFIT PLANS

The Company has a salary deferral 401(k) plan that covers substantially all U.S. employees of the Company. The Company matches participant contributions subject to certain plan limitations. Compensation expense associated with the Company's matching plan totaled $195,000 and $274,000 for the years ended December 31, 2019 and 2018, respectively. The Company may also make an annual discretionary profit-sharing contribution. No such discretionary contributions were made during the years ended December 31, 2019 and 2018, respectively.

In April 2010, the Company established an Employee Stock Purchase Plan (the ESPP). Under the ESPP, eligible employees can participate and purchase common stock semi-annually through accumulated payroll deductions. The ESPP is administered by the Company's board of directors or a committee appointed by the Company's board of directors. Under the ESPP eligible employees may purchase stock at 85% of the lower of the fair market value of a share of common stock on the offering date or the exercise date. The ESPP provides for two six-month purchase periods generally starting on the first trading day on or after October 31 and April 30 of each year. Eligible employees may contribute up to 15% of their eligible compensation. A participant may purchase a maximum of 167 shares of common stock per purchase period. The value of the shares purchased in any calendar year may not exceed $25,000.

The ESPP was effective upon the completion of the Company's initial public offering in 2010, at which time a total of 32,961 shares of the Company's common stock were made available for sale. As of January 1 of each year, the number of available shares is automatically restored to the original level. A total of 5,655 and 6,110 shares of the Company's common shares were acquired through the ESPP during the years ended December 31, 2019 and 2018, respectively. As such, on January 1, 2020 and 2019, respectively, an additional 5,655 and 6,110 shares became available for future issuance under the ESPP. In accordance with ASC 718-50, the ability to purchase stock at 85% of the lower of the fair market value of a share of common stock on the offering date or the exercise date represents an option. The Company estimates the fair value of such options at the inception of each offering period using the Black-Scholes valuation model. In connection with the ESPP, the Company recorded $32,000 and $31,000 of compensation expense for the years ended December 31, 2019 and 2018, respectively.

19. SEGMENT INFORMATION

For the years ended December 31, 2019 and 2018, two customers within the U.S. segment that are large pharmaceutical distributors accounted for 60% and 69% of the Company's consolidated revenues for the years ended December 31, 2019 and 2018, respectively. These same two customers within the U.S. segment accounted for approximately 68% and 73% of the Company's consolidated accounts receivable at December 31, 2019 and 2018, respectively.

The Company's chief operating decision maker is the Chief Executive Officer (CEO). While the CEO is apprised of a variety of financial metrics and information, the business is principally managed and organized based upon geographic and regulatory environment. Each segment is separately managed and is evaluated primarily upon segment loss from operations. Non-cash items including stock-based compensation expense and depreciation and amortization are categorized as Other within the table below. The Company does not report balance sheet information by segment because the Company's chief operating decision maker does not review that information.

The following table presents a summary of the Company's reporting segments for the years ended December 31, 2019 and 2018:

	Year Ended December 31, 2019			
	U.S.	International	Other	Consolidated
	(In thousands)			
NET REVENUE	$ 32,283	$ 21,660	$ —	$ 53,943
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(3,487)	(3,139)	—	(6,626)
GROSS PROFIT	28,796	18,521	—	47,317
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	5,943	4,634	415	10,992
GENERAL AND ADMINISTRATIVE EXPENSES	8,449	3,944	1,561	13,954
SALES AND MARKETING EXPENSES	17,591	6,933	480	25,004
DEPRECIATION AND AMORTIZATION	—	—	2,641	2,641
OPERATING EXPENSES	31,983	15,511	5,097	52,591
SEGMENT (LOSS) INCOME FROM OPERATIONS	(3,187)	3,010	(5,097)	(5,274)
OTHER INCOME AND EXPENSES, NET			(4,953)	(4,953)
NET LOSS BEFORE TAXES				$ (10,227)

	Year Ended December 31, 2018			
	U.S.	International	Other	Consolidated
	(In thousands)			
NET REVENUE	$ 31,966	$ 14,633	$ —	$ 46,599
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(2,875)	(1,433)	—	(4,308)
GROSS PROFIT	29,091	13,200	—	42,291
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	6,457	3,946	871	11,274
GENERAL AND ADMINISTRATIVE EXPENSES	8,147	3,259	3,119	14,525
SALES AND MARKETING EXPENSES	16,569	5,910	1,038	23,517
DEPRECIATION AND AMORTIZATION	—	—	2,645	2,645
OPERATING EXPENSES	31,173	13,115	7,673	51,961
SEGMENT (LOSS) INCOME FROM OPERATIONS	(2,082)	85	(7,673)	(9,670)
OTHER INCOME AND EXPENSES, NET			(6,606)	(6,606)
NET LOSS BEFORE TAXES				$ (16,276)

20. SUBSEQUENT EVENT

As discussed in Note 11, on February 21, 2020, the Company borrowed the remaining $2,500,000 of the 2019 Solar Loan. No other events have occurred.

EXHIBIT INDEX

Exhibit Number	Exhibit Title
3.1*	Restated Certificate of Incorporation of Registrant, as amended on various dates
3.2*	Amended and Restated Bylaws of the Registrant, as amended
4.1	Irrevocable Waiver of Rights to Designate Series A Director dated May 16, 2014 (filed as Exhibit 4.11 to the Registrant's Current Report on Form 8-K, as filed on May 16, 2014, and incorporated herein by reference)
4.2.A	Warrant Agreement dated as of April 24, 2014 issued to Hercules Technology Growth Capital, Inc. (filed as Exhibit 4.11 to the Registrant's Quarterly Report on Form 10-Q, as filed on August 11, 2014, and incorporated herein by reference)
4.2.B	Amendment No. 1 dated November 2, 2015 to Warrant Agreement dated as of April 24, 2014 by and among the Registrant and Hercules Technology Growth Capital, Inc. (filed as Exhibit 4.13 to the Registrant's Annual Report on Form 10-K, as filed on March 15, 2016, and incorporated herein by reference)
4.2.C	Amendment No. 2 dated March 14, 2016 to Warrant Agreement dated as of April 24, 2014 by and among the Registrant and Hercules Technology Growth Capital, Inc. (filed as Exhibit 4.14 to the Registrant's Quarterly Report on Form 10-Q, as filed on May 6, 2016, and incorporated herein by reference)
4.2.D	Amendment No. 3 dated July 21, 2016 to Warrant Agreement dated as of April 24, 2014 by and among the Registrant and Hercules Capital, Inc. f/k/a Hercules Technology Growth Capital, Inc. (filed as Exhibit 4.15 to the Registrant's Quarterly Report on Form 10-Q, as filed on November 4, 2016, and incorporated herein by reference)
4.2.E	Warrant Agreement dated October 20, 2016 by and among the Registrant and Hercules Capital, Inc. f/k/a Hercules Technology Growth Capital, Inc. (filed as Exhibit 4.16 to the Registrant's Quarterly Report on Form 10-Q, as filed on November 4, 2016, and incorporated herein by reference)
4.3*	Description of Securities
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-162782), as filed on October 30, 2009, and incorporated herein by reference)
10.2	Office Lease by and between Rubicon, L.C. and Alimera Sciences, Inc., dated as of May 27, 2003, as amended on various dates through August 14, 2014 (filed as Exhibit 10.11 to the Registrant's Annual Report on Form 10-K, as filed on February 25, 2019, and incorporated herein by reference)
10.3.A†	2010 Equity Incentive Plan (filed as Exhibit 10.9 to Amendment No. 4 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-162782), as filed on April 6, 2010, and incorporated herein by reference)
10.3.B†	Form of Notice of Stock Option Grant and Stock Option Agreement under 2010 Equity Incentive Plan (filed as Exhibit 10.30 to Registrant's Annual Report on Form 10-K, as filed on March 25, 2011, and incorporated herein by reference)
10.3.C†	Form of Notice of Stock Unit Award and Stock Unit Agreement under 2010 Equity Incentive Plan (filed as Exhibit 10.34 to Registrant's Annual Report on Form 10-K, as filed on March 30, 2012, and incorporated herein by reference)
10.3.D†	UK Sub-Plan of the 2010 Equity Incentive Plan of Alimera Sciences, Inc. (filed as Exhibit 10.38 to the Registrant's Quarterly Report on Form 10-Q, as filed on November 7, 2012, and incorporated herein by reference and replaced by Exhibit 10.3.G)
10.3.E†	Form of UK Sub-Plan Notice of Stock Option Grant and Stock Option Agreement (filed as Exhibit 10.39 to the Registrant's Quarterly Report on Form 10-Q, as filed on November 7, 2012, and incorporated herein by reference)
10.3.F†	Form of France Sub-Plan of the 2010 Equity Incentive Plan of Alimera Sciences, Inc. (filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K, as filed on March 15, 2016, and incorporated herein by reference)

10.3.G†	(2017) UK Sub-Plan of the 2010 Equity Incentive Plan of Alimera Sciences, Inc. (filed as Exhibit 10.46 to the Registrant's Annual Report on Form 10-K, as filed on March 3, 2017, and incorporated herein by reference)
10.3.H†	Forms of Notice of Restricted Stock Unit Award and restricted Stock Unit Agreement under 2010 Equity Incentive Plan for the U.S., Germany, Portugal and the U.K. (filed as Exhibit 10.47 to the Registrant's Annual Report on Form 10-K, as filed on March 3, 2017, and incorporated herein by reference)
10.4.A†	2010 Employee Stock Purchase Plan (filed as Exhibit 10.10 to Amendment No. 4 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-162782), as filed on April 6, 2010, and incorporated herein by reference)
10.4.B†	Amendment No. 1 to 2010 Employee Stock Purchase Plan (filed as Exhibit 10.7.A to the Registrant's Annual Report on Form 10-K, as filed March 13, 2015, and incorporated herein by reference)
10.5.A†	Alimera Sciences, Inc. 2019 Omnibus Incentive Plan (filed as Exhibit 10.60 to the Registrant's Current Report on Form 8-K, as filed on June 19, 2019, and incorporated herein by reference)
10.5.B†	Form of Stock Option Agreement under the Alimera Sciences, Inc. 2019 Omnibus Incentive Plan (filed as Exhibit 10.61 to the Registrant's Current Report on Form 8-K, as filed on June 19, 2019, and incorporated herein by reference)
10.6†	Alimera Sciences, Inc. 2019 Non-Employee Director Compensation Program (filed as Exhibit 10.62 to the Registrant's Current Report on Form 8-K, as filed July 19, 2019, and incorporated herein by reference)
10.7†	Form of Alimera Sciences, Inc. Deduction Agreement (filed as Exhibit 10.63 to the Registrant's Current Report on Form 8-K, as filed September 5, 2019, and incorporated herein by reference)
10.8.A†	Amended and Restated Employment Agreement, effective as of October 23, 2014, by and between the Registrant and David Holland (filed as Exhibit 10.39 to the Registrant's Annual Report on Form 10-K, as filed on March 13, 2015, and incorporated herein by reference)
10.8.B†	Succession and Consulting Agreement, dated as of November 28, 2018, by and between Alimera Sciences, Inc. and C. Daniel Myers (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed November 29, 2018, and incorporated herein by reference)
10.8.C†	Amended and Restated Succession and Consulting Agreement, dated as of March 27, 2019, by and between Alimera Sciences, Inc. and Kenneth Green, Ph.D. (filed as Exhibit 10.57 to the Registrant's Current Report on Form 8-K, as filed May 7, 2019, and incorporated herein by reference)
10.8.D†	Amended and Restated Employment Agreement, dated as of January 2, 2019, by and between Alimera Sciences, Inc. and Richard S. Eiswirth, Jr. (filed as Exhibit 10.58 to the Registrant's Current Report on Form 8-K, as filed May 8, 2019, and incorporated herein by reference)
10.8.E†	Employment Agreement, dated as of January 2, 2019, by and between Alimera Sciences, Inc. and J. Philip Jones (filed as Exhibit 10.59 to the Registrant's Current Report on Form 8-K, as filed May 8, 2019, and incorporated herein by reference)
10.9.A	Securities Purchase Agreement dated July 17, 2012 (filed as Exhibit 10.36 to the Registrant's Current Report, as filed on July 18, 2012, and incorporated herein by reference)
10.9.B	Amendment No. 1 to Securities Purchase Agreement dated September 21, 2012 (filed as Exhibit 10.37 to the Registrant's Current Report, as filed on October 2, 2012, and incorporated herein by reference)
10.10.A	Securities Purchase Agreement dated November 26, 2014 (filed as Exhibit 10.56 to the Registrant's Current Report on Form 8-K, as filed on November 28, 2014, and incorporated herein by reference)
10.10.B	Series B Preferred Stock Exchange Agreement, dated as of September 4, 2018, by and among Alimera Sciences, Inc., and Deerfield Special Situations Fund, L.P., Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P. and Deerfield Private Design Fund III, L.P. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, as filed on September 5, 2018 and incorporated herein by reference)
10.11‡	Manufacturing Services Agreement by and between the Registrant and Flextronics Medical Sales and Marketing, Ltd. (filed as Exhibit 10.35 to Registrant's Quarterly Report on Form 10-Q, as filed on August 14, 2012, and incorporated herein by reference)

10.12‡	First Amended and Restated Commercial Contract Manufacturing Agreement dated as of February 5, 2016 by and between Alimera Sciences, Inc. and Alliance Medical Products, Inc. d.b.a. Siegfried Irvine (filed as Exhibit 10.41 to the Registrant's Quarterly Report on Form 10-Q, as filed on May 6, 2016, and incorporated herein by reference)
10.13‡	Second Amended and Restated Collaboration Agreement by and between pSivida US Inc. and Alimera Sciences, Inc. dated July 10, 2017 (filed as Exhibit 10.23 to pSivida Corp.'s Annual Report on Form 10-K for the year ended June 30, 2017 (SEC File No. 000-51122), as filed September 13, 2017, and incorporated herein by reference)
10.14.A	Exit Fee Agreement dated as of January 5, 2018 by and among Alimera Sciences, Inc., Solar Capital Ltd. as collateral agent, and the Lenders (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K, as filed January 8, 2018, and incorporated herein by reference)
10.14.B	Loan and Security Agreement dated as of December 31, 2019, by and among Alimera Sciences, Inc., Solar Capital Ltd., as collateral agent, and the parties signatory thereto from time to time as Lenders, including Solar in its capacity as a Lender (filed as Exhibit 10.65 to the Registrant's Current Report on Form 8-K, as filed January 6, 2020, and incorporated herein by reference)**
10.14.C	Exit Fee Agreement dated as of December 31, 2019, by and among Alimera Sciences, Inc., Solar Capital Ltd. as collateral agent, and the Lenders (filed as Exhibit 10.66 to the Registrant's Current Report on Form 8-K, as filed January 6, 2020, and incorporated herein by reference)
10.15	Purchase Agreement dated as of October 24, 2019, between Alimera Sciences, Inc. and Lincoln Park Capital Fund, LLC (filed as Exhibit 10.64 to the Registrant's Current Report on Form 8-K, as filed October 25, 2019, and incorporated herein by reference)
21.1*	List of subsidiaries of the Registrant (including jurisdiction of organization and names under which subsidiaries do business)
23.1*	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm
31.1*	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of the Chief Executive Officer and Chief Financial Officer as required by 18 U.S.C. 1350
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

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† Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of Form 10-K.

‡ Confidential treatment has been granted with respect to certain portions of this document.

** Certain confidential information contained in this agreement has been omitted because it is not material and would be competitively harmful if publicly disclosed.

* Filed herewith.

Signatures

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in Alpharetta, Georgia, on March 2, 2020.

ALIMERA SCIENCES, INC.

By: /s/ Richard S. Eiswirth, Jr.
Name: Richard S. Eiswirth, Jr.
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Richard S. Eiswirth, Jr. Richard S. Eiswirth, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2020
/s/ J. Philip Jones J. Philip Jones	Chief Financial Officer (Principal Financial and Accounting Officer)	March 2, 2020
/s/ C. Daniel Myers C. Daniel Myers	Chairman of the Board of Directors	March 2, 2020
/s/ James Largent James Largent	Lead Independent Director	March 2, 2020
/s/ Brian K. Halak Brian K. Halak, Ph.D.	Director	March 2, 2020
/s/ Garheng Kong Garheng Kong, M.D., Ph.D.	Director	March 2, 2020
/s/ Peter J. Pizzo, III Peter J. Pizzo, III	Director	March 2, 2020
/s/ John Snisarenko John Snisarenko	Director	March 2, 2020
/s/ Mary T. Szela Mary T. Szela	Director	March 2, 2020

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS FILED FROM AND INCLUDING THE RESTATED CERTIFICATE OR A MERGER WITH A RESTATED CERTIFICATE ATTACHED OF "ALIMERA SCIENCES, INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

RESTATED CERTIFICATE, FILED THE TWENTY-SIXTH DAY OF APRIL, A.D. 2010, AT 1:24 O`CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE FIRST DAY OF OCTOBER, A.D. 2012, AT 2:09 O`CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE TWELFTH DAY OF DECEMBER, A.D. 2014, AT 9:24 O`CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE SIXTEENTH DAY OF NOVEMBER, A.D. 2016, AT 7 O`CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE FOURTH DAY OF SEPTEMBER, A.D. 2018, AT 4:12 O`CLOCK P.M.

3666427 8100X Authentication: 203360003
SR# 20186491387 Date: 09-04-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

CERTIFICATE OF DESIGNATION, FILED THE FOURTH DAY OF SEPTEMBER, A.D. 2018, AT 5:09 O`CLOCK P.M.

3666427 8100X Authentication: 203360003
SR# 20186491387 Date: 09-04-18

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:27 PM 04/26/2010
FILED 01:24 PM 04/26/2010
SRV 100422463 - 3666427 FILE

RESTATED CERTIFICATE OF INCORPORATION
OF
ALIMERA SCIENCES, INC.

a Delaware corporation

(Pursuant to Sections 242 and 245 of
the Delaware General Corporation Law)

Alimera Sciences, Inc., a corporation organized and existing under and by virtue of the provisions of the Delaware General Corporation Law.

DOES HEREBY CERTIFY:

FIRST: That the name of this corporation is Alimera Sciences, Inc. and that this corporation was originally incorporated pursuant to the Delaware General Corporation Law on June 4, 2003, under the name Alimera Sciences, Inc.

SECOND: That the Board of Directors duly adopted resolutions proposing to amend and restate the Restated Certificate of Incorporation of this corporation filed with the Delaware Secretary of State on August 25, 2009, as amended (the "Prior Restated Certificate"), declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor. which resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the Prior Restated Certificate of this corporation be amended and restated in its entirety as follows (as so amended and restated, this "Restated Certificate of Incorporation'):

ARTICLE I

The name of the corporation is Alimera Sciences, Inc. (the "Corporation").

ARTICLE II

The address of the registered office of this corporation in the State of Delaware is 1209 Orange Street, Corporation Trust Center, City of Wilmington, County of New Castle, Delaware 19801. The name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Trust Company.

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

ARTICLE IV

The Corporation is authorized to issue two classes of stock to be designated common stock ("Common Stock") and preferred stock ("Preferred Stock"). The number of shares of Common Stock authorized to be issued is one hundred million (100,000,000) par value $0.01 per share, and the number of shares of Preferred Stock authorized to be issued is ten million (10,000,000), par value $0.01 per share.

The Board of Directors is authorized, without further stockholder approval and subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in series, and by tiling a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a "Preferred Stock Designation"), 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 any qualifications, limitations or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock Designation. In case the number of shares of any series shall he so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any Preferred Stock Designations) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate of Incorporation (including any Preferred Stock Designations).

ARTICLE V

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Restated Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board or the Chief Executive Officer or by the Board of Directors acting pursuant to a resolution adopted by a majority of the Whole Board. For purposes of this Restated Certificate of Incorporation, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

ARTICLE VI

A. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors of the Corporation shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board and may not be fixed by any other person(s).

B. The Board of Directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided into three classes: Class I, Class II and Class Ill. Each director shall serve for a term ending on the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided, however, that the directors first elected, assigned or appointed to Class I shall serve for a term ending on the Corporation's first annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation, the directors first elected, assigned or appointed to Class II shall serve for a term ending on the Corporation's second annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation and the directors first elected, assigned or appointed to Class III shall serve for a term ending on the Corporation's third annual meeting of stockholders following the effectiveness of this Restated Certificate of Incorporation. The Board of Directors is authorized to assign members of the Board already in office to such classes as it may determine at the time the classification of the Board of Directors becomes effective. The foregoing notwithstanding, each director shall serve until such director's successor shall have been duly elected and qualified, or until such director's prior death, resignation, retirement, disqualification or other removal.

C. Subject to the rights of the holders of any series of Preferred Stock then outstanding. newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires or until such director's successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

D. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

E. Subject to the rights or the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VII

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article VII to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article VII by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

ARTICLE VIII

The Board of Directors is expressly authorized to adopt, amend or repeal any or all of the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the Whole Board. The stockholders shall also have the power to adopt, amend or repeal the Bylaws of the Corporation as prescribed by law; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Restated Certificate of Incorporation (including any Preferred Stock Designation), the affirmative vote of the holders of at least two-thirds of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Corporation.

ARTICLE IX

In addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Restated Certificate of Incorporation, the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of capital

stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal the provisions of this Restated Certificate of Incorporation; provided however that any amendment or repeal of Sections C or D of Article V or any provision of Article VI, Article VIII or this Article IX shall require the affirmative vote of the holders of at least two-thirds of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

* * * *

THIRD: That this Restated Certificate of Incorporation was approved by the holders of the requisite number of shares of the Corporation in accordance with Section 228 of the Delaware General Corporation Law.

FOURTH: That this Restated Certificate of Incorporation, which restates the provisions of the Corporation's heretofore existing Prior Restated Certificate, in its entirety, has been duly adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been executed by a duly authorized officer of the Corporation this 26th day of April, 2010.

/s/ C. Daniel Myers

C. Daniel Myers, President

State of Delaware
Secretary of State
Division of Corporations
Delivered 02:19 PM 10/01/2012
FILED 02:09 PM 10/01/2012
SRV 121085325 - 3666427 FILE

ALIMERA SCIENCES, INC.

CERTIFICATE OF DESIGNATION
OF
SERIES A CONVERTIBLE PREFERRED STOCK

(Pursuant to Section 151(g) of the General Corporation Law of the State of Delaware)

Pursuant to Section 151 of the General Corporation Law of the State of Delaware (the *"DGCL")*, Alimera Sciences, Inc. (the *"Corporation"),* a corporation organized and existing under the DGCL, in accordance with the provisions of Section 103 thereof, does hereby certify that:

Pursuant to the authority vested in the Board of Directors of the Corporation (the *"Board of Directors")* by the Certificate of Incorporation of the Corporation, as amended (the *"Certificate of Incorporation"),* the Board of Directors, on September 21, 2012, in accordance with Section 151(g) of the DGCL, duly adopted the following resolution establishing a series of 1,300,000 shares of the Corporation's preferred stock, par value $0.01 per share (the *"Preferred Stock"),* to be designated as its Series A Convertible Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation, the Board of Directors hereby establishes a series of Series A Convertible Preferred Stock of the Corporation and hereby states the number of shares, and fixes the powers, designations, preferences and relative, participating, optional and other rights, and the qualifications, limitations and restrictions thereof, of such series of shares as follows:

SERIES A CONVERTIBLE PREFERRED STOCK

1. Designation; Number of Shares.

(a) There shall be created from the 10,000,000 shares of Preferred Stock authorized to be issued by the Certificate of Incorporation, a series of Preferred Stock designated as "Series A Convertible Preferred Stock" (the *"Series A Preferred Stock"),* and the authorized number of shares of Preferred Stock constituting the Series A Preferred Stock shall be 1,300,000.

2. Dividends.

(a) Any dividends or distributions declared by the Board of Directors out of funds legally available therefor shall be distributed among the holders of Common Stock and the Series A Preferred Stock on a pro rata basis based on the number of shares of Common Stock held by each (determined on an as-converted to Common Stock basis based on the then-effective Applicable Conversion Price) as of the record date fixed for determining those entitled to receive such distribution.

(b) In the event the Corporation shall declare a distribution on the Common Stock payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights to

purchase any such securities or evidences of indebtedness, then, in each such case the holders of the Series A Preferred Stock shall be entitled to a proportionate share of any such distribution pursuant to this Section 2(b) as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Preferred Stock are convertible based on the then-effective Applicable Conversion Price as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

3. Liquidation Preferences.

(a) Upon any Liquidation Transaction (as defined below), whether voluntary or involuntary, each holder of outstanding shares of Series A Preferred Stock shall be entitled to be paid out of the assets of the Corporation legally available for distribution to stockholders, whether such assets are capital, surplus or earnings, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Common Stock or of any other stock or equity security, an amount in cash, equal to the greater of (i) $40.00 per share of Series A Preferred Stock (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock) (as adjusted, the *"Series A Original Issue Price")* held by such holder plus any declared but unpaid dividends to which such holder of outstanding shares of Series A Preferred Stock is then entitled, if any, or (ii) the amount each holder of a share of Series A Preferred Stock would be entitled to receive had all shares of Series A Preferred Stock been converted into shares of Common Stock based on the then-effective Applicable Conversion Price immediately prior to such Liquidation Transaction (the amount payable pursuant to this sentence is referred to herein as the *"Series A Liquidation Preference Amount").* If, upon any Liquidation Transaction, the funds legally available for distribution to all holders of Series A Preferred Stock shall be insufficient to permit the payment to all such holders of the full Series A Liquidation Preference Amount, then the entire funds legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock ratably in proportion to the full preferential amounts to which they are entitled under this Section 3(a).

(b) Upon any Liquidation Transaction, after payment in full of the distribution required by Section 3(a) above, if any assets remain in the Corporation, the holders of the Common Stock shall be entitled to receive all of the remaining assets and funds legally available therefor distributed ratably among the holders of Common Stock based on the number of shares of Common Stock then held by each.

(c) Unless waived by the holders of at least 70% of the then-outstanding shares of Series A Preferred Stock, voting together as a separate class (a *"Series A Supermajority")*, the following shall be deemed to constitute a Liquidation Transaction: (A) any acquisition of the Corporation by means of merger, consolidation, stock sale, tender offer, exchange offer or other form of corporate reorganization in which outstanding shares of the Corporation are exchanged or sold, in one transaction or a series of related transactions, for cash, securities, property or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, or any other person or group or affiliated persons and in which the holders of capital stock of the Corporation hold less than a majority of the voting power of the surviving entity and (B) any sale, transfer, exclusive license or lease of all or substantially all of the

properties or assets of the Corporation and its subsidiaries (each of such transactions in clause (A) and (B), together with an actual liquidation, dissolution or winding up of the Corporation, a *"Liquidation Transaction"), provided* that none of the following shall be deemed to constitute a Liquidation Transaction: (x) a transaction for which the sole purpose is to change the state of the Corporation's incorporation, (y) a transaction for which the sole purpose is to create a holding company that will hold no assets other than shares of the Corporation and that will have securities with rights preferences, privileges and restrictions substantially similar to those of the Corporation and that are owned in substantially the same proportions by the persons who held such securities of the Corporation, in each case immediately prior to such transaction or (z) a license transaction entered into by the Corporation for the purpose of developing and/or commercializing one or more of the Corporation's products, so long as such license transaction would not be reasonably considered to be a sale or license of all or substantially all of the assets of the Corporation.

(d) At least ten (10) days prior to the occurrence of any Liquidation Transaction, the Corporation will furnish each holder of the Series A Preferred Stock notice at the address for such holder on record with the Corporation or the transfer agent of the Series A Preferred Stock in accordance with Section 6(k) hereof, together with a certificate prepared by the chief financial officer of the Corporation describing in reasonable detail the terms of such Liquidation Transaction, stating in detail to the extent known (if such amounts are not known at the time of such notice, the Board of Directors shall in good faith determine an approximate amount) the amount(s) per share of the Series A Preferred Stock each holder of the Series A Preferred Stock would receive pursuant to the provisions of Section 3 hereof and stating in reasonable detail the facts and assumptions upon which such amounts were determined.

(e) Unless otherwise provided in the definitive documents relating to such Liquidation Transaction, any securities or other consideration to be delivered to the holders of the Corporation's capital stock in connection with a Liquidation Transaction shall be valued as follows:

(i) If traded on a nationally recognized securities exchange or interdealer quotation system, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the thirty (30) day period ending three (3) business days prior to the closing;

(ii) If traded over the counter, the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending three (3) business days prior to the closing; and

(iii) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors.

4. Redemption.

(a) The Series A Preferred Stock is not redeemable.

5. Voting Rights; Directors.

(a) On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of the stockholders of the Corporation, each holder of shares of Series A Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Series A Preferred Stock are convertible based on the then-effective Applicable Conversion Price (assuming for purposes of this Section 5(a) only, that the then-effective Applicable Conversion Price for such shares of Series A Preferred Stock is $2.95, as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock (the "Voting Conversion Price")) as of the record date for determining stockholders entitled to vote on such matter and shall have voting rights and powers equal to the voting rights and powers of the Common Stock (except as otherwise expressly provided herein or as required by law, voting together with the Common Stock as a single class) and shall be entitled to notice of any such stockholders' meeting in accordance with the Bylaws of the Corporation. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares of Common Stock into which shares of Series A Preferred Stock held by each holder are convertible as of the applicable record date (based on the Voting Conversion Price) shall be rounded down to the nearest whole number.

(b) For as long as the Second Lead Purchaser (as defined in that certain Securities Purchase Agreement dated as of July 17, 2012 and amended on or about September 21, 2012 by and among the Corporation and the investors party thereto (as amended, restated, modified, superseded or replaced, the *"Purchase Agreement")*, together with its Affiliates (as such term is defined under Rule 501 of the Securities Act of 1933, as amended), continues to hold at least 50% of the shares of Series A Preferred Stock originally issued to such Second Lead Purchaser at the closing under the Purchase Agreement (or shares of Common Stock issued upon conversion thereof), the holders of Series A Preferred Stock, voting as single class, shall be entitled to elect, at any election of the Corporation's Class II Directors (as defined in the Corporation's Restated Certificate of Incorporation) one individual to the Board of Directors to serve as a Class II Director (the *"Series* A *Director")*, who shall be designated by the Second Lead Purchaser.

6. Conversion. The holders of the Series A Preferred Stock shall have conversion rights as follows:

(a) Right to Convert. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Series A Original Issue Price by the then-effective Applicable Conversion Price (as defined below), determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion or notice is provided for non-certificated shares; provided, however, solely for the purposes of a voluntary conversion of shares of Series A Preferred Stock by a holder thereof pursuant to this Section 6(a) prior to any adjustment to the Applicable Conversion Price pursuant to either subsection (ii), (Hi), (iv) or (v) below, the Applicable Conversion Price shall be deemed to be the then-effective Applicable Conversion Price as of such time as adjusted pursuant to subsection (ii) below as if Positive Guidance (as defined below) had been obtained immediately prior to the conversion. Except as provided pursuant to Section 6(b), the Series A Preferred

Stock is not convertible at the option of the Corporation. The *"Applicable Conversion Price"* for shares of Series A Preferred Stock shall be calculated as follows:

(i) the initial Applicable Conversion Price shall be $2.91 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock) per share of Series A Preferred Stock;

(ii) the then-effective Applicable Conversion Price shall be automatically increased by $0.25 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock) as of the date on which the National Institute for Health and Clinical Excellence in the United Kingdom *("NICE')* issues final guidance (following the review of a Patient Access Scheme (as commonly used by NICE) if required) recommending ILUVIEN (a *"Positive Guidance")* provided that such Positive Guidance is issued on or before June 30, 2013;

(iii) the then-effective Applicable Conversion Price shall be automatically decreased by $0.25 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock) on July 1, 2013, if ILUVIEN has not received Positive Guidance on or before June 30, 2013;

(iv) the then-effective Applicable Conversion Price shall be automatically decreased by $0.25 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock) as of the date, on or prior to June 30, 2013, on which: (A) NICE issues final unappealable guidance (following the review of a Patient Access Scheme) failing to recommend ILUVIEN (a *"Negative Guidance")* or (B) on which the Corporation ceases to seek NICE approval of ILUVIEN. For the avoidance of doubt, the issuance of a Final Appraisal Determination (as commonly used by NICE) by NICE prior to the review of a Patient Access Scheme is not final guidance for purposes of this subsection (iv);

(v) the then-effective Applicable Conversion Price shall be $2.91 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock) on and after the date on which (A) each share of Series A Preferred Stock shall convert into shares of Common Stock pursuant to Section 6(b) hereof or (B) a Liquidation Transaction occurs; provided, however, this subsection (v) shall not apply if the mandatory conversion pursuant to Section 6(b) hereof or the Liquidation Transaction occurs on or after the date of the earlier of a Positive Guidance, a Negative Guidance or July 1, 2013; and

(vi) the Applicable Conversion Price shall further be adjusted as hereinafter provided.

For the avoidance of doubt, the Applicable Conversion Price shall be adjusted pursuant to the first to occur of subsection (ii), subsection (iii) or subsection (iv) above and may not be adjusted by more than one of such subsections. Furthermore, for the avoidance of doubt, there shall be no increase of the Applicable Conversion Price pursuant to subsection (ii) if NICE issues Positive Guidance on or after July 1, 2013.

(b) Automatic Conversion. Each share of Series A Preferred Stock shall automatically be converted into shares of Common Stock at the then-effective Applicable Conversion Price applicable to such share upon the occurrence of the later to occur of (i) the date on which the Corporation has received and publicly announces the approval by the United States Food and Drug Administration of the Corporation's New Drug Application for ILUVIEN (the date of such announcement, the *"FDA Approval Date")* and (ii) the Corporation consummates an equity financing transaction pursuant to which it sells to one or more third party investors either (A) Common Stock or (B) other equity securities that are convertible into Common Stock and that have rights, preference or privileges senior to or on a parity with, the Series A Preferred Stock, in each case having an as-converted per share of Common Stock price of not less than $10.00 (adjusted for stock splits, combinations, stock dividends, recapitalizations and the like) and that results in total gross proceeds to the Corporation of at least $30,000,000 (such a transaction, a *"Qualified Financing").* For the avoidance of doubt, no conversion shall occur pursuant to this Section 6(b) unless both events described in clauses (i) and (ii) hereof shall have occurred.

(c) Mechanics of Conversion.

(i) Before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common Stock, to the extent such shares of Series A Preferred Stock are certificated, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for such stock, and shall give written notice to the Corporation at such office that such holder elects to convert the same and shall state therein the name or names in which he, she or it wishes the certificate or certificates, or book entry or book entries, as the case may be, for shares of Common Stock to be issued. The Corporation shall, as soon as reasonably practicable thereafter, and in any event within two business days (except to the extent of delays not caused by the Corporation), issue and deliver at such office to such holder of Series A Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid or make an appropriate book entry, and shall promptly pay to the holder thereof, (i) in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the then-effective Applicable Conversion Price), any declared and unpaid dividends on the shares of Series A Preferred Stock being so converted and (ii) the amount payable pursuant to Section 6(j) hereof. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of the shares of Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(ii) If the conversion is pursuant to Section 6(b) upon the occurrence of a Qualified Financing, the conversion may, at the option of any holder tendering shares of Series A Preferred Stock for conversion, be conditioned upon the closing of such Qualified Financing, in which event the person(s) entitled to receive the Common Stock upon conversion of the Series A Preferred Stock shall not be deemed to have converted such Series A Preferred Stock until immediately prior to the closing of such sale of securities. If the conversion is pursuant to Section 6(b) upon the occurrence of the FDA Approval Date, such conversion shall be deemed to have been made at the close of business on the FDA Approval

Date, and the persons entitled to receive shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holders of such shares of Common Stock as of such date.

(d) Adjustments to Applicable Conversion Price for Certain Diluting Issuances.

(i) Special Definitions. For purposes of this Section 6(d), the following definitions apply:

(1) *"Options"* shall mean rights, options, or warrants to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities (defined below).

(2) *"Original Issue Date"* shall mean the first date on which a share of Series A Preferred Stock was issued by the Corporation.

(3) *"Convertible Securities"* shall mean any evidences of indebtedness, shares or other securities convertible into or exchangeable for Common Stock.

(4) *"Additional Shares of Common Stock"* shall mean all shares of Common Stock issued (or, pursuant to Section 6(d)(iii), deemed to be issued) by the Corporation after the Original Issue Date, other than:

(A) shares of Common Stock issuable or issued (including restricted stock units) to officers, directors, employees, consultants, advisors or contractors of the Corporation pursuant to stock option, stock purchase plans or other equity incentive plans on terms approved by the Board of Directors;

(B) shares for which adjustment of the Applicable Conversion Price, as applicable, is made pursuant to Sections 6(e) or 6(f);

(C) shares of Common Stock issuable or issued upon the conversion of shares of Series A Preferred Stock or as a dividend or distribution on the Series A Preferred Stock;

(D) shares of Common Stock issuable or issued upon the conversion of Convertible Securities outstanding as of the Original Issue Date;

(E) shares of Common Stock for which adjustment of the Applicable Conversion Price has been specifically waived by the Series A Supermajority; or

(F) up to an aggregate of 500,000 shares of Common Stock (adjusted for stock splits, combinations, stock dividends, recapitalizations and the like) issued or issuable pursuant to equipment lease financings or bank credit arrangements approved by the Board of Directors that are for primarily non-equity financing purposes.

(5) *"Adjustment Trigger Price"* shall initially mean $2.91 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like with respect to the Series A Preferred Stock) as adjusted pursuant to Section 6(d)(iv) hereof from time to time.

(ii) No Adjustment of Applicable Conversion Price. Any provision herein to the contrary notwithstanding, no adjustment in the Applicable Conversion Price of Series A Preferred Stock shall be made (1) in respect of the issuance of Additional Shares of Common Stock unless the consideration per share (determined pursuant to Section 6(d)(v) hereof) for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the then-effective Adjustment Trigger Price on the date of, and immediately prior to such issue or (2) after the FDA Approval Date.

(iii) Deemed Issue of Additional Shares of Common Stock. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities then entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein designed to protect against dilution) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date; *provided* that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(1) no further adjustments in the Applicable Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(2) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, or increase or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Applicable Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(3) upon the expiration of any such Options or rights, the termination of any such rights to convert or exchange or the expiration of any Options or rights related to such Convertible Securities or exchangeable securities, the Applicable Conversion Price, to the extent in any way affected by or computed using such Options, rights or Convertible Securities or Options or rights related to such Convertible Securities, shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and

convertible or exchangeable securities that remain in effect) actually issued upon the exercise of such Options or rights or upon the conversion or exchange of such Convertible Securities or upon the exercise of the Options or rights related to such Convertible Securities; and

(4) no readjustment pursuant to clause (2) or (3) above shall have the effect of increasing the Applicable Conversion Price to an amount which exceeds the lower of (a) the Applicable Conversion Price on the original adjustment date immediately prior to making such original adjustment, or (b) if there have been adjustments made to the Applicable Conversion Price between the original adjustment date and such readjustment date, the Applicable Conversion Price that has resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date.

(iv) Adjustment of Applicable Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event this Corporation, at any time after the Original Issue Date and before the FDA Approval Date, shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 6(d)(iii)) without consideration or for a consideration per share less than the then-effective Adjustment Trigger Price on the date of and immediately prior to such issue (the "Pre-Adjusted Trigger Price"), then and in such event, the Applicable Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by:

(1) First, multiplying the Pre-Adjusted Trigger Price by a fraction, (A) the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at the Pre-Adjusted Trigger Price, and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued (the result of the foregoing shall be the new "Adjustment Trigger Price" immediately following the issue of the Additional Shares of Common Stock);

(2) Then, dividing (A) the Adjustment Trigger Price (as calculated and adjusted pursuant to subsection (1) above), by (B) the Pre-Adjusted Trigger Price (the resulting product being, the "Adjustment Rate"); and

(3) Finally, multiplying (A) the then-effective Applicable Conversion Price on the date of and immediately prior to such issue, by (B) the Adjustment Rate (the resulting product shall be the Applicable Conversion Rate in effect immediately following the issue of the Additional Shares of Common Stock); *provided* that if the foregoing formula results in a Applicable Conversion Price that is less than $1.00 (adjusted for stock splits, combinations, stock dividends, recapitalizations and the like), the Applicable Conversion Price shall instead be adjusted to $1.00 (adjusted for stock splits,

combinations, stock dividends, recapitalizations and the like) concurrently with such issue.

For the purpose of the above calculation, the number of shares of Common Stock outstanding immediately prior to such issue shall be calculated on a fully diluted basis, as if all outstanding shares of Preferred Stock (based on the then-effective Adjustment Trigger Price) and all Convertible Securities had been fully converted into shares of Common Stock and any outstanding warrants, options or other rights for the purchase of shares of stock or convertible securities had been fully exercised (and the resulting securities fully converted into shares of Common Stock, if so convertible) as of such date. Notwithstanding the foregoing, no adjustment of the Applicable Conversion Price pursuant to this Section 6(d)(iv) shall have the effect of increasing the Applicable Conversion Price to an amount which exceeds the Applicable Conversion Price immediately prior to such adjustment.

(v) Determination of Consideration. For purposes of

this Section 6(d), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(1) Cash and Property: Such consideration shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received for such Additional Shares of Common Stock, computed as provided in clauses (A) and (B) above, as determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The

consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 6(d)(iii), relating to Options and Convertible Securities shall be determined by dividing:

(A) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein designed to protect against dilution) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(B) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein designed to protect against the dilution) issuable upon the exercise of such Options or conversion or exchange of such Convertible Securities.

(e) Adjustments to Applicable Conversion Price for Stock Dividends and for Combinations or Subdivisions of Common Stock. In the event that this Corporation at any time or from time to time after the Original Issue Date shall declare or pay, without consideration, any dividend on the Common Stock payable in Common Stock or in any right to acquire Common Stock for no consideration without a corresponding dividend declared or paid to the holders of Series A Preferred Stock, or shall effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by stock split, reclassification or otherwise than by payment of a dividend in Common Stock or in any right to acquire Common Stock), or in the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock without a corresponding subdivision or combination of shares of Series A Preferred Stock, then the Applicable Conversion Price in effect immediately prior to such event shall, concurrently with the effectiveness of such event, be proportionately decreased or increased, as appropriate. In the event that this Corporation shall declare or pay, without consideration, any dividend on the Common Stock payable in any right to acquire Common Stock for no consideration without a corresponding dividend or other distribution to holders of Series A Preferred Stock then the Corporation shall be deemed to have made a dividend payable in Common Stock in an amount of shares equal to the maximum number of shares issuable upon exercise of such rights to acquire Common Stock.

(f) Adjustments for Reclassifications, Reorganizations, Mergers or Consolidations. If the Common Stock issuable upon conversion of Series A Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification, merger, consolidation or otherwise (other than a subdivision or combination of shares provided for in Section 6(e) above or a Liquidation Transaction), provision shall be made so that, concurrently with the effectiveness of such transaction, the shares of Series A Preferred Stock shall be convertible into, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Series A Preferred Stock immediately before that change.

(g) Certificates as to Adjustments. Upon the occurrence of each adjustment or readjustment of any Applicable Conversion Price pursuant to this Section 6, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Preferred Stock a certificate executed by the Corporation's President or Chief Financial Officer setting forth such adjustment or readjustment and showing in reasonable detail the relevant facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the then-effective Applicable Conversion Price, and (iii) the number of shares of Common Stock and the

amount, if any, of other property which at the time would be received upon the conversion of the Series A Preferred Stock.

(h) Notices of Record Date. In the event that the Corporation shall propose at any time: (i) to declare any dividend or distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus; (ii) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or (iii) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; then, in connection with each such event, the Corporation shall send to the holders of Series A Preferred Stock: (1) at least ten (10) days prior written notice of the date on which a record shall be taken for such dividend, distribution rights (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (ii) and (iii) above; and (2) in the case of the matters referred to in (ii) and (iii) above, at least ten (10) days prior written notice of the date when the consummation of same shall take place (and specifying the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

(i) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series A Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation.

(j) Fractional Shares. No fractional share shall be issued upon the conversion of any share or shares of Series A Preferred Stock. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series A Preferred Stock by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of a fraction of a share of Common Stock, the Corporation shall, in lieu of issuing any fractional share, pay the holder otherwise entitled to such fraction a sum in cash equal to the fair market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors).

(k) Notices. Any notice required by the provisions of this Section 6 to be given to the holders of shares of Series A Preferred Stock shall be in writing and shall deemed sufficient, in each case upon confirmation of delivery, when delivered personally or by overnight courier or sent by facsimile, or after being deposited in the mail, postage prepaid

as certified or registered mail, and addressed to each holder of record at his or its address appearing on the books of the Corporation. The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively on behalf of all holders of Series A Preferred Stock by the vote or written consent of the Series A Supermajority.

7. Restrictions and Limitations.

(a) For so long as at least 37.5% of the shares of Series A Preferred Stock originally issued to the Purchasers (as defined in the Purchase Agreement) at the closing of the Purchase Agreement are held by the Purchasers or their Affiliates, the Corporation shall not (whether effected, directly or indirectly, by means of an amendment, merger, consolidation, reorganization, reclassification or otherwise), without first obtaining the affirmative vote or written consent of the Series A Supermajority:

(i) increase or decrease the authorized number of shares of Series A Preferred Stock;

(ii) authorize, create, issue or obligate itself to issue (by reclassification, merger or otherwise) any security (or any class or series thereof) or any indebtedness, in each case that has any rights, preferences or privileges senior to, or on a parity with, the Series A Preferred Stock, or any security convertible into or exercisable for any such security or indebtedness (other than (1) the issuance of up to an aggregate of $35,000,000 of indebtedness pursuant to the Corporation's credit facility with Silicon Valley Bath and/or MidCap Financial, as the same may be amended, refinanced or resyndicated from time to time or (2) the issuance of up to an aggregate of $500,000 of indebtedness pursuant to operating, capital or equipment leases entered into in the ordinary course of business);

(iii) amend the Certificate of Incorporation (including by filing any new certificate of designation or elimination) or this Certificate of Designation, in each case in a manner that adversely affects the rights, preference or privileges of the Series A Preferred Stock;

(iv) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any shares of Common Stock or Preferred Stock; *provided, however,* that this restriction shall not apply to (A) the redemption of rights issued pursuant to any "poison pill" rights plan or similar plan adopted by the Corporation after the Original Issue Date or (B) the repurchases of stock from former employees, officers, directors or consultants who performed services for the Corporation in connection with the cessation of such employment or service pursuant to the terms of existing agreements with such individuals;

(v) declare or pay any dividend or distribution on any shares of capital stock; *provided, however,* that this restriction shall not apply to (A) dividends payable to holders of Common Stock that consist solely of shares of Common Stock for which adjustment to the Applicable Conversion Price of the Series A Preferred Stock is made pursuant to Section 6(e) or (B) dividends or distributions issued pro rata to all holders of capital stock (on

an as-converted basis) in connection with the implementation of a "poison pill" rights plan or similar plan by the Corporation;

(vi) authorize or approve any increase to the number of aggregate shares of capital stock reserved for issuance pursuant to stock option, stock purchase plans or other equity incentive plans of the Corporation such that the total aggregate number of shares issued under such plans and reserved for issuance under such plans (on an as-converted basis) exceeds the number of shares issued and reserved for issuance under such plans (on an as-converted basis) on the Original Issue Date by more than 20% (adjusted for stock splits, combinations, stock dividends, recapitalizations and the like), *provided* that any increases resulting solely from the annual increases resulting from the "evergreen" provisions of the Corporation's equity incentive plans in effect on the Original Issue Date shall not be subject to this restriction and shall not be included for purposes of determining whether such 20% increase has occurred;

(vii) issue stock or other equity securities of any subsidiary of the Corporation (other than to the Corporation or another wholly-owned subsidiary of the Corporation) or declare or pay any dividend or other distribution of cash, shares or other assets or redemption or repurchase of shares of any subsidiary of the Corporation; or

(viii) incur any secured indebtedness other than (1) up to an aggregate of $35,000,000 of indebtedness pursuant to the Corporation's credit facility with Silicon Valley Bank and/or MidCap Financial, as the same may be amended, refinanced or resyndicated from time to time or (2) up to an aggregate of $500,000 of indebtedness pursuant to operating, capital or equipment leases entered into in the ordinary course of business.

8. Waiver. Any of the rights, powers, preferences and other terms of the Series A Preferred Stock set forth herein may be waived prospectively or retrospectively on behalf of all holders of Series A Preferred Stock by the vote or written consent of the Series A Supermajority.

9. No Reissuance of Preferred Stock. No share or shares of Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be cancelled, retired and eliminated from the shares which the Corporation shall be authorized to issue.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be signed by its President and Chief Executive Officer on October 1, 2012.

By: /s/ C. Daniel Myers
C. Daniel Myers
President and Chief Executive Officer

State of Delaware
Secretary of State
Division of Corporations
Delivered 09:30 AM 12/12/2014
FILED 09:24 AM 12/12/2014
SRV 141527676 - 3666427 FILE

ALIMERA SCIENCES, INC.
CERTIFICATE OF DESIGNATION OF PREFERENCES,
RIGHTS AND LIMITATIONS
OF
SERIES B CONVERTIBLE PREFERRED STOCK

PURSUANT TO SECTION 151(G) OF THE
DELAWARE GENERAL CORPORATION LAW

ALIMERA SCIENCES, INC., a Delaware corporation (the **"Corporation")** in accordance with the provisions of Section 103 of the Delaware General Corporation Law (the **"DGCL")** does hereby certify that, in accordance with Section 151 of the DGCL, the following resolution was duly adopted by the Board of Directors of the Corporation as of November 26, 2014:

RESOLVED, that the Board of Directors of the Corporation pursuant to authority expressly vesting in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the issuance of a series of Preferred Stock designated as the Series B Convertible Preferred Stock, par value $0.01 per share, of the Corporation and hereby fixes the designation, number of shares, powers, preferences, rights, qualifications, limitations and restrictions thereof (in addition to any provisions set forth in the Certificate of Incorporation of the Corporation which are applicable to the Preferred Stock of all classes and series) as follows:

SERIES B CONVERTIBLE PREFERRED STOCK

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"Affiliate" means any person or entity that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a person or entity, as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Holder, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Holder will be deemed to be an Affiliate of such Holder.

"Beneficial Ownership Limitation" shall have the meaning set forth in Section 6(c).

"Business Day" means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Buy-In" shall have the meaning set forth in Section 6(d)(iii).

"**Closing Sale Price**" means, for any security as of any date, the last closing trade price for such security prior to 4:00 p.m., New York City time, on the principal securities exchange or trading market where such security is listed or traded, as reported by Bloomberg, L.P. (or an equivalent, reliable reporting service mutually acceptable to and hereafter designated by Holders of a majority of the then outstanding Series B Preferred Stock and the Corporation), or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, L.P., or, if no last trade price is reported for such security by Bloomberg, L.P., the average of the bid prices, or the ask prices, respectively, of any market makers for such security that are listed in the over the counter market by the Financial Industry Regulatory Authority, Inc. or on the "over the counter" Bulletin Board (or any successor) or in the "pink sheets" (or any successor) by OTC Markets Group, Inc. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as determined in good faith by the Board of Directors of the Corporation. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

"**Commission**" means the Securities and Exchange Commission.

"**Common Stock**" means the Corporation's common stock, par value $0.01 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

"**Common Stock Equivalents**" means any securities of the Corporation or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"**Conversion Date**" shall have the meaning set forth in Section 6(a).

"**Conversion Price**" shall mean $6.03, as adjusted pursuant to Section 7 hereof.

"**Conversion Ratio**" shall have the meaning set forth in Section 6(b).

"**Conversion Shares**" means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series B Preferred Stock in accordance with the terms hereof

"**Daily Failure Amount**" means the product of (x) 0.005 multiplied by (y) the Closing Sale Price of the Common Stock on the applicable Share Delivery Date.

"**DWAC Delivery**" shall have the meaning set forth in Section 6(a)

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Fundamental Transaction**" shall have the meaning set forth in Section 7(b).

"**Holder**" shall have the meaning given such term in Section 2.

"**Insolvency Event**" means (a) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Corporation any subsidiary thereof or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Corporation or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered; (b) the Corporation shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (a) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Corporation or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; (c) the Corporation shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a) or (b) above; or (d) the Corporation shall become unable, admit in writing its inability or fail generally to pay its debts as they become due.

"**Junior Securities**" shall have the meaning set forth in Section 5(a).

"**Notice of Conversion**" shall have the meaning set forth in Section 6(a).

"**Parity Securities**" shall have the meaning set forth in Section 5(a).

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Securities Purchase Agreement**" means that certain Securities Purchase Agreement, dated as of November 26, 2014, between the Corporation and the Initial Holders.

"**Senior Securities**" shall have the meaning set forth in Section 5(a).

"**Series A Preferred Stock**" shall mean the Corporation's Series A Convertible Preferred Stock with the rights, preferences and privileges set forth in the Certificate of Designation of Series A Convertible Preferred Stock filed with the Secretary of State of the State of Delaware on October 1, 2012.

"**Share Delivery Date**" shall have the meaning set forth in Section 6(d).

"**Stated Value**" shall mean $6,030.

"**Trading Day**" means a day on which the Common Stock is traded for any period on the principal securities exchange or other securities market on which the Common Stock is then being traded.

Section 2. Designation, Amount and Par Value; Assignment.

a) The series of preferred stock designated by this Certificate of Designation shall be designated as the Corporation's Series B Convertible Preferred Stock (the **"Series B Preferred Stock") and** the number of shares so designated shall be 8,417 (which shall not be subject to increase without the written consent of the holders of a majority of the issued and outstanding Series B Preferred Stock (each, a **"Holder"** and collectively, the **"Holders")) and** shall be designated from the 10,000,000 shares of Preferred Stock authorized to be issued by the Certificate of Incorporation. Each share of Series B Preferred Stock shall have a par value of $0.01 per share.

b) The Corporation shall register shares of the Series B Preferred Stock, upon records to be maintained by the Corporation for that purpose (the **"Series B Preferred Stock Register"),** in the name of the Holders thereof from time to time. The Corporation may deem and treat the registered Holder of shares of Series B Preferred Stock as the absolute owner thereof for the purpose of any conversion thereof and for all other purposes. The Corporation shall register the transfer of any shares of Series B Preferred Stock in the Series B Preferred Stock Register, upon surrender of the certificates evidencing such shares to be transferred, duly endorsed by the Holder thereof, to the Corporation at its address specified herein. Upon any such registration or transfer, a new certificate evidencing the shares of Series B Preferred Stock so transferred shall be issued to the transferee and a new certificate evidencing the remaining portion of the shares not so transferred, if any, shall be issued to the transferring Holder, in each case, within three Business Days. The shares of Series B Preferred Stock and the rights evidenced hereby and thereby shall inure to the benefit of and be binding upon the successors and assigns of the Holder. The provisions of this Certificate are intended to be for the benefit of all Holders from time to time and shall be enforceable by any such Holder.

Section 3. Dividends.

a) Any dividends or distributions declared by the Board of Directors of the Corporation out of funds legally available therefor shall be distributed among the holders of Common Stock, the Series A Preferred Stock and the Series B Preferred Stock on a pro rata basis based on the number of shares of Common Stock held by each (determined on an as-converted to Common Stock basis based on the then-effective applicable Conversion Price, and without giving effect to the Beneficial Ownership Limitation) as of the record date fixed for determining those entitled to receive such distribution.

b) In the event the Corporation shall declare a distribution on the Common Stock payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights to purchase any such securities or evidences of indebtedness, then, in each such case the holders of the Series A Preferred Stock and Series B Preferred Stock shall be entitled to a proportionate share of any such distribution pursuant to this Section 3(b) as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Preferred Stock are convertible based on the then-effective applicable Conversion Prices (without giving effect to the Beneficial Ownership Limitation) as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

Section 4. Voting Rights. Except as otherwise provided herein or as otherwise required by the DGCL, the Series B Preferred Stock shall have no voting rights. However, as long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Series B Preferred Stock, (a) alter or change, directly or indirectly, adversely the powers, preferences or rights given to the Series B Preferred Stock or alter or amend this Certificate of Designation, (b) increase the number of authorized shares of Series B Preferred Stock, or (c) enter into any agreement with respect to any of the foregoing.

Section 5. Rank; Liquidation.

a) The Series B Preferred Stock shall rank (i) senior to all of the Common Stock; (ii) senior to any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms junior to any Series B Preferred Stock **("Junior Securities");** (iii) on parity with any class or series of capital stock of the Corporation created specifically ranking by its terms on parity with the Series B Preferred Stock **("Parity Securities");** and (iv) junior to (A) any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms senior to any Series B Preferred Stock, and (B) the Series A Preferred Stock **("Senior Securities"),** in each case, as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntarily or involuntarily (all such distributions being referred to collectively as **"Distributions").**

b) Subject to the prior and superior rights of the holders of any Senior Securities of the Corporation possessing superior liquidation rights, upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, each holder of shares of Series B Preferred Stock shall be entitled to receive, in preference to any distributions of any of the assets or surplus funds of the Corporation to the holders of the Common Stock and Junior Securities and pari passu with any distribution to the holders of Parity Securities, an amount equal to the Stated Value per share of Series B Preferred Stock, plus an additional amount equal to any dividends declared but unpaid on such shares before any payments shall be made or any assets distributed to holders of any class of Common Stock or Junior Securities, provided, however, that, notwithstanding anything herein to the contrary, upon the occurrence of an Insolvency Event, the Corporation may, at its option, cause the Holder to convert all of its shares of Series B Preferred Stock into Conversion Shares, without regard to the Beneficial Ownership Limitation. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation shall be insufficient to pay the holders of shares of the Series B Preferred Stock the amount required under the preceding sentence, then all remaining assets of the Corporation shall be distributed ratably to holders of the shares of the Series B Preferred Stock and Parity Securities.

Section 6. Conversion.

a) Conversions at Option of Holder. Each share of Series B Preferred Stock shall be convertible, at any time and from time to time from and after the date of issuance, at the option of the Holder thereof, into a number of shares of Common Stock equal to the Conversion Ratio. Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as Annex A (a "Notice of Conversion") duly completed and executed. Other than a conversion following a Fundamental Transaction or following a notice provided for under Section 7(d)(ii) hereof, the Notice of Conversion must specify at least a number of Conversion Shares equal to the lesser of (x) 1,000 shares (such number subject to appropriate adjustment following the occurrence of an event specified in Section 7(a) hereof) and (y) the number of Conversion Shares issuable upon conversion of all shares of Series B Preferred Stock then held by the Holder. Provided the Corporation's transfer agent is participating in the Depository Trust Company **("DTC")** Fast Automated Securities Transfer program, the Notice of Conversion may specify, at the Holder's election, whether the applicable Conversion Shares shall be credited to the account of the Holder's prime broker with DTC through its Deposit Withdrawal Agent Commission **(DWAC)** system (a **"DWAC Delivery").** The **"Conversion Date",** or the date on which a conversion shall be deemed effective, shall be defined as the Trading Day that the Notice of Conversion, completed and executed, is sent by electronic mail or facsimile to, and received during regular business hours by, the Corporation. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. Shares of Series B Preferred Stock converted into Common Stock in accordance with the terms

hereof shall be canceled and shall not be reissued. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender the certificate(s) representing the Series B Preferred Stock to the Corporation until all shares of Series B Preferred Stock represented by such certificate(s) have been converted in full, in which case the Holder shall surrender such certificate(s) to the Corporation for cancellation within two (2) Trading Days of the date the final Notice of Conversion is delivered to the Corporation. Execution and delivery of a Notice of Conversion with respect to a partial conversion shall have the same effect as cancellation of the original certificate(s) representing such Series B Preferred Stock and issuance of a certificate representing such remaining Series B Preferred Stock. In accordance with the preceding sentence, upon the written request of the Holder and the surrender of certificate(s) representing Series B Preferred Stock, the Corporation shall, within three (3) Trading Days of such request, deliver to the Holder certificate(s) (as specified by the Holder in such request) representing such remaining Series B Preferred Stock.

b) Conversion Ratio. The "Conversion Ratio" for each share of Series B Preferred Stock shall be equal to the Stated Value divided by the Conversion Price.

c) Beneficial Ownership Limitation. Notwithstanding anything herein to the contrary, the Corporation shall not effect any conversion of the Series B Preferred Stock, and a Holder shall not have the right to convert any portion of the Series B Preferred Stock, to the extent that, after giving effect to an attempted conversion set forth on the applicable Notice of Conversion, such Holder (together with such Holder's Affiliates, and any other person or entity whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the Commission, including any "group" of which the Holder is a member) would beneficially own a number of shares of Common Stock in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series B Preferred Stock subject to the Notice of Conversion with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted Series B Preferred Stock beneficially owned by such Holder or any of its Affiliates, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation subject to a limitation on conversion or exercise analogous to the limitation contained herein (including any warrants) beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 6(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. In addition, a determination as to any "group" status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 6(c), it is understood that the number of shares of Common Stock beneficially owned by each initial Purchaser

under the Securities Purchase Agreement shall be aggregated with each other Investor for purposes of Section 13(d) of the Exchange Act. For purposes of this Section 6(c), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (A) the Corporation's most recent periodic or annual filing with the Commission, as the case may be, (B) a more recent public announcement by the Corporation that is filed with the Commission or (C) a more recent notice by the Corporation or the Corporation's transfer agent to the Holder setting forth the number of shares of Common Stock then outstanding. Upon the written request of a Holder (which may be via electronic mail), the Corporation shall within two (2) Trading Days thereof, confirm in writing via electronic mail to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to any actual conversion or exercise of securities of the Corporation, including Series B Preferred Stock, by such Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was last publicly reported. The **"Beneficial Ownership Limitation"** shall be 9.98% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Series B Preferred Stock held by the applicable Holder.

d) Mechanics of Conversion

i. Delivery of Certificate or Electronic Issuance Upon Conversion. Not later than three (3) Trading Days after the applicable Conversion Date (the **"Share Delivery Date"),** the Corporation shall (a) deliver, or cause to be delivered, to the converting Holder a certificate or certificates representing the number of Conversion Shares being acquired upon the conversion of shares of Series B Preferred Stock or (b) in the case of a DWAC Delivery, electronically transfer such Conversion Shares by crediting the account of the Holder's prime broker with DTC through its DWAC system. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by or, in the case of a DWAC Delivery, such shares are not electronically delivered to or as directed by, the applicable Holder by the Share Delivery Date, the applicable Holder shall be entitled to elect to rescind such Conversion Notice by written notice to the Corporation at any time on or before its receipt of such certificate or certificates for Conversion Shares or electronic receipt of such shares, as applicable, in which event the Corporation shall promptly return to such Holder any original Series B Preferred Stock certificate delivered to the Corporation and such Holder shall promptly return to the Corporation any Common Stock certificates or otherwise direct the return of any shares of Common Stock delivered to the Holder through the DWAC system, representing the shares of Series B Preferred Stock unsuccessfully tendered for conversion to the Corporation.

ii. Obligation Absolute; Partial Liquidated Damages. Subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, the Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series B Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares. Subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, in the event a Holder shall elect to convert any or all of its Series B Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or any one associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Series B Preferred Stock of such Holder shall have been sought and obtained, and the Corporation posts a surety bond for the benefit of such Holder in the amount of 150% of the value of the Conversion Shares into which would be converted the Series B Preferred Stock which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of such injunction, the Corporation shall, subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, issue Conversion Shares and, if applicable, cash, upon a properly noticed conversion. If the Corporation fails to deliver to a Holder such certificate or certificates, or electronically deliver such shares in the case of a DWAC Delivery, pursuant to Section 6(d)(i) on or prior to the Share Delivery Date applicable to such conversion, the Corporation shall pay to such Holder, in cash, as liquidated damages and not as a penalty, an amount equal to the product of (x) the number of Conversion Shares issuable by the Corporation on such Share Delivery Date, (y) an amount equal to the Daily Failure Amount and (z) the number of Trading Days after the Share Delivery Date that such certificates have not been delivered, or, in the case of a DWAC Delivery, such shares have not been electronically delivered. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to deliver Conversion Shares within the period specified herein and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not

prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

iii. Compensation for Buy-In on Failure to Timely Deliver Certificates

Upon Conversion. If the Corporation fails to deliver to a Holder the applicable certificate or certificates or to effect a DWAC Delivery, as applicable, by the Share Delivery Date pursuant to Section 6(d)(i) (other than a failure caused by incorrect or incomplete information provided by Holder to the Corporation), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount by which (x) such Holder's total purchase price (including any brokerage commissions) for the shares of Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series B Preferred Stock equal to the number of shares of Series B Preferred Stock submitted for conversion or deliver to such Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(d)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series B Preferred Stock with respect to which the actual sale price (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder $1,000. The Holder shall provide the Corporation written notice within five (5) Trading Days after the occurrence of a Buy-In indicating the amounts payable to such Holder in respect of the Buy-In together with applicable confirmations and any other evidence reasonably requested by the Corporation loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the shares of Series B Preferred Stock as required pursuant to the terms hereof; provided, however, that the Holder shall not be entitled to both (i) require the reissuance of the shares of Series B Preferred Stock submitted for conversion for which such conversion was not timely honored and (ii) receive the number of shares of Common Stock that would have been issued if the

Corporation had timely complied with its delivery requirements under Section 6(d)(i).

iv. Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series B Preferred Stock and payment of dividends on the Series B Preferred Stock, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series B Preferred Stock, not less than such aggregate number of shares of the Common Stock as shall be issuable (taking into account the adjustments of Section 7) upon the conversion of all outstanding shares of Series B Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

v. Fractional Shares. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of the Series B Preferred Stock. As to any fraction of a share which a Holder would otherwise be entitled to receive upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

vi. Transfer Taxes. The issuance of certificates for shares of the Common Stock upon conversion of the Series B Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the registered Holder(s) of such shares of Series B Preferred Stock and the Corporation shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

vii. Status as Stockholder. Effective as of the delivery by the Holder of the Notice of Conversion by the Holder by facsimile or electronic mail, as provided herein, subject to Section 6(c) hereof (i) the shares of Series B Preferred Stock being converted shall be deemed converted into shares of Common Stock, (ii) the Holder shall be deemed the Holder or record of such applicable Conversion Shares and (iii) the Holder's rights as a holder of such converted shares of Series B Preferred Stock shall cease and terminate, excepting only the right to receive certificates evidencing such shares of Common Stock, or electronic delivery of

such shares in the case of DWAC Delivery, and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Corporation to comply with the terms of this Certificate of Designation. In all cases, the Holder shall retain all of its rights and remedies for the Corporation's failure to convert Series B Preferred Stock.

Section 7. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Corporation, at any time while this Series B Preferred Stock is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of, or payment of a dividend on, this Series B Preferred Stock); (B) subdivides outstanding shares of Common Stock into a larger number of shares; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock, or in the event that clause (D) of this Section 7(a) shall apply shares of reclassified capital stock, outstanding immediately after such event (excluding any treasury shares of the Corporation). Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Fundamental Transaction. If, at any time while this Series B Preferred Stock is outstanding, (A) the Corporation, directly or indirectly in one or more related transactions, effects any merger or consolidation of the Corporation with or into another Person(other than a merger in which the Corporation is the surviving or continuing entity and its Common Stock is not exchanged for or converted into other securities, cash or property), (B) the Corporation, directly or indirectly in one or more related transactions, effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, (C) any tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Corporation, directly or indirectly in one or more related transactions, effects any reclassification of the Common Stock or any compulsory share exchange pursuant (other than as a result of a dividend, subdivision or combination covered by Section 7(a) above) to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a **"Fundamental Transaction"),** then,

upon any subsequent conversion of this Series B Preferred Stock, the Holders shall have the right to elect to receive in lieu of Conversion Shares, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to the Beneficial Ownership Limitation), the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the **"Alternate Consideration").** For purposes of any such conversion, the determination of the Conversion Ratio shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall adjust the Conversion Ratio in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holders shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Series B Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Corporation or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The terms of any agreement to which the Corporation or any of its Affiliates is a party and pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 7(b) and insuring that this Series B Preferred Stock (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

c) Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

d) Notice to the Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Ratio after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common

Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of the Corporation, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of this Series B Preferred Stock, and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. Without limiting any other rights of the Holder hereunder, the Holder is entitled to convert this Series B Preferred Stock (or any part hereof) during the 20 day period commencing on the date of such notice through the effective date of the event triggering such notice.

Section 8. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by electronic mail (rick.eiswirth@alimerasciences.com), or sent by a nationally recognized overnight courier service, addressed to the Corporation, at its principal place of business, to the attention of the Chief Financial Officer and Chief Operating Officer of the Corporation, or such other electronic mail address or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 8. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by confirmed electronic mail or

facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the electronic mail address, facsimile number or address of such Holder appearing on the books of the Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the time and date of transmission, if such notice or communication is delivered via electronic mail at the e-mail address specified in this Section 8 prior to 4:00 p.m. (New York City time) on any date, (ii) the date immediately following the date of transmission, if such notice or communication is delivered via email at the email address specified in this Section 8 between 4:00 p.m. and 11:59 p.m. (New York City time) on any date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay liquidated damages on the shares of Series B Preferred Stock at the time, place, and rate, and in the coin or currency, herein prescribed.

c) Lost or Mutilated Series B Preferred Stock Certificate. If a Holder's Series B Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series B Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership thereof reasonably satisfactory to the Corporation and, in each case, customary and reasonable indemnity, if requested. Applicants for a new certificate under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Corporation may prescribe.

d) Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation. Any waiver by the Corporation or a Holder must be in writing.

e) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall

nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. Notwithstanding any provision in this Certificate of Designation to the contrary, any provision contained herein (other than Section 6(c) which cannot be waived by the Holders) and any right of the holders of Series B Preferred Stock granted hereunder may be waived as to all shares of Series B Preferred Stock (and the Holders thereof) upon the written consent of the Holders of not less than a majority of the shares of Series B Preferred Stock then outstanding, unless a higher percentage is required by the DGCL, in which case the written consent of the holders of not less than such higher percentage shall be required.

f) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

g) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

h) Status of Converted Series B Preferred Stock. If any shares of Series B Preferred Stock shall be converted or reacquired by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series B Preferred Stock.

i) Benefit of Holders. The provisions of this Certificate of Designation are intended to be for the benefit of all Holders from time to time and shall be enforceable by any such Holder.

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RESOLVED, FURTHER, that the Chairman, the president or any vice-president, and the secretary or any assistant secretary, of the Corporation be and they hereby are authorized and directed to prepare and file a Certificate of Designation of Preferences, Rights and Limitations in accordance with the foregoing resolution and the provisions of Delaware law.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designation this 12th day of December, 2014.

/s/ C. Daniel Myers
Name: C. Daniel Myers
Title: President and CEO

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF SERIES B PREFERRED STOCK)

The undersigned Holder hereby irrevocably elects to convert the number of shares of Series B Convertible Preferred Stock indicated below, represented by stock certificate No(s). (the "Preferred Stock Certificates"), into shares of common stock, par value $0.01 per share (the "Common Stock"), of Alimera Sciences, Inc., a Delaware corporation (the "Corporation"), as of the date written below. If securities are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Capitalized terms utilized but not defined herein shall have the meaning ascribed to such terms in that certain Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (the "Certificate of Designation") filed by the Corporation on December 12, 2014.

The number of shares of Common Stock beneficially owned by the undersigned Holder (together with such Holder's Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the Commission, including any "group" of which the Holder is a member), including the number of shares of Common Stock issuable upon conversion of the Series B Preferred Stock subject to this Notice of Conversion, but excluding the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted Series B Preferred Stock beneficially owned by such Holder or any of its Affiliates, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation (including any warrants) beneficially owned by such Holder or any of its Affiliates that are subject to a limitation on conversion or exercise similar to the limitation contained in Section 6(c) of the Certificate of Designation, is . For purposes hereof, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the applicable regulations of the Commission. In addition, for purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and the applicable regulations of the Commission. Conversion calculations:

Date to Effect Conversion:

Number of shares of Series B Preferred Stock owned prior to Conversion:

Number of shares of Series B Preferred Stock to be Converted:

Number of shares of Common Stock to be Issued:

Address for Delivery: __

or

for DWAC Delivery:

DWAC Instructions:
Broker no:
Account no:

[HOLDER]

By: __
Name:
Title:

CERTIFICATE OF AMENDMENT TO THE
RESTATED CERTIFICATE OF INCORPORATION OF
ALIMERA SCIENCES, INC.

Alimera Sciences, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: The name of the Corporation is Alimera Sciences, Inc.

SECOND: The date on which the Certificate of Incorporation of the Corporation was originally filed with the Secretary of State of, the State of Delaware is June 4, 2003, under the name of Alimera Sciences, Inc.

THIRD: That the Board of Directors of the Corporation duly adopted a resolution setting forth a proposed amendment to the Restated Certificate of Incorporation of the Corporation (the "Restated Certificate"), declaring said amendment to be advisable and in the best interests of the Corporation and its stockholders, and authorized the appropriate officers of the Corporation to solicit the approval of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the first paragraph of Article IV of the Restated Certificate be amended and restated to read in its entirety as follows:

The Corporation is authorized to issue two classes of stock to be designated common stock ("Common Stock") and preferred stock ("Preferred Stock"). The number of shares of Common Stock authorized to be issued is one hundred fifty million (150,000,000) par value $0.01 per share, and the number of shares of Preferred Stock authorized to be issued is ten million (10,000,000), par value $0.01 per share.

FOURTH: That thereafter said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware by written consent of the stockholders holding the requisite number of shares required by statute given in accordance with and pursuant to Section 228 of the General Corporation Law of the State of Delaware.

* * * * *

State of Delaware
Secretary of State
Division of Corporations
Delivered 07:00 PM 11/16/2016
FILED 07:00 PM 11/16/2016
SR 20166670612 - File Number 3666427

IN WITNESS WHEREOF, this Corporation has caused this certificate of Amendment to the Certificate of Incorporation to be signed by its President and Chief Financial Officer this 16 day of November 2016.

/s/ Richard S. Eiswirth, Jr.

Richard S. Eiswirth, Jr.
President and Chief Financial Officer

State of Delaware
Secretary of State
Division of Corporations
Delivered 04:12 PM 09/04/2018
FILED 04:12 PM 09/04/2018
SR 20186488910 - File Number 3666427

ALIMERA SCIENCES, INC.

CERTIFICATE OF DESIGNATION OF PREFERENCES, RIGHTS AND LIMITATIONS OF SERIES C CONVERTIBLE PREFERRED STOCK

PURSUANT TO SECTION 151(g) OF THE
DELAWARE GENERAL CORPORATION LAW

ALIMERA SCIENCES, INC., a Delaware corporation (the "**Corporation**"), in accordance with the provisions of Section 103 of the Delaware General Corporation Law (the "**DGCL**"), does hereby certify that, in accordance with Section 151 of the DGCL, the following resolution was duly adopted by the Board of Directors of the Corporation (the "**Board of Directors**") on August 28, 2018:

RESOLVED, that the Board of Directors, pursuant to authority expressly vesting in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the issuance of a series of Preferred Stock designated as the Series C Convertible Preferred Stock, par value $0.01 per share, of the Corporation and hereby fixes the designation, number of shares, powers, preferences, rights, qualifications, limitations and restrictions thereof (in addition to any provisions set forth in the Certificate of Incorporation of the Corporation which are applicable to the Preferred Stock of all classes and series) as follows:

SERIES C CONVERTIBLE PREFERRED STOCK

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"**Affiliate**" means any Person (as defined below) that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Holder, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Holder will be deemed to be an Affiliate of such Holder.

"**Alternate Consideration**" shall have the meaning set forth in Section 7(b).

"**Asset Disposition**" shall have the meaning set forth in Section 5(c)(i)(B).

"**Asset Disposition Redemption Notice**" shall have the meaning set forth in Section 5(c)(iii)(B).

"**Asset Disposition Redemption Price**" shall have the meaning set forth in Section 5(c)(iii)(B).

"**Available Proceeds**" shall have the meaning set forth in Section 5(c)(iii)(B).

"**Beneficial Ownership Limitation**" shall have the meaning set forth in Section 6(c).

"**Board of Directors**" shall have the meaning set forth in the preamble.

"**Business Day**" means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"**Buy-In**" shall have the meaning set forth in Section 6(d)(iii).

"Certificate of Designation" shall mean this Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock.

"Change of Control Combination" shall have the meaning set forth in Section 5(c)(i)(A).

"Closing Sale Price" means, for any security as of any date, the last closing trade price for such security prior to 4:00 p.m., New York City time, on the principal securities exchange or trading market where such security is listed or traded, as reported by Bloomberg, L.P. (or an equivalent, reliable reporting service mutually acceptable to and hereafter designated by Holders of a majority of the then outstanding Series C Preferred Stock and the Corporation), or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, L.P., or, if no last trade price is reported for such security by Bloomberg, L.P., the average of the bid prices, or the ask prices, respectively, of any market makers for such security that are listed in the over the counter market by the Financial Industry Regulatory Authority, Inc. or in the Pink market of OTC Markets Group, Inc. (or any successor market). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value mutually determined by the Corporation and the holders of a majority of outstanding shares of Series C Preferred Stock. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Corporation's common stock, par value $0.01 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

"Common Stock Equivalents" means any securities of the Corporation or the Subsidiaries that would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"**Conversion Date**" shall have the meaning set forth in Section 6(a).

"**Conversion Price**" shall mean, with respect to the Series C Preferred Stock, $1.00, as adjusted pursuant to Section 7 hereof and, with respect to the Series A Preferred Stock, the price at which a share of Series A Preferred Stock is convertible into a share of Common Stock under the terms of the Series A Designation.

"**Conversion Ratio**" shall have the meaning set forth in Section 6(b).

"**Conversion Shares**" means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series C Preferred Stock in accordance with the terms hereof.

"**Daily Failure Amount**" means the product of (x) 0.005 multiplied by (y) the Closing Sale Price of the Common Stock on the applicable Share Delivery Date.

"**Deemed Liquidation Transaction**" shall have the meaning set forth in Section 5(c)(i).

"**Distributions**" shall have the meaning set forth in Section 5(a).

"**DTC**" shall have the meaning set forth in Section 6(a).

"**DWAC**" shall have the meaning set forth in Section 6(a).

"**DWAC Delivery**" shall have the meaning set forth in Section 6(a).

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Fundamental Transaction**" shall have the meaning set forth in Section 7(b).

"**Holder**" and "**Holders**" shall have the meaning given such terms in Section 2(a).

"**Junior Securities**" shall have the meaning set forth in Section 5(a).

"**Notice of Conversion**" shall have the meaning set forth in Section 6(a).

"**Parity Securities**" shall have the meaning set forth in Section 5(a).

"**Person**" means any individual, sole proprietorship, partnership (general or limited), limited liability company, joint venture, company, trust (statutory or common law), unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental or regulatory agency.

"**Redemption Date**" shall have the meaning set forth in Section 5(c)(iii)(B).

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Senior Securities**" shall have the meaning set forth in Section 5(a).

"**Series A Designation**" shall mean the Certificate of Designation of Series A Convertible Preferred Stock filed with the Secretary of State of the State of Delaware on October 1, 2012.

"**Series A Preferred Stock**" shall mean the Corporation's Series A Convertible Preferred Stock, with the rights, preferences and privileges set forth in the Series A Designation.

"**Series C Liquidation Preference Amount**" shall have the meaning set forth in Section 5(b).

"**Series C Preferred Stock**" shall have the meaning set forth in Section 2(a).

"**Series C Preferred Stock Register**" shall have the meaning set forth in Section 2(b).

"**Share Delivery Date**" shall have the meaning set forth in Section 6(d)(i).

"**Standard Settlement Period**" means the standard settlement period for equity trades effected by U.S. broker-dealers, expressed in a number of Trading Days, as in effect on the applicable date.

"**Stated Value**" shall mean $1,000.

"**Trading Day**" means a day on which the Common Stock is traded for any period on the principal securities exchange or other securities market on which the Common Stock is then being traded.

Section 2. Designations Amount and Par Value; Assignment.

a) The series of preferred stock designated by this Certificate of Designation shall be designated as the Corporation's Series C Convertible Preferred Stock (the "**Series C Preferred Stock**") and the number of shares so designated shall be 10,150 (which shall not be subject to increase (whether by amendment, merger, consolidation or otherwise) without the written consent of the holders of a majority of the outstanding shares of Series C Preferred Stock (each holder of any outstanding shares of Series C Preferred Stock, a "**Holder**" and collectively, the "**Holders**")) and shall be designated from the 10,000,000 shares of Preferred Stock authorized to be issued by the Certificate of Incorporation. Each share of Series C Preferred Stock shall have a par value of $0.01 per share.

b) The Corporation shall register shares of the Series C Preferred Stock, upon records to be maintained by the Corporation for that purpose (the "**Series C Preferred Stock Register**"), in the name of the Holders thereof from time to time. The Corporation may deem and treat the

registered Holder of shares of Series C Preferred Stock as the absolute owner thereof for the purpose of any conversion thereof and for all other purposes. The Corporation shall register the transfer of any shares of Series C Preferred Stock in the Series C Preferred Stock Register, upon surrender of the certificates evidencing such shares to be transferred, duly endorsed by the Holder thereof, to the Corporation at its address specified herein. Upon any such registration or transfer, a new certificate evidencing the shares of Series C Preferred Stock so transferred shall be issued to the transferee and a new certificate evidencing the remaining portion of the shares not so transferred, if any, shall be issued to the transferring Holder, in each case, within three Business Days. The shares of Series C Preferred Stock and the rights evidenced hereby and thereby shall inure to the benefit of and be binding upon the successors and assigns of the Holder. The provisions of this Certificate are intended to be for the benefit of all Holders from time to time and shall be enforceable by any such Holder.

Section 3. Dividends.

a) Any dividends or distributions declared by the Board of Directors out of funds legally available therefor shall be distributed among the holders of Common Stock, the Series A Preferred Stock and the Series C Preferred Stock on a pro rata basis based on the number of shares of Common Stock held by each such holder (determined on an as-converted to Common Stock basis based on the then-effective applicable Conversion Price, and without giving effect to the Beneficial Ownership Limitation) as of the record date fixed for determining those entitled to receive such distribution.

b) In the event the Corporation shall declare a distribution on the Common Stock payable in securities of other Persons, evidences of indebtedness issued by the Corporation or other Persons, or other assets (excluding cash dividends distributed in accordance with Section 3(a)), including options or rights to purchase any such securities or evidences of indebtedness or securities convertible into any of the foregoing, then, in each such case the holders of the Series A Preferred Stock and Series C Preferred Stock shall be entitled to a proportionate share of any such distribution pursuant to this Section 3(b) as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Preferred Stock are convertible based on the then-effective applicable Conversion Prices (without giving effect to the Beneficial Ownership Limitation) as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

Section 4. Voting Rights. Except as otherwise provided herein or as otherwise required by the DGCL, the Series C Preferred Stock shall have no voting rights. However, as long as any shares of Series C Preferred Stock are outstanding, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Series C Preferred Stock, the Corporation shall not, directly or indirectly, whether by or through any subsidiary and whether by merger, consolidation or otherwise, (a) alter or change, directly or indirectly, the powers, preferences or rights of the Series C Preferred Stock so as to affect them adversely or otherwise alter or amend this Certificate of Designation, (b) increase the number of authorized shares of Series C Preferred Stock, or (c) enter into any agreement with respect to any of the foregoing.

Section 5. Rank; Liquidation.

a) Rank. The Series C Preferred Stock shall rank (i) senior to all of the Common Stock; (ii) senior to any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms junior to any Series C Preferred Stock **("Junior Securities");** (iii) on parity with any class or series of capital stock of the Corporation created specifically ranking by its terms on parity with the Series C Preferred Stock **("Parity Securities");** and (iv) junior to (A) any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms senior to any Series C Preferred Stock, and (B) the Series A Preferred Stock **("Senior Securities"),** in each case, as to dividends or distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntarily or involuntarily, or any Deemed Liquidation Transaction (all such distributions being referred to collectively as **"Distributions").**

b) Liquidation, Dissolution, or Winding Up; Certain Mergers, Consolidations, and Asset Sales. Subject to the prior and superior rights of the holders of any Senior Securities of the Corporation possessing superior rights in connection with any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any Deemed Liquidation Transaction (as defined below), upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any Deemed Liquidation Transaction, each Holder of outstanding shares of Series C Preferred Stock shall be entitled to be paid out of the assets of the Corporation legally available for distribution to stockholders, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Common Stock and Junior Securities and *pari passu* with any distribution to the holders of Parity Securities, an amount in cash per share, equal to the greater of (i) the Stated Value per share of Series C Preferred Stock held by such Holder plus an additional amount equal to any declared but unpaid dividends on such share, if any, or (ii) the amount per share each Holder of a share of Series C Preferred Stock would be entitled to receive had all shares of Series C Preferred Stock been converted into shares of Common Stock based on the then-effective applicable Conversion Price immediately prior to such liquidation, dissolution or winding up or such Deemed Liquidation Transaction and such holder held such shares of Common Stock (the amount payable pursuant to this sentence is referred to herein as the **"Series C Liquidation Preference Amount").** If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or any Deemed Liquidation Transaction, the funds legally available for distribution to all holders of Series C Preferred Stock shall be insufficient to permit the payment to all such holders of the full Series C Liquidation Preference Amount, then the entire funds legally available for such distribution shall be distributed ratably among the holders of the Series C Preferred Stock and Parity Securities.

c) Deemed Liquidation Transaction.

i. Definition. Unless waived by the holders of a majority of the then-outstanding shares of Series C Preferred Stock, voting or acting by written consent together as a separate class at least five (5) calendar days before the effective date of such event, each of the following shall be deemed to constitute a **"Deemed Liquidation Transaction":**

(A) any acquisition of the Corporation by means of merger or consolidation or by means of an agreement to which the Corporation is a party providing for a stock sale, tender offer, or exchange offer, in each case, in which outstanding shares of the Corporation are converted, exchanged, or sold, in one transaction or a series of related transactions, for cash, securities, property, or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, or any other Person or group or affiliated Persons and in which the holders of capital stock of the Corporation immediately prior to such transaction or series of related transactions hold less than a majority of the voting power of the surviving or resulting entity following consummation of such transaction or series of related transactions (a **"Change of Control Combination"),** or

(B) any sale, transfer, exclusive license or lease of all or substantially all of the properties or assets of the Corporation and its subsidiaries taken as a whole (an **"Asset Disposition");**

provided that none of the following shall be deemed to constitute a Deemed Liquidation Transaction: (x) a transaction for which the sole purpose is to change the state of the Corporation's incorporation, (y) a transaction for which the sole purpose is to create a holding company that will hold no assets other than shares of the Corporation and that will have securities with rights, preferences, privileges and restrictions substantially similar to those of the Corporation and that are owned in substantially the same proportions by the Persons who held such securities of the Corporation, in each case immediately prior to such transaction, or (z) a license transaction entered into by the Corporation for the purpose of developing and/or commercializing one or more of the Corporation's products, so long as such license transaction would not be reasonably considered to be a sale or license of all or substantially all of the assets of the Corporation and its subsidiaries taken as a whole.

ii. Notice. At least ten (10) Business Days prior to the occurrence of any Deemed Liquidation Transaction, the Corporation will furnish each Holder of the Series C Preferred Stock notice at the address for such Holder on record with the Corporation or the transfer agent of the Series C Preferred Stock in accordance with Section 8(a) hereof, together with a certificate prepared by the chief financial officer of the Corporation describing in reasonable detail the terms of such Deemed Liquidation Transaction, which notice or certificate shall state in detail to the extent known (if such amounts are not known at the time of such notice, the Board of Directors shall in good faith determine an approximate amount) the amount(s) per share of the Series C Preferred Stock each holder of the Series C Preferred Stock would receive pursuant to the provisions of this Section 5 and state in reasonable detail the facts and assumptions upon which such amounts were determined.

iii. Effecting a Deemed Liquidation Transaction.

(A) The Corporation shall not have the power to effect a Deemed Liquidation Transaction that is a Change of Control Combination referred to in Section 5(c)(i)(A) unless the agreement or plan of merger or consolidation or other agreement governing such Change of Control Combination provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation so as to give effect to the provisions of this Section 5.

(B) In the event of a Deemed Liquidation Transaction that is an Asset Disposition referred to in Section 5(c)(i)(B), if the Corporation does not effect a dissolution of the Corporation under the DGCL within ninety (90) days after such Asset Disposition, then (i) the Corporation shall send a written notice to each Holder of Series C Preferred Stock no later than the ninetieth (90^{th}) day after consummation of the Asset Disposition advising such Holders of their right (and the requirements to be met to secure such right) to require the redemption of such shares of Series C Preferred Stock pursuant to the terms of the following clause; and (ii) if the Holders of at least a majority of the then outstanding shares of Series C Preferred Stock so request in a written instrument delivered to the Corporation not later than one hundred twenty (120) days after such Deemed Liquidation Transaction, the Corporation shall use the consideration received by the Corporation for such Asset Disposition (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors), together with any other assets of the Corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the **"Available Proceeds"),** on the one hundred fiftieth (150^{th}) day after the consummation of such Asset Disposition (the **"Redemption Date"),** to redeem all outstanding shares of Series C Preferred Stock at a price per share equal to the Series C Liquidation Preference Amount (the **"Asset Disposition Redemption Price").** The Corporation shall send written notice of the redemption pursuant to this Section in accordance with Section 8(a) hereof (the **"Asset Disposition Redemption Notice")** to each Holder of record of Series C Preferred Stock not less than twenty five (25) days prior to the Redemption Date. Each Asset Disposition Redemption Notice shall state that each of the Holder's shares of Series C Preferred Stock will be redeemed on the Redemption Date at the Asset Disposition Redemption Price, that such Holder's ability to convert such shares of Series C Preferred Stock pursuant to Section 6 of this Certificate of Designation will terminate one Business Day prior to the Redemption Date (unless and to the extent that any such shares are not actually redeemed on the Redemption Date), and that for shares in certificated form, the Holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Series C Preferred Stock to be redeemed. On or before the Redemption Date, each Holder of shares of Series C Preferred Stock to be redeemed on such Redemption Date, unless such Holder has exercised his, her, or its right to convert such shares as provided in Section 6, shall, if a Holder of shares in certificated form, surrender the certificate or certificates representing such shares (or, if such registered Holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the

Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Asset Disposition Redemption Price payable with respect to each such share shall be payable to the order of the Person whose name appears on such certificate or certificates as the owner thereof. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Series C Preferred Stock, the Corporation shall ratably redeem each Holder's shares of Series C Preferred Stock (and any Holder's shares of Parity Securities with a similar right to redemption upon the occurrence of a Deemed Liquidation Transaction that is an Asset Disposition) to the fullest extent of such Available Proceeds, and shall redeem the remaining shares as soon as it may lawfully do so under Delaware law governing distributions to stockholders (provided, for the avoidance of doubt, that each Holder shall be entitled to exercise its conversion rights provided in Section 6 with respect to any shares not redeemed on the Redemption Date at any time prior to the date such shares are actually redeemed in accordance with this Section 5(c)(iii)(B); provided, further, that the Corporation shall have no obligation to redeem any shares so converted, including any shares of Common Stock issued upon such conversion). Prior to the distribution or redemption provided for in this Section 5(c)(iii)(B), the Corporation shall not expend or dissipate the consideration received for such Asset Disposition, except to discharge expenses actually and reasonably incurred in connection with such Asset Disposition or in the ordinary course of business consistent with past practices (but after giving effect to the Asset Disposition). Notwithstanding the foregoing, in the event that any outstanding shares of Series C Preferred Stock are not redeemed on the Redemption Date, the holders of at least a majority of the then outstanding shares of Series C Preferred Stock may rescind the request for the redemption of the shares not so redeemed at any time prior to their redemption in a written instrument delivered to the Corporation.

d) Delivery of Consideration. Unless otherwise provided in the definitive documents relating to a Deemed Liquidation Transaction, any securities or other consideration to be delivered to the holders of the Corporation's capital stock in connection with any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation or such Deemed Liquidation Transaction shall be valued as follows:

i. If a security traded on a securities exchange or trading market, the value per security shall be deemed to be the arithmetic average of the Closing Sale Prices of the security over the thirty (30) day period ending three (3) Business Days prior to the occurrence of such event or consummation of such transaction; and

ii. If not a security traded on a securities exchange or trading market, the value shall be the fair market value thereof, as mutually determined by the Corporation and the holders of a majority of the then outstanding shares of Series C Preferred Stock.

Section 6. Conversion.

a) Conversions at Option of Holder. Each share of Series C Preferred Stock shall be convertible, at any time and from time to time from and after the date of issuance, at the option of the Holder thereof, into a number of shares of Common Stock equal to the Conversion Ratio. Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as **Annex A (a "Notice of Conversion")** duly completed and executed. Other than in the case of a conversion following a Fundamental Transaction or following a notice provided for under Section 7(d)(ii) hereof, the Notice of Conversion must specify at least a number of Conversion Shares equal to the lesser of (x) 1,000 shares (such number subject to appropriate adjustment following the occurrence of an event specified in Section 7(a) hereof) and (y) the number of Conversion Shares issuable upon conversion of all shares of Series C Preferred Stock then held by the Holder. The Notice of Conversion may specify, at the Holder's election, whether the applicable Conversion Shares shall be credited to the account of the Holder's prime broker with Depository Trust Corporation **("DTC")** through its Deposit/Withdrawal At Custodian **("DWAC")** system (a **"DWAC Delivery").** The **"Conversion Date,"** or the date on which a conversion shall be deemed effective, shall be defined as the Trading Day that the Notice of Conversion, completed and executed, is sent by electronic mail or facsimile to, and received during regular business hours by, the Corporation. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. Shares of Series C Preferred Stock converted into Common Stock in accordance with the terms hereof shall be canceled and shall not be reissued. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender the certificate(s) representing the Series C Preferred Stock to the Corporation until all shares of Series C Preferred Stock represented by such certificate(s) have been converted in full, in which case the Holder shall surrender such certificate(s) to the Corporation for cancellation within two (2) Trading Days of the date the final Notice of Conversion is delivered to the Corporation. Execution and delivery of a Notice of Conversion with respect to a partial conversion shall have the same effect as cancellation of the original certificate(s) representing such shares of Series C Preferred Stock and issuance of a certificate representing such remaining shares of Series C Preferred Stock. In accordance with the preceding sentence, upon the written request of the Holder and the surrender of certificate(s) representing Series C Preferred Stock, the Corporation shall, within three (3) Trading Days of such request, deliver to the Holder certificate(s) (as specified by the Holder in such request) representing such remaining Series C Preferred Stock.

b) Conversion Ratio. The **"Conversion Ratio"** for each share of Series C Preferred Stock shall be equal to the Stated Value divided by the Conversion Price.

c) Beneficial Ownership Limitation. Notwithstanding anything herein to the contrary, the Corporation shall not effect any conversion of the Series C Preferred Stock, and a Holder shall not have the right to convert any portion of the Series C Preferred Stock, to the extent that, after giving effect to an attempted conversion set forth on the applicable Notice of Conversion, such Holder (together with such Holder's Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the Commission, including any "group" of which the Holder is a member) would beneficially own a number of shares of

Common Stock in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series C Preferred Stock subject to the Notice of Conversion with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted Series C Preferred Stock beneficially owned by such Holder or any of its Affiliates, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation subject to a limitation on conversion or exercise analogous to the limitation contained herein (including any warrants) beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 6(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. In addition, a determination as to any "group" status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 6(c), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (A) the Corporation's most recent periodic or annual filing with the Commission, as the case may be, (B) a more recent public announcement by the Corporation that is filed with the Commission or (C) a more recent notice by the Corporation or the Corporation's transfer agent to the Holder setting forth the number of shares of Common Stock then outstanding. Upon the written request of a Holder (which may be via electronic mail), the Corporation shall within two (2) Trading Days thereof, confirm in writing via electronic mail to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to any actual conversion or exercise of securities of the Corporation, including Series C Preferred Stock, by such Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was last publicly reported. The **"Beneficial Ownership Limitation"** shall be 9.98% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Series C Preferred Stock held by the applicable Holder.

d) Mechanics of Conversion

i. Delivery of Certificate or Electronic Issuance Upon Conversion. Not later than the earlier of two (2) Trading Days and the number of Trading Days constituting the Standard Settlement Period after the applicable Conversion Date (such earlier date, the **"Share Delivery Date"),** the Corporation shall (a) deliver, or cause to be delivered, to the converting Holder a certificate or certificates representing the number of Conversion Shares being acquired upon the conversion of shares of Series C Preferred Stock or (b) in the case of a DWAC Delivery, electronically transfer such Conversion Shares by crediting the account of the Holder's prime broker with DTC through its DWAC system. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by or, in the case of a DWAC Delivery, such shares are not electronically delivered to or as directed by, the applicable Holder by the Share Delivery Date, the applicable Holder shall be entitled to elect to rescind such Notice of Conversion by written notice to the Corporation at any time on or before its receipt of such certificate

or certificates for Conversion Shares or electronic receipt of such shares, as applicable, in which event the Corporation shall promptly return to such Holder any original Series C Preferred Stock certificate delivered to the Corporation and such Holder shall promptly return to the Corporation any Common Stock certificates or otherwise direct the return of any shares of Common Stock delivered to the Holder through the DWAC system, representing the shares of Series C Preferred Stock unsuccessfully tendered for conversion to the Corporation; provided that the liquidated damages described in Section 6(d)(ii) shall be payable through the date such notice of rescission is given to the Corporation.

ii. Obligation Absolute; Partial Liquidated Damages. Subject to Section 6(c) hereof and subject to Holder's right to rescind a Notice of Conversion pursuant to Section 6(d)(i) above, the Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series C Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares. Subject to Section 6(c) hereof and subject to Holder's right to rescind a Notice of Conversion pursuant to Section 6(d)(i) above, in the event a Holder shall elect to convert any or all of its Series C Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or anyone associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Series C Preferred Stock of such Holder shall have been sought and obtained, and the Corporation posts a surety bond for the benefit of such Holder in the amount of 150% of the value of the Conversion Shares into which would be converted the Series C Preferred Stock which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of such injunction, the Corporation shall, subject to Section 6(c) hereof and subject to Holder's right to rescind a Notice of Conversion pursuant to Section 6(d) (i) above, issue Conversion Shares and, if applicable, cash, upon a properly noticed conversion. If the Corporation fails to deliver to a Holder such certificate or certificates, or electronically deliver such shares in the case of a DWAC Delivery, pursuant to Section 6(d)(i) on or prior to the Share Delivery Date applicable to such conversion, the Corporation shall pay to such Holder, in cash, as liquidated damages and not as a penalty, an amount equal to the product of (x) the number of Conversion Shares issuable by the Corporation on such Share Delivery Date, (y) an amount equal to the Daily Failure Amount and (z) the number of Trading Days after the Share Delivery Date that such certificates have not been delivered, or, in the case of a DWAC Delivery, such shares have not been electronically delivered. Any such amount shall be paid on or before the fifth (5th) Trading Day of each month following a month in

which such amount accrued. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to deliver Conversion Shares within the period specified herein, and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

iii. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. If the Corporation fails to deliver to a Holder the applicable certificate or certificates or to effect a DWAC Delivery, as applicable, by the Share Delivery Date pursuant to Section 6(d)(i) (other than a failure caused by incorrect or incomplete information provided by Holder to the Corporation), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a **"Buy-In"),** then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount by which (x) such Holder's total purchase price (including any brokerage commissions) for the shares of Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series C Preferred Stock equal to the number of shares of Series C Preferred Stock submitted for conversion or deliver to such Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(d)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series C Preferred Stock with respect to which the actual sale price (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder $1,000. The Holder shall provide the Corporation written notice within five (5) Trading Days after the occurrence of a Buy-In indicating the amounts payable to such Holder in respect of the Buy-In together with applicable confirmations and any other evidence reasonably requested by the Corporation. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the shares of Series C Preferred Stock as required pursuant to the terms hereof; provided, however, that the Holder shall not be entitled to both (i) require the reissuance of the shares of Series C Preferred Stock submitted for conversion for which such conversion was not timely honored and (ii) receive the number of shares of Common Stock that

would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(d)(i).

iv. Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series C Preferred Stock and payment of dividends on the Series C Preferred Stock, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series C Preferred Stock, not less than such aggregate number of shares of the Common Stock as shall be issuable (taking into account the adjustments of Section 7 and without regard to the Beneficial Ownership Limitation) upon the conversion of all outstanding shares of Series C Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

v. Fractional Shares. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of the Series C Preferred Stock. As to any fraction of a share which a Holder would otherwise be entitled to receive upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

vi. Transfer Taxes. The issuance of certificates for shares of the Common Stock upon conversion of the Series C Preferred Stock shall be made without charge to any Holder for any stamp, court or documentary, intangible, filing or similar taxes that may be payable in respect of the issuance or delivery of such certificates; provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the registered Holder(s) of such shares of Series C Preferred Stock and the Corporation shall not be required to issue or deliver such certificates in a name other than that of the registered Holder(s) unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of the applicable transfer tax (if any) or shall have established to the satisfaction of the Corporation that the applicable transfer tax (if any) has been paid.

vii. Status as Stockholder. Effective as of the delivery by the Holder of the Notice of Conversion by the Holder by facsimile or electronic mail, as provided herein, subject to Section 6(c) hereof, (A) the shares of Series C Preferred Stock being converted shall be deemed converted into shares of Common Stock, (B) the Holder shall be deemed the Holder or record of such applicable Conversion Shares, and (C) the Holder's rights as a Holder of such converted shares of Series C Preferred Stock shall cease and terminate, excepting only the right to receive certificates evidencing such shares of Common Stock, or electronic delivery of such shares in the case of DWAC Delivery, and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Corporation to comply with the terms of this Certificate of Designation. In

all cases, the Holder shall retain all of its rights and remedies for the Corporation's failure to convert Series C Preferred Stock.

Section 7. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Corporation, at any time while this Series C Preferred Stock is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of, or payment of a dividend on, this Series C Preferred Stock); (B) subdivides outstanding shares of Common Stock into a larger number of shares; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock (or in the event that clause (D) of this Section 7(a) shall apply, shares of reclassified capital stock), outstanding immediately after such event (excluding any treasury shares of the Corporation). Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Fundamental Transaction. If, at any time while this Series C Preferred Stock is outstanding, (i) the Corporation, directly or indirectly in one or more related transactions, effects any merger or consolidation of the Corporation with or into another Person (other than a merger in which the Corporation is the surviving or continuing entity and its capital stock outstanding immediately prior to the merger or consolidation is not exchanged for or converted into other securities, cash or other property), (ii) the Corporation, directly or indirectly in one or more related transactions, effects any sale of all or substantially all of its assets in one transaction or a series of related transactions and distributes the proceeds thereof to its stockholders, (iii) any tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (iv) the Corporation, directly or indirectly in one or more related transactions, effects any reclassification of the Common Stock or any compulsory share exchange pursuant (other than as a result of a dividend, subdivision or combination covered by Section 7(a) above) to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a **"Fundamental Transaction"),** then, upon any subsequent conversion of shares of Series C Preferred Stock, the Holders shall have the right to elect to receive in lieu of Conversion Shares, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to the Beneficial Ownership Limitation), the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the **"Alternate**

**Consideration"). For purposes of any such conversion, the determination of the Conversion Ratio shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall adjust the Conversion Ratio in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holders shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Series C Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Corporation or surviving entity in such Fundamental Transaction (or any direct or indirect parent entity thereof in the event the Corporation or surviving entity is a direct or indirect wholly-owned subsidiary of another entity as a result of the Fundamental Transaction) shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The Corporation shall not have the power to enter into any agreement to which the Corporation or any of its Affiliates is a party and pursuant to which a Fundamental Transaction is effected unless such agreement shall include terms requiring any such successor or surviving entity (or any direct or indirect parent thereof in the event the Corporation or the surviving entity is a direct or indirect wholly-owned subsidiary of another entity as a result of the Fundamental Transaction) to comply with the provisions of this Section 7(b) and insuring that the Series C Preferred Stock (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. For the avoidance of doubt, the provisions of this Section 7(b) shall apply to any Fundamental Transaction regardless of whether such Fundamental Transaction also constitutes a Deemed Liquidation Transaction (unless and until the holders receive the full Series C Liquidation Preference Amount in respect of all of the outstanding shares of Series C Preferred Stock) and shall not affect the Holders rights under Section 5(b) in respect of any Deemed Liquidation Transaction; provided, however, that in the event of a Deemed Liquidation Transaction that is an Asset Disposition referred to in Section 5(c)(i)(B) and some but not all of the shares of Series C Preferred Stock have been redeemed, the adjustment set forth in this Section 7(b) shall apply only to the shares of Series C Preferred Stock that remain outstanding and entitled to convert as provided in this Section 7(b).

c) Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

d) Notice to the Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Ratio after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of the Corporation, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation or any Deemed Liquidation Transaction, then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of this Series C Preferred Stock, and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants or Deemed Liquidation Transaction, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange or Deemed Liquidation Transaction is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. Without limiting any other rights of the Holder hereunder, the Holder is entitled to convert this Series C Preferred Stock (or any part hereof) during the period commencing on the date of such notice through the effective date of the event triggering such notice.

Section 8. Miscellaneous.

a) Notice. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by electronic mail (rick.eiswirth@alimerasciences.com), or sent by a nationally recognized overnight courier service, addressed to the Corporation, at its principal place of business, to the attention of the Chief Financial Officer and Chief Operating Officer of the Corporation, or such other electronic mail address or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 8. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by confirmed electronic mail or facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the electronic mail address, facsimile number or address of such Holder appearing on the books of the

Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the time and date of transmission, if such notice or communication is delivered via electronic mail to the e-mail address specified in this Section 8 prior to 4:00 p.m. (New York City time) on any date, (ii) the date immediately following the date of transmission, if such notice or communication is delivered via email to the email address specified in this Section 8 between 4:00 p.m. and 11:59 p.m. (New York City time) on any date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay liquidated damages on the shares of Series C Preferred Stock at the time, place and rate, and in the coin or currency, herein prescribed.

c) Lost or Mutilated Series C Preferred Stock Certificate. If a Holder's Series C Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series C Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership thereof reasonably satisfactory to the Corporation and, in each case, customary and reasonable indemnity, if requested. Applicants for a new certificate under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Corporation may prescribe.

d) Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation. Any waiver by the Corporation or a Holder must be in writing.

e) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. Notwithstanding any provision in this Certificate of Designation to the contrary, any provision contained herein (other than Section 6(c) which cannot be waived by the Holders) and any right of the Holders of Series C Preferred Stock granted hereunder may be waived as to all shares of Series C Preferred Stock (and the Holders thereof) upon the written

consent of the Holders of not less than a majority of the shares of Series C Preferred Stock then outstanding, unless a higher percentage is required by the DGCL, in which case the written consent of the Holders of not less than such higher percentage shall be required.

f) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

g) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

h) Status of Converted Series C Preferred Stock. If any shares of Series C Preferred Stock shall be converted or reacquired by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series C Preferred Stock.

i) Determinations Made by Investment Bank or Accountants. In the case of an inability of the Corporation and the holders of a majority of outstanding shares of Series C Preferred Stock to reach a mutual determination of the Series C Liquidation Preference Amount, the value of any securities or other consideration for purposes hereof or the arithmetic calculation of the Conversion Price, the Corporation or the Holders of a majority of the then outstanding Series C Preferred Stock shall submit to the other their determinations or arithmetic calculations via electronic transmission within two (2) Trading Days of receipt, or deemed receipt, of any notice or other event giving rise to such dispute, as the case may be. If such Holder(s) and the Corporation are unable to agree upon such determination or calculation within two (2) Trading Days after the submission of such disputed determination or arithmetic calculation, then the Corporation shall, within two (2) Trading Days thereafter, submit via electronic transmission (i) the determination of the value of securities or other consideration to an independent, reputable investment bank selected by the Corporation and approved by such Holder(s), which approval shall not be unreasonably withheld, or (ii) the disputed arithmetic calculation, to an independent, reputable registered public accounting firm selected by the Corporation and approved by such Holder(s), which approval shall not be unreasonably withheld. The investment bank or the accountants, as the case may be, shall perform the determinations or calculations and notify the Corporation and such Holder(s) of the results no later than five (5) Trading Days from the time it receives from the Corporation and such Holder(s) their respective determinations or calculations. Such investment bank's or accountants' determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error. Notwithstanding the foregoing, in the event of an inability of the Corporation and the holders of a majority of outstanding shares of Series C Preferred Stock to reach a mutual determination as to the Conversion Price as contemplated by a Notice of Conversion, if requested by a Holder submitting such Notice of Conversion, the Corporation shall issue to such Holder the Conversion Shares, if any, that are not in dispute in accordance with the terms hereof. For the avoidance of doubt, any determinations made by the investment bank or accountants, as the case may be, pursuant to this Section 8(i) shall be deemed to be "facts ascertainable" outside of this Certificate of Designation within the meaning of

Sections 102(d) and 151(a) of the DGCL, and shall not be deemed to be a determination in or relating to arbitration or made by an arbitrator.

j) Benefit of Holders. The provisions of this Certificate of Designation are intended to be for the benefit of all Holders from time to time and shall be enforceable by any such Holder.

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RESOLVED, FURTHER, that the chief executive officer, the president, the chief financial officer or any vice-president, and the secretary or any assistant secretary, of the Corporation be and they hereby are authorized and directed to prepare and file this Certificate of Designation in accordance with the foregoing resolution and the provisions of Delaware law.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designation

this 4th day of September, 2018.

/s/ C. Daniel Myers

Name: C. Daniel Myers
Title: Chief Executive Officer

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF SERIES C PREFERRED STOCK)

The undersigned Holder hereby irrevocably elects to convert the number of shares of Series C Convertible Preferred Stock indicated below, represented by stock certificate No(s). __, into shares of common stock, par value $0.01 per share (the "Common Stock"), of Alimera Sciences, Inc., a Delaware corporation (the "Corporation"), as of the date written below. Capitalized terms utilized but not defined herein shall have the meaning ascribed to such terms in that certain Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock (the "Certificate of Designation") filed by the Corporation on __, 2018.

The number of shares of Common Stock beneficially owned by the undersigned Holder (together with such Holder's Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the Commission, including any "group" of which the Holder is a member), including the number of shares of Common. Stock issuable upon conversion of the Series C Preferred Stock subject to this Notice of Conversion, but excluding the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted Series C Preferred Stock beneficially owned by such Holder or any of its Affiliates, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation (including any warrants) beneficially owned by such Holder or any of its Affiliates that are subject to a limitation on conversion or exercise similar to the limitation contained in Section 6(c) of the Certificate of Designation, will not exceed the Beneficial Ownership Limitation . For purposes hereof, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the applicable regulations of the Commission. In addition, for purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and the applicable regulations of the Commission. Conversion calculations:

Date to Effect Conversion: __

Number of shares of Series C Preferred Stock owned prior to Conversion: __

Number of shares of Series C Preferred Stock to be Converted: __

Number of shares of Common Stock to be Issued:__

Address for Delivery: __

or

for DWAC Delivery:

DWAC Instructions:
Broker no: ___
Account no:

[HOLDER]

By:
Name: _____
Title: _____

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:09 PM 09/04/2018
FILED 05:09 PM 09/04/2018
SR 20186491123 - File Number 3666427

CERTIFICATE OF ELIMINATION OF SERIES B CONVERTIBLE PREFERRED STOCK OF ALIMERA SCIENCES, INC.

(Pursuant to Section 151(g) of the General Corporation Law of the State of Delaware)

Alimera Sciences, Inc., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), certifies as follows:

FIRST: That, pursuant to Section 151 of the General Corporation Law of the State of Delaware (the "DGCL") and authority granted in the Amended and Restated Certificate of Incorporation of the Corporation, as theretofore amended, the Board of Directors of the Corporation, by resolution duly adopted, authorized the issuance of a series of 8,417 shares of Series B Convertible Preferred Stock, par value $0.01 per share (the "Series B Preferred Stock"), and established the voting powers, designations, preferences, and relative, participating, and other rights, and the qualifications, limitations, and restrictions thereof, and, on December 12, 2014, a Certificate of Designation with respect to such Series B Preferred Stock was filed in the Office of the Secretary of State of the State of Delaware (the "Certificate of Designation").

SECOND: That no shares of the Series B Preferred Stock are outstanding, and no shares thereof will be issued subject to the Certificate of Designation.

THIRD: Pursuant to the provisions of Section 151(g) of the DGCL, the Board of Directors of the Corporation adopted the following resolutions:

RESOLVED, that none of the authorized shares of Series B Preferred Stock are outstanding and no shares of such series hereafter will be issued; and

RESOLVED FURTHER, that Chief Executive Officer, the President and Chief Financial Officer and the General Counsel and Secretary of the Corporation (the "Authorized Officers"), or any of them, is authorized and directed to execute a Certificate of Elimination as provided by Section 151(g) of the DGCL in accordance with Section 103 of the DGCL, substantially in the form attached hereto as Exhibit A, with such non-substantive changes therein as the Authorized Officer executing the same may approve and as are permitted by the DGCL to be made by such Authorized Officer, such approval to be conclusively evidenced by such officer's execution of such Certificate of Elimination, and to file the same forthwith in the Office of the Secretary of State of the State of Delaware, and when such Certificate of Elimination becomes effective, all references to the Series B Preferred Stock in the Amended and Restated Certificate of Incorporation of the Corporation, as heretofore amended, shall be eliminated and the shares that were designated to such series shall resume the status of authorized and unissued shares of Preferred Stock of the Corporation, without designation as to series.

FOURTH: Pursuant to the provisions of Section 151G) of the DGCL, all references to the Series B Preferred Stock in the Amended and Restated Certificate of Incorporation of the Corporation. as heretofore amended, hereby are eliminated, and the shares that were designated to such series hereby are returned to the status of authorized but unissued shares of the Preferred Stock of the Corporation, without designation as to series.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by its duly authorized officer this 4th day of September, 2018.

ALIMERA SCIENCES, INC.

By: /s/ C. Daniel Myers
Name: C. Daniel Myers
Title: Chief Executive Officer

CERTIFICATE OF AMENDMENT TO THE
RESTATED CERTIFICATE OF INCORPORATION OF
ALIMERA SCIENCES, INC.

Alimera Sciences, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "General Corporation Law"), DOES HEREBY CERTIFY:

First: The name of the Corporation is Alimera Sciences, Inc.

Second: The date on which the Certificate of Incorporation of the Corporation was originally filed with the Secretary of State of the State of Delaware is June 4, 2003, under the name of Alimera Sciences, Inc.

Third: That Article IV of the Restated Certificate of Incorporation of the Corporation, as amended (the "Certificate of Incorporation"), is hereby amended by deleting the first paragraph of Article IV in its entirety and inserting the following in lieu thereof:

The Corporation is authorized to issue two classes of stock to be designated common stock ("Common Stock") and preferred stock ("Preferred Stock"). The number of shares of Common Stock authorized to be issued is one hundred fifty million (150,000,000), par value $0.01 per share, and the number of shares of Preferred Stock authorized to be issued is ten million (10,000,000), par value $0.01 per share. Effective upon this Certificate of Amendment to the Restated Certificate of Incorporation becoming effective pursuant to the General Corporation Law (the "Effective Time"), the shares of Common Stock issued and outstanding or held in treasury immediately prior to the Effective Time (the "pre-Reverse Split Common Stock") shall be reclassified into a different number of shares of Common Stock (the "post-Reverse Split Common Stock") such that each five (5) to thirty (30) shares of pre-Reverse Split Common Stock shall, at the Effective Time, be automatically reclassified into one share of post-Reverse Split Common Stock, the exact ratio within the foregoing range to be determined by the Board of Directors before the Effective Time and publicly announced by the Corporation (such reclassification and combination of shares, the "Reverse Split"). The par value of the Common Stock following the Reverse Split shall remain at $0.01 per share. No fractional shares of Common Stock shall be issued as a result of the Reverse Split and, in lieu thereof, upon receipt after the Effective Time by the exchange agent selected by the Corporation of a properly completed and duly executed transmittal letter and, where shares are held in certificated form, the surrender of the stock certificate(s) formerly representing shares of pre-Reverse Split Common Stock, any stockholder who would otherwise be entitled to a fractional share of post-Reverse Split Common Stock as a result of the Reverse Split, following the Effective Time (after taking into account all fractional shares of post-Reverse Split Common Stock otherwise issuable to such stockholder), shall be entitled to receive a cash payment (without interest) equal to the fractional share of post-

Reverse Split Common Stock to which such stockholder would otherwise be entitled multiplied by the average of the closing sales prices of a share of the Corporation's Common Stock (as adjusted to give effect to the Reverse Split) on The Nasdaq Global Market during regular trading hours for the five (5) consecutive trading days immediately preceding the date this Certificate of Amendment to Certificate of Incorporation is filed with the Secretary of State of the State of Delaware. Each stock certificate that, immediately prior to the Effective Time, represented shares of pre-Reverse Split Common Stock shall, from and after the Effective Time, automatically and without any action on the part of the Corporation or the respective holders thereof, represent that number of whole shares of post-Reverse Split Common Stock into which the shares of pre-Reverse Split Common Stock represented by such certificate shall have been combined (as well as the right to receive cash in lieu of any fractional shares of post-Reverse Split Common Stock as set forth above). Each holder of record of a certificate that represented shares of pre-Reverse Split Common Stock shall be entitled to receive, upon surrender of such certificate, a new certificate representing the number of whole shares of post-Reverse Split Common Stock into which the shares of pre-Reverse Split Common Stock represented by such certificate shall have been combined pursuant to the Reverse Split, as well as any cash in lieu of fractional shares of post-Reverse Split Common Stock to which such holder may be entitled as set forth above, provided that the Corporation may request such stockholder to exchange such stockholder's certificate or certificates that represented shares of pre-Reverse Split Common Stock for shares held in book-entry form through the Depository Trust Company's Direct Registration System representing the appropriate number of whole shares of post-Reverse Split Common Stock into which the shares of pre-Reverse Split Common Stock represented by such certificate or certificates shall have been combined. The Reverse Split shall be effected on a record holder-by-record holder basis, such that any fractional shares of post-Reverse Split Common Stock resulting from the Reverse Split and held by a single record holder shall be aggregated.

Fourth: The foregoing amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

Fifth: That this Certificate of Amendment to the Restated Certificate of Incorporation shall be effective as of 5:01 p.m. New York City time on the 14th day of November, 2019.

* * * * * * * *

IN WITNESS WHEREOF, this Corporation has caused this Certificate of Amendment to the Restated Certificate of Incorporation to be signed by its President and Chief Executive Officer this 14th day of November 2019.

ALIMERA SCIENCES, INC.

By: /s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
President and Chief Executive Officer

AMENDED AND RESTATED

BYLAWS OF

ALIMERA SCIENCES, INC.

A DELAWARE CORPORATION

Effective as of November 4, 2015

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ARTICLE I

OFFICES AND RECORDS

Section 1.1 Delaware Office. The registered office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle.

Section 1.2 Other Offices. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

Section 1.3 Books and Records. The books and records of the Corporation may be kept at the Corporation's headquarters in Alpharetta, Georgia or at such other locations outside the State of Delaware as may from time to time be designated by the Board of Directors.

ARTICLE II

STOCKHOLDERS

Section 2.1 Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held at such date, place and/or time as may be fixed by resolution of the Board of Directors.

Section 2.2 Special Meeting. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board or the Chief Executive Officer or by the Board of Directors acting pursuant to a resolution adopted by a majority of the Whole Board. For purposes of these Amended and Restated Bylaws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previ-ously authorized directorships.

Section 2.3 Place of Meeting. The Board of Directors may designate the place of meeting for any meeting of the stockholders. If no designation is made by the Board of Directors, the place of meeting shall be the principal office of the Corporation.

Section 2.4 Notice of Meeting. Except as otherwise required by law, written, printed or electronic notice stating the place, day and hour of the meeting and the purposes for which the meeting is called shall be prepared and delivered by the Corporation not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally, by mail, or in the case of stockholders who have consented to such delivery, by electronic transmission (as such term is defined in the Delaware General Corporation Law), to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation. Notice given by electronic transmission shall be effective (A) if by facsimile, when faxed to a number where the stockholder has consented to receive notice; (B) if by electronic mail, when mailed electronically to an electronic mail address at which the stockholder has consented to receive such notice; (C) if by posting on an electronic network together with a separate notice of such posting,

upon the later to occur of (1) the posting or (2) the giving of separate notice of the posting; or (D) if by other form of electronic communication, when directed to the stockholder in the manner consented to by the stockholder. Meetings may be held without notice if all stockholders entitled to vote are present (except as otherwise provided by law), or if notice is waived by those not present. Any previously scheduled meeting of the stockholders may be postponed and (unless the Corporation's Restated Certificate of Incorporation (the "Certificate of Incorporation") otherwise provides) any special meeting of the stockholders may be cancelled, by resolution of the Board of Directors upon public notice given prior to the time previously scheduled for such meeting of stockholders.

Section 2.5 Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series voting separately as a class or series, the holders of a majority of the voting power of the shares of such class or series shall constitute a quorum for the transaction of such business for the purposes of taking action on such business. No notice of the time and place of adjourned meetings need be given provided such adjournment is for less than thirty (30) days and further provided that no new record date is fixed for the adjourned meeting and provided further that the time or place of the adjourned meeting is announced at the meeting at which the adjournment is taken.

Section 2.6 Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or as may be permitted by law, or by his duly authorized attorney-in-fact. Such proxy must be filed with the Secretary of the Corporation or his representative, or otherwise delivered telephonically or electronically as set forth in the applicable proxy statement, at or before the time of the meeting.

Section 2.7 Notice of Stockholder Business and Nominations.

A. Nominations of persons for election to the Board of Directors and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (1) pursuant to the Corporation's notice with respect to such meeting, (2) by or at the direction of the Board of Directors or (3) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Section 2.7.

B. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to paragraph (A)(3) of this Section 2.7, (1) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) such business must be a proper matter for stockholder action under the Delaware General Corporation Law, (3) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, such stockholder or beneficial owner must, in the case of a proposal, have delivered prior to the meeting a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered prior to the meeting a proxy statement and form of

proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this section. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than forty-five (45) or more than seventy-five (75) days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if no proxy materials were mailed by the Corporation in connection with the preceding year's annual meeting, or if the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of (x) the 90th day prior to such annual meeting or (y) the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such person's written consent to serve as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

C. Notwithstanding anything in the second sentence of paragraph (B) of this Section 2.7 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least fifty-five (55) days prior to the Anniversary, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

D. Only persons nominated in accordance with the procedures set forth in this Section 2.7 shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.7. The chair of the meeting shall have the power and the duty to

determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

E. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.7. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice required by paragraph (B) of this Section 2.7 shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

F. For purposes of this Section 2.7, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

G. Notwithstanding the foregoing provisions of this Section 2.7, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.7. Nothing in this Section 2.7 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.8 Procedure for Election of Directors. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by written ballot, and, except as otherwise set forth in the Certificate of Incorporation with respect to the right of the holders of any series of Preferred Stock or any other series or class of stock to elect additional directors under specified circumstances, a plurality of the votes cast thereat shall elect directors. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all matters other than the election of directors submitted to the stockholders at any meeting shall be decided by a majority of the votes cast affirmatively or negatively.

Section 2.9 Inspectors of Elections.

A. The Board of Directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to

act, or if all inspectors or alternates who have been appointed are unable to act, at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the Delaware General Corporation Law.

Section 2.10 Conduct of Meetings.

A. The Chief Executive Officer shall preside at all meetings of the stockholders. In the absence of the Chief Executive Officer, the Chairman of the Board shall preside at a meeting of the stockholders. In the absence of the Chief Executive Officer or the Chairman of the Board, the President shall preside at a meeting of the stockholders. In the absence of each of the Chief Executive Officer, the Chairman of the Board and the President, the Secretary shall preside at a meeting of the stockholders. In the anticipated absence of all officers designated to preside over the meetings of stockholders, the Board of Directors may designate an individual to preside over a meeting of the stockholders.

B. The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

C. The Board of Directors may, to the extent not prohibited by law, adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may to the extent not prohibited by law include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof and (v) limitations on the time allotted to questions or comments by participants. Unless, and to the extent, determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.11 No Consent of Stockholders in Lieu of Meeting. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Notwithstanding the foregoing, (A) the stockholders holding Series A Preferred Stock (as defined in the Certificate of Designation of Series A Convertible Preferred Stock filed by the Corporation with the Secretary of State of the State of Delaware (the “Series A Certificate of Designation”)), may take any exclusive action required or permitted to be taken by the stockholders holding Series A Preferred Stock of the Corporation as set forth in the Series A Certificate of Designation

by written consent at any time and (B) the stockholders holding Series B Preferred Stock (as defined in the Certificate of Designation of Series B Convertible Preferred Stock filed by the Corporation with the Secretary of State of the State of Delaware (the "Series B Certificate of Designation")), may take any exclusive action required or permitted to be taken by the stockholders holding Series B Preferred Stock of the Corporation as set forth in the Series B Certificate of Designation by written consent at any time.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by the Certificate of Incorporation or by these Bylaws, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

Section 3.2 Number, Tenure and Qualifications. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board. The directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided into three classes pursuant to the Certificate of Incorporation. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election.

Section 3.3 Regular Meetings. The Board of Directors may, by resolution, provide the time and place for the holding of regular meetings of the Board of Directors.

Section 3.4 Special Meetings. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board, the Chief Executive Officer or a majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings.

Section 3.5 Action By Unanimous Consent of Directors. The Board of Directors may take action without the necessity of a meeting by unanimous consent of directors. Such consent may be in writing or given by electronic transmission, as such term is defined in the Delaware General Corporation Law.

Section 3.6 Notice. Notice of any special meeting shall be given to each director at his business or residence in writing, or by telegram, facsimile transmission, telephone communication or electronic transmission (provided, with respect to electronic transmission, that the director has consented to receive the form of transmission at the address to which it is directed). If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five (5) days before such meeting. If by telegram, such notice shall be deemed

adequately delivered when the telegram is delivered to the telegraph company at least twenty-four (24) hours before such meeting. If by facsimile transmission or other electronic transmission, such notice shall be transmitted at least twenty-four (24) hours before such meeting. If by telephone, the notice shall be given at least twelve (12) hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these Bylaws as provided under Section 8.1 of Article VIII hereof. A meeting may be held at any time without notice if all the directors are present (except as otherwise provided by law) or if those not present waive notice of the meeting in writing or by electronic transmission, either before or after such meeting.

Section 3.7 Conference Telephone Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.8 Quorum. A whole number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3.9 Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created director-ships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law or by resolu-tion of the Board of Directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires or until such director's successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

Section 3.10 Committees.

A. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no committee shall have power

or authority in reference to the following matters: (1) approving, adopting or recommending to stockholders any action or matter required by law to be submitted to stockholders for approval or (2) adopting, amending or repealing any bylaw.

B. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to these Bylaws.

Section 3.11 Removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE IV

OFFICERS

Section 4.1 Elected Officers. The elected officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors from time to time may deem proper. The Chairman of the Board shall be chosen from the directors. All officers chosen by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

Section 4.2 Election and Term of Office. The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held after each annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Subject to Section 4.7 of these Bylaws, each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign.

Section 4.3 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board.

Section 4.4 Chief Executive Officer. The Chief Executive Officer shall be the general manager of the Corporation, subject to the control of the Board of Directors, and as such shall, subject to Section 2.10 (A) hereof, preside at all meetings of stockholders, shall have general supervision of the affairs of the Corporation, shall sign or countersign or authorize another officer to sign all certificates, contracts, and other instruments of the Corporation as authorized by the Board of Directors, shall make reports to the Board of Directors and stockholders, and shall perform all such other duties as are incident to such office or are properly required by the Board of Directors.

Section 4.5 President. The President shall be the chief operating officer of the corporation and shall be subject to the general supervision, direction, and control of the Chief Executive Officer unless the Board of Directors provides otherwise.

Section 4.6 Secretary. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors and all other notices required by law or by these Bylaws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman of the Board, the Chief Executive Officer, the President or by the Board of Directors, upon whose request the meeting is called as provided in these Bylaws. He shall record all the proceedings of the meetings of the Board of Directors, any committees thereof and the stockholders of the Corporation in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President. He shall have custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President, and attest to the same.

Section 4.7 Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate receipts and disbursements in books belonging to the Corporation. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositaries as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors the Chairman of the Board, the Chief Executive Officer or the President, taking proper vouchers for such disbursements. The Treasurer shall render to the Chairman of the Board, the Chief Executive Officer, the President and the Board of Directors, whenever requested, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board of Directors shall prescribe.

Section 4.8 Removal. Any officer elected by the Board of Directors may be removed by the Board of Directors whenever, in their judgment, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of his successor, his death, his resignation or his removal, whichever event shall first occur, except as otherwise provided in an employment contract or an employee plan.

Section 4.9 Vacancies. A newly created office and a vacancy in any office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors.

ARTICLE V

STOCK CERTIFICATES AND TRANSFERS

Section 5.1 Stock Certificates and Transfers.

A. Unless the Board of Directors has determined that some or all of any or all classes or series of stock shall be uncertificated shares, the interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock. The shares of the stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require.

B. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

ARTICLE VI

INDEMNIFICATION

Section 6.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), where the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section

6.3 hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 6.2 Right to Advancement of Expenses. The right to indemnification conferred in Section 6.1 shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding for which such right to indemnification is applicable in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise.

Section 6.3 Right of Indemnitee to Bring Suit. The rights to indemnification and to the advancement of expenses conferred in Section 6.1 and Section 6.2, respectively, shall be contract rights. If a claim under Section 6.1 or Section 6.2 is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (A) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (B) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section 6.3 or otherwise shall be on the Corporation.

Section 6.4 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under the Certificate of Incorporation, these Amended and Restated Bylaws, or any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6.6 Amendment of Rights. Any amendment, alteration or repeal of this Article VI that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

Section 6.7 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification, and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December of each year.

Section 7.2 Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

Section 7.3 Seal. The corporate seal shall have inscribed the name of the Corporation thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.4 Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the Delaware General Corporation Law, a waiver thereof in writing, signed by the person or persons entitled to such notice, or a waiver by electronic transmission, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders of the Board of Directors need be specified in any waiver of notice of such meeting.

Section 7.5 Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be made annually.

Section 7.6 Resignations. Any director or any officer, whether elected or appointed, may resign at any time by serving written notice of such resignation on the Chairman of the Board, the Chief Executive Officer or the Secretary, or by submitting such resignation by electronic transmission (as such term is defined in the Delaware General Corporation Law), and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board, the Chief Executive Officer, or the Secretary or at such later date as is stated therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

Section 7.7 Contracts. Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be general or confined to specific instances as the Board may determine. The Chairman of the Board, the Chief Executive Officer, the President or any Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board of Directors or the Chairman of the Board, the Chief Executive Officer, the President or any Vice President of the Corporation may delegate contractual powers to others under his jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 7.8 Proxies. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President or any Vice President may from time to time appoint any attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation or other entity, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock and other securities of such other corporation or other entity, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation or other entity, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VIII

AMENDMENTS

Section 8.1 Amendments. Subject to the provisions of the Certificate of Incorporation, these Bylaws may be adopted, amended or repealed at any meeting of the Board of Directors by a

resolution adopted by a majority of the Whole Board, provided notice of the proposed change was given in the notice of the meeting in a notice given no less than twenty-four (24) hours prior to the meeting. Subject to the provisions of the Certificate of Incorporation, the stockholders shall also have the power to adopt, amend or repeal these Bylaws, provided that notice of the proposed change was given in the notice of the meeting and provided further that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these Bylaws.

ARTICLE IX

FORUM SELECTION

Section 9.1 Forum Selection. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of the Corporation, (2) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (3) any action arising pursuant to any provision of the DGCL or the Certificate of Incorporation or these Bylaws (as either may be amended from time to time), or (4) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 9.1.

Section 9.2 Personal Jurisdiction. If any action the subject matter of which is within the scope of Section 9.1 immediately above is filed in a court other than a court located within the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce Section 9.1 immediately above (an "FSC Enforcement Action") and (ii) having service of process made upon such stockholder in any such FSC Enforcement Action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder.

CERTIFICATE OF SECRETARY OF

ALIMERA SCIENCES, INC.

The undersigned, Richard S. Eiswirth, Jr., hereby certifies that he is the duly elected and acting Secretary of Alimera Sciences, Inc., a Delaware corporation (the "Corporation"), and that the Amended and Restated Bylaws attached hereto constitute the Amended and Restated Bylaws of said Corporation as duly adopted by the Directors on November 4, 2015.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his name this 4th day of November, 2015.

/s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
Secretary

AMENDMENT NO. 1
TO THE AMENDED AND RESTATED BYLAWS
OF
ALIMERA SCIENCES, INC., A DELAWARE CORPORATION

The Amended and Restated Bylaws of Alimera Sciences, Inc. (the "***Bylaws***") shall be amended by adding new second and third sentences to Section 2.5, so that Section 2.5 shall read in full as follows:

> "Section 2.5 Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series voting separately as a class or series, the holders of a majority of the voting power of the shares of such class or series shall constitute a quorum for the transaction of such business for the purposes of taking action on such business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, until a quorum shall be present or represented. At an adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed. No notice of the time and place of adjourned meetings need be given provided such adjournment is for less than thirty (30) days and further provided that no new record date is fixed for the adjourned meeting and provided further that the time or place of the adjourned meeting is announced at the meeting at which the adjournment is taken."

Except as herein amended, the provisions of the Bylaws shall remain in full force and effect.

AS APPROVED BY THE BOARD OF DIRECTORS, the effective date of this Amendment No. 1 to the Bylaws of Alimera Sciences, Inc. shall be September 16, 2019.

Exhibit 4.3

DESCRIPTION OF SECURITIES

Unless the context otherwise requires, throughout this exhibit, the words "we," "us," or "our" refer to Alimera Sciences, Inc. and its subsidiaries (as applicable).

Common Stock

We currently have authorized 150,000,000 shares of common stock, par value $0.01 per share. As of February 26, 2020, there were 4,965,949 shares of the registrant's common stock issued and outstanding. Holders of our common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our common stock are fully paid and nonassessable.

The following summary of the terms of our common stock is subject to and qualified in its entirety by reference to our restated certificate of incorporation and bylaws, copies of which are on file with the SEC as exhibits to previous SEC filings.

Voting Rights. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders, including, without limitation, the election of our board of directors. Our stockholders have no right to cumulate their votes in the election of directors.

Dividends. Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive ratably those dividends declared from time to time by the board of directors.

Rights Upon Liquidation. Subject to preferences that may apply to shares of preferred stock outstanding at the time, in the event of liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in assets remaining after payment of liabilities.

Anti-Takeover Effects of Our Restated Certificate of Incorporation, Bylaws and Delaware Law. Some provisions of Delaware law and our restated certificate of incorporation and bylaws could make the following transactions more difficult: our acquisition by means of a tender offer; our acquisition by means of a proxy contest or otherwise; or removal of our incumbent officers and directors.

Section 203 of the Delaware General Corporation Law is applicable to takeovers of Delaware corporations. Subject to exceptions enumerated in Section 203, Section 203 provides that a corporation shall not engage in any business combination with any "interested stockholder" for a three-year period following the date that the stockholder becomes an interested stockholder unless:

- prior to that date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, though some shares may be excluded from the calculation; and

- on or subsequent to that date, the business combination is approved by the board of directors of the corporation and by the affirmative votes of holders of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Except as specified in Section 203, an interested stockholder is generally defined to include any person who, together with any affiliates or associates of that person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation, any time within three years immediately prior to the relevant date. Under certain circumstances, Section 203 makes it more difficult for an interested stockholder to effect various business combinations with a corporation for a three-year period, although the stockholders may elect not to be governed by this section, by adopting an amendment to the certificate of incorporation or bylaws, effective 12 months after adoption. Our restated certificate of incorporation and bylaws do not opt out from the restrictions imposed under Section 203. We anticipate that the provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with the board because the stockholder approval requirement would be avoided if a majority of the directors then in office excluding an interested stockholder approve either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder. These provisions may have the effect of deterring hostile takeovers or delaying changes in control, which could depress the market price of our common stock and deprive stockholders of opportunities to realize a premium on shares of common stock held by them.

In addition to our board of directors' ability to issue shares of preferred stock, our restated certificate of incorporation and bylaws contain provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our restated certificate of incorporation and bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- do not provide for cumulative voting in the election of directors, which would allow holders of less than a majority of the stock to elect some directors;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause;
- provide that vacancies on the board of directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;
- limit who may call special meetings of stockholders;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders; and
- establish advance notice requirements for nominating candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Transfer Agent and Registrar. The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company LLC.

Listing. Our common stock is listed on The Nasdaq Global Market under the symbol “ALIM.”

EXHIBIT 21.1

Alimera Sciences, Inc.
List of Subsidiaries

Name of Wholly-Owned Subsidiary	Jurisdiction of Organization	Name under which the subsidiary conducts business
Alimera Sciences Limited	United Kingdom	Alimera Sciences Limited
Alimera Sciences B.V.	The Netherlands	Alimera Sciences B.V.
AS C.V.	The Netherlands	AS C.V.
Alimera Sciences (DE) LLC	United States	Alimera Sciences (DE) LLC
Alimera Sciences Opthamologie GmbH	Germany	Alimera Sciences Opthamologie GmbH
Alimera Sciences Europe Limited	Ireland	Alimera Sciences Europe Limited

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 2, 2020 with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Alimera Sciences, Inc. on Form 10-K for the year ended December 31, 2019. We consent to the incorporation by reference of said reports in the Registration Statements of Alimera Sciences, Inc. on Forms S-8 (File No. 333-166822, File No. 333-173095, File No. 333-180567, File No. 333-187600, File No. 333-194381, File No. 333-201606, File No. 333-209035, File No. 333-215451, File No. 333-222508, File No. 333-229280, and File No. 333-232206) and on Form S-3 (File No. 333-221061).

/s/ GRANT THORNTON LLP

Atlanta, Georgia
March 2, 2020

EXHIBIT 31.1

CERTIFICATION

I, Richard S. Eiswirth, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Alimera Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision; to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(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 2, 2020

/s/ Richard S. Eiswirth, Jr.

Richard S. Eiswirth, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, J. Philip Jones, certify that:

1. I have reviewed this annual report on Form 10-K of Alimera Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision; to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(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 2, 2020

/s/ J. Philip Jones

J. Philip Jones
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION

In connection with the Annual Report of Alimera Sciences, Inc. (the "Registrant") on Form 10-K for the annual period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Richard S. Eiswirth, Jr., President, Chief Executive Officer, and Director of the Company, and J. Philip Jones, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their respective knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 2, 2020

/s/ Richard S. Eiswirth, Jr.

Richard S. Eiswirth, Jr.

President and Chief Executive Officer
(Principal Executive Officer)

Date: March 2, 2020

/s/ J. Philip Jones

J. Philip Jones

Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification is made solely for the purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose. A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the United States 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 the Registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.