
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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

(State or other jurisdiction of
incorporation or organization)

**6120 Windward Parkway, Suite 290
Alpharetta, GA**

(Address of principal executive offices)

20-0028718

(I.R.S. Employer
Identification No.)

30005

(Zip Code)

(678) 990-5740

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of November 7, 2018, there were 70,078,878 shares of the registrant's Common Stock issued and outstanding.

ALIMERA SCIENCES, INC.
QUARTERLY REPORT ON FORM 10-Q

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See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND PROJECTIONS

Various statements in this report of Alimera Sciences, Inc. (we, our, Alimera, the Company or the registrant) 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:

- 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 (EEA) and other regions of the world where we sell ILUVIEN;
- dependence on third-party manufacturers to manufacture ILUVIEN or any future products or product candidates in sufficient quantities and quality;
- uncertainty regarding the pricing and reimbursement guidelines for ILUVIEN or any future products or product candidates, including ILUVIEN in new markets;
- our ability to successfully obtain the indication for non-infectious posterior uveitis in the EU, which may be delayed significantly or not occur at all;
- our ability to meet any post-market requirements for non-infectious posterior uveitis in the EU if we obtain the indication;
- our ability to successfully commercialize ILUVIEN following regulatory approval in additional markets;
- delay in or failure to obtain regulatory approval of ILUVIEN or any future products or product candidates in additional countries;
- our anticipated launches of ILUVIEN by Alimera’s distribution partners in Spain and France may be delayed or may not occur;
- the possibility that we may again fail to comply with the continuing listing standards of the Nasdaq Global Market because the closing bid price of our common stock on the Nasdaq Global Market is below \$1.00 for 30 consecutive business days;
- our ability to operate our business in compliance with the covenants and restrictions in our credit facility;
- current and future laws and regulations; and
- our possible need to raise additional financing.

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 condensed consolidated financial statements contained in this report. We also encourage you to read Item 1A of Part II of this Quarterly Report on Form 10-Q, entitled “Risk Factors” and Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which contains a more detailed discussion of some of the risks and uncertainties associated with our business. In addition to the risks described above, 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.

PART I. FINANCIAL INFORMATION
ITEM 1. Interim Condensed Consolidated Financial Statements (unaudited)
ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2018	December 31, 2017
	(In thousands, except share and per share data)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,591	\$ 24,067
Restricted cash	33	34
Accounts receivable, net	14,280	11,435
Prepaid expenses and other current assets	2,787	2,278
Inventory (Note 6)	1,721	1,508
Total current assets	<u>31,412</u>	<u>39,322</u>
NON-CURRENT ASSETS:		
Property and equipment, net	1,570	1,410
Intangible asset, net (Note 7)	17,212	18,664
Deferred tax asset	1,008	528
TOTAL ASSETS	<u>\$ 51,202</u>	<u>\$ 59,924</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 5,575	\$ 5,905
Accrued expenses (Note 8)	1,895	3,582
Capital lease obligations	237	184
Total current liabilities	<u>7,707</u>	<u>9,671</u>
NON-CURRENT LIABILITIES:		
Note payable (Note 10)	37,663	34,365
Capital lease obligations — less current portion	364	203
Other non-current liabilities	2,497	766
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value — 10,000,000 shares authorized at September 30, 2018 and December 31, 2017:		
Series A Convertible Preferred Stock, 1,300,000 authorized and 600,000 issued and outstanding at September 30, 2018 and December 31, 2017; liquidation preference of \$24,000 at September 30, 2018 and December 31, 2017	19,227	19,227
Series B Convertible Preferred Stock, 8,417 authorized and 8,416 issued and outstanding at December 31, 2017; liquidation preference of \$50,750 at December 31, 2017	—	49,568
Series C Convertible Preferred Stock, 10,150 authorized issued and outstanding at September 30, 2018; liquidation preference of \$10,150 at September 30, 2018	11,117	—
Common stock, \$.01 par value — 150,000,000 shares authorized, 70,038,411 shares issued and outstanding at September 30, 2018 and 69,146,381 shares issued and outstanding at December 31, 2017	700	691
Additional paid-in capital	345,053	341,622
Common stock warrants	3,707	3,707
Accumulated deficit	(375,879)	(399,075)
Accumulated other comprehensive loss	(954)	(821)
TOTAL STOCKHOLDERS' EQUITY	<u>2,971</u>	<u>14,919</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 51,202</u>	<u>\$ 59,924</u>

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except share and per share data)			
NET REVENUE	\$ 11,137	\$ 9,784	\$ 31,856	\$ 26,770
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(965)	(1,039)	(3,354)	(2,395)
GROSS PROFIT	10,172	8,745	28,502	24,375
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	2,799	5,420	8,398	9,768
GENERAL AND ADMINISTRATIVE EXPENSES	3,446	3,320	10,530	9,596
SALES AND MARKETING EXPENSES	5,480	6,002	17,375	16,564
DEPRECIATION AND AMORTIZATION	642	679	1,941	2,012
RECOVERABLE COLLABORATION COSTS	—	(2,851)	—	(2,851)
OPERATING EXPENSES	12,367	12,570	38,244	35,089
NET LOSS FROM OPERATIONS	(2,195)	(3,825)	(9,742)	(10,714)
INTEREST EXPENSE AND OTHER	(1,211)	(1,431)	(3,540)	(4,152)
UNREALIZED FOREIGN CURRENCY (LOSS) GAIN, NET	(16)	(6)	18	(6)
CHANGE IN FAIR VALUE OF DERIVATIVE WARRANT LIABILITY	—	—	—	188
LOSS ON EARLY EXTINGUISHMENT OF DEBT	—	—	(1,766)	—
NET LOSS BEFORE TAXES	(3,422)	(5,262)	(15,030)	(14,684)
PROVISION FOR TAXES	(28)	(23)	(104)	(93)
NET LOSS	(3,450)	(5,285)	(15,134)	(14,777)
GAIN ON EXTINGUISHMENT OF PREFERRED STOCK	38,330	—	38,330	—
NET INCOME (LOSS) AVAILABLE TO STOCKHOLDERS	\$ 34,880	\$ (5,285)	\$ 23,196	\$ (14,777)
NET INCOME (LOSS) PER COMMON SHARE — Basic	\$ 0.40	\$ (0.08)	\$ 0.26	\$ (0.22)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING — Basic	70,038,411	68,430,856	69,981,744	66,272,691
NET INCOME (LOSS) PER COMMON SHARE — Diluted	\$ 0.39	\$ (0.08)	\$ 0.26	\$ (0.22)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING — Diluted	70,549,340	68,430,856	70,503,747	66,272,691

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(In thousands)			
NET LOSS	\$ (3,450)	\$ (5,285)	\$ (15,134)	\$ (14,777)
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustments	(26)	118	(133)	393
TOTAL OTHER COMPREHENSIVE INCOME	(26)	118	(133)	393
COMPREHENSIVE LOSS	<u>\$ (3,476)</u>	<u>\$ (5,167)</u>	<u>\$ (15,267)</u>	<u>\$ (14,384)</u>

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	Nine Months Ended September 30,	
	2018	2017
(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (15,134)	\$ (14,777)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,941	2,012
Inventory reserve	9	34
Unrealized foreign currency transaction (gain) loss	(18)	6
Loss on early extinguishment of debt	1,766	—
Amortization of debt discount	631	1,055
Stock-based compensation expense	3,390	3,703
Change in fair value of derivative warrant liability	—	(188)
Changes in assets and liabilities:		
Accounts receivable	(2,933)	594
Prepaid expenses and other current assets	(538)	(548)
Inventory	(250)	(1,295)
Accounts payable	(779)	98
Accrued expenses and other current liabilities	(246)	(333)
Other long-term liabilities	(52)	(1,528)
Net cash used in operating activities	(12,213)	(11,167)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(174)	(234)
Net cash used in investing activities	(174)	(234)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	2	1
Proceeds from sale of common stock	49	6,042
Payment of common stock offering costs	—	(183)
Issuance of debt	40,000	—
Payment of principal on notes payable	(35,000)	—
Payment of extinguishment of debt costs	(2,544)	—
Payment of deferred financing costs	(1,142)	—
Payment of preferred stock exchange costs	(122)	—
Payment of capital lease obligations	(268)	(110)
Net cash provided by financing activities	975	5,750
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(65)	299
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(11,477)	(5,352)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	24,101	31,010
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — End of period	\$ 12,624	\$ 25,658
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 2,571	\$ 3,068
Cash paid for income taxes	\$ 229	\$ 66
Supplemental schedule of non-cash investing and financing activities:		
Property and equipment acquired under capital leases	\$ 575	\$ 175
Note payable end of term payment accrued but unpaid	\$ 1,800	\$ 1,400

There were no dividend payments made during the nine months ended September 30, 2018 and 2017.

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED 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 is presently focused on diseases affecting the back of the eye, or retina, because the Company's management believes these diseases are not well treated with current therapies and represent a significant market opportunity. The Company's only commercial product is ILUVIEN®, which has received marketing authorization in the United States (U.S.), Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom. In the U.S., ILUVIEN is indicated for the treatment of diabetic macular edema (DME) in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure (IOP). In the European Economic Area (EEA) countries in which ILUVIEN has received marketing authorization, it is indicated for the treatment of vision impairment associated with DME considered insufficiently responsive to available therapies.

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

The Company commercially markets ILUVIEN directly in the U.S., Germany, the United Kingdom, Portugal, Austria and Ireland.

In addition, the Company has entered into various agreements under which distributors will provide regulatory, reimbursement or sales and marketing support for commercialization or future commercialization of ILUVIEN in France, Italy, Spain, Australia, New Zealand, Canada and several countries in the Middle East. As of September 30, 2018, the Company has recognized sales of ILUVIEN to the Company's distributors in the Middle East, France, Italy and Spain.

In July 2017, the Company amended its license with EyePoint Pharmaceuticals US, Inc. (EyePoint) formerly known as pSivida US, Inc. for the technology underlying ILUVIEN to include the treatment of uveitis, including non-infectious posterior uveitis (NIPU) in Europe, the Middle East and Africa (Note 9). 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. In December 2017, the Company filed an application for a new indication for ILUVIEN for NIPU in the 17 EEA countries where ILUVIEN is currently approved for the treatment of DME. The regulatory authorities requested additional follow-up data from the clinical trials to support the application, which was submitted in October 2018. The Company expects that it will obtain approval of its application for NIPU in the first half of 2019.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. BASIS OF PRESENTATION

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements and notes thereto (Interim Financial Statements) in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) for interim financial information, the instructions to Form 10-Q and Article 10-01 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the accompanying interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary to present fairly the Company's interim financial information.

The accompanying interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017 and related notes included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 2, 2018. The financial results for any interim period are not necessarily indicative of the expected financial results for the full year.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Financial Statements included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2017.

Research and Development Expenses

Research and development expenses were \$397,000 and \$3,299,000 for the three months ended September 30, 2018 and 2017, respectively. Research and development expenses were \$811,000 and \$3,652,000 for the nine months ended September 30, 2018 and 2017, respectively. Included in Research and Development expenses for the three and nine months ended September 30, 2017 was a non-cash charge of \$2,851,000 for in-process Research and Development associated with the licensing of ILUVIEN from EyePoint for NIPU in Europe, the Middle East and Africa (Note 9).

Recent Accounting Pronouncements

From time to time, the Financial Accounting Standards Board (FASB) or other standard setting bodies issue new accounting pronouncements that we adopt as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. The FASB has subsequently issued an additional, clarifying ASU to address issues arising from implementation of the new revenue recognition standard. The new revenue recognition standard became effective for interim and annual periods beginning on January 1, 2018. The new standard was required to be adopted using either a full-retrospective or a modified-retrospective approach. The Company adopted the new revenue guidance on January 1, 2018 using the modified-retrospective approach. The Company elected the practical expedient to apply the new revenue standard only to contracts that were not completed as of January 1, 2018.

Adoption did not have a material impact on the Company's financial statements on an ongoing basis. See Note 4 for expanded disclosures.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)*. ASU 2016-15 is intended to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows and to eliminate the diversity in practice related to such classifications. The standard is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company adopted this standard effective January 1, 2018, and the adoption of this guidance did not have a material impact on the Company's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*. ASU 2016-18 requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company adopted this standard effective January 1, 2018, and the adoption of this guidance did not have a material impact on the Company's financial statements. The Company's condensed consolidated statement of cash flows for the nine months ended September 30, 2017 has been reclassified for this ASU.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope Modification Accounting*. The new standard clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. This standard became effective on January 1, 2018, and the Company adopted it on that date. The adoption of this guidance did not have a material impact on the Company's financial statements.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accounting Standards Issued but Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard requires all leases with durations greater than twelve months to be recognized on the balance sheet and is effective for interim and annual reporting periods beginning after December 15, 2018, although early adoption is permitted. The primary effect of adoption will be the requirement to record right-of-use assets and corresponding lease obligations for current operating leases. In addition, the standard will require that we update our systems, processes and controls we use to track, record and account for our lease portfolio. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842)*. In issuing ASU No. 2018-11, the FASB decided to provide another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company is currently in the process of evaluating the impact that the adoption of ASU 2016-02 and ASU 2018-11 will have on the Company's financial statements.

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. Upon adoption of the ASU, entities will be required to describe the accounting policy for releasing income tax effects from accumulated other comprehensive income. The standard is required to be adopted for periods beginning after December 15, 2018, with early adoption available. The Company is currently in the process of evaluating the impact of the adoption 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 becomes effective in the first quarter of fiscal year 2019, and early adoption is permitted (but no earlier than an entity's adoption date of Topic 606). 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 Company does not believe the adoption of this standard will have a material impact on the Company's financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. REVENUE RECOGNITION

Net Revenue

The Company sells its products to major pharmaceutical distributors, pharmacies and doctors (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 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. 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.

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.

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.

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 either refund the sales price paid by the Customer by issuance of a credit, or exchange the returned product with 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, a number of 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.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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 timing of receipt of payment for the Company's international Customers can be extended. 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 Customer will pay for the product or services in one year or less of receiving those products or services.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. GOING CONCERN

The accompanying Interim 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 Interim Financial Statements do not include any adjustments that might result from the outcome of this uncertainty.

To date, the Company has incurred recurring losses and negative cash flow from operations and has accumulated a deficit of \$375,879,000 from inception through September 30, 2018. As of September 30, 2018, the Company had approximately \$12,591,000 in cash and cash equivalents. The Company's ability to achieve profitability and positive cash flow depends upon its ability to increase revenue and contain its expenses.

Further, the Company must maintain compliance with the debt covenants of its \$40,000,000 Loan and Security Agreement (2018 Loan Agreement) with Solar Capital Ltd. (Solar Capital) as Collateral Agent (Agent), and the parties signing the 2018 Loan Agreement from time to time as Lenders, including Solar Capital in its capacity as a Lender (each a Lender and collectively, the Lenders) (see Note 10). 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 to satisfy its obligations due within one year from the date of issuance of these Interim Financial Statements, the Company cannot guarantee that it will be able to maintain debt compliance, raise additional equity or increase revenue. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern within one year after these Interim Financial Statements are issued.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. INVENTORY

Inventory consisted of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Component parts (1)	\$ 61	\$ 404
Work-in-process (2)	250	587
Finished goods, net	1,410	517
Total Inventory	<u>\$ 1,721</u>	<u>\$ 1,508</u>

(1) Component parts inventory consists of manufactured components of the ILUVIEN applicator.

(2) Work-in-process primarily consists of completed units of ILUVIEN that are undergoing, but have not completed, quality assurance testing or stability testing as required by regulatory authorities in Europe and the U.S.

7. INTANGIBLE ASSET

As a result of the approval of ILUVIEN by the U.S. Food and Drug Administration (FDA) in September 2014, the Company was required to pay EyePoint a milestone payment of \$25,000,000 (the EyePoint Milestone Payment) in October 2014 (see Note 9).

The gross carrying amount of the intangible asset was \$25,000,000, which is being amortized over approximately 13 years from the payment date. The amortization expense related to the intangible asset was approximately \$489,000 for both the three months ended September 30, 2018 and 2017, respectively. The amortization expense related to the intangible asset was approximately \$1,451,000 for both the nine months ended September 30, 2018 and 2017, respectively. The net book value of the intangible asset was \$17,212,000 and \$18,664,000 as of September 30, 2018 and December 31, 2017, respectively.

The estimated future amortization expense as of September 30, 2018 for the remaining periods in the next five years and thereafter is as follows:

<u>Years Ending December 31</u>	(In thousands)	
2018	\$	489
2019		1,940
2020		1,946
2021		1,940
2022		1,940
Thereafter		8,957
Total	<u>\$</u>	<u>17,212</u>

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Accrued clinical investigator expenses	\$ 777	\$ 696
Accrued compensation expenses	535	511
Accrued rebate, chargeback and other revenue reserves	337	305
Accrued End of Term Payment (see Note 10)	—	1,400
Other accrued expenses	246	670
Total accrued expenses	<u>\$ 1,895</u>	<u>\$ 3,582</u>

9. LICENSE AGREEMENTS*EyePoint Agreement*

The Company entered into an agreement with EyePoint (formerly known as pSivida US, Inc.) for the use of fluocinolone acetonide (FAC) in EyePoint's proprietary insert technology in February 2005. 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.

2008 Amended and Restated Collaboration Agreement

Pursuant to the payment terms of the 2008 Amended and Restated Agreement (the 2008 Agreement), the Company was required to share with EyePoint 20% of the net profits of ILUVIEN, determined on a cash basis and 33% of any lump sum milestone payments received from a sub-licensee of ILUVIEN. In connection with this arrangement, the Company was entitled to recover out of EyePoint's share of the net profits of ILUVIEN, 20% of ILUVIEN's commercialization costs (as defined in the EyePoint Agreement) that were incurred prior to product profitability. (The Company's future rights to recover these amounts from EyePoint are referred to as the Future Offset.) In connection with the New Collaboration Agreement discussed below, the Future Offset was further amended.

New Collaboration Agreement - 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 amends and restates the EyePoint Agreement.

Prior to 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 expands the license to include uveitis, including NIPU, in Europe, the Middle East and Africa and allows the Company to also pursue an indication for posterior uveitis for ILUVIEN in those territories.

The New Collaboration Agreement converts 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 will increase to 6% upon the earlier of December 12, 2018 or the receipt of the first marketing approval for ILUVIEN for the treatment of NIPU. The Company will pay an additional 2% royalty on global net revenues and other related consideration in excess of \$75,000,000 in any year. During the three and nine months ended September 30, 2018, the Company recognized approximately \$221,000 and \$632,000 of royalty expense, respectively, which is included in cost of goods sold, excluding depreciation and amortization. As of September 30, 2018, approximately \$221,000 of this royalty expense was included in the Company's accounts payable. During the three months ended September 30, 2017, the Company recognized approximately \$196,000 of royalty expense. During the nine months ended September 30, 2017, the Company recognized approximately \$196,000 of royalty expense and \$247,000 of profit share expense.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In connection with the New Collaboration Agreement, the Company and EyePoint first agreed to cap the Future Offset amount at \$25,000,000 as of June 30, 2017 and the Company then agreed to forgive \$10,000,000 of the total \$25,000,000 of the Future Offset at the July 10, 2017 amendment date. Following the signing of the New Collaboration Agreement, the Company retains a right to recover up to the remaining \$15,000,000 of the Future Offset. Due to the uncertainty of future net profits, the Company has fully reserved these amounts in the accompanying Interim Financial Statements. The Company is entitled to recover up to \$15,000,000 as a reduction of future royalties otherwise owed to EyePoint as follows:

- In the first two years following the increase in royalty amount to 6%, the royalty will be reduced to 4% for net revenues and other related consideration up to \$75,000,000 annually and 5% for net revenues and other related consideration in excess of \$75,000,000 on an annual basis; and
- Beginning with the third year following the increase in royalty amount to 6%, the royalty will be reduced to approximately 5.2% for net revenues and other related consideration up to \$75,000,000 annually and to approximately 6.8% for net revenues and other related consideration in excess of \$75,000,000 on an annual basis.

The Company will forgive up to \$5,000,000 of the remaining \$15,000,000 of Future Offsets upon the earlier of the approval of ILUVIEN for posterior uveitis in any EU country or January 1, 2020, unless certain conditions under the New Collaboration Agreement are not met. The Company expects that it will obtain approval of its application for NIPU in the first half of 2019. If the amounts recoverable by the Company associated with the Future Offsets are less than \$5,000,000 at that time, the Company will pay EyePoint the difference in cash.

The Company valued the transaction by utilizing a present value analysis at approximately \$2,851,000.

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 delivery device.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

10. LOAN AGREEMENTS

Hercules Loan Agreement

In April 2014, Alimera Sciences Limited (Limited), 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. The Company amended the 2014 Loan Agreement several times. On October 20, 2016 the Company and Hercules entered into a fourth amendment to the Hercules Loan Agreement (the Fourth Loan Amendment), which provided the operative loan agreement terms during 2017. On January 5, 2018 the Company paid off its loan with Hercules.

The Fourth Loan Amendment provided for interest-only payments through November 30, 2018 (the Interest-Only Period). Pursuant to the Fourth Loan Amendment, interest on the Hercules Loan Agreement accrued at a floating per annum rate equal the greater of (i) 11.0% or (ii) the sum of (A) 11.0% plus (B) the prime rate as reported in The Wall Street Journal, or if not reported, the prime rate most recently reported in The Wall Street Journal, minus 3.5%. In addition to the interest described in the preceding sentence, the principal balance of the Hercules Loan Agreement bore “payment-in kind” interest at the rate of 1.0% (PIK Interest), which PIK Interest was added to the outstanding principal balance of the Hercules Loan Agreement. The interest rate on the Hercules Loan Agreement was 12.0% as of December 31, 2017.

Under the Hercules Loan Agreement as amended by the Fourth Loan Amendment, any principal prepayment of the Hercules loan triggered a prepayment penalty based on when the prepayment occurred. Because the Company prepaid the Hercules Loan Agreement on January 5, 2018, the Company paid 2.0% of the principal amount repaid, or \$709,000, which is included in loss on early extinguishment of debt for the nine months ended September 30, 2018. Prior to entering into the Fourth Loan Agreement, the Company was already obligated to pay an end of term payment of \$1,400,000, which was paid when the Company paid off the loan with Hercules on January 5, 2018.

2014 Warrant

In connection with Limited entering into the 2014 Loan Agreement, the Company issued a warrant to Hercules to purchase up to 285,016 shares of the Company’s common stock at an exercise price of \$6.14 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 1,258,993 and decrease the exercise price to \$1.39 per share. The right to exercise this warrant expires on November 2, 2020.

2016 Warrant

In connection with Limited entering into the Fourth Loan Amendment, the Company agreed to issue a new warrant to Hercules (the 2016 Warrant) to purchase up to 458,716 shares of the Company’s common stock at an exercise price of \$1.09 per share. The right to exercise this warrant expires on October 20, 2021.

Solar Capital Loan Agreement

On January 5, 2018, the Company entered into a \$40,000,000 Loan and Security Agreement (2018 Loan Agreement) with Solar Capital, as Collateral Agent (Agent), and the parties signing the 2018 Loan Agreement from time to time as Lenders, including Solar Capital in its capacity as a Lender (each a Lender and collectively, the Lenders). Under the 2018 Loan Agreement, the Company borrowed the entire \$40,000,000 as a term loan that matures on July 1, 2022.

The Company used the proceeds of the term loan to extinguish 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 Loan Agreement is payable at one-month LIBOR plus 7.65% per annum. The 2018 Loan Agreement provides for interest-only payments for the first 30 months ending on July 1, 2020, followed by 24 months of payments of principal and interest. If the Company meets certain revenue thresholds and no event of default has occurred, the Company can extend the interest-only period an additional 6 months to end on January 1, 2021, followed by 18 months of payments of principal and interest. As of September 30, 2018, the interest rate on the 2018 Loan Agreement was approximately 9.8%.

As part of the fees and expenses incurred in conjunction with the 2018 Loan Agreement discussed above, the Company paid Solar Capital a \$400,000 fee at closing. The Company is obligated to pay a \$1,800,000 fee upon repayment of the term loan in full (\$2,000,000 if the interest-only period has been extended an additional 6 months). The Company has recorded the \$1,800,000 in other non-current liabilities as of September 30, 2018. The Company may elect to prepay the outstanding principal balance of the 2018 Loan Agreement in increments of \$10,000,000 or more. The Company must pay a prepayment premium upon any prepayment of the 2018 Loan Agreement before its maturity date, whether by mandatory or voluntary prepayment, acceleration or otherwise, equal to:

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- a. 2.00% of the principal amount prepaid for a prepayment made on or after January 5, 2018 through and including January 5, 2019;
- b. 1.00% of the principal amount prepaid for a prepayment made after January 5, 2019 through and including January 5, 2020; and
- c. 0.50% of the principal amount prepaid for a prepayment made after January 5, 2020 and greater than 30 days before the maturity date.

The Company is also obligated to pay additional fees under the Exit Fee Agreement (Exit Fee Agreement) dated as of January 5, 2018 by and among the Company, Solar Capital as Agent, and the Lenders. The Exit Fee Agreement survives the termination of the 2018 Loan Agreement 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 Exit Fee Agreement.

Specifically, the Company is obligated to pay an exit fee of \$2,000,000 upon a “change in control” (as defined in the Exit Fee Agreement). To the extent that Alimera 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.

The Company agreed, for itself and its subsidiaries, to customary affirmative and negative covenants and events of default in connection with the 2018 Loan Agreement. The occurrence of an event of default could result in the acceleration of the Company’s obligations under the 2018 Loan Agreement and an increase to the applicable interest rate, and would permit Solar Capital to exercise remedies with respect to the collateral under the 2018 Loan Agreement. While certain covenants are in effect from the date of the agreement, the financial covenants that require a testing of the Company’s GAAP revenues were effective starting on June 30, 2018. On that date, and in subsequent quarterly periods, revenues are tested utilizing a trailing six-month formula to determine if the Company is in compliance. As of September 30, 2018, the Company was in compliance with the covenants of the 2018 Loan Agreement.

The Company’s obligations to Agent and the Lenders 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 AS C.V., a Dutch subsidiary 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 AS C.V. are subject to the Lenders’ security interests. The Lender does, however, maintain a negative pledge on the property of the Company and all of its subsidiaries, including the Company’s intellectual property, requiring the Lender’s consent for any liens (other than typical permitted liens) on, or the sale of, such property.

Extinguishment of Debt

In accordance with the guidance in ASC 470-50, *Debt*, the Company accounted for the extinguishment of the Hercules Loan Amendment as an extinguishment and recognized a loss on early extinguishment of debt of approximately \$1,766,000 within the condensed consolidated statements of operations for the nine months ended September 30, 2018. The loss on early extinguishment consisted primarily of the early termination fee paid to Hercules and unamortized debt discounts including the remaining portion of warrant values and debt issuance costs.

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 September 30, 2018 and December 31, 2017.

ALIMERA SCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
11. EARNINGS (LOSS) 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. Basic EPS is computed by dividing net income (loss) 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.

The Company had net income available to stockholders for the three and nine months ended September 30, 2018 primarily due to the gain on extinguishment of preferred stock (Note 12).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except share and per share data)			
Net income (loss) available to stockholders	\$ 34,880	\$ (5,285)	\$ 23,196	\$ (14,777)
Allocation of undistributed earnings (loss):				
Earnings (loss) attributable to common stock	\$ 27,769	\$ (5,285)	\$ 18,534	\$ (14,777)
Earnings attributable to participating securities	\$ 7,111	\$ —	\$ 4,662	\$ —
Basic shares:				
Weighted average common shares	70,038,411	68,430,856	69,981,744	66,272,691
Weighted average participating shares	17,934,164	—	17,604,533	—
Total basic weighted average shares	<u>87,972,575</u>	<u>68,430,856</u>	<u>87,586,277</u>	<u>66,272,691</u>
Diluted shares:				
Weighted average common shares	70,038,411	68,430,856	69,981,744	66,272,691
Dilutive weighted average shares	510,929	—	522,003	—
Total dilutive weighted common shares	<u>70,549,340</u>	<u>68,430,856</u>	<u>70,503,747</u>	<u>66,272,691</u>
Weighted average participating shares	17,934,164	—	17,604,533	—
Total dilutive weighted average shares	<u>88,483,504</u>	<u>68,430,856</u>	<u>88,108,280</u>	<u>66,272,691</u>
Basic EPS	<u>\$ 0.40</u>	<u>\$ (0.08)</u>	<u>\$ 0.26</u>	<u>\$ (0.22)</u>
Diluted EPS	<u>\$ 0.39</u>	<u>\$ (0.08)</u>	<u>\$ 0.26</u>	<u>\$ (0.22)</u>

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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:

	Three and Nine Months Ended September 30,	
	2018	2017
Series A convertible preferred stock	—	9,022,556
Series B convertible preferred stock	—	8,416,251
Series A convertible preferred stock warrants	—	4,511,279
Common stock warrants	1,795,663	1,795,663
Stock options	12,253,983	11,432,526
Restricted stock units	—	851,920
Total	14,049,646	36,030,195

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

12. 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 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 filed by the Company with the Delaware Secretary of State. Each share of Series A Preferred Stock, including any shares of Series A Preferred Stock issued upon exercise of the warrants, 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 \$2.66 (Conversion Price). The initial Conversion Price was subject to adjustment based on certain customary price based anti-dilution adjustments. These adjustment features lapsed in September 2014. Each share of Series A Preferred Stock shall automatically be converted into shares of common stock at the then-effective Conversion Price upon the occurrence of the later to occur of both (i) the Company receives and publicly announces the approval by the FDA of the Company's New Drug Application (NDA) for ILUVIEN and (ii) 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 \$10.00 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 unit sold in the preferred stock financing included a warrant to purchase 0.30 shares of Series A Preferred Stock at an exercise price equal to \$44.00 per share. At the election of the holder of a warrant, the warrant could have been exercised for the number of shares of common stock then issuable upon conversion of the Series A Preferred Stock that would otherwise be issued upon such exercise at the then-effective Conversion Price.

These warrants were considered derivative instruments because the agreements provided for settlement in Series A Preferred Stock shares or common stock shares at the option of the holder, an adjustment to the warrant exercise price for common shares at some point in the future and contain anti-dilution provisions whereby the number of shares for which the warrants are exercisable and/or the exercise price of the warrants was subject to change in the event of certain issuances of stock at prices below the then-effective exercise price of the warrants. Therefore the warrants were recorded as a liability at issuance. The warrant anti-dilution provisions lapsed in September 2014. During the nine months ended September 30, 2017, the Company recorded a gain of \$188,000, as a result of the change in fair value of the warrants. The rights to exercise these warrants expired on October 1, 2017.

In 2014, 6,015,037 shares of common stock were issued pursuant to the conversion of 400,000 shares of Series A Preferred Stock. As of September 30, 2018, there were 600,000 shares of Series A 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. All of the outstanding shares of Series B Preferred Stock were exchanged for shares of Series C Convertible Preferred Stock on September 4, 2018 (see below).

The powers, preferences and rights of the Series B Preferred Stock were set forth in the certificate of designation which was filed by the Company with the Delaware Secretary of State. Each share of Series B Preferred Stock was convertible into 1,000 shares of the Company's common stock at any time at the option of the holder, provided that the holder was prohibited from converting Series B Preferred Stock into shares of the Company's common stock if, as a result of such conversion, the holder, together with its affiliates, would have owned more than 9.98% of the total number of shares of the Company's common stock then issued and outstanding. The Series B Preferred Stock ranked junior to the Company's existing Series A Preferred Stock and senior to the Company's common stock, with respect to rights upon liquidation. The Series B Preferred Stock ranked junior to all existing and future indebtedness. Except as otherwise required by law (or with respect to approval of certain actions), the Series B Preferred Stock did not have voting rights. The Series B Preferred Stock was not redeemable at the option of the holder. The Series B Preferred Stock was not subject to any price-based or other anti-dilution protections and did not provide for any accruing dividends.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company determined that the conversion option of the Series B Preferred Stock represented a beneficial conversion feature, as the conversion feature had intrinsic value to the holder on the commitment date as a result of the subscription premium. Therefore, the Company recorded a beneficial conversion feature of \$750,000 as an increase in additional paid in capital. Because the Series B Preferred Stock was immediately convertible into common stock at the option of the holder at issuance, the Company immediately accreted the full value of the beneficial conversion feature to the carrying value of the Series B Preferred Stock on that date.

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. 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 newly 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 \$1.00 per share, or 10,150,000 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 the three and nine months ended September 30, 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. This Company recorded this gain within stockholders' equity and as an increase to earnings available to stockholders for the three and nine months ended September 30, 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.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. COMMON STOCK

In 2017, the Company sold 4,203,015 shares of the Company's common stock at a weighted average price of \$1.43 per share through the Company's at-the-market offering that was in place with Cowen and Company, LLC (Cowen), for total gross proceeds of approximately \$6,000,000, reduced by approximately \$183,000 of related commissions, issuance costs and placement agent fees. The Company used the net proceeds from this offering for general corporate purposes and working capital. The Company's sales agreement with Cowen to sell additional shares expired on August 13, 2017.

In October 2017, the Company entered into a common stock sales agreement (Sales Agreement) with H.C. Wainwright & Co., LLC (HCW) to offer shares of the Company's common stock from time to time through HCW, as our sales agent, for the offer and sale of the shares up to an aggregate offering price of \$25,000,000. In June 2018, the Company notified HCW that it was terminating the Sales Agreement in accordance with the termination provisions of the Sales Agreement, effective on June 1, 2018. The Company had no obligation to sell shares under this sales agreement with HCW, and the Company never sold shares under this agreement. The Company incurred no early termination penalties in connection with the termination of the Sales Agreement.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

14. STOCK INCENTIVE PLANS

Stock Option Plans

During the three months ended September 30, 2018 and 2017, the Company recorded compensation expense related to stock options of approximately \$829,000 and \$1,054,000, respectively. During the nine months ended September 30, 2018 and 2017, the Company recorded compensation expense related to stock options of approximately \$2,583,000 and \$3,033,000, respectively. As of September 30, 2018, the total unrecognized compensation cost related to non-vested stock options granted was \$3,524,000 and is expected to be recognized over a weighted average period of 2.04 years. The following table presents a summary of stock option activity for the three months ended September 30, 2018 and 2017:

	Three Months Ended September 30,			
	2018		2017	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of period	12,507,150	\$ 2.70	11,481,801	\$ 2.96
Grants	30,000	1.05	74,000	1.50
Forfeitures	(283,167)	2.29	(122,546)	3.06
Exercises	—	—	(729)	1.49
Options outstanding at period end	12,253,983	2.71	11,432,526	2.95
Options exercisable at period end	8,955,385	3.14	8,018,852	3.21
Weighted average per share fair value of options granted during the period	\$ 0.67		\$ 1.12	

The following table presents a summary of stock option activity for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,			
	2018		2017	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of period	11,595,510	\$ 2.90	10,804,412	\$ 3.22
Grants	1,583,625	1.10	1,722,800	1.24
Forfeitures	(923,589)	2.37	(1,093,957)	2.93
Exercises	(1,563)	1.06	(729)	1.49
Options outstanding at period end	12,253,983	2.71	11,432,526	2.95
Options exercisable at period end	8,955,385	3.14	8,018,852	3.21
Weighted average per share fair value of options granted during the period	\$ 0.73		\$ 0.95	

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table provides additional information related to outstanding stock options, exercisable stock options and stock options that were expected to vest as of September 30, 2018:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
				(In thousands)
Outstanding	12,253,983	\$ 2.71	6.25 years	\$ 35
Exercisable	8,955,385	3.14	5.39 years	8
Outstanding, vested and expected to vest	11,874,874	2.75	6.17 years	35

The following table provides additional information related to outstanding stock options, exercisable stock options and stock options that were expected to vest as of December 31, 2017:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
				(In thousands)
Outstanding	11,595,510	\$ 2.90	6.60 years	\$ 35
Exercisable	8,085,064	3.25	5.68 years	—
Outstanding, vested and expected to vest	11,161,477	2.94	6.51 years	34

As of September 30, 2018, the Company was authorized to grant options to purchase up to an additional 440,549 shares under the 2010 Equity Incentive Plan, taking into account the annual increase in the number of shares available for issuance under the Company's 2010 Equity Incentive Plan and the options and restricted stock units (RSUs) granted and forfeited during the nine months ended September 30, 2018.

Employee Stock Purchase Plan

During the three months ended September 30, 2018 and 2017, the Company recorded compensation expense related to its employee stock purchase plan of approximately \$7,000 and \$10,000, respectively. During the nine months ended September 30, 2018 and 2017, the Company recorded compensation expense related to its employee stock purchase plan of approximately \$24,000 and \$30,000, respectively.

Restricted Stock Units

During the nine months ended September 30, 2018, the Company granted 1,090,640 RSUs to its employees in lieu of a cash bonus program for 2018. As of September 30, 2018, 921,750 RSUs were outstanding. During the three and nine months ended September 30, 2018, the Company recorded compensation expense of \$196,000 and \$783,000, respectively, related to outstanding and vested RSUs.

During the nine months ended September 30, 2017, the Company granted 964,720 RSUs to its employees in lieu of a cash bonus program for 2017, of which 839,285 RSUs vested and converted to common shares in January 2018. During the three and nine months ended September 30, 2017, the Company recorded compensation expense related to these RSUs of \$238,000 and \$639,000, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. INCOME TAXES

In accordance with ASC 740, *Income Taxes*, the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of its 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 its net deferred tax asset to reduce the net carrying value to an amount that is more likely than not to be realized.

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, the Company's best estimate of operating results and foreign currency exchange rates. The Company's quarterly income tax rate may differ from its estimated annual effective tax rate because accounting standards require the Company to exclude the actual results of certain entities expected to generate a pretax loss when applying the estimated annual effective tax rate to the Company's consolidated pretax results in interim periods. In estimating the annual effective tax rate, the Company does not include the estimated impact of unusual and/or infrequent items, including the reversal of valuation allowances, which may cause significant variations in the customary relationship between income tax expense (benefit) and pretax income (loss) in quarterly periods. The income tax expense (benefit) for such unusual and/or infrequent items is recorded in the quarterly period such items are incurred.

The Company's income tax expense and resulting effective tax rate are based upon the respective estimated annual effective tax rates applicable for the respective periods adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions and other items. The Company's effective tax rate for the three and nine months ended September 30, 2018 properly excluded tax benefits associated with year-to-date pre-tax losses generated in the U.S. and the Netherlands. Income tax positions are considered for uncertainty in accordance with ASC 740-10. The Company has recorded unrecognized 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 has not accrued interest or penalties as no research and development credits have been utilized due to significant net operating losses (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 remain subject to examination at the U.S. federal level between 2010 and 2016, and subject to examinations at various state levels between 2005 and 2016. 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. Tax years since 2012 remain subject to examination in the United Kingdom and the Netherlands. Tax years since 2013 remain subject to examination in Germany.

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 deferred tax assets due to the history of operating losses, a valuation allowance has been established against the net deferred tax asset balance in the U.S. and the Netherlands. 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. In the event that 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.

At December 31, 2017, the Company had federal NOL carry-forwards of approximately \$121,337,000 and state NOL carry-forwards of approximately \$152,214,000 available to reduce future taxable income. The Company's federal NOL carry-forwards remain fully reserved as of September 30, 2018. If not utilized, the federal NOL carry-forwards will expire at various dates between 2029 and 2037 and the state NOL carry-forwards will expire at various dates between 2020 and 2037.

Sections 382 and 383 of the Internal Revenue Code (IRC) 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) in the event that 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, it 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 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

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2017, the Company had cumulative book losses in foreign subsidiaries of \$113,278,000. 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 has not recorded a deferred tax liability related to excess of book over tax basis in the stock of its foreign subsidiaries in accordance with ASC 740-30-25.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the Act) which made widespread changes to the Internal Revenue Code. The Act, among other things, reduced the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a transition tax on earnings of certain foreign subsidiaries that were previously not subject to U.S. tax and creates new income taxes on certain foreign sourced earnings. The Company has made reasonable estimates related to (1) the remeasurement of U.S. deferred tax balances for the reduction in the tax rate, (2) the liability for the transition tax and (3) the taxes accrued relating to the change in permanent reinvestment assertion for unremitted earnings of certain foreign subsidiaries. For the quarter ended September 30, 2018, the Company has not made any adjustments to the estimated amounts recorded as of December 31, 2017.

ALIMERA SCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
16. SEGMENT INFORMATION

During the three months ended September 30, 2018 and 2017, two customers within the U.S. segment that are large pharmaceutical distributors accounted for 74% and 73%, respectively, of the Company's consolidated revenues. During the nine months ended September 30, 2018 and 2017, these same two customers accounted for 76% and 73%, respectively, of the Company's consolidated revenues. These same two customers within the U.S. segment accounted for approximately 80% and 81% of the Company's consolidated accounts receivable at September 30, 2018 and at December 31, 2017, 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 following table presents a summary of the Company's reporting segments for the three months ended September 30, 2018 and 2017:

	Three Months Ended September 30, 2018				Three Months Ended September 30, 2017			
	U.S.	International	Other	Consolidated	U.S.	International	Other	Consolidated
	(In thousands)							
NET REVENUE	\$ 8,492	\$ 2,645	\$ —	\$ 11,137	\$ 7,143	\$ 2,641	\$ —	\$ 9,784
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(715)	(250)	—	(965)	(720)	(319)	—	(1,039)
GROSS PROFIT	7,777	2,395	—	10,172	6,423	2,322	—	8,745
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	1,684	904	211	2,799	1,360	984	3,076	5,420
GENERAL AND ADMINISTRATIVE EXPENSES	2,050	786	610	3,446	1,879	673	768	3,320
SALES AND MARKETING EXPENSES	3,913	1,356	211	5,480	4,141	1,551	310	6,002
DEPRECIATION AND AMORTIZATION	—	—	642	642	—	—	679	679
RECOVERABLE COLLABORATION COSTS	—	—	—	—	—	—	(2,851)	(2,851)
OPERATING EXPENSES	7,647	3,046	1,674	12,367	7,380	3,208	1,982	12,570
SEGMENT GAIN (LOSS) FROM OPERATIONS	130	(651)	(1,674)	(2,195)	(957)	(886)	(1,982)	(3,825)
OTHER INCOME AND EXPENSES, NET	—	—	(1,227)	(1,227)	—	—	(1,437)	(1,437)
NET LOSS BEFORE TAXES				<u>\$ (3,422)</u>				<u>\$ (5,262)</u>

ALIMERA SCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents a summary of the Company's reporting segments for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30, 2018				Nine Months Ended September 30, 2017			
	U.S.	International	Other	Consolidated	U.S.	International	Other	Consolidated
	(In thousands)							
NET REVENUE	\$ 23,468	\$ 8,388	\$ —	\$ 31,856	\$ 19,643	\$ 7,127	\$ —	\$ 26,770
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(2,456)	(898)	—	(3,354)	(1,671)	(724)	—	(2,395)
GROSS PROFIT	21,012	7,490	—	28,502	17,972	6,403	—	24,375
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	4,926	2,808	664	8,398	4,016	2,243	3,509	9,768
GENERAL AND ADMINISTRATIVE EXPENSES	6,209	2,416	1,905	10,530	5,410	2,068	2,118	9,596
SALES AND MARKETING EXPENSES	12,427	4,127	821	17,375	11,707	3,930	927	16,564
DEPRECIATION AND AMORTIZATION	—	—	1,941	1,941	—	—	2,012	2,012
RECOVERABLE COLLABORATION COSTS	—	—	—	—	—	—	(2,851)	(2,851)
OPERATING EXPENSES	23,562	9,351	5,331	38,244	21,133	8,241	5,715	35,089
SEGMENT LOSS FROM OPERATIONS	(2,550)	(1,861)	(5,331)	(9,742)	(3,161)	(1,838)	(5,715)	(10,714)
OTHER INCOME AND EXPENSES, NET	—	—	(5,288)	(5,288)	—	—	(3,970)	(3,970)
NET LOSS BEFORE TAXES				\$ (15,030)				\$ (14,684)

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

Overview

The following discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and the related notes that appear elsewhere in this quarterly report on Form 10-Q. 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 set forth in the section entitled "Risk Factors" in our most recent 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" immediately after the index to this quarterly report on Form 10-Q.

Alimera Sciences, Inc., and its subsidiaries (we or Alimera), 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 we believe these diseases are not well treated with current therapies and represent a significant market opportunity.

Our only commercial product is ILUVIEN[®], which has received marketing authorization in the United States, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom. In the U.S., ILUVIEN is indicated for the treatment of diabetic macular edema (DME) in patients who have been previously treated with a course of corticosteroids and did not have a clinically significant rise in intraocular pressure (IOP). In the European Economic Area (EEA) countries in which ILUVIEN has received marketing authorization, it is indicated for the treatment of vision impairment associated with DME considered insufficiently responsive to available therapies.

We commercially market ILUVIEN in the U.S., Germany, the United Kingdom, Portugal, Austria and Ireland. We began selling ILUVIEN in Austria in the first quarter of 2017 and in Ireland in the fourth quarter of 2017.

In addition, we have entered into various agreements under which distributors are providing or will provide regulatory, reimbursement or sales and marketing support for future commercialization of ILUVIEN in France, Italy, Spain, Australia, New Zealand, Canada and several countries in the Middle East. As of September 30, 2018, we have recognized sales of ILUVIEN to the Company's distributors in the Middle East, France, Italy and Spain.

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, the technology underlying ILUVIEN now includes the treatment of uveitis, including non-infectious posterior uveitis (NIPU) in Europe, the Middle East and Africa. In December 2017, we filed an application for a new indication for ILUVIEN for the treatment of non-infectious posterior uveitis (NIPU) in the 17 EEA countries where ILUVIEN is currently approved for the treatment of DME. 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. The regulatory authorities requested additional follow-up data from the clinical trials to support the application, which was submitted in October 2018. We expect that we will obtain approval of our application for NIPU in the first half of 2019.

Before we entered into the New Collaboration Agreement, we were required to share with EyePoint 20% of our net profits on a country-by-country basis. We were permitted to offset up to 20% of this amount with accumulated commercialization costs incurred in previous quarters. The New Collaboration Agreement converted the 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 will increase to 6% upon the earlier of December 12, 2018 or the receipt of the first marketing approval for ILUVIEN for the treatment of NIPU. 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 the three and nine months ended September 30, 2018, we recognized approximately \$221,000 and \$632,000 of royalty expense, respectively, which is included in cost of goods sold, excluding depreciation and amortization. As of September 30, 2018, approximately \$221,000 of this royalty expense was included in our accounts payable. During the three months ended September 30, 2017, we recognized approximately \$196,000 of royalty expense. During the nine months ended September 30, 2017, we recognized approximately \$196,000 of royalty expense and \$247,000 of profit share expense.

Following the signing of the New Collaboration Agreement, we retained a right to offset \$15.0 million of future royalty payments. This offset will be reduced by up to \$5.0 million upon the earlier of the approval of ILUVIEN for posterior uveitis in any EU country or January 1, 2020, unless certain conditions under the New Collaboration Agreement are not met. (See Note 9 of our notes to the accompanying unaudited interim condensed consolidated financial statements and notes thereto (Interim Financial Statements).)

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We have incurred significant losses since our inception in June 2003. As of September 30, 2018, we had accumulated a deficit of \$375.9 million. We expect to incur substantial losses through the continued commercialization of ILUVIEN as we:

- continue the commercialization of ILUVIEN in the U.S. and EEA, where we sell direct, and in other countries in the EEA and the Middle East, where we sell through our distributors;
- continue to seek regulatory approval of ILUVIEN for other indications and in other jurisdictions;
- evaluate the use of ILUVIEN for the treatment of other diseases; and
- advance the clinical development of any future products or product candidates either currently in our pipeline, or that we may license or acquire in the future.

As of September 30, 2018, we had approximately \$12.6 million in cash and cash equivalents.

On January 5, 2018, we entered into a \$40.0 million Loan and Security Agreement (2018 Loan Agreement) with Solar Capital Ltd. (Solar Capital). Under the 2018 Loan Agreement, we borrowed the entire \$40.0 million as a term loan that matures on July 1, 2022.

We used the proceeds of the 2018 Loan Agreement loan to refinance and pay off the previous loan agreement with Hercules Capital, Inc. (Hercules Loan Agreement) and to pay closing expenses associated with the 2018 Loan Agreement. We used the remaining loan proceeds to provide additional working capital for general corporate purposes. (See Note 10 of our notes to Interim Financial Statements).

Our revenues for the three and nine months ended September 30, 2018 and 2017 were generated from product sales primarily in the U.S., Germany, Portugal and the United Kingdom. In the U.S., two large pharmaceutical distributors accounted for 74% and 73% of our consolidated revenues for the three months ended September 30, 2018 and 2017, respectively, and 76% and 73% of our consolidated revenues for the nine months ended September 30, 2018 and 2017, respectively. These 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.

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except share and per share data)			
NET REVENUE	\$ 11,137	\$ 9,784	\$ 31,856	\$ 26,770
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(965)	(1,039)	(3,354)	(2,395)
GROSS PROFIT	10,172	8,745	28,502	24,375
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	2,799	5,420	8,398	9,768
GENERAL AND ADMINISTRATIVE EXPENSES	3,446	3,320	10,530	9,596
SALES AND MARKETING EXPENSES	5,480	6,002	17,375	16,564
DEPRECIATION AND AMORTIZATION	642	679	1,941	2,012
RECOVERABLE COLLABORATION COSTS	—	(2,851)	—	(2,851)
OPERATING EXPENSES	12,367	12,570	38,244	35,089
NET LOSS FROM OPERATIONS	(2,195)	(3,825)	(9,742)	(10,714)
INTEREST EXPENSE AND OTHER	(1,211)	(1,431)	(3,540)	(4,152)
UNREALIZED FOREIGN CURRENCY (LOSS) GAIN, NET	(16)	(6)	18	(6)
CHANGE IN FAIR VALUE OF DERIVATIVE WARRANT LIABILITY	—	—	—	188
LOSS ON EARLY EXTINGUISHMENT OF DEBT	—	—	(1,766)	—
NET LOSS BEFORE TAXES	(3,422)	(5,262)	(15,030)	(14,684)
PROVISION FOR TAXES	(28)	(23)	(104)	(93)
NET LOSS	(3,450)	(5,285)	(15,134)	(14,777)
GAIN ON EXTINGUISHMENT OF PREFERRED STOCK	38,330	—	38,330	—
NET INCOME (LOSS) AVAILABLE TO STOCKHOLDERS	\$ 34,880	\$ (5,285)	\$ 23,196	\$ (14,777)
NET INCOME (LOSS) PER COMMON SHARE — Basic	\$ 0.40	\$ (0.08)	\$ 0.26	\$ (0.22)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING — Basic	70,038,411	68,430,856	69,981,744	66,272,691
NET INCOME (LOSS) PER COMMON SHARE — Diluted	\$ 0.39	\$ (0.08)	\$ 0.26	\$ (0.22)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING — Diluted	70,549,340	68,430,856	70,503,747	66,272,691

Net Revenue

We generate revenue from product sales and revenue, and 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 U.S. and international distributors fluctuates depending on the timing of the shipment of ILUVIEN to the distributor and the distributors' sales of ILUVIEN to their customers.

Net revenue increased by approximately \$1.3 million, or 13%, to approximately \$11.1 million for the three months ended September 30, 2018, compared to approximately \$9.8 million for the three months ended September 30, 2017. The increase was primarily attributable to revenue increases of approximately \$1.4 million in the U.S. due to our increased end user demand, which represents units purchased by physicians and pharmacies from our distributors, our expanded U.S. sales presence and the promotion of our Phase 4 USER post-market clinical study data.

Net revenue increased by approximately \$5.1 million, or 19%, to approximately \$31.9 million for the nine months ended September 30, 2018, compared to approximately \$26.8 million for the nine months ended September 30, 2017. The increase was primarily attributable to revenue increases of \$4.0 million in the U.S. due to our increased end user demand, which

represents units purchased by physicians and pharmacies from our distributors, our expanded U.S. sales presence and the promotion of our Phase 4 USER post-market clinical study data. Additionally, we had revenue increases of \$1.0 million in our International segment in countries where we sell to distributors and \$240,000 in the countries in Europe 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 (a) costs of manufactured goods sold and (b) payments to EyePoint in the form of (1) royalty payments under the New Collaboration Agreement (after July 1, 2017), and (2) payments based on a percentage of net profits under our previous agreement with EyePoint (before July 1, 2017).

Cost of goods sold, excluding depreciation and amortization, decreased by approximately \$30,000, or 3%, to approximately \$970,000 for the three months ended September 30, 2018, compared to approximately \$1.0 million for the three months ended September 30, 2017. The decrease was primarily attributable to the timing of orders from our international distributors.

Cost of goods sold, excluding depreciation and amortization, increased by approximately \$1.0 million, or 42%, to approximately \$3.4 million for the nine months ended September 30, 2018, compared to approximately \$2.4 million for the nine months ended September 30, 2017. The increase was primarily as a result of our increased sales volume and an increase of \$190,000 of royalty expense payable to EyePoint.

Gross profit increased by approximately \$1.4 million, or 16%, to approximately \$10.1 million for the three months ended September 30, 2018, compared to approximately \$8.7 million for the three months ended September 30, 2017. Gross margin was 91% and 89% for the three months ended September 30, 2018 and 2017, respectively.

Gross profit increased by approximately \$4.0 million, or 16%, to approximately \$28.4 million for the nine months ended September 30, 2018, compared to approximately \$24.4 million for the nine months ended September 30, 2017. Gross margin was 89% and 91% for the nine months ended September 30, 2018 and 2017, respectively.

Research, Development and Medical Affairs Expenses

Currently, our research, development and medical affairs expenses are primarily focused on activities that support ILUVIEN and includes salaries and related expenses for research and development and medical affairs personnel, including medical sales liaisons, 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. Until we reach profitability, if at all, we do not expect to change the focus of these activities. However, once we reach profitability, we expect to incur a large percentage of our research, development and medical affairs expenses in support of our current and future technical, preclinical and clinical development programs. These expenditures are subject to numerous uncertainties in terms of both their timing and their total cost to completion. We expense both internal and external development costs as they are incurred.

Research, development and medical affairs expenses decreased by approximately \$2.6 million, or 48%, to approximately \$2.8 million for the three months ended September 30, 2018, compared to approximately \$5.4 million for the three months ended September 30, 2017. The decrease was primarily attributable to a decrease of approximately \$2.9 million for a non-cash charge for in-process Research and Development Expense, which was expensed during the three months ended September 30, 2017 and not repeated in the same period in 2018, offset by increases of \$220,000 in clinical study costs and \$130,000 in personnel costs.

Research, development and medical affairs expenses decreased by approximately \$1.4 million, or 14%, to approximately \$8.4 million for the nine months ended September 30, 2018, compared to approximately \$9.8 million for the nine months ended September 30, 2017. The decrease was primarily attributable to a decrease of approximately \$2.9 million for a non-cash charge for in-process Research and Development Expense, which was expensed during the nine months ended September 30, 2017 and not repeated in the same period in 2018. This decrease was offset by an increase due to a refund from the FDA of approximately \$440,000 in the first quarter of 2017, which was not repeated in the first quarter of 2018. Additionally, for the nine months ended September 30, 2018, there were increases of approximately \$410,000 in personnel costs, \$300,000 in clinical study costs, \$170,000 in pharmacovigilance costs, \$150,000 in scientific communication costs, and \$120,000 of costs related to maintaining the U.S. and international registrations of ILUVIEN, including costs to file an application for a new indication for ILUVIEN for the treatment of NIPU in the EU.

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 and with SEC compliance. 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 increased by approximately \$100,000, or 3%, to approximately \$3.4 million for the three months ended September 30, 2018, compared to approximately \$3.3 million for the three months ended September 30, 2017.

General and administrative expenses increased by approximately \$900,000, or 9%, to approximately \$10.5 million for the nine months ended September 30, 2018, compared to approximately \$9.6 million for the nine months ended September 30, 2017. The increase was primarily attributable to increases of \$450,000 in audit and legal fees, and \$190,000 of state franchise taxes.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of third-party marketing 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 market reimbursement for and the execution of launch plans for ILUVIEN. 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 decreased by approximately \$500,000, or 8%, to approximately \$5.5 million for the three months ended September 30, 2018, compared to approximately \$6.0 million for the three months ended September 30, 2017. The decrease was primarily attributable to decreases of \$310,000 in international personnel costs, and \$200,000 in costs associated with commercial support.

Sales and marketing expenses increased by approximately \$800,000, or 5%, to approximately \$17.4 million for the nine months ended September 30, 2018, compared to approximately \$16.6 million for the nine months ended September 30, 2017. The increase was primarily attributable to increases of \$760,000 in personnel and travel and entertainment costs primarily related to our expanded sales force in the U.S.

Recoverable Collaboration Costs

As described in the Overview above, in July 2017, we acquired the license rights to NIPU from EyePoint for Europe, the Middle East and Africa and restructured our collaboration agreement. The restructuring included a conversion of our obligation to share profits from the commercialization of ILUVIEN to a royalty on net revenue. As consideration for the uveitis rights and the profit share conversion, we agreed to modify our prior collaboration agreement to reduce our right to use EyePoint's share of previous losses associated with the commercialization of ILUVIEN. This right of offset was previously fully reserved on our financial statements due to the uncertainty of future realizability. We valued the transaction utilizing a present value analysis to be approximately \$2.9 million. Because there was no approved indication for ILUVIEN for uveitis at the time, we expensed the \$2.9 million as a non-cash charge for in-process Research and Development Expense during the three and nine months ended September 30, 2017. We also recognized a Recovery of Prior Collaboration Losses of \$2.9 million for the value of the right of offset as a reduction of operating expenses. As a result, there was no impact on our operating loss or net loss for the three and nine months ended September 30, 2017.

Operating Expenses

As a result of the increases and decreases in various expenses described above, total operating expenses decreased by approximately \$200,000, or 2%, to approximately \$12.4 million for the three months ended September 30, 2018, compared to approximately \$12.6 million for the three months ended September 30, 2017. The decrease was primarily attributable decreases of \$2.6 million in research, development and medical affairs expenses and \$500,000 in sales and marketing expenses offset by increases of approximately \$2.9 million in recoverable collaboration costs which were not repeated in the same period in 2018 and \$100,000 in general and administrative expenses.

Total operating expenses increased by approximately \$3.1 million, or 9%, to approximately \$38.2 million for the nine months ended September 30, 2018, compared to approximately \$35.1 million for the nine months ended September 30, 2017. The increase was primarily attributable to increases of approximately \$1.4 million in research, development and medical affairs expenses, \$900,000 in general and administrative expenses and \$800,000 in sales and marketing expenses. These increases were offset by approximately \$2.9 million in recoverable collaboration costs which were not repeated in the same period in 2018.

Interest Expense and Other

Interest expense and other decreased by approximately \$200,000, or 14%, to approximately \$1.2 million for the three months ended September 30, 2018, compared to approximately \$1.4 million for the three months ended September 30, 2017. Interest expense and other decreased by approximately \$700,000, or 17%, to approximately \$3.5 million for the nine months ended September 30, 2018, compared to approximately \$4.2 million for the nine months ended September 30, 2017. These decreases were primarily attributable to the lower effective interest rate on our 2018 Loan Agreement compared to the effective interest rate on the Hercules Loan Agreement.

For the three and nine months ended September 30, 2018 interest expense consisted primarily of interest and amortization of deferred financing costs and debt discounts associated with our outstanding debt under the 2018 Loan Agreement with Solar Capital. As discussed in Note 10 of our notes to Interim Financial Statements, we entered into a new loan facility with Solar Capital on January 5, 2018 and refinanced the Hercules Loan Agreement with the proceeds. For the three and nine months ended September 30, 2017, interest expense consisted primarily of interest and amortization of deferred financing costs and debt discounts associated with our outstanding debt under the Hercules Loan Agreement.

Change in Fair Value of Derivative Warrant Liability

Warrants to purchase our Series A Convertible Preferred Stock or common stock that do not meet the requirements for classification as equity, in accordance with ASC 815, *Derivatives and Hedging*, are classified as liabilities. We record these derivative financial instruments as liabilities in our balance sheet measured at their fair value. We record the changes in fair value of such instruments as non-cash gains or losses in the condensed consolidated statements of operations.

During the nine months ended September 30, 2017, we recognized a gain of approximately \$188,000 related to the decreased fair value of our derivative warrant liability. The change in fair value was primarily due to the decreasing time remaining to exercise the warrants. The rights to exercise these warrants expired on October 1, 2017.

Loss on early extinguishment of debt

We recorded a loss on early extinguishment of debt of approximately \$1.8 million for the nine months ended September 30, 2018 as a result of refinancing the Hercules Loan Agreement by entering into the 2018 Loan Agreement with Solar Capital on January 5, 2018.

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

We calculated net Income (loss) per share in accordance with ASC 260, *Earnings Per Share*. Basic earnings per share is computed by dividing net income (loss) available to stockholders by the weighted average number of shares outstanding for the period. Diluted earnings per share 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(In thousands, except share and per share data)				
Net income (loss) available to stockholders	\$ 34,880	\$ (5,285)	\$ 23,196	\$ (14,777)
Allocation of undistributed earnings (loss):				
Earnings (loss) attributable to common stock	\$ 27,769	\$ (5,285)	\$ 18,534	\$ (14,777)
Earnings attributable to participating securities	\$ 7,111	\$ —	\$ 4,662	\$ —
Basic shares:				
Weighted average common shares	70,038,411	68,430,856	69,981,744	66,272,691
Weighted average participating shares	17,934,164	—	17,604,533	—
Total basic weighted average shares	87,972,575	68,430,856	87,586,277	66,272,691
Diluted shares:				
Weighted average common shares	70,038,411	68,430,856	69,981,744	66,272,691
Dilutive weighted average shares	510,929	—	522,003	—
Total dilutive weighted common shares	70,549,340	68,430,856	70,503,747	66,272,691
Weighted average participating shares	17,934,164	—	17,604,533	—
Total dilutive weighted average shares	88,483,504	68,430,856	88,108,280	66,272,691
Basic EPS	\$ 0.40	\$ (0.08)	\$ 0.26	\$ (0.22)
Diluted EPS	\$ 0.39	\$ (0.08)	\$ 0.26	\$ (0.22)

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 14,049,646 for the three and nine months ended September 30, 2018 and 36,030,195 for the three and nine months ended September 30, 2017. Potentially dilutive common stock equivalents were excluded from the diluted earnings per share denominator for all periods of net loss because of their anti-dilutive effect. Therefore, for the three and nine months ended September 30 2017, the weighted average shares used to calculate both basic and diluted loss per share are the same.

Results of Operations - Segment Review

The following selected unaudited financial and operating data are derived from our Interim 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 2018 or 2017.

U.S. Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
NET REVENUE	\$ 8,492	\$ 7,143	\$ 23,468	\$ 19,643
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(715)	(720)	(2,456)	(1,671)
GROSS PROFIT	7,777	6,423	21,012	17,972
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	1,684	1,360	4,926	4,016
GENERAL AND ADMINISTRATIVE EXPENSES	2,050	1,879	6,209	5,410
SALES AND MARKETING EXPENSES	3,913	4,141	12,427	11,707
OPERATING EXPENSES	7,647	7,380	23,562	21,133
SEGMENT GAIN (LOSS) FROM OPERATIONS	\$ 130	\$ (957)	\$ (2,550)	\$ (3,161)

U.S. Segment - three months ended September 30, 2018 compared to the three months ended September 30, 2017

Net revenue. Net revenue increased by approximately \$1.4 million, or 20%, to approximately \$8.5 million for the three months ended September 30, 2018, compared to approximately \$7.1 million for the three months ended September 30, 2017. The increase was primarily attributable to increased sales volume during the three months ended September 30, 2018. End user demand, which represents units purchased by physicians and pharmacies from our distributors, was also higher in the three months ended September 30, 2018, increasing 17% to 977 units compared to 837 units in the three months ended September 30, 2017.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization was approximately \$720,000 for the three months ended September 30, 2018 and 2017 respectively. Cost of goods sold excluding depreciation and amortization was flat despite increased sales due to costs associated with our component parts and replacement units shipped to our U.S. distributors during the three months ended September 30, 2017.

Research, development and medical affairs expenses. Research, development and medical affairs expenses increased by approximately \$300,000, or 21%, to approximately \$1.7 million for the three months ended September 30, 2018, compared to approximately \$1.4 million for the three months ended September 30, 2017. The increase was primarily attributable to an increase of \$300,000 in costs associated with our U.S. clinical studies of ILUVIEN.

General and administrative expenses. General and administrative expenses increased by approximately \$200,000, or 11%, to approximately \$2.1 million for the three months ended September 30, 2018, compared to approximately \$1.9 million for the three months ended September 30, 2017. The increase was primarily attributable to increases in legal fees and state franchise taxes.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately \$200,000, or 5%, to approximately \$3.9 million for the three months ended September 30, 2018, compared to approximately \$4.1 million for the three months ended September 30, 2017.

U.S. Segment - nine months ended September 30, 2018 compared to the nine months ended September 30, 2017

Net revenue. Net revenue increased by approximately \$3.9 million, or 20%, to approximately \$23.5 million for the nine months ended September 30, 2018, compared to approximately \$19.6 million for the nine months ended September 30, 2017. The increase was primarily attributable to increased sales volume during the three months ended September 30, 2018. End user demand, which represents units purchased by physicians and pharmacies from our distributors, was also higher in the nine months ended September 30, 2018, increasing 16% to 2,783 units compared to 2,392 units in the nine months ended September 30, 2017.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, increased by approximately \$800,000, or 47%, to approximately \$2.5 million for the nine months ended September 30, 2018, compared to approximately \$1.7 for the nine months ended September 30, 2017. This increase was primarily due to our increased sales volume and increased manufacturing costs.

Research, development and medical affairs expenses. Research, development and medical affairs expenses increased by approximately \$900,000, or 23%, to approximately \$4.9 million for the nine months ended September 30, 2018, compared to approximately \$4.0 million for the nine months ended September 30, 2017. The increase was primarily attributable to a refund from the FDA of approximately \$440,000 in the first quarter of 2017, which was not repeated in the first quarter of 2018. Additionally, the increase was attributable to increases of approximately \$190,000 in costs associated with our U.S. clinical studies of ILUVIEN, \$140,000 in personnel costs and \$110,000 in scientific communication costs.

General and administrative expenses. General and administrative expenses increased by approximately \$800,000, or 15%, to approximately \$6.2 million for the nine months ended September 30, 2018, compared to approximately \$5.4 million for the nine months ended September 30, 2017. The increase was primarily attributable to increases of \$440,000 in audit and legal fees and \$190,000 of U.S. state franchise taxes.

Sales and marketing expenses. Sales and marketing expenses increased by approximately \$700,000, or 6%, to approximately \$12.4 million for the nine months ended September 30, 2018, compared to approximately \$11.7 million for the nine months ended September 30, 2017. The increase was primarily attributable to an increase in personnel and travel and entertainment costs related to our expanded sales force in the U.S.

International Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
NET REVENUE	\$ 2,645	\$ 2,641	\$ 8,388	\$ 7,127
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(250)	(319)	(898)	(724)
GROSS PROFIT	2,395	2,322	7,490	6,403
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	904	984	2,808	2,243
GENERAL AND ADMINISTRATIVE EXPENSES	786	673	2,416	2,068
SALES AND MARKETING EXPENSES	1,356	1,551	4,127	3,930
OPERATING EXPENSES	3,046	3,208	9,351	8,241
SEGMENT LOSS FROM OPERATIONS	\$ (651)	\$ (886)	\$ (1,861)	\$ (1,838)

International Segment - three months ended September 30, 2018 compared to the three months ended September 30, 2017

Net revenue. Net revenue was approximately \$2.6 million for both the three months ended September 30, 2018 and 2017. Although there was not a material change in overall net revenue, sales in the countries in Europe where we sell direct decreased \$360,000, and sales in the other countries where we sell to distributors increased \$370,000.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, decreased by approximately \$70,000, or 22%, to approximately \$250,000 for the three months ended September 30, 2018 compared to approximately \$320,000 for the three months ended September 30, 2017. The decrease was primarily attributable to the timing of orders from our international distributors.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately \$80,000, or 8%, to approximately \$900,000 for the three months ended September 30, 2018, compared to approximately \$980,000 for the three months ended September 30, 2017.

General and administrative expenses. General and administrative expenses increased by approximately \$120,000, or 18%, to approximately \$790,000 for the three months ended September 30, 2018, compared to approximately \$670,000 for the three months ended September 30, 2017. The increase was primarily attributable to increased personnel costs.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately \$200,000, or 13%, to approximately \$1.4 million for the three months ended September 30, 2018, compared to approximately \$1.6 million for the three months ended September 30, 2017. The decrease was primarily attributable to a decrease in our international personnel costs.

International Segment - nine months ended September 30, 2018 compared to the nine months ended September 30, 2017

Net revenue. Net revenue increased by approximately \$1.3 million, or 18%, to approximately \$8.4 million for the nine months ended September 30, 2018, compared to approximately \$7.1 million for the nine months ended September 30, 2017. The increase was primarily attributable to sales increases of \$1.0 million in countries where we sell to distributors and \$240,000 in the countries in Europe where we sell direct.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, increased by approximately \$180,000, or 25%, to approximately \$900,000 for the nine months ended September 30, 2018 compared to approximately \$720,000 for the nine months ended September 30, 2017. This increase was primarily due to our increased sales volume and sales to our international distributors.

Research, development and medical affairs expenses. Research, development and medical affairs expenses increased by approximately \$600,000, or 27%, to approximately \$2.8 million for the nine months ended September 30, 2018, compared to approximately \$2.2 for the nine months ended September 30, 2017. The increase was primarily attributable to increases of \$240,000 in personnel costs, \$110,000 in clinical study costs and \$100,000 in costs related to maintaining the international

registrations of ILUVIEN, including costs to file an application for a new indication for ILUVIEN for the treatment of NIPU in the EU.

General and administrative expenses. General and administrative expenses increased by approximately \$300,000, or 14%, to approximately \$2.4 million for the nine months ended September 30, 2018, compared to approximately \$2.1 million for the nine months ended September 30, 2017. The increase was primarily attributable to increased personnel costs.

Sales and marketing expenses. Sales and marketing expenses increased by approximately \$200,000, or 5%, to approximately \$4.1 million for the nine months ended September 30, 2018, compared to approximately \$3.9 million for the nine months ended September 30, 2017. The increase was primarily attributable to an increase in marketing and market access costs.

Other Segment

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 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 Interim Financial Statements.

Within the respective financial statement line items included in the Other segment, stock-based compensation expense, collectively, was approximately \$1.0 million and \$1.3 million for three months ended September 30, 2018 and 2017, respectively, and approximately \$3.4 million and \$3.7 million for the nine months ended September 30, 2018 and 2017, respectively.

Depreciation and amortization decreased by approximately \$40,000, or 6%, to \$640,000 for three months ended September 30, 2018, compared to \$680,000 for the three months ended September 30, 2017. Depreciation and amortization decreased by approximately \$100,000, or 5%, to \$1.9 million for the nine months ended September 30, 2018 compared to \$2.0 million for the nine months ended September 30, 2017.

In July 2017, we acquired the license rights to uveitis from EyePoint for Europe, the Middle East and Africa and restructured our collaboration agreement. The restructuring included a conversion of our obligation to share profits from the commercialization of ILUVIEN to a royalty on net revenue. As consideration for the uveitis rights and the profit share conversion, we agreed to modify our prior collaboration agreement to reduce our right to use EyePoint's share of previous losses associated with the commercialization of ILUVIEN. This right of offset was previously fully reserved on our financial statements due to the uncertainty of future realizability. We valued the transaction utilizing a present value analysis at approximately \$2.9 million. Because there was no approved indication for ILUVIEN for uveitis at the time, we expensed the \$2.9 million as a non-cash charge as in-process Research and Development Expense during the three and nine months ended September 30, 2017. We also recognized a Recovery of Prior Collaboration Losses of \$2.9 million for the value of the right of offset as a reduction of operating expenses. As a result, there was no impact on our operating loss or net loss for the three and nine months ended September 30, 2017.

Liquidity and Capital Resources

Since inception, we have incurred recurring losses, negative cash flow from operations and have accumulated a deficit of \$375.9 million through September 30, 2018. We have funded our operations through the public and private placement of common stock, convertible preferred stock, warrants, the sale of certain assets of the non-prescription business in which we were previously engaged and certain debt facilities.

In September 2014, we entered into a sales agreement with Cowen and Company, LLC (Cowen) to offer shares of our common stock from time to time through Cowen, as our sales agent for the offer and sale of the shares up to an aggregate offering price of \$35.0 million. We paid a commission equal to 3% of the gross proceeds from the sales of shares of our common stock under the sales agreement.

During the year ended December 31, 2017, we sold 4,203,015 shares of our common stock at a weighted average price of \$1.43 per share through an at-the-market offering, for total gross proceeds of approximately \$6.0 million, reduced by approximately \$180,000 of related commissions, issuance costs and placement agent fees. We used the net proceeds from this offering for general corporate purposes and working capital. Our sales agreement with Cowen to sell additional shares expired on August 13, 2017.

In October 2017, we entered into a common stock sales agreement (Sales Agreement) with H.C. Wainwright & Co., LLC (HCW) to offer shares of our common stock from time to time through HCW, as our sales agent, for the offer and sale of the shares up to an aggregate offering price of \$25.0 million. In June 2018, we notified HCW that we were terminating the Sales Agreement in accordance with the termination provisions of the Sales Agreement, effective on June 1, 2018. We had no obligation to sell shares under this sales agreement with HCW and never sold shares under this agreement. We incurred no early termination penalties in connection with the termination of the Sales Agreement.

On January 5, 2018, we entered into the \$40.0 million 2018 Loan Agreement with Solar Capital. Under this agreement, we borrowed the entire \$40.0 million as a term loan that matures on July 1, 2022. We used the proceeds of the 2018 Loan Agreement to repay the Hercules Loan Agreement and pay related expenses. We expect to use the remaining loan proceeds to provide additional working capital for general corporate purposes. (See Note 10 of our notes to Interim Financial Statements.)

As of September 30, 2018, we had approximately \$12.6 million in cash and cash equivalents. We commercially market ILUVIEN directly in the U.S., Germany, the United Kingdom, Portugal, Austria and Ireland. We began selling ILUVIEN in Austria in the first quarter of 2017 and in Ireland in the fourth quarter of 2017. We sell ILUVIEN through distributors in the Middle East, France, Italy and Spain. Due to the limited revenue generated by ILUVIEN to date, we may have to raise additional capital to fund the continued commercialization of ILUVIEN. If we are unable to raise additional financing, 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 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 collaboration agreements, or in receiving milestone or royalty payments under those agreements. If we were to attempt to raise additional funds through debt financing the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to commercialize ILUVIEN or any future products or product candidates or operate our business.

For the nine months ended September 30, 2018, cash used in our operations was \$12.2 million. The cash used in our operations was primarily due to our net loss of \$15.2 million, offset by \$3.4 million of non-cash stock-based compensation expense, \$1.8 million loss on our early extinguishment of debt, \$1.9 million for non-cash depreciation and amortization, \$630,000 for non-cash interest expense associated with the amortization of our debt discount. Cash in operations was impacted by a net decrease in our working capital. Accounts receivable increased by \$2.9 million, accounts payable accrued expenses and other current liabilities decreased by \$1.0 million, prepaid expenses and other current assets increased by \$540,000 and inventory increased by \$250,000.

For the nine months ended September 30, 2017, cash used by our operations of \$11.2 million was primarily due to our net loss of \$14.8 million, offset by non-cash items, including \$3.7 million of stock-based compensation expense, \$2.0 million for depreciation and amortization and \$1.1 million for non-cash interest expense associated with our debt discount. Increasing cash used in operations was a decrease in other long term liabilities of \$1.5 million and increases in inventory of \$1.3 million, prepaid expenses and other current assets of \$550,000 and a decrease in accounts payable, accrued expenses and other current liabilities of \$240,000. These increases were offset by a decrease in accounts receivable of \$600,000.

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For the nine months ended September 30, 2018, net cash used in our investing activities was approximately \$170,000, which was due to the purchase of property and equipment, primarily the purchase of additional software.

For the nine months ended September 30, 2017, net cash used in our investing activities was approximately \$230,000, which was due to the purchase of property and equipment, primarily for the purchase of manufacturing equipment and software.

For the nine months ended September 30, 2018, net cash provided by our financing activities was approximately \$980,000, which is primarily due to entering into the \$40.0 million 2018 Loan Agreement with Solar Capital, offset by paying off the \$35.0 million Hercules Loan Agreement and payment of related debt costs of \$3.7 million.

For the nine months ended September 30, 2017, net cash provided by our financing activities was approximately \$5.7 million. During the second and third quarters of 2017, we sold a total of 4,203,015 shares of our common stock at a weighted average purchase price of \$1.45 per share resulting in gross proceeds of approximately \$6.0 million, prior to the payment of approximately \$180,000 of sales agent discounts and commissions and related issuance costs.

Contractual Obligations and Commitments

There have been no other material changes to our contractual obligations and commitments outside the ordinary course of business from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 2, 2018.

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 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.

Impact of Recent Accounting Pronouncements

See Note 3 our notes to Interim Financial Statements 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 3. *Quantitative and Qualitative Disclosures About Market Risk*

Not required for smaller reporting companies.

ITEM 4. 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 September 30, 2018.

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 three months ended September 30, 2018 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.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings*

On December 22, 2016, Cantor Fitzgerald & Co. (Cantor Fitzgerald) filed a complaint against us in the Supreme Court of the State of New York, County of New York (the Court). This complaint mirrored a complaint that Cantor Fitzgerald filed against us in November 2016 in the United States District Court for the Southern District of New York and then voluntarily dismissed.

In the operative complaint, Cantor Fitzgerald alleged breach of a letter agreement pursuant to which we had engaged Cantor Fitzgerald to assist us in obtaining bank or loan financing. Cantor Fitzgerald alleged that our agreement in October 2016 with Hercules Capital, Inc. (Hercules) to restructure and amend our then existing \$35 million debt facility with Hercules and to secure an additional \$10 million in debt financing required the payment to Cantor Fitzgerald of an advisory fee of 2% of \$45 million, or \$900,000, plus expenses of \$24,890. Cantor Fitzgerald sought compensatory and punitive damages, pre- and post-judgment interest, plus attorneys' fees and costs.

On January 12, 2017, we filed a counterclaim against Cantor Fitzgerald for breach of contract. We alleged in the counterclaim, among other things, that Cantor Fitzgerald failed to meet its obligations to provide services to us as required under the letter agreement. We sought compensatory and other damages, arising from, among other things, our additional out-of-pocket costs incurred as a result of Cantor Fitzgerald's breach.

The litigation with Cantor Fitzgerald was settled by agreement of the parties on October 31, 2018.

Previous developments in the foregoing litigation were reported in our Quarterly Reports on Form 10-Q for the periods ended March 31, 2018 and June 30, 2018.

ITEM 1A. Risk Factors

In our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 2, 2018, we identify under Item 1A of Part I important factors which could affect our business, financial condition, results of operations and future operations and could cause our actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Quarterly Report on Form 10-Q. Except as set forth below, there have been no material changes in our risk factors subsequent to the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. However, the risks described in our Form 10-K are not the only risks we face. Additional risks and uncertainties that we currently deem to be immaterial or not currently known to us, as well as other risks reported from time to time in our reports to the SEC, also could cause our actual results to differ materially from our anticipated results or other expectations.

The following information should be read in conjunction with the Interim Financial Statements and related notes in Part I, Item 1, “Interim Condensed Consolidated Financial Statements” and the discussion and analysis of our financial condition in Part I, Item 2, “Management’s, Discussion and Analysis of Financial Condition and Results of Operations.”

We received notice in June 2018 from The Nasdaq Stock Market (“Nasdaq”) that we failed to comply with the Nasdaq Global Market’s minimum bid requirement because our stock price was below \$1.00 per common share for 30 consecutive business days. Although we have regained compliance with Nasdaq’s minimum bid requirement, it is possible that we may again fail to comply with Nasdaq’s minimum bid requirement. If that were to occur and we were to fail to regain compliance, 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.

We received notice in June 2018 from Nasdaq Stock Market (“Nasdaq”) that we failed to comply with the Nasdaq Global Market’s minimum bid requirement because our closing bid price was below \$1.00 per common share for 30 consecutive business days. On July 30, 2018, we received a letter from Nasdaq informing us that we had regained compliance with the minimum bid price requirement because our common stock had a closing bid price of \$1.00 or more for 10 consecutive business days. It is possible that we may again fail to comply with Nasdaq’s minimum bid requirement. If that were to occur and we were to fail to regain compliance with this continuing listing requirement, 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. A delisting would also likely make it more difficult for us to obtain financing through the sale of our equity. Any such sale of equity would likely be more dilutive to our current shareholders than would be the case if our shares were listed. For more information about this matter and the effects on us if again fail to comply with Nasdaq’s minimum bid requirement, please see our Current Report on Form 8-K dated June 19, 2018 and filed with the SEC on June 22, 2018.

ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

As previously reported in a Current Report on Form 8-K dated August 31, 2018, all of the 8,416 outstanding shares of Series B Convertible Preferred Stock were exchanged for an aggregate of 10,150 shares of newly authorized Series C Convertible Preferred Stock.

ITEM 3. *Defaults Upon Senior Securities*

None.

ITEM 4. *Mine Safety Disclosures*

Not applicable.

ITEM 5. *Other Information*

None.

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ITEM 6. Exhibits

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Registrant, as amended on various dates.
3.2	Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, as filed on November 5, 2015 and incorporated herein by reference).
10.1	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).
31.1	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
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 Link Document.
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document.

+ Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended and otherwise is not subject to liability under these sections.

The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Alimera Sciences, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

Signatures

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

ALIMERA SCIENCES, INC.

November 8, 2018

By: /s/ C. Daniel Myers

C. Daniel Myers
Chief Executive Officer
(Principal Executive Officer)

November 8, 2018

By: /s/ Richard S. Eiswirth, Jr.

Richard S. Eiswirth, Jr.
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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.



Jeffrey W. Bullock, Secretary of State



3666427 8100X

Authentication: 203360003

SR# 20186491387 Date: 09-04-18

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

Delaware

Page 2

The First State

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


Jeffrey W. Bullock, Secretary of State



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 filing 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 be 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 III. 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 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 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

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.

(i v) 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 be 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 reclassification.

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.

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

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 "**Holder**s")) 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 (90th) 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 (150th) 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.

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

[Alimera Sciences Series C Certificate of Designation]

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: _____

**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

[Alimera Sciences Series B Certificate of Elimination]

CERTIFICATION

I, C. Daniel Myers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alimera Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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: November 8, 2018

/s/ C. Daniel Myers

C. Daniel Myers
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Richard S. Eiswirth, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alimera Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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: November 8, 2018

/s/ Richard S. Eiswirth, Jr.

Richard S. Eiswirth, Jr.
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002****(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Alimera Sciences, Inc. (the Company), does hereby certify, to the best of such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2018

/s/ C. Daniel Myers

C. Daniel Myers
Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2018

/s/ Richard S. Eiswirth, Jr.

Richard S. Eiswirth, Jr.
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification "accompanies" the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

