

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-K**

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

For the fiscal year ended: December 31, 2020

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: 001-38365**

**EYENOVIA, INC.**

(Exact name of Registrant as Specified in Its Charter)

**DELAWARE**

(State or Other Jurisdiction of  
Incorporation or Organization)

**295 Madison Avenue, Suite 2400  
NEW YORK, NY**

(Address of Principal Executive Offices)

**47-1178401**

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

**10017**

(Zip Code)

**Registrant's telephone number, including area code: (917) 289-1117**

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0001 Par Value	EYEN	The Nasdaq Stock Market LLC

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

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

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of June 30, 2020 (based on the closing price of \$2.84 on June 30, 2020, the last trading day of the registrant's most recently completed second fiscal quarter), was approximately \$32,427,910. Common stock held by each officer and director and by each person known to the registrant who owned 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common stock was 25,623,577 as of March 29, 2021.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement for its 2021 Annual Meeting of Stockholders currently scheduled to be held on June 16, 2021 are incorporated by reference into Part III hereof.

**Eyenovia, Inc.**  
**Form 10-K**  
**For Year Ended December 31, 2020**

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## PART I

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Such forward-looking statements include our estimates regarding expenses, future revenue, capital requirements and our need for additional financing and other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements about the advantages of our product candidates and platform technology; estimates regarding the potential market opportunity for our product candidates and platform technology; statements regarding our clinical trials; factors that may affect our operating results; statements about our ability to establish and maintain intellectual property rights; statements about our ability to retain key personnel and hire necessary employees and appropriately staff our operations; statements related to future capital expenditures; statements related to future economic conditions or performance; and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “will,” “plan,” “project,” “seek,” “should,” “target,” “would,” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled “Summary Risk Factors” described below and “Risk Factors” included in Item 1A of Part I of this Annual Report on Form 10-K, and the risks discussed in our other SEC filings. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

As used in this report, the terms “Eyenovia, Inc.,” “Eyenovia,” “Company,” “company,” “we,” “us,” and “our” mean Eyenovia, Inc. and its subsidiaries unless the context indicates otherwise.

#### Summary Risk Factors

Some of the factors that could materially and adversely affect our financial condition, results of operations, cash flow, the market price of shares of our common stock or our prospects include, but are not limited to, the following. You should read this summary together with the more detailed description of each risk factor contained in Item 1A “Risk Factors” in this Annual Report on Form 10-K.

#### RISKS RELATED TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

- We might not be able to continue as a going concern which would likely cause our stockholders to lose most or all of their investment.
- We will need to raise additional capital in order to continue developing our product candidates and to potentially manufacture and commercialize them.
- Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies.
- We have incurred operating losses since our inception. We expect to continue to incur losses for the foreseeable future and might never achieve or maintain profitability.
- We have a relatively short operating history.
- We may be unable to use carryforward tax losses or benefit from favorable tax legislation to reduce our taxes.

## RISKS RELATED TO DEVELOPMENT AND COMMERCIALIZATION OF OUR PRODUCT CANDIDATES

- We or our licensees may encounter substantial delays in or failure of our clinical trials.
- We or our licensees may find it difficult to enroll or maintain participation of an adequate number of patients in our clinical trials.
- We might not be able to develop marketable products utilizing our technology and we might not be able to identify and successfully implement an alternative product development strategy.
- The marketing approval process for our product candidates is expensive, time-consuming and uncertain and may prevent us or our licensees from obtaining approvals for the commercialization.
- Our product candidates may cause undesirable side effects.
- The market opportunities for our product candidates may be smaller than we believe they are.
- The commercial success of our product candidates will depend in large part on the degree of market acceptance.
- Our licensing partners may fail to use commercially reasonable efforts to commercialize our products.
- We face competition in an environment of rapid technological change and our competitors may achieve regulatory approval before us or develop therapies that are more effective than ours.
- We might fail to establish and maintain effective manufacturing and distribution processes.
- We are exposed to the risk of claims seeking monetary damages by individuals and the risk of investigations by regulatory authorities, which could cause us to incur substantial liabilities and limit commercialization.
- Product liability lawsuits against us could divert our resources and could cause us to incur substantial liabilities and to limit commercialization of any products that we develop.

## RISKS RELATED TO REGULATORY APPROVAL AND LEGAL COMPLIANCE MATTERS

- We or our licensees might not be able to commercialize our product candidates.
- Failure to obtain marketing approval in foreign jurisdictions would prevent our product candidates from being marketed in such jurisdictions.
- The term restrictions for our products in the U.S. and other jurisdictions in which we have licensed our products may limit how we manufacture and market our products.
- We may be subject to substantial penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products.
- Recently enacted and future legislation may affect our or our licensees' ability to commercialize our products and the prices we obtain for any products that are approved in the U.S. or foreign jurisdictions.
- We are subject to certain laws governing our operations and if we fail to comply with these laws, we could be subject to penalties, other remedial measures and legal expenses, be precluded from developing manufacturing and selling products or be required to develop and implement costly compliance programs.

## RISKS RELATED TO OUR BUSINESS OPERATIONS AND MANAGING GROWTH

- We are highly dependent on the services of our senior management team.
- We have limited corporate infrastructure and may experience difficulties in managing growth.
- We rely upon information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cyber security incidents, could harm our ability to operate our business effectively.

## RISKS RELATED TO OUR DEPENDENCE ON THIRD PARTIES

- We have limited clinical trial experience and we rely upon third parties in conducting and managing our clinical trials.

- We may need to contract with additional third parties for the manufacture of our product candidates, particularly for commercialization.

#### RISKS RELATED TO OUR INTELLECTUAL PROPERTY AND POTENTIAL LITIGATION

- Our success depends on our ability to protect our intellectual property, proprietary technology and trade secrets.
- Our patents covering our proprietary technology may be subject to challenge, narrowing, circumvention and invalidation by third parties.
- We cannot be sure that we were the first to make the technologies claimed in our patents or patent applications or that we were the first to file for patent protection.
- The patent application process is subject to numerous risks and there can be no assurance that we will be successful in obtaining patents for which we have applied.
- Changes to the patent law in the U.S. or other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products.
- We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.
- If we fail to comply with our obligations under our existing and any future intellectual property licenses with third parties, we could lose license rights that are important to our business.
- If our trademarks and trade names are not adequately protected, then we might not be able to build name recognition in our marks of interest and our business may be adversely affected.

#### RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

- Our management and members of our Board of Directors have the ability to substantially influence all matters submitted to stockholders for approval.
- A significant portion of our total outstanding shares may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly.
- The price of our common stock may be volatile and fluctuate substantially.
- We have broad discretion in the use of our cash.
- Our business is subject to changing regulations regarding corporate governance, disclosure controls, internal control over financial reporting, and other compliance areas that might increase both our costs and the risk of noncompliance.
- Failure to develop and maintain adequate financial controls could cause us to have material weaknesses.
- Provisions in our corporate charter documents and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.
- Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is, to the fullest extent permitted by law, the sole and exclusive forum for substantially all disputes between us and our stockholders.

## Item 1. Business.

### Corporate Information

We were organized as a corporation under the laws of the State of Florida on March 12, 2014 under the name “PGP Holdings V, Inc.” On May 5, 2014, we changed our name to Eyenovia, Inc. On October 6, 2014, we reincorporated in the State of Delaware by merging into Eyenovia, Inc., a Delaware corporation. Our principal executive office is located at 295 Madison Avenue, Suite 2400, New York, NY 10017, and our phone number is 917-289-1117. Our website is [www.eyenovia.com](http://www.eyenovia.com). Information contained on, or that can be accessed through, our website is not incorporated by reference into this report, and you should not consider information on our website to be part of this report.

### Overview

We are a clinical stage ophthalmic company developing a pipeline of advanced therapeutics based on our proprietary microdose array print (MAP™) platform technology. We aim to achieve clinical microdosing of next-generation formulations of novel and existing ophthalmic pharmaceutical agents using our high-precision targeted ocular delivery system, branded the Optejet®. Optejet μ-therapeutics have the potential to replace conventional eye dropper delivery and improve safety, tolerability, patient compliance and topical delivery success for ophthalmic eye treatments. In the clinic, the Optejet has demonstrated that our targeted horizontal microdose delivery can achieve a significantly higher rate of successful ocular topical delivery compared to the established rate reported with traditional eye drops (~ 90% vs. ~ 50%). Our technology is designed to achieve single-digit μl-volume physiologic drug delivery with up to a 75% reduction in ocular drug and preservative topical dosing and has demonstrated significant improvement in the therapeutic index in drugs used for mydriasis and IOP lowering through three Phase II and Phase III trials. Conventional eye formulations lack high-precision micro-volume delivery and expose the ocular surface to approximately 300% more medication and preservatives than are physiologically indicated leading to clinically recognized ocular and non-ocular side effects. Using the Optejet, we are developing the next generation of smart ophthalmic therapeutics which target new indications or new combinations where there are currently no comparable drug therapies approved by the U.S. Food and Drug Administration, or the FDA. Our microdose therapeutics follow the FDA-designated pharmaceutical registration and regulatory process. Our products are classified by the FDA as drugs, and not medical devices or drug-device combination products.

Our pipeline is currently focused on the late-stage development of novel first-in-class therapeutic indications for an estimated over five million potential patients with progressive myopia in the United States and estimated over one hundred million potential patients with age-related near vision impairment, or presbyopia — indications where there is tremendous unmet need and no known existing FDA-approved therapies. We are also developing the first microdose fixed combination ophthalmic pharmaceutical for mydriasis to address the estimated over 100 million annual comprehensive eye exams with pupil dilation.

MicroPine is our first-in-class topical therapy for the treatment of progressive myopia, a back-of-the-eye ocular disease associated with pathologic axial elongation and sclero-retinal stretching. In the United States, myopia is estimated to affect approximately 25 million children, with up to five million considered to be at risk for high myopia. In February 2019, the FDA accepted our investigational new drug application, or IND, to initiate a Phase III registration trial of MicroPine (the CHAPERONE study) to reduce the progression of myopia in children. We enrolled the first patient in the CHAPERONE study in June 2019. Due to the COVID-19 pandemic, we previously experienced delays in trial enrollment and initiation as a result of reduced clinical trial activities and operations at investigator sites. However, we have since been able to resume enrollment in the CHAPERONE study.

On October 9, 2020, we entered into a License Agreement (the “Bausch License Agreement”) with a subsidiary of Bausch Health Companies Inc. (“Bausch Health”) pursuant to which Bausch Health may develop and commercialize MicroPine in the United States and Canada. Under the terms of the Bausch License Agreement, we received an upfront payment of \$10.0 million and we may receive up to a total of \$35.0 million in additional payments, based on the achievement of certain regulatory and launch-based milestones. Bausch Health also will pay us royalties on a tiered basis (ranging from mid-single digit to mid-teen percentages) on gross profits from sales of MicroPine in the United States and Canada, subject to

certain adjustments. Under the terms of the Bausch License Agreement, Bausch Health is in the process of assuming oversight and has assumed the costs related to the ongoing CHAPERONE study.

MicroLine is our pharmacologic treatment for presbyopia. Presbyopia is a non-preventable, age-related hardening of the lens, which causes the gradual loss of the eye’s ability to focus at near and impairs near visual acuity. There currently are no known FDA-approved drugs for the improvement of near vision in patients with presbyopia, although other companies have related therapies in their pipeline. We have two planned Phase III VISION trials for MicroLine, and initiated the first of these trials in December 2020.

On August 10, 2020, we entered into a License Agreement (the “Arctic Vision License Agreement”) with Arctic Vision (Hong Kong) Limited (“Arctic Vision”), pursuant to which Arctic Vision may develop and commercialize MicroPine and MicroLine in Greater China (mainland China, Hong Kong, Macau and Taiwan) and South Korea. Under the terms of the Arctic Vision License Agreement, we received an upfront payment of \$4.0 million before any payments to Senju Pharmaceutical Co., Ltd. (“Senju”). In addition, we may receive up to a total of \$41.75 million in additional payments, based on various development and regulatory milestones, including the initiation of clinical research and approvals in Greater China and South Korea, and development costs. Arctic Vision also will purchase its supply of MicroPine and MicroLine from us or, for such products not supplied by us, pay us a mid-single digit percentage royalty on net sales of such products, subject to certain adjustments. We will pay a mid-double digit percentage of such payments, royalties, or net proceeds of such supply to Senju pursuant to the Exclusive License Agreement with Senju dated March 8, 2015, as amended by the License Amendment dated April 8, 2020, and a Letter Agreement dated August 10, 2020 (the “Senju License Agreement”).

MydCombi™ (or MicroStat) is our fixed combination formulation of phenylephrine-tropicamide for mydriasis, designed to be a novel approach for the estimated over one hundred million office-based comprehensive and diabetic eye exams performed every year in the United States. We have completed two Phase III trials for MydCombi and announced positive results from these studies, known as MIST-1 and MIST-2. In March 2021, the FDA accepted our new drug application, or NDA, for MydCombi with an expected Prescription Drug User Fee Act, or PDUFA, date of October 28, 2021.

The following summarizes our product pipeline and anticipated milestones:

Product Candidate	Indication	Next Expected Milestones
MicroLine	Improvement in Near Vision in people with Presbyopia	Phase 3 VISION-1 Topline Results expected 2Q 2021
MicroPine	Pediatric Myopia Progression (Near-Sightedness)	Phase 3 CHAPERONE Full Enrollment expected 4Q 2021
MydCombi	Pharmaceutical Mydriasis (Pupil Dilation)	Expected PDUFA date October 28, 2021

## Our Strategy

Our goal is to become a leading developer and provider of advanced ophthalmic pharmaceuticals based upon our microdose array print platform technology and digital health platform for interactive patient care. These unique therapeutics would be commercialized by us and/or our partners globally. The key elements of our strategy to achieve this goal are:

***Establish a portfolio of first-in-class piezo-print micro-therapeutic products for multiple eye treatments through the 505(b)(2) pathway with the FDA.*** We are focused on integrating our next-generation technology with therapeutic compounds already well established in the topical treatment of ophthalmic indications. We believe that the 505(b)(2) registration pathway, which reduces development risk compared to new molecular entity programs by working with known compounds with well-established safety and efficacy profiles, will be available for our development pipeline. We believe our pipeline of patented micro-therapeutic product candidates is highly differentiated by our improved tolerability and enhanced compliance profile and that our late-stage development programs could lead to additional NDA submissions in novel indications where the products can have unique dosing and therapeutic profiles. We believe that this could lead to favorable pricing and a reduced risk of generic substitution.

***Improve clinical outcomes and patient experiences while providing an improved tolerability profile with our microdose therapeutics.*** We believe the Optejet will allow for high precision targeted microdosing for multiple eye treatments, while eliminating ophthalmic over-dosing and reducing ocular exposure to toxic preservatives and pharmacologic ingredients compared to conventional eye drop delivery mechanisms. Our clinical trials have demonstrated similar efficacy to eye drops, improved side effect profile and enhanced patient experience with the Optejet as compared to conventional eye drops.

***Leverage our electronic, smartphone-enabled “e-health” technology to introduce and develop patient-specific compliance monitoring program.*** The Optejet’s mobile e-health technology is designed to track when a patient administers treatments, allowing physicians to monitor patient compliance more accurately. We believe this could enhance patient compliance and improve compliance monitoring by empowering patients and physicians with access to dynamic, real-time monitoring and compliance data for a more intelligent, informed and personalized therapeutic paradigm.

***Develop next-generation targeted microdose treatments for other ophthalmic diseases independently or in collaboration with third parties.*** The Optejet also may be suitable for new molecular entities and applications. Leveraging our existing platform technology, Eyeovia plans to continue developing, either independently or through strategic relationships with third parties, other product candidates for various eye diseases that can be administered using the Optejet and additional applications for the Optejet.

***Develop therapeutic solutions for ophthalmic conditions with high unmet needs and no approved therapy.*** We plan to target chronic ophthalmic conditions with a high unmet medical need. By leveraging our piezo-print microdosing technology, we aim to reach conditions where there are no approved drug therapies. For example, our MicroPine program involves a proprietary formulation of low-dose atropine intended to slow myopia progression in the pediatric population. There are currently no commercially-available therapies in the United States to treat this indication.

#### **Limitations of Conventional Eye Therapies**

Our microdosing platform technology aims to address the following issues associated with conventional eye drop-based therapies:

##### ***Dosing, administration and waste of medication***

Multiple third-party studies have confirmed challenges with administering conventional eye drops, which include overdosing, poor compliance, imprecise dosing, variability in drop size, and difficulty with self-administration. One study in patients who were experienced in using eye drops and undergoing treatment for glaucoma for at least six months documented that nine out of 10 patients were unable to administer treatment correctly at the end of the six-month study. Patients on average administered almost twice the necessary number of drops with a mean number of drops instilled at 1.8 (+/1 1.2) and one patient administered up to eight drops at one time. In addition, approximately 75% of patients risked bottle contamination or potential ocular trauma by having the eye drop container touch their eyes. Another larger study in 139 patients demonstrated that the proportion of patients who were able to correctly administer their eye drops was only 22% – 30%. Similarly, other studies have demonstrated that the vast majority of patients either overdose or do not administer the required therapy to the eye correctly, which leads to unnecessary waste of medication.

##### ***Side effects associated with conventional eye drop therapies***

Topical eye therapies are administered using traditional eye drop pipette approaches. While average tear volume of the eye is 6 – 8  $\mu$ L, current eyedrop therapies can involve administration of 30 – 50  $\mu$ L of liquid containing preservatives and pharmaceutical ingredients. Thus, traditional drops can severely overdose the eye, which, depending on the ingredients, can be associated with ocular side effects including hyperemia, or increased blood flow to the eye, redness, discomfort, stinging, blurred vision, burning, itching, excessive tearing, eye pain, iris pigment changes, foreign body sensation, pigment discoloration, periorbital dermatitis and sunken eye. For some topical medications, there also can be cardiovascular side effects such as changes in heart rate and arrhythmia that are caused when medications are absorbed into the circulation system from

overdosing both through conjunctiva absorption and when drugs flow into the nose through the nasolacrimal duct and are absorbed into the systemic circulation or swallowed. For example, phenylephrine can cause cardiovascular adverse reactions including an increase in blood pressure, syncope, myocardial infarction, tachycardia, arrhythmia and subarachnoid hemorrhage. Severe respiratory reactions and cardiac reactions, including death due to bronchospasm in patients with asthma, and rarely death in association with cardiac failure, have been reported following systemic or ophthalmic administration of timolol maleate.

MydCombi contains phenylephrine and tropicamide. However, as demonstrated in our Phase III study for this product candidate, patients administering MydCombi reported few ocular adverse events and no systemic adverse events when they administered our microdosed product candidate. Compared with historical data for traditional eye drops, MydCombi appeared to be much better tolerated, with low systemic absorption of phenylephrine alone.

With the Optejet platform technology, we believe that the known adverse event profile of pilocarpine, including headaches, also may be moderated to make MicroLine the preferred choice for presbyopia over other potential pilocarpine drop options. The same is true with MicroPine, where we believe that microdosing may result in a better tolerated product for children using topical ophthalmic atropine.

### **Our Solution: The Optejet**



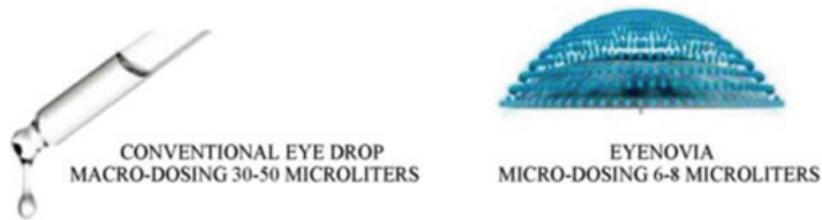
The Optejet dispenser delivers doses of 6 – 8  $\mu\text{L}$ , directly coating the corneal surface where 80% of intraocular drug penetration occurs. We believe that microdosing may reduce drug and toxic preservative exposure by more than 75%, thus reducing ocular irritation, and resulting in potentially gentler treatments without compromising the desired clinical effect. Our approach could also reduce inadvertent waste associated with poor administration of conventional macrodose drops.

We believe that we are one of the only companies with clinical stage technology for targeted microdosing of ophthalmic investigational therapies having fully completed the Phase III clinical studies needed and made an NDA submission. The Optejet is based on MAP, which is also used for pixel-sharp high-precision inkjet printing. The technology is optimized for and applied in ophthalmic delivery to achieve microdosing that can be many times more precise than conventional eye droppers. In addition, our smart, electronic system provides the capability to track when patients administer their medications and deliver this information to patients and physicians via Bluetooth connectivity. Thus, physicians can make decisions regarding therapeutic regimens with knowledge of patient compliance.

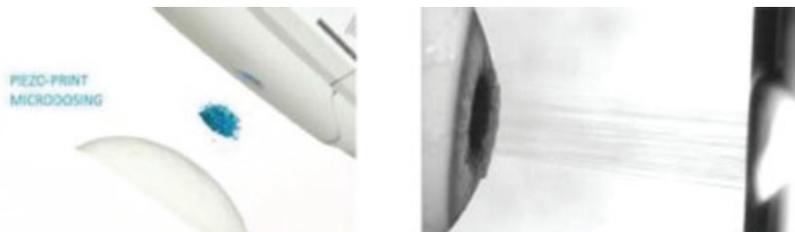
The FDA has provided written feedback that our clinical development activities will be treated as drug development programs, because only the drug comes into contact with the eye. Consequently, we do not anticipate needing separate FDA approval for the Optejet dispenser or being required to comply with FDA medical device regulations.

Microdose administration of topical ophthalmic drugs with the Optejet has been tested in preclinical models and clinical trials and shown to provide many advantages over administrations of eye drops. Key advantages of the Optejet include:

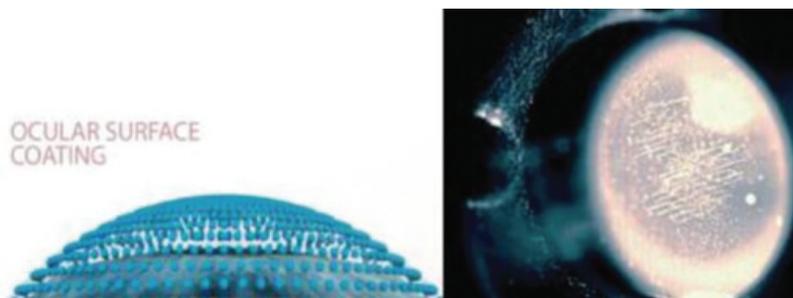
**Dose reduction:** Our microdose delivery technology is designed to achieve precise volumetric control at the microliter level to deliver 6 – 8  $\mu\text{L}$ , which is the physiologic capacity of the tear film. This compares favorably to the volume of an eye drop (30 – 50  $\mu\text{L}$ ), which can result in overdosing, ocular toxicity and systemic leaching into the plasma.



**Targeted dose instillation:** The Optejet allows for targeted delivery to the ocular surface and cornea, avoiding the conjunctival cul-de-sac. The micro-jet spray created by the piezo-electric vibrations is columnated and focused to provide accurate delivery to the corneal surface where the majority of ocular penetration occurs. Additionally, the Optejet is designed with an LED targeting mechanism to facilitate proper positioning and objective alignment, thus increasing the likelihood of successful dose delivery.



**Speed of delivery:** Our piezo-print technology is similar to high-precision ink-jet printing. Unlike a simple aerosolized mechanism, the Optejet is designed with ejection control that creates a fast and targeted micro-jet delivery. Solution is dispensed to the ocular surface in less than 100 milliseconds between the time the first droplet hits the corneal surface to the completion of dose delivery, which is faster than the average involuntary blink response time.



**Smart electronics:** A key feature of the Optejet is the embedded electronic, smartphone enabled “e-health” system, which we believe is the first intelligent electronic delivery system for ophthalmic therapies. Our electronic functions are designed to enable patients and physicians to track when doses are administered. We believe this technology will improve compliance and chronic disease management by empowering

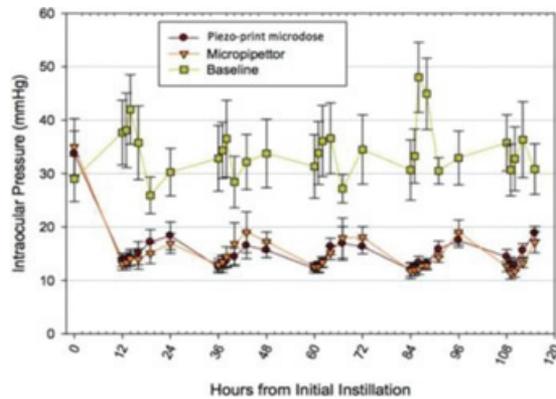
patients and physicians with access to dynamic, real time monitoring and compliance data for a more intelligent and personalized therapeutic paradigm.

### Clinical Trial Results

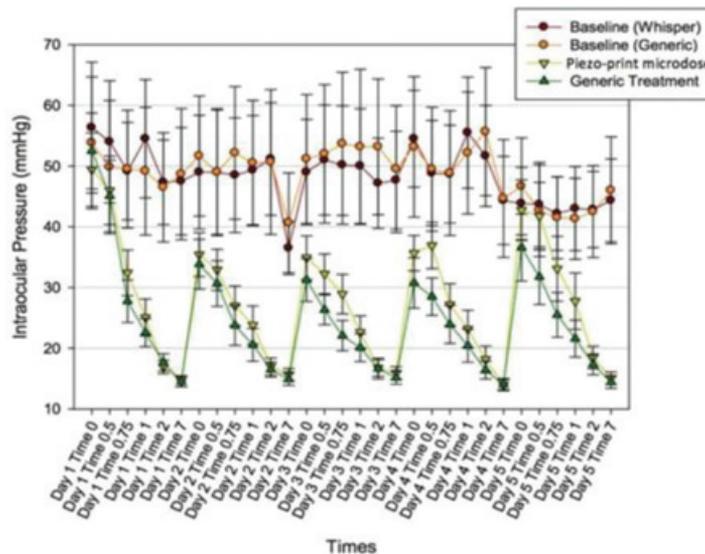
We have an established platform for microdose administration of ophthalmic solutions. Our preclinical and clinical studies suggest that a microdose of approximately 8  $\mu\text{L}$  of medication results in clinical efficacy comparable to that of traditional eye drops, with the advantages of fewer ocular side effects and less systemic exposure. We can use our platform technology with either new or existing molecular entities. We have chosen the latter path for our initial pipeline product candidates.

Prior to initiation of our Phase III clinical studies, we conducted multiple preclinical and early phase studies to validate our piezo-print microdose delivery platform. Data from a canine model of glaucoma demonstrated more than 40% IOP lowering effect at microdose of 8~9  $\mu\text{L}$  latanoprost. Another independent microdose study published in the Journal of Investigative Ophthalmology and Visual Science in 2014 further demonstrated that 3  $\mu\text{L}$  microdose with timolol 0.5% can reduce systemic plasma levels of the drug by a factor of 17.

### Diurnal IOP Lowering Effect of a Microdose of Latanoprost Delivered by Pipette vs. Piezo-Print Dispenser in a Canine Model



### IOP Lowering Effect of Micro-Therapeutic Dose of Latanoprost in Canine Model

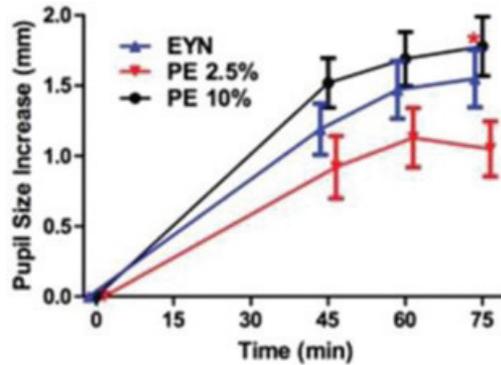


The Phase II EYN-1601 clinical trial compared the mydriatic effect of phenylephrine 10% microdosed (~7  $\mu\text{L}$  in volume) with the Optejet (EYN) to phenylephrine 10% (PE 10%) and phenylephrine 2.5% (PE 2.5%) eye drops (each ~32  $\mu\text{L}$  in volume) in 24 eyes. At 75-minute peak dilation, our microdose provided

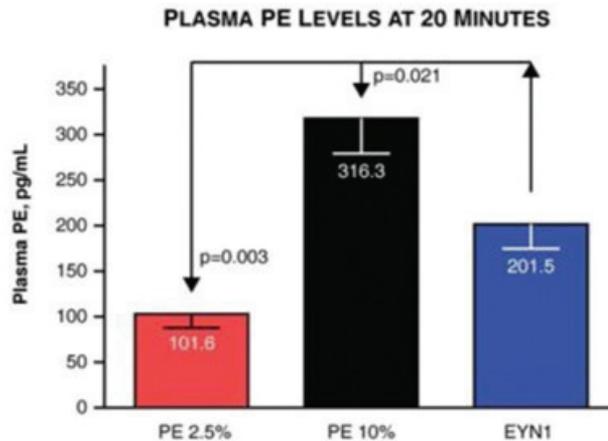
similar mydriatic results (at approximately 1/4 of the dose exposure) to the 10% phenylephrine drops, and superior activity compared to 2.5% phenylephrine drops.

Shown below is mean pupil diameter change from baseline for the 24 eyes studied. The asterisk at t=75 min indicates EYN is statistically better than PE 2.5% (p=0.009).

**PUPIL DIAMETER, INCREASE FROM BASELINE, MM**



This study was also informative with regard to systemic drug exposure of these topical treatments. As shown below, microdosed phenylephrine 10% (EYN1) demonstrated 35 – 40% lower plasma levels as compared with phenylephrine 10% eye drops (PE 10%).



Plasma free PE concentration in venous blood drawn 20 minutes after ocular topical drug administration. Circulating PE was highest in PE 10% subjects (316.3±36.8 pg/mL), and was significantly 36.3% lower in EYN subjects (201.5±27.1 pg/mL; p=.021). Plasma PE was significantly lower in PE 2.5% subjects (101.2±12.9 pg/mL) than in EYN subjects (p=.003).

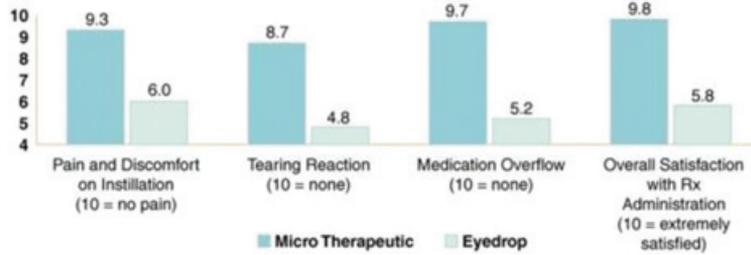
As shown in the table below, there were also fewer ocular adverse events in the microdosed group (EYN) suggesting an improvement in tolerability as compared to 10% phenylephrine eye drops (PE 10%).

**OCULAR ADVERSE EVENTS BY TREATMENT**

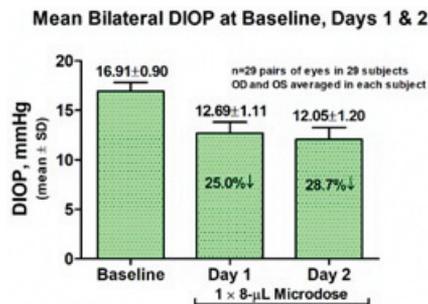
Adverse Event Description	PE 10% (Eyedrops)	EYN (PE 10% microdose)
Ocular blurriness . . . . .	1	0
Ocular burning/stinging/irritation . . . . .	4	1
Ocular dryness . . . . .	2	0
Subtotal by Treatment Group . . . . .	7	1

The EYE-103 study investigated a combination of phenylephrine and tropicamide microdose treatment administered using the Optejet compared to conventional eye drops in 102 subjects (204 eyes). In this study, microdosing produced equivalent pupil dilation to eye drops and 91% of participants preferred medication

administration with the Optejet versus eye drops (6% preferred eye drops, while 3% expressed no preference [ $p < 0.0001$ ]). On a scale of 1 to 10, with 10 being most favorable, general satisfaction scores were higher with Optejet administration versus eye drops ( $9.8 \pm 0.6$  for Optejet vs  $5.8 \pm 3.0$  for eye drops). Ocular comfort scores were nearly two times better with the Optejet than with eye drops.

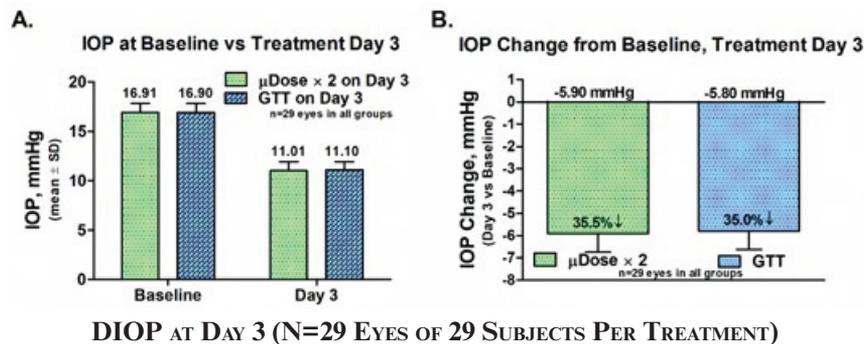


In 2018, Eyenovia completed a third early phase trial (EYN-POC-PG-21) to extend the findings of the two previous trials evaluating Optejet administration of mydriatic agents. This study was a single-center, open-label, prospective, crossover design evaluating the usability, patient tolerability, and proof-of-concept of microdose administration of commercial latanoprost 0.005% using the Optejet. Thirty healthy volunteer subjects (60 eyes) were evaluated for eligibility and consented to study participation. Subsequently, at each of three treatment visits, IOP was measured in the morning. Afterwards, on Treatment Days 1 and 2, a single 8- $\mu$ L microdose of latanoprost 0.005% ophthalmic solution was administered to each eye using the Optejet. On the morning of Treatment Day 3, each subject received  $2 \times 8\text{-}\mu\text{L}$  Optejet microdoses (administered approximately 5 minutes apart) in one eye and the other eye received a single eye drop of latanoprost 0.005% ophthalmic solution. For each treatment day, IOP was measured 1, 7, 12, and 24 hours after receiving medication and a mean diurnal IOP (DIOP) was calculated from the four readings. As shown below, mean DIOP after medication administration on Days 1 and 2 was lowered by 25.0% and 28.7%, respectively.



*Mean bilateral DIOP and percent change in DIOP in eyes dosed using the Optejet through Treatment Day 2 (N = 29 pairs of eyes from 29 evaluable subjects)*

As shown below, on Day 3, mean DIOP was 35.5% lower than baseline for eyes receiving microdose latanoprost 0.005% using the Optejet, and 35.0% lower than baseline for eyes receiving a single drop of latanoprost 0.005%.



No clinically significant changes were noted in slit lamp observations (including hyperemia) for any subjects who received study treatment and no adverse events were reported. Subjects reported no-to-negligible ocular discomfort after medication administration using the Optejet.

Investigator-administered medication using the Optejet was evaluated in 60 eyes (1 spray/eye) on Days 1 and 2, and in 30 eyes (2 sprays/eye) on Day 3. Optejet administration was successful on the first attempt in 172 of the 180 cases (96%). Subject head movement and/or blinking and investigator proficiency with Optejet use resulted in the need for additional administration in the remaining 4% of cases, the majority of which (6/8) occurred on Day 1. Administration success was achieved on the first attempt on all Day 3 cases. There were no reports of unintentional overdosing, tear fluid overflow, or the dispenser nozzle touching the eye.

In a separate evaluation, subjects were trained on Optejet self-administration with sterile water and then asked to demonstrate Optejet use in each eye during the afternoon of each treatment day. By the afternoon of Day 3, qualified Eyenovia representatives judged that almost 90% of subjects were able to demonstrate accurate self-administration using the Optejet.

This study demonstrated Optejet medication administration to be easy to perform, safe, and comfortable to study subjects. Additionally, Optejet microdose administration of 0.005% latanoprost resulted in mean DIOP reduction similar to reported literature for use of latanoprost 0.005% ophthalmic solution administered as traditional eye drops.

Based on the results of these studies further validating microdose delivery of ophthalmic medication, we initiated Phase III programs in mydriasis in late 2018 and progressive myopia in 2019.

## **Our Product Candidates**

Eyenovia is currently focused on three programs: MicroLine (for presbyopia), MicroPine (for progressive myopia) and MydCombi (for mydriasis).

### **MicroLine**

MicroLine is our proprietary microdosed version of pilocarpine, a well understood ophthalmic medication that can dose-dependently induce miosis, or a contraction of the pupil. It is a direct acting cholinergic parasympathomimetic agent that stimulates muscarinic acetylcholine receptors present on smooth muscles, including those in the iris and ciliary body. As a result, pilocarpine causes contraction of the iris sphincter muscle, which causes miosis.

Reducing pupil size with pilocarpine has been shown to improve near visual acuity in individuals who have presbyopia. In Benozzi et al, 2012, subjects aged 45 – 50 years who bilaterally self-administered both pilocarpine 1% and diclofenac 0.1% eyedrops every 6 hours during the day for up to 5 years reported good improvement in near vision without compromising distance vision. Thus, pilocarpine's miotic effect may be useful in treating the increasingly compromised near vision that parallels the development of presbyopia.

### ***Background of Presbyopia and Market Opportunity***

Presbyopia is the gradual decrease in the ability of the eye's natural lens to accommodate in near vision, resulting in a loss of focus on near objects. In general, onset is around age 40 and is almost universal in adults over the age of 60. In the United States, there are approximately 113 million people with presbyopia; 53 million of them are between the ages of 40 and 55.

For many people, presbyopia is among the first overt signs of aging. There are psychological factors accompanying the use of spectacles and bifocals for the first time, as well as situational inconvenience for either not being able to see well or having to use a vision aiding device. With MicroLine, we plan to introduce a pharmaceutical option for improving near vision that can work as a companion to spectacles, for when patients wish not to use their reading glasses. Our market research indicates the highest interest in the product concept among people aged 40 to 55 years who otherwise have normal vision, representing a potential market of approximately 18 million people.

### ***Phase III Clinical Development Programs***

We are evaluating whether topical ocular microdosing of pilocarpine using the Optejet dispenser in presbyopic individuals can effectively improve near vision without compromising distance vision and without causing the undesirable side effects of traditionally administered pilocarpine. We have two Phase III studies, VISION-1 and VISION-2. VISION-1 began enrolling in 2020. The VISION studies will evaluate the safety, tolerability, and efficacy of an Optejet-administered microdosing of pilocarpine as an ophthalmic spray versus placebo.

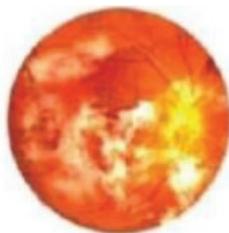
### **MicroPine**

A key therapeutic program for Eyenovia is our first-in-class topical treatment for progressive myopia, a back-of-the-eye disease.

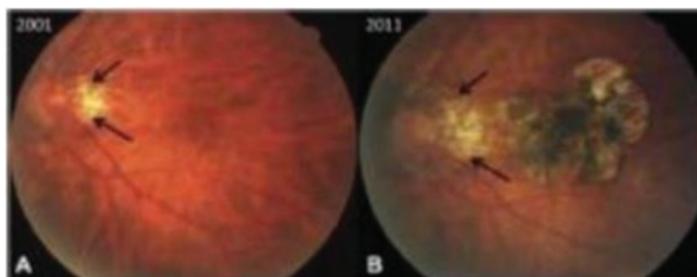
### ***Background of Progressive Myopia and Market Opportunity***

Myopia is an ocular disorder that results in blurry vision when looking at distant objects. This happens when the eyeball is too long or corneal curvature is too steep causing light entering the eye to be incorrectly focused. Myopia is one of the most common refractive errors seen in children. Myopia that is present in young children tends to increase through the school years. As myopia progresses, so does the risk of retinal detachment, cataracts, myopia maculopathy and even blindness. It is estimated that over 25 million children in the United States suffer from progressive myopia, with approximately 5 million children being at high risk.

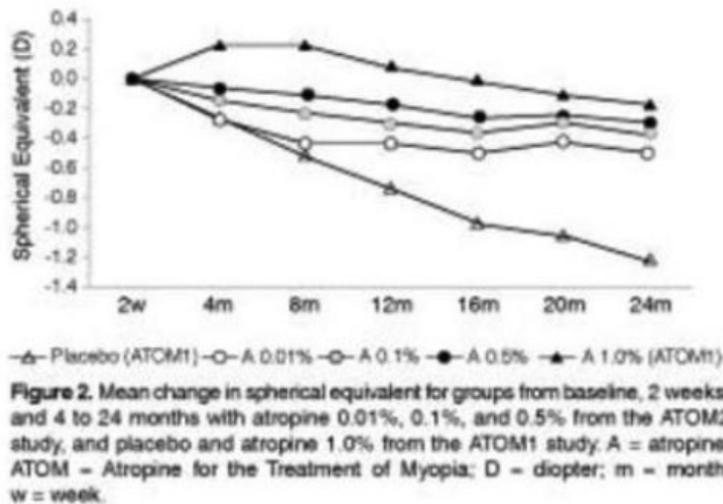
### **Examples of Retinal Changes Due to Myopia**



### **Progressive Myopia with Retinal Atrophy Changes**



While currently there are no FDA-approved therapies for myopia progression, there is growing evidence of the therapeutic benefit of topical atropine ophthalmic solution, an anticholinergic agent used for pupil dilation and treatment of lazy eye, as a treatment to slow progression. Academic groups have demonstrated that low dose atropine solution reduces myopia progression 60-70%, with sustained effect through three years. A recent therapeutic evidence assessment and review by the American Academy of Ophthalmology, indicates Level 1 (highest) evidence of efficacy for low dose atropine for reduction of progressive myopia (Ophthalmology 2017;124:1857-1866; Ophthalmology 2016; 123(2) 391:399)). While atropine 1% ophthalmic solution is FDA-approved and commercially available in the United States for pupil dilation and treatment of lazy eye, commonly reported side effects such as burning and stinging during drop administration, and blurred vision and light sensitivity associated with its use make it undesirable for the treatment of progressive myopia in the pediatric population, thus impeding the drug's clinical utility and adoption for myopia progression.



Our MicroPine program involves the development of a micro-formulation (dilute and low volume) of atropine ophthalmic solution for reduction of myopia progression in children.

### *Phase III Clinical Development Program*

The FDA accepted Eyenovia's IND to initiate our single Phase III registration trial of MicroPine (the CHAPERONE study) to reduce the progression of myopia in children. Eyenovia enrolled its first patient in the CHAPERONE study in June 2019 and expects enrollment to be completed in late 2021. The trial is a U.S.-based, multi-center, randomized, double-masked study enrolling more than 400 children and adolescents. Participants will be equally randomized to receive nightly treatment with either of two MicroPine treatment concentrations or a placebo control arm. The primary assessment of efficacy is based on reduction in myopia progression after 3 years of medication use. If the primary objectives of our Phase III study are met, we plan to submit an NDA based on this study as well as existing literature demonstrating the efficacy of low-dose atropine to reduce the progression of myopia in children to the FDA for marketing approval of MicroPine to slow the progression of myopia under the 505(b)(2) pathway.

### **MydCombi**

MydCombi is a unique fixed combination micro-formulation product candidate for mydriasis (eye dilation) intended to facilitate the over one hundred million estimated office-based comprehensive and diabetic eye exams and four million ophthalmic surgical dilations performed every year in the United States. Our fixed combination product candidate has been developed to facilitate efficient pupil dilation with the potential to reduce unintended effects of conventionally administered mydriatic agents. We believe the market for MydCombi exceeds \$250 million in the United States alone.

### *Background of Mydriasis and Market Opportunity*

There are over an estimated one hundred million topical mydriatic applications performed every year as a required part of the comprehensive dilated eye exam and standard retina funduscopy for diabetic retinopathy screening, macular degeneration evaluation, glaucoma optic disc evaluation and many other back-of-the-eye conditions. There are an additional estimated four million applications for ocular surgery. Most optometrist and ophthalmologist offices maintain bottles of both phenylephrine and tropicamide eyedrops and use the drops in combination. Each bottle is used on multiple patients, which carries a risk of contamination and ocular infection. The bottles are purchased directly from suppliers and are not subject to insurance reimbursement. Our combination therapy, if approved, will allow the purchase of one product for eye dilation. Additionally, the Optejet does not come in direct contact with the eye, thus minimizing the risk of infection.

Most dilated eye exams require two separate topical pharmacologic agents/drops be administered sequentially (tropicamide, followed by phenylephrine). All current mydriatic formulations use conventional

macrodose drop delivery (30 – 50  $\mu$ L), which can significantly overdose the ocular surface whose physiologic capacity is only 6-8  $\mu$ L. Studies demonstrate that standard macrodosed pharmacologic dilation is associated with significant ocular discomfort and mild-moderate eye pain. On the standard visual analogue scale for pain, such discomfort can exceed the levels of pain associated with a flu vaccine subcutaneous injection. Additionally, there are systemic safety concerns with mydriatic macrodosing for retinopathy of prematurity retinal screening and pediatric dilated eye exams. Studies comparing microdosed phenylephrine and cyclopentolate to traditional eye drops (30 – 50  $\mu$ L drop size) in premature babies and in full-term infants have shown equivalent pupil dilation with drop sizes ranging from 5 – 8  $\mu$ L while reducing systemic levels by more than 50%.

With millions of patients exposed to mydriatic pharmacologic agents every year, we are developing a microdose alternative whereby the Optejet can be deployed to reduce ocular and systemic exposure by more than 75%. This potential improvement stems from lowering the dose from the 30 – 50  $\mu$ L in standard drops to just 8  $\mu$ L with MicroStat combined with targeted delivery to the ocular surface. We expect to achieve similar mydriatic activity as drops without the high incidence of unwanted side effects.

### **Pharmacologic mydriasis: dilated pupil after application**



### ***Phase III Clinical Development Program***

We completed the Phase III clinical trials of fixed-combination tropicamide 1% and phenylephrine 2.5% administered using the Optejet for mydriasis in November 2019.

The MicroStat program consisted of two Phase III randomized, controlled, cross-over clinical studies evaluating pupil dilation with our fixed combination product (MicroStat) in comparison with the individual drug components (phenylephrine 2.5% and tropicamide 1%, respectively) (the MIST-1 study), and with a placebo (the MIST-2 study). The primary endpoint for each study was the mean change in pupil diameter at 35 minutes post-drug administration.

The MIST-1 study was a double-masked, active-controlled, three-period cross-over superiority study evaluating MicroStat ophthalmic solution versus the two individual drug components contained in MicroStat (phenylephrine 2.5% and tropicamide 1% ophthalmic solutions). All study drugs were administered using the Optejet.

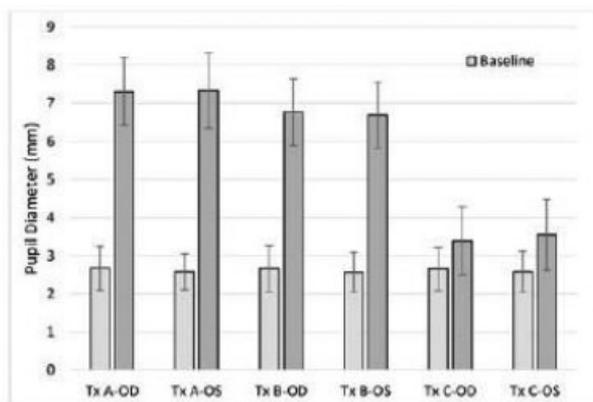
Volunteer participants were evaluated for study eligibility during a screening visit and enrolled after providing study consent. Subjects meeting all inclusion/exclusion criteria were scheduled for three treatment visits, which occurred at least two days, but no more than seven days apart. At each treatment visit, baseline measurements were taken, then one of the three study drugs was administered to both eyes in two separate instances, approximately five minutes apart. Afterwards, efficacy and safety assessments were performed at specific time intervals, including pupil diameter measured by digital pupillometry in highly photopic conditions established by using a fully-charged transilluminator at the brightest setting. Subjects were equally randomized to receive all three treatments according to one of the six possible sequences of study drug administration.

The MIST-1 study was double-masked so that there were no differences in drug presentation. Study drug administration was performed by seven different trained personnel during the trial. To maintain masking, personnel who administered study drug were not allowed to perform post-drug administration ophthalmic assessments.

A total of 64 subjects were randomized to receive the study drug. Two subjects withdrew after the first treatment visit; therefore, the resulting per-protocol analysis population consisted of 62 subjects (124 eyes).

Mean pupil diameter for each eye at baseline and at 35 minutes post-drug administration is shown graphically below. At 35 minutes, the treatment group difference between MicroStat and tropicamide 1% was 0.440 mm (SE 0.1839), which was statistically significant ( $p = 0.0183$ ). The treatment group difference between MicroStat and phenylephrine 2.5% at the same timepoint was 3.638 mm (SE 0.1817), which was also statistically significant ( $p < 0.0001$ ). Since the null hypothesis was rejected for both sets of comparisons, the primary endpoint was met.

**Pupil Diameter by Treatment at Baseline and 35 Minutes  
(PP Population)**



Mean  $\pm$  Standard Deviation

Tx A = phenylephrine 2.5%-tropicamide 1%; Tx B = tropicamide 1%; Tx C = phenylephrine 2.5%.

As shown below, at 35 minutes post-drug administration, MicroStat achieved a clinically meaningful pupil diameter  $\geq 6.0$  mm in 95.2% of right eyes and 93.5% of left eyes compared to a lower proportion for tropicamide 1% (79.0% and 77.4% of right and left eyes, respectively) and for phenylephrine 2.5% (1.6% for both right and left eyes). MicroStat also achieved a pupil diameter  $\geq 7.0$  mm in 67.7% of right and left eyes compared to a lower proportion for tropicamide 1% (43.5% and 41.9% of right and left eyes, respectively) and for phenylephrine 2.5% (0% for right and left eyes).

**Proportion of Eyes Achieving Pupil Diameter  $\geq 6.0$  mm and  $\geq 7.0$  mm at 35 Minutes  
(PP Population)**

35 Min Post Dose Combined Visits (1, 2, 3)	MicroStat		Tropicamide 1%		Phenylephrine 2.5%	
	OD (N=62)	OS (N=62)	OD (N=62)	OS (N=62)	OD (N=62)	OS (N=62)
Pupil diameter $\geq 6.0$ mm . .	59 (95.2)%	58 (93.5)%	49 (79.0)%	48 (77.4)%	1 (1.6)%	1 (1.6)%
Pupil diameter $< 6.0$ mm . .	3 (4.8)%	4 (6.5)%	13 (21.0)%	14 (22.6)%	61 (98.4)%	61 (98.4)%
Pupil diameter $\geq 7.0$ mm . .	42 (67.7)%	42 (67.7)%	27 (43.5)%	26 (41.9)%	0	0
Pupil diameter $< 7.0$ mm . .	20 (32.3)%	20 (32.3)%	35 (56.5)%	36 (58.1)%	62 (100.0)%	62 (100.0)%

The rate of treatment emergent adverse events, or TEAEs, was low, and consistent with those observed with commercially available dilating eye drops (e.g. blurry vision and stinging). Two TEAEs were reported in the MicroStat eyes, while four TEAEs were reported in each of the other two treatment groups. All events were mild in nature. No non-ocular adverse events were reported.

The MIST-2 Study was a multi-center, double-masked, placebo-controlled, three-period crossover superiority study evaluating MicroStat ophthalmic solution versus placebo. Both study drugs were administered using the Optejet.

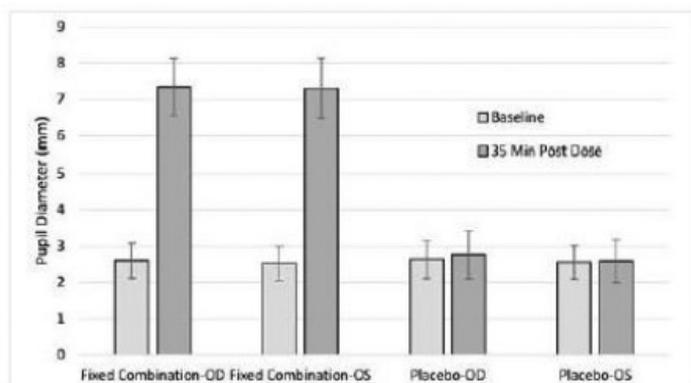
Volunteer participants were evaluated for study eligibility during a screening visit and enrolled after providing study consent. Subjects meeting all inclusion/exclusion criteria were scheduled for three treatment visits, which occurred at least two days, but no more than seven days apart. A two-sequence, three-period

crossover design was used. At each treatment visit, baseline measurements were taken, then either the investigational drug or the placebo was administered to both eyes in two separate instances, approximately five minutes apart. Only one study drug was administered per treatment visit, and subjects were equally randomized to one of two sequences, ABB and BAA, where A was the Eyenovia fixed combination and B was placebo. Afterwards, efficacy and safety assessments were performed at specific time intervals, including pupil diameter measured by digital pupillometry in highly photopic conditions established by using a fully-charged transilluminator at the brightest setting.

Like MIST-1, this study was double-masked so that there were no differences in drug presentation. Study drug administration was performed by five different trained personnel and, to maintain masking, personnel who administered study drug were not allowed to perform post-drug administration ophthalmic assessments.

A total of 70 subjects at two investigational sites were randomized to receive study drug. One subject withdrew after the first treatment visit; therefore, the resulting per-protocol analysis population consisted of 69 subjects (138 eyes). Mean pupil diameter for each eye at baseline and at 35 minutes post-drug administration is shown graphically below. At 35 minutes, the treatment group difference between MydCombi and placebo was 4.63 mm (SE 0.0544), which was highly statistically significant ( $p < 0.0001$ ); consequently, the null hypothesis was rejected and the primary endpoint was met.

**Pupil Diameter by Eye and Treatment at Baseline and 35 Minutes (PP Population)**



Mean ± Standard Deviation

As shown in the table below, at 35 minutes post-drug administration, MydCombi achieved a clinically meaningful pupil diameter  $\geq 6.0$  mm in 92.8% of right eyes and 94.2% of left eyes and pupil diameter  $\geq 7.0$  mm in 69.6% of right and 68.1% of left eyes. None of the eyes in the placebo group achieved similar dilation.

**Proportion of Eyes Achieving Pupil Diameter  $\geq 6.0$  mm and  $\geq 7.0$  mm at 35 Minutes (PP Population)**

35 Min Post Dose	MydCombi		Placebo	
	OD (N=69)	OS (N=69)	OD (N=69)	OS (N=69)
Combined Visits (1, 2, 3)				
Pupil diameter $\geq 6.0$ mm	64 (92.8)%	65 (94.2)%	0	0
Pupil diameter $< 6.0$ mm	5 (7.2)%	4 (5.8)%	69 (100.0)%	69 (100.0)%
Pupil diameter $\geq 7.0$ mm	48 (69.6)%	47 (68.1)%	0	0
Pupil diameter $< 7.0$ mm	21 (30.4)%	22 (31.9)%	69 (100.0)%	69 (100.0)%

Two TEAEs (one event of mild instillation site pain and one event of moderate photophobia) were reported in the MydCombi group, while none were reported with the use of placebo. No non-ocular adverse events were reported. Essentially pain-free mydriasis was achieved without the use of a topical anesthetic, which is often the practice.

The outcomes of MIST-1 and MIST-2 are consistent. As shown below, in both studies, MydCombi achieved a mean change in pupil size between 4.6 mm and 4.8 mm at 35 minutes post-dose. In both studies, between 93% and 95% of eyes treated with the fixed combination mydriatic drug achieved a pupil diameter  $\geq 6.0$  mm at this same timepoint. Additionally, in MIST-1, the median time to maximum post-baseline pupil diameter with  $\geq 1.0$  mm increase from baseline for fixed combination solution was 73.0 minutes, while in MIST-2, it was 71.0 minutes.

#### **Efficacy of MydCombi in MIST-1 and MIST-2 Studies (PP Populations)**

	<u>MIST-1</u>	<u>MIST-2</u>
Mean change in pupil diameter from baseline at 35 minutes	4.6 mm right eyes 4.7 mm left eyes	4.7 mm right eyes 4.8 mm left eyes
Proportion of eyes with pupil diameter $\geq 6.0$ mm at 35 minutes	95.2% of right eyes 93.5% of left eyes	92.8% of right eyes 94.2% of left eyes
Median time to maximum post-baseline pupil diameter with $\geq 1.0$ mm increase from baseline	73.0 minutes	71.0 minutes

The consistency of these results validates the robustness of the study designs and demonstrates the impressive treatment effect of MydCombi. More generally, these outcomes serve to further validate the bioavailability and efficacy of Optejet drug administration to the ocular surface.

With the primary objectives of our Phase III program met, in December 2020, we submitted an NDA to the FDA for marketing approval in the United States. In March 2021, the FDA accepted our NDA with an expected PDUFA date of October 28, 2021.

#### **Our Technology**

The Optejet comes in two parts:

- the base contains the electronic components which enable generation of control signals designed to ensure consistent, accurate columnated arrays of micro-droplets, as well as dose tracking via Bluetooth connectivity; and
- the disposable cartridge which contains the drug formulation in a primary drug container, targeted dosing system and piezo-driven ejector nozzle, and comes in one-month doses.

For administration of our product candidates, the patient receives both the base and the disposable cartridge. For refills, the patient receives only the disposable cartridge. Patients deliver their dose by attaching the cartridge to the base, pressing an activation button which loads a single drug dose, then, holding it between one and two inches from the eye while looking directly into an illuminated circle, pressing a second button to emit the micro-droplet delivered medication. The micro-droplets are emitted in a quickly repeating array, that in aggregate form a micro-jet. Solution is dispensed to the ocular surface in less than 100 milliseconds between the time the first droplet hits the corneal surface to the completion of dose delivery, which is faster than the average involuntary blink response time. The patient feels a wet sensation on the eye, but does not experience any pain, as demonstrated in studies to date. Several acute clinical trials have been performed to date that demonstrate the Optejet's usability. As a precise and quick-delivered microdose, it does not drip down the face or drain down the naso-lacrimal duct thereby minimizing delivery of extra product or preservatives to the eye. The rechargeable base has intelligent power management and precision designed circuitry that maximizes battery life allowing for infrequent recharging, while providing consistent dose delivery over the life of each cartridge.

Our system is based on piezo-driven printer technology, which is also used for high-precision ink jet printing. In ink jet printing, piezo technology enables ink to be sprayed with precision to form letters and numbers on paper. Our patented system takes aspects of piezo driven printer technology, and applies it to the delivery of therapeutics to the eye.

#### **Sales and Marketing**

We are taking a staged approach to the commercialization of our products, retaining rights for MydCombi to potentially optimize the introduction of the technology to the market, and establishing

partnerships with licensees for products that require a larger investment in terms of sales force and distribution. Our management team and directors, which are leading the commercialization planning of our lead product candidates in the United States, have substantial experience in the commercialization of ophthalmic therapeutics.

MydCombi is our first expected commercial product. MydCombi is a cash-pay pharmaceutical supply, administered and purchased by clinics and doctors for in-office use. The cost of the product is folded into the established reimbursement for the comprehensive eye exam and thus lends itself to a single specialty-pharmacy distribution model without the need for formulary negotiations and contracting at the managed care level. As such, we estimate MydCombi sales and marketing costs will be significantly below that of a conventional prescription-based pharmaceutical product. As a highly differentiated product with meaningful benefits for both providers and patients, we anticipate fast adoption, especially because part of our strategy is to maintain good economics for the practice. Lastly, we believe that we can be successful with a limited in-person sales force as there is no active competition in this space.

MicroLine is our second expected product for commercialization. Like MydCombi, MicroLine would also be “cash-pay,” negating the need for infrastructure focused on managed care reimbursement. We currently have licensed MicroLine to Arctic Vision for development and commercialization in Greater China and South Korea. Unless we establish additional partnerships for MicroLine, we plan to expand our sales force from approximately ten to fifty people in the United States and focus on promotion in the optometrist office. We also plan to leverage the experience that these offices have had with MydCombi to speed acceptance and prescribing of MicroLine to appropriate patients.

MicroPine is our third expected product for commercialization. MicroPine is a more standard therapeutic, likely reimbursed by payers after negotiating for formulary position. We have licensed MicroPine to Arctic Vision in Greater China and Korea, and to Bausch Health in the United States and Canada. In both cases, our licensee will be responsible for commercialization within their own sales and marketing structures.

## **Manufacturing**

For clinical supply, we currently rely on a combination of limited internal manufacturing capacity and third-party manufacturers located in the United States and abroad. We manage such production with all our vendors on a purchase order basis. Relationships with vendors of critical components are governed by applicable service and supply agreements or purchase order terms. We do not currently have long-term agreements with these manufacturers or any other third-party suppliers. We intend to procure quantities on a purchase order basis for our clinical production. If any of our existing third-party suppliers should become unavailable to us for any reason, we believe that there are a number of potential replacements, although we might experience a delay in our ability to obtain alternately sourced quantities of materials or services due to their unique and specialized nature.

We plan to use multiple contract manufacturing organizations, or CMOs, for the potential commercialization of some of our product candidates, as we have limited internal capacity to produce commercial supplies and might not be able to implement further manufacturing processes internally.

## **Competition**

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. While we believe that our technologies, knowledge, experience and scientific resources provide us with competitive advantages, we face potential competition from many different sources. Any product candidates that we successfully develop and commercialize may also compete with existing therapies and new therapies that may become available in the future.

Our potential competitors include large pharmaceutical and biotechnology companies, and specialty pharmaceutical and generic or biosimilar drug companies. Many of our competitors have significantly greater financial and human resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than

we do. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient enrollment for clinical trials, as well as in acquiring products, product candidates or other technologies that we may target to in-license or acquire in pursuit of our updated business plan.

For MydCombi, we are not aware of any micro-therapeutics nor of any existing FDA-approved phenylephrine-tropicamide topical fixed combination even in standard macrodose. There are competitive macrodose drop formulations of individual therapeutics such as phenylephrine and tropicamide for mydriasis by companies such as Akorn, Alcon and others, as well as pharmacies that compound the combination on an individual basis for physicians.

For MicroLine, we are not aware of FDA-approved drugs for the improvement of near vision in patients with presbyopia. There are other pharmaceutical companies developing therapies for presbyopia, none of which makes use of microdosing technology or deliver medication as a spray.

We expect that both MydCombi and MicroLine would be “cash pay” products, as MydCombi is purchased directly by offices and used routinely in eye exams, and MicroLine would be considered an “aesthetic” prescription product not generally covered by third party insurance.

For MicroPine, we are not aware of any FDA-approved drugs to slow the progression of myopia. There are other versions of traditional eye drop atropine under development by other pharmaceutical companies for this indication. There also are versions of compounded topical atropine that have not been tested for their safety or efficacy that are dispensed on an individual basis to patients.

## **Intellectual Property**

Our success may depend on our ability to obtain, maintain and enforce our proprietary rights related to our products and other technologies. We must also operate without infringing the valid, proprietary rights of others while preventing others from infringing our proprietary rights. We will seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications. We may also rely on trade secrets and know-how for some proprietary methods, methods of manufacture, and systems and devices. We continue innovating our technologies, and will file appropriate U.S. and foreign patent applications for our future innovations.

### ***Patents***

As of December 31, 2020, we owned nine U.S. issued and allowed utility patents, one issued design patent, and nine pending U.S. patent applications, as well as 53 issued foreign patents, 35 pending foreign patent applications, and one pending international PCT application.

Patent coverage within the portfolio includes issued and pending patent applications related to the following devices and methods:

- A piezoelectric device configured to generate an ejected stream of droplets is the subject of one patent family. The device ejects droplets having an average ejected droplet diameter greater than 20 microns and an average initial droplet ejecting velocity between 0.5 m/s and 10 m/s. Furthermore, the stream of droplets is generated with low entrained airflow so that at least 75% of the mass is deposited on the eye. U.S. patents for these devices are expected to expire in 2031.
- A method of delivering a medicament or solution to an eye with a piezo-ejector device is the subject of another patent family. The method involves delivering an average droplet size of 20 microns to 100 microns in diameter with an average initial droplet ejecting velocity between 1 m/s and 10 m/s to the eye. About 85% to 100% of the ejected mass of droplets is deposited on the eye. U.S. patents for these methods are expected to expire in 2031.
- A device having a piezo-ejector that generates a directed stream of droplets through specially shaped openings in the piezo-ejector is the subject of still another patent family. The openings provide laminar flow through the openings. Laminar flow is provided by shaping the openings with a gradual

slope change so that an external entry radius has a circular shape which reduces airflow while providing laminar flow through the openings. U.S. patents related to these devices are expected to expire in 2033.

- A piezo-electric ejector device having a microcontroller which auto-tunes the ejector mechanism is the subject of another patent family. The device generates at least one cycle in a range of drive signal frequencies and obtains time-energy product feedback from a decay signal emitted by the actuator. U.S. patents related to these devices are expected to expire in 2033.
- A method of monitoring the treatment of ophthalmic subjects by capturing images of the eye is the subject of another patent family. Images of the eye are taken which are sufficient to obtain information about the diagnosis or health of the eye. The data is stored and analyzed to monitor treatment. U.S. patents related to this method are expected to expire in 2031.
- A fluid ejector having a fluid loading plate in parallel arrangement with an ejector mechanism is the subject of patent family patented in Europe. The fluid loading plate forms a capillary separation with the ejector mechanism to generate capillary fluid flow. The fluid loading plate is also attached to the reservoir (at a fluid reservoir interface) and to the ejector mechanism (at an ejector mechanism interface) and may have one or more fluid channels from the fluid reservoir interface to the ejector mechanism interface. The ejector produces a stream of droplets having a droplet diameter greater than 15 microns with the stream having low entrained airflow so that the pressure of the stream will be substantially imperceptible.

The expiry of any patent depends upon the legal term for patents in that particular country. In the United States, the patent term is generally 20 years from the earliest claimed filing date of a non-provisional patent application. In the United States, a patent's term may be lengthened by patent term adjustment which compensates a patentee for administrative delays by the United States Patent and Trademark Office, or the USPTO, in examining and granting a patent. A patent term may also be shortened if a patent is terminally disclaimed over another patent or application.

The Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, permits a patent term extension of up to five years beyond the expiration date of a U.S. patent as partial compensation for the length of time the drug is under regulatory review while the patent is in force.

A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent applicable to each regulatory review period may be extended and only those claims covering the approved drug, a method for using it or a method for manufacturing it may be extended. We cannot provide any assurance that any patent term extension with respect to any U.S. patent will be obtained and, if obtained, the duration of such extension. Similar patent term extension/reduction provisions are available in the European Union and other jurisdictions. In the future, if and when our product candidates receive approval by the FDA or foreign regulatory authorities, we will apply for patent term extensions on issued patents covering our products to the extent available under the applicable law, depending upon the length of any such clinical trials for any product and other factors. The expiration dates referred to above are without regard to potential patent term extension or other market exclusivity that may be available to us. However, we cannot provide any assurances that any such patent term extension of a foreign patent will be obtained and, if obtained, the duration of such extension.

In Asia, we have been granted a patent in each of China and South Korea and two patents in Japan that describe a piezoelectric device configured to generate an ejected stream of droplets with a particular droplet diameter and ejection velocity. We also have seven additional patents granted in China, five additional patents granted in Japan, and four patents granted in Singapore, all related to aspects of the piezoelectric device and methods of using the device.

### ***Trademarks***

Our products are marketed under trademarks and service marks that are owned by us. The following words are trademarks in our Company's trademark portfolio and are the subject of either registration, or application for registration, in the United States: EYENOVIA®, OPTEJET™, EYELATOVA™, EYETANO™.

In addition to the trademarks noted above, we will file trademark applications for new trademarks registrations to protect our market positions in the United States and other jurisdictions on an ongoing basis.

### ***Proprietary Technology***

In addition to patents, we may rely on trade secrets and proprietary know-how to protect our technology. We endeavor to protect our proprietary technology and processes in the appropriate manner to maintain their secrecy including confidentiality agreements when dealing with third parties. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. We also require invention assignment agreements with our employees, consultants, and contractors.

### **Government Regulation and Product Approvals**

Government authorities in the United States, at federal, state and local levels, and in other countries and jurisdictions, including the European Union, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, post-approval monitoring and reporting, and import and export of pharmaceutical products. The processes for obtaining regulatory approvals in the United States and in foreign countries and jurisdictions, along with subsequent compliance with applicable statutes and regulations and other regulatory authorities, require the expenditure of substantial time and financial resources.

### **Review and Approval of Drugs in the United States**

In the United States, the FDA regulates drug products under the Food, Drug, and Cosmetic Act, or FDCA, and implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. The failure to comply with applicable requirements under the FDCA and other applicable laws at any time during the product development process, approval process or after approval may subject an applicant and/or sponsor to a variety of administrative or judicial sanctions, including refusal by the FDA to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters and other types of letters, voluntary product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement of profits, or civil or criminal investigations and penalties brought by the FDA and the Department of Justice or other governmental entities.

An applicant seeking approval to market and distribute a new drug product in the United States must typically undertake the following:

- completion of preclinical laboratory tests, animal studies and formulation studies in compliance with the FDA's good laboratory practice, or GLP, regulations;
- submission to the FDA of an IND which must take effect before human clinical trials may begin;
- approval by an institutional review board, or IRB, an independent committee charged with protecting the rights and welfare of human research subjects participating in clinical trials, before each clinical trial site may initiate clinical trial enrollment;
- performance of adequate and well-controlled human clinical trial(s) in accordance with good clinical practices, or GCP, to establish the safety and efficacy of the proposed drug product for each indication;
- preparation and submission to the FDA of an NDA;
- review of the product by an FDA advisory committee, where appropriate or if applicable;
- satisfactory completion of one or more FDA inspections of the manufacturing facility or facilities at which the product, or components thereof, are produced to assess compliance with current Good

Manufacturing Practices, or cGMP, requirements and to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;

- satisfactory completion of FDA audits of selected clinical trial sites to assure compliance with GCPs and the integrity of the clinical data;
- payment of user fees, with few exceptions, and securing FDA approval of the NDA; and
- compliance with any post-approval requirements, including Risk Evaluation and Mitigation Strategies, or REMS, and post-approval studies required by the FDA.

### ***Preclinical Studies***

Preclinical studies include laboratory evaluation of the purity and stability of the manufactured drug substance or active pharmaceutical ingredient and the formulated drug or drug product, as well as *in vitro* and animal studies to assess the safety and activity of the drug for initial testing in humans and to establish a rationale for therapeutic use. The conduct of preclinical studies is subject to federal regulations and requirements, including GLP regulations. The results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical trials, among other things, are submitted to the FDA as part of an IND. Some long-term preclinical testing, such as animal tests of reproductive adverse events and carcinogenicity, may continue after the IND is submitted.

### ***The IND and IRB Processes***

An IND is an exemption from the FDCA that allows an unapproved drug to be shipped in interstate commerce for use in an investigational clinical trial and a request for FDA authorization to administer an investigational drug to humans. Such authorization must be secured prior to interstate shipment and administration of any new drug that is not the subject of an approved NDA. In support of a request for an IND, applicants must submit a protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical trials, among other things, are submitted to the FDA as part of an IND. The FDA requires a 30-day waiting period after the acceptance of each IND before clinical trials may begin. This waiting period is designed to allow the FDA to review the IND to determine whether human research subjects will be exposed to unreasonable health risks. At any time during this 30-day period, the FDA may raise concerns or questions about the conduct of the clinical trials as outlined in the IND and impose a clinical hold. In this case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can begin.

Following commencement of a clinical trial under an IND, the FDA may also place a clinical hold or partial clinical hold on that clinical trial. A clinical hold is an order issued by the FDA to the sponsor to delay a proposed clinical investigation or to suspend an ongoing investigation. A partial clinical hold is a delay or suspension of only part of the clinical work requested under the IND. For example, a specific protocol or part of a protocol is not allowed to proceed, while other protocols may do so. No more than 30 days after imposition of a clinical hold or partial clinical hold, the FDA will provide the sponsor a written explanation of the basis for the hold. Following issuance of a clinical hold or partial clinical hold, an investigation may only resume after the FDA has notified the sponsor that the investigation may proceed. The FDA will base that determination on information provided by the sponsor correcting the deficiencies previously cited or otherwise satisfying the FDA that the investigation can proceed.

A sponsor may choose, but is not required, to conduct a foreign clinical study under an IND. When a foreign clinical study is conducted under an IND, all FDA IND requirements must be met unless waived. When the foreign clinical study is not conducted under an IND, the sponsor must ensure that the study complies with FDA certain regulatory requirements in order to use the study as support for an IND or application for marketing approval. Specifically, such studies must be conducted in accordance with good clinical practice, or GCP, including review and approval by an independent ethics committee, or IEC, and informed consent from subjects. The FDA's regulations are intended to help ensure the protection of human subjects enrolled in non-IND foreign clinical studies, as well as the quality and integrity of the resulting data. They further help ensure that non-IND foreign studies are conducted in a manner comparable to that required for IND studies.

In addition to the foregoing IND requirements, an IRB representing each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution, and the IRB must conduct continuing review and reapprove the study at least annually. The IRB must review and approve, among other things, the study protocol and informed consent information to be provided to study subjects. An IRB must operate in compliance with FDA regulations. An IRB can suspend or terminate approval of a clinical trial at its institution, or an institution it represents, if the clinical trial is not being conducted in accordance with the IRB's requirements or if the product candidate has been associated with unexpected serious harm to patients.

Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the trial sponsor, known as a data safety monitoring board or committee. This group provides authorization for whether or not a clinical trial may move forward at designated check points based on access that only the group maintains to available data from the study. Suspension or termination of development during any phase of clinical trials can occur if it is determined that the participants or patients are being exposed to an unacceptable health risk. Other reasons for suspension or termination may be made by us based on evolving business objectives and/or competitive climate.

Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health, or NIH, for public dissemination on its ClinicalTrials.gov website.

### ***Human Clinical Trials in Support of an NDA***

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include, among other things, the requirement that all research subjects provide their informed consent in writing before their participation in any clinical trial. Clinical trials are conducted in accordance with written study protocols detailing, among other things, study objectives, participant inclusion and exclusion criteria, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined:

- Phase I. The drug is initially introduced into healthy human subjects or, in certain indications such as cancer, patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness and to determine optimal dosage.
- Phase II. The drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage.
- Phase III. The drug is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to establish the overall risk-benefit profile of the product and to provide adequate information for the labeling of the product.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if serious adverse events occur. In addition, IND safety reports must be submitted to the FDA for any of the following: serious and unexpected suspected adverse reactions; findings from other studies or animal or *in vitro* testing that suggest a significant risk in humans exposed to the drug; and any clinically important increase in the case of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. Phase I, Phase II and Phase III clinical trials might not be completed successfully within any specified period, or at all. Furthermore, the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution, or an institution it represents, if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. The FDA will typically inspect one or more clinical sites to assure compliance with GCP and the integrity of the clinical data submitted.

Concurrent with clinical trials, companies often complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the drug candidate and, among other things, must develop methods for testing the identity, strength, quality, purity, and potency of the final drug. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the drug candidate does not undergo unacceptable deterioration over its shelf life.

### ***Submission of an NDA to the FDA***

Assuming successful completion of required clinical testing and other requirements, the results of the preclinical studies and clinical trials, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA requesting approval to market the drug product for one or more indications. Under federal law, the submission of most NDAs is subject to an application user fee, which for federal fiscal year 2021 is \$2.9 million for an application requiring clinical data. The sponsor of an approved NDA is also subject to an annual prescription drug program fee, which for fiscal year 2021 is \$0.3 million. Certain exceptions and waivers are available for some of these fees, such as an exception from the application fee for drugs with orphan designation and a waiver for certain small businesses. Eyenovia is currently eligible for a waiver of the application fees under the small business provisions.

The FDA conducts a preliminary review of an NDA within 60 days of its receipt and informs the sponsor by the 74th day after the FDA's receipt of the submission to determine whether the application is sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA has agreed to certain performance goals in the review process of NDAs. Most such applications are meant to be reviewed within 10 months from the date of filing, and most applications for "priority review" products are meant to be reviewed within six months of filing. For applications of drug products that are not new molecular entities, FDA aims to conduct standard reviews within 10 months of receipt of the NDA and priority reviews within six months of receipt of the NDA. The review process may be extended by the FDA for three additional months to consider new information or clarification provided by the applicant to address an outstanding deficiency identified by the FDA following the original submission.

Before approving an NDA, the FDA typically will inspect the facility or facilities where the product is or will be manufactured. These pre-approval inspections may cover all facilities associated with an NDA submission, including drug component manufacturing (such as active pharmaceutical ingredients), finished drug product manufacturing, and control testing laboratories. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP.

In addition, as a condition of approval, the FDA may require an applicant to develop a REMS. REMS use risk minimization strategies beyond the professional labeling to ensure that the benefits of the product outweigh the potential risks. To determine whether a REMS is needed, the FDA will consider the size of the population likely to use the product, seriousness of the disease, expected benefit of the product, expected duration of treatment, seriousness of known or potential adverse events, and whether the product is a new molecular entity. REMS can include medication guides, physician communication plans for healthcare professionals, and elements to assure safe use, or ETASU. ETASU may include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The FDA may require a REMS before approval or post-approval if it becomes aware of a serious risk associated with use of the product. The requirement for a REMS can materially affect the potential market and profitability of a product.

The FDA may refer an application for a novel drug to an advisory committee or explain why such referral was not made. Typically, an advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

### ***The FDA's Decision on an NDA***

On the basis of the FDA's evaluation of the NDA and accompanying information, including the results of the inspection of the manufacturing facilities, the FDA may issue an approval letter or a complete response letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. If and when those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the NDA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

If the FDA approves a product, it may limit the approved indications for use for the product, require that contraindications, warnings or precautions be included in the product labeling, require that post-approval studies, including Phase IV clinical trials, be conducted to further assess the drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms, including REMS, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-market studies or surveillance programs. After approval, many types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements and FDA review and approval.

### ***Post-Approval Requirements***

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;

- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

In addition, the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution.

### ***Section 505(b)(2) NDAs***

NDAs for most new drug products are based on two full clinical trials which must contain substantial evidence of the safety and efficacy of the proposed new product. These applications are submitted under Section 505(b)(1) of the FDCA. The FDA is, however, authorized to approve an alternative type of NDA under Section 505(b)(2) of the FDCA. This type of application allows the applicant to rely, in part, on the FDA's previous findings of safety and efficacy for a similar product, or published literature. Specifically, Section 505(b)(2) applies to NDAs for a drug for which the investigations made to show whether or not the drug is safe for use and effective in use and relied upon by the applicant for approval of the application "were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted."

Thus, Section 505(b)(2) authorizes the FDA to approve an NDA based on safety and effectiveness data that were not developed by the applicant. NDAs filed under Section 505(b)(2) may provide an alternate and potentially more expeditious pathway to FDA approval for new or improved formulations or new uses of previously approved products. If the Section 505(b)(2) applicant can establish that reliance on the FDA's previous approval is scientifically appropriate, the applicant may eliminate the need to conduct certain preclinical studies or clinical trials of the new product. The FDA may also require companies to perform additional studies or measurements to support the change from the approved product. The FDA may then approve the new drug candidate for all or some of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant.

### ***Abbreviated New Drug Applications for Generic Drugs***

In 1984, with passage of the Hatch-Waxman Amendments to the FDCA, Congress authorized the FDA to approve generic drugs that are the same as drugs previously approved by the FDA under the NDA provisions of the statute. To obtain approval of a generic drug, an applicant must submit an abbreviated new drug application, or ANDA, to the agency. In support of such applications, a generic manufacturer may rely on the preclinical and clinical testing previously conducted for a drug product previously approved under an NDA, known as the reference-listed drug, or RLD.

Specifically, in order for an ANDA to be approved, the FDA must find that the generic version is identical to the RLD with respect to the active ingredients, the route of administration, the dosage form, and the strength of the drug. At the same time, the FDA must also determine that the generic drug is "bioequivalent" to the innovator drug. Under the statute, a generic drug is bioequivalent to an RLD if "the rate and extent of absorption of the drug do not show a significant difference from the rate and extent of absorption of the listed drug."

Upon approval of an ANDA, the FDA indicates whether the generic product is “therapeutically equivalent” to the RLD in its publication Approved Drug Products with Therapeutic Equivalence Evaluations, also referred to as the Orange Book. Clinicians and pharmacists consider a therapeutic equivalent generic drug to be fully substitutable for the RLD. In addition, by operation of certain state laws and numerous health insurance programs, the FDA’s designation of therapeutic equivalence often results in substitution of the generic drug without the knowledge or consent of either the prescribing clinicians or patient.

Under the Hatch-Waxman Amendments, the FDA might not approve an ANDA until any applicable period of non-patent exclusivity for the RLD has expired. The FDCA provides a period of five years of non-patent data exclusivity for a new drug containing a new chemical entity. For the purposes of this provision, a new chemical entity, or NCE, is a drug that contains no active moiety that has previously been approved by the FDA in any other NDA. An active moiety is the molecule or ion responsible for the physiological or pharmacological action of the drug substance. In cases where such NCE exclusivity has been granted, an ANDA may not be filed with the FDA until the expiration of five years unless the submission is accompanied by a Paragraph IV certification, in which case the applicant may submit its application four years following the original product approval.

The FDCA also provides for a period of three years of exclusivity if the NDA includes reports of one or more new clinical investigations, other than bioavailability or bioequivalence studies, that were conducted by or for the applicant and are essential to the approval of the application. This three-year exclusivity period often protects changes to a previously approved drug product, such as a new dosage form, route of administration, combination or indication. Three-year exclusivity would be available for a drug product that contains a previously approved active moiety, provided the statutory requirement for a new clinical investigation is satisfied. Unlike five-year NCE exclusivity, an award of three-year exclusivity does not block the FDA from accepting ANDAs seeking approval for generic versions of the drug as of the date of approval of the original drug product. The FDA typically makes decisions about awards of data exclusivity shortly before a product is approved.

#### ***Hatch-Waxman Patent Certification and the 30-Month Stay***

Upon approval of an NDA or a supplement thereto, NDA sponsors are required to list with the FDA each patent with claims that cover the applicant’s product or an approved method of using the product. Each of the patents listed by the NDA sponsor is published in the Orange Book. When an ANDA applicant files its application with the FDA, the applicant is required to certify to the FDA concerning any patents listed for the reference product in the Orange Book, except for patents covering methods of use for which the ANDA applicant is not seeking approval. To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would.

Specifically, the applicant must certify with respect to each patent that:

- the required patent information has not been filed;
- the listed patent has expired;
- the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or
- the listed patent is invalid, unenforceable or will not be infringed by the new product.

A certification that the new product will not infringe the already approved product’s listed patents or that such patents are invalid or unenforceable is called a Paragraph IV certification. If the applicant does not challenge the listed patents or indicates that it is not seeking approval of a patented method of use, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired (other than method of use patents involving indications for which the ANDA applicant is not seeking approval).

If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days after the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA until the earlier of 30 months after the receipt of the Paragraph IV notice, expiration of the patent, or a decision in the infringement case that is favorable to the ANDA applicant.

To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would. As a result, approval of a Section 505(b)(2) NDA can be stalled until all the listed patents claiming the referenced product have expired, until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired, and, in the case of a Paragraph IV certification and subsequent patent infringement suit, until the earlier of 30 months, settlement of the lawsuit or a decision in the infringement case that is favorable to the Section 505(b)(2) applicant.

### ***Pediatric Studies and Exclusivity***

Under the Pediatric Research Equity Act of 2003, an NDA or supplement thereto must contain data that are adequate to assess the safety and effectiveness of the drug product for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. With enactment of the Food and Drug Administration Safety and Innovation Act, or FDASIA, in 2012, sponsors must also submit pediatric study plans prior to the assessment data. Those plans must contain an outline of the proposed pediatric study or studies the applicant plans to conduct, including study objectives and design, any deferral or waiver requests, and other information required by regulation. The applicant, the FDA, and the FDA's internal review committee must then review the information submitted, consult with each other, and agree upon a final plan. The FDA or the applicant may request an amendment to the plan at any time.

The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. Additional requirements and procedures relating to deferral requests and requests for extension of deferrals are contained in FDASIA. Unless otherwise required by regulation, the pediatric data requirements do not apply to products with orphan designation.

Pediatric exclusivity is another type of non-patent marketing exclusivity in the United States and, if granted, provides for the attachment of an additional six months of marketing protection to the term of any existing regulatory exclusivity, including the non-patent and orphan exclusivity. This six-month exclusivity may be granted if an NDA sponsor submits pediatric data that fairly respond to a written request from the FDA for such data. The data do not need to show the product to be effective in the pediatric population studied; rather, if the clinical trial is deemed to fairly respond to the FDA's request, the additional protection is granted. If reports of requested pediatric studies are submitted to and accepted by the FDA within the statutory time limits, whatever statutory or regulatory periods of exclusivity or patent protection cover the product are extended by six months. This is not a patent term extension, but it effectively extends the regulatory period during which the FDA cannot approve another application.

### ***Patent Term Restoration and Extension***

A patent claiming a new drug product may be eligible for a limited patent term extension under the Hatch-Waxman Amendments, which permits a patent restoration of up to five years for patent term lost during product development and the FDA regulatory review. The restoration period granted is typically one-half the time between the effective date of an IND and the submission date of an NDA, plus the time between the submission date of an NDA and the ultimate approval date. Patent term restoration cannot be used to extend the remaining term of a patent past a total of 14 years from the product's approval date. Only one patent applicable to an approved drug product is eligible for the extension, and the application for the extension must be submitted prior to the expiration of the patent in question. A patent that covers multiple drugs for which approval is sought can only be extended in connection with one of the approvals. The USPTO reviews

and approves the application for any patent term extension or restoration in consultation with the FDA. We cannot provide any assurance that any patent term extension with respect to any U.S. patent will be obtained and, if obtained, the duration of such extension, in connection with any of our product candidates.

### ***The 21st Century Cures Act***

On December 13, 2016, President Obama signed the 21st Century Cures Act, or the Cures Act, into law. The Cures Act is designed to modernize and personalize healthcare, spur innovation and research, and streamline the discovery and development of new therapies through increased federal funding of particular programs. It authorizes increased funding for the FDA to spend on innovation projects. The new law also amends the Public Health Service Act, or the PHSA, to reauthorize and expand funding for the NIH. The Act establishes the NIH Innovation Fund to pay for the cost of development and implementation of a strategic plan, early stage investigators and research. It also charges NIH with leading and coordinating expanded pediatric research. Further, the Cures Act directs the Centers for Disease Control and Prevention to expand surveillance of neurological diseases.

With amendments to the FDCA and the PHSA, Title III of the Cures Act seeks to accelerate the discovery, development, and delivery of new medicines and medical technologies. To that end, and among other provisions, the Cures Act reauthorizes the existing priority review voucher program for certain drugs intended to treat rare pediatric diseases until 2020; creates a new priority review voucher program for drug applications determined to be material national security threat medical countermeasure applications; revises the FDCA to streamline review of combination product applications; requires FDA to evaluate the potential use of “real world evidence” to help support approval of new indications for approved drugs; provides a new “limited population” approval pathway for antibiotic and antifungal drugs intended to treat serious or life-threatening infections; and authorizes FDA to designate a drug as a “regenerative advanced therapy,” thereby making it eligible for certain expedited review and approval designations.

### **Review and Approval of Drug Products in the European Union**

In order to market any product outside of the United States, a company must also comply with numerous and varying regulatory requirements of other countries and jurisdictions regarding quality, safety and efficacy and governing, among other things, clinical trials, marketing authorization, commercial sales and distribution of products. Whether or not it obtains FDA approval for a product, the company would need to obtain the necessary approvals by the comparable foreign regulatory authorities before it can commence clinical trials or marketing of the product in those countries or jurisdictions. The approval process ultimately varies between countries and jurisdictions and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries and jurisdictions might differ from and be longer than that required to obtain FDA approval. Regulatory approval in one country or jurisdiction does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country or jurisdiction may negatively impact the regulatory process in others.

### ***Procedures Governing Approval of Drug Products in the European Union***

Pursuant to the European Clinical Trials Directive, a system for the approval of clinical trials in the European Union has been implemented through national legislation of the member states. Under this system, an applicant must obtain approval from the competent national authority of a European Union member state in which the clinical trial is to be conducted. Furthermore, the applicant may only start a clinical trial after a competent ethics committee has issued a favorable opinion. Clinical trial application must be accompanied by an investigational medicinal product dossier with supporting information prescribed by the European Clinical Trials Directive and corresponding national laws of the member states and further detailed in applicable guidance documents.

To obtain marketing approval of a product under European Union regulatory systems, an applicant must submit a marketing authorization application, or MAA, either under a centralized or decentralized procedure. The centralized procedure provides for the grant of a single marketing authorization by the European Commission that is valid for all European Union member states. The centralized procedure is compulsory for specific products, including for medicines produced by certain biotechnological processes, products designated as orphan medicinal products, advanced therapy products and products with a new

active substance indicated for the treatment of certain diseases. For products with a new active substance indicated for the treatment of other diseases and products that are highly innovative or for which a centralized process is in the interest of patients, the centralized procedure may be optional.

Under the centralized procedure, the Committee for Medicinal Products for Human Use, or the CHMP, established at the European Medicines Agency, or EMA, is responsible for conducting the initial assessment of a product. The CHMP is also responsible for several post-authorization and maintenance activities, such as the assessment of modifications or extensions to an existing marketing authorization. Under the centralized procedure in the European Union, the maximum timeframe for the evaluation of an MAA is 210 days, excluding clock stops, when additional information or written or oral explanation is to be provided by the applicant in response to questions of the CHMP. Accelerated evaluation might be granted by the CHMP in exceptional cases, when a medicinal product is of major interest from the point of view of public health and in particular from the viewpoint of therapeutic innovation. In this circumstance, the EMA ensures that the opinion of the CHMP is given within 150 days.

The decentralized procedure is available to applicants who wish to market a product in various European Union member states where such product has not received marketing approval in any European Union member states before. The decentralized procedure provides for approval by one or more other, or concerned, member states of an assessment of an application performed by one member state designated by the applicant, known as the reference member state. Under this procedure, an applicant submits an application based on identical dossiers and related materials, including a draft summary of product characteristics, and draft labeling and package leaflet, to the reference member state and concerned member states. The reference member state prepares a draft assessment report and drafts of the related materials within 210 days after receipt of a valid application. Within 90 days of receiving the reference member state's assessment report and related materials, each concerned member state must decide whether to approve the assessment report and related materials.

If a member state cannot approve the assessment report and related materials on the grounds of potential serious risk to public health, the disputed points are subject to a dispute resolution mechanism and may eventually be referred to the European Commission, whose decision is binding on all member states.

Within this framework, manufacturers may seek approval of hybrid medicinal products under Article 10(3) of Directive 2001/83/EC. Hybrid applications rely, in part, on information and data from a reference product and new data from appropriate preclinical tests and clinical trials. Such applications are necessary when the proposed product does not meet the strict definition of a generic medicinal product, or bioavailability studies cannot be used to demonstrate bioequivalence, or there are changes in the active substance(s), therapeutic indications, strength, pharmaceutical form or route of administration of the generic product compared to the reference medicinal product. In such cases the results of tests and clinical trials must be consistent with the data content standards required in the Annex to the Directive 2001/83/EC, as amended by Directive 2003/63/EC.

Hybrid medicinal product applications have automatic access to the centralized procedure when the reference product was authorized for marketing via that procedure. Where the reference product was authorized via the decentralized procedure, a hybrid application may be accepted for consideration under the centralized procedure if the applicant shows that the medicinal product constitutes a significant therapeutic, scientific or technical innovation, or the granting of a community authorization for the medicinal product is in the interest of patients at the community level.

### ***Clinical Trial Approval in the European Union***

Requirements for the conduct of clinical trials in the European Union including Good Clinical Practice, or GCP, are set forth in the Clinical Trials Directive 2001/20/EC and the GCP Directive 2005/28/EC. Pursuant to Directive 2001/20/EC and Directive 2005/28/EC, as amended, a system for the approval of clinical trials in the European Union has been implemented through national legislation of the E.U. member states. Under this system, approval must be obtained from the competent national authority of each E.U. member state in which a study is planned to be conducted. To this end, a clinical trial application is submitted, which must be supported by an investigational medicinal product dossier, or IMPD, and further supporting information prescribed by Directive 2001/20/EC and Directive 2005/28/EC and other applicable guidance documents.

Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application in that country.

In April 2014, the E.U. passed the new Clinical Trials Regulation, (EU) No 536/2014, which will replace the current Clinical Trials Directive 2001/20/EC. To ensure that the rules for clinical trials are identical throughout the European Union, the new E.U. clinical trials legislation was passed as a regulation that is directly applicable in all E.U. member states. All clinical trials performed in the European Union are required to be conducted in accordance with the Clinical Trials Directive 2001/20/EC until the new Clinical Trials Regulation (EU) No 536/2014 becomes applicable. According to the current plans of EMA, the new Clinical Trials Regulation will become applicable in 2019. The Clinical Trials Directive 2001/20/EC will, however, still apply three years from the date of entry into application of the Clinical Trials Regulation to (i) clinical trials applications submitted before the entry into application and (ii) clinical trials applications submitted within one year after the entry into application if the sponsor opts for old system.

The new Clinical Trials Regulation aims to simplify and streamline the approval of clinical trial in the European Union. The main characteristics of the regulation include: a streamlined application procedure via a single entry point, the E.U. portal; a single set of documents to be prepared and submitted for the application as well as simplified reporting procedures that will spare sponsors from submitting broadly identical information separately to various bodies and different member states; a harmonized procedure for the assessment of applications for clinical trials, which is divided in two parts (Part I is assessed jointly by all member states concerned, and Part II is assessed separately by each member state concerned); strictly defined deadlines for the assessment of clinical trial applications; and the involvement of the ethics committees in the assessment procedure in accordance with the national law of the member state concerned but within the overall timelines defined by the Clinical Trials Regulation.

#### ***Periods of Authorization and Renewals***

Marketing authorization is valid for five years in principle and the marketing authorization may be renewed after five years on the basis of a re-evaluation of the risk-benefit balance by the EMA or by the competent authority of the authorizing member state. To this end, the marketing authorization holder must provide the EMA or the competent authority with a consolidated version of the file in respect of quality, safety and efficacy, including all variations introduced since the marketing authorization was granted, at least six months before the marketing authorization ceases to be valid. Once renewed, the marketing authorization is valid for an unlimited period, unless the European Commission or the competent authority decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal. Any authorization which is not followed by the actual placing of the drug on the European Union market (in case of centralized procedure) or on the market of the authorizing member state within three years after authorization ceases to be valid (the so-called sunset clause).

#### ***Data and Market Exclusivity in the European Union***

In the European Union, new chemical entities qualify for eight years of data exclusivity upon marketing authorization and an additional two years of market exclusivity. This data exclusivity, if granted, prevents regulatory authorities in the European Union from referencing the innovator's data to assess a generic (abbreviated) application for eight years, after which generic marketing authorization can be submitted, and the innovator's data may be referenced, but not approved for two years. The overall 10-year period will be extended to a maximum of 11 years if, during the first eight years of those 10 years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies. Even if a compound is considered to be a new chemical entity and the sponsor is able to gain the prescribed period of data exclusivity, another company nevertheless could also market another version of the product if such company can complete a full MAA with a complete database of pharmaceutical test, preclinical tests and clinical trials and obtain marketing approval of its product.

#### ***Regulatory Requirements after Marketing Authorization***

As in the United States, both marketing authorization holders and manufacturers of medicinal products are subject to comprehensive regulatory oversight by the EMA and the competent authorities of

the individual E.U. Member States both before and after grant of the manufacturing and marketing authorizations. The holder of an E.U. marketing authorization for a medicinal product must, for example, comply with E.U. pharmacovigilance legislation and its related regulations and guidelines which entail many requirements for conducting pharmacovigilance, or the assessment and monitoring of the safety of medicinal products. The manufacturing process for medicinal products in the European Union is also highly regulated and regulators may shut down manufacturing facilities that they believe do not comply with regulations. Manufacturing requires a manufacturing authorization, and the manufacturing authorization holder must comply with various requirements set out in the applicable E.U. laws, including compliance with E.U. cGMP standards when manufacturing medicinal products and active pharmaceutical ingredients.

In the European Union, the advertising and promotion of approved products are subject to E.U. Member States' laws governing promotion of medicinal products, interactions with clinicians, misleading and comparative advertising and unfair commercial practices. In addition, other legislation adopted by individual E.U. Member States may apply to the advertising and promotion of medicinal products. These laws require that promotional materials and advertising in relation to medicinal products comply with the product's Summary of Product Characteristics, or SmPC, as approved by the competent authorities. Promotion of a medicinal product that does not comply with the SmPC is considered to constitute off-label promotion, which is prohibited in the European Union.

### **Pharmaceutical Coverage, Pricing and Reimbursement**

Our MydCombi and MicroLine product candidates are intended as “cash pay” and therefore are not likely subject to the significant uncertainty that exists as to the coverage and reimbursement status of products approved by the FDA and other government authorities. The sales of MicroPine, however, would likely depend in part on the extent to which third-party payors, including government health programs in the United States such as Medicare and Medicaid, commercial health insurers and managed care organizations, provide coverage, and establish adequate reimbursement levels for, such products. The process for determining whether a payor will provide coverage for a product may be separate from the process for setting the price or reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors are increasingly challenging the prices charged, examining the medical necessity, and reviewing the cost-effectiveness of medical products and services and imposing controls to manage costs. Third-party payors may limit coverage to specific products on an approved list, or formulary, which might not include all of the approved products for a particular indication.

In order to secure coverage and reimbursement for any product that might be approved for sale, a company may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product, in addition to the costs required to obtain FDA or other comparable regulatory approvals. Nonetheless, product candidates might not be considered medically necessary or cost effective. Additionally, a payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. Third-party reimbursement might not be sufficient to maintain price levels high enough to realize an appropriate return on investment in product development.

The containment of healthcare costs also has become a priority of federal, state and foreign governments and the prices of drugs have been a focus in this effort. Governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit a company's revenue generated from the sale of any approved products. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which a company or its collaborators receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Outside the United States, ensuring adequate coverage and payment for our product candidates will face challenges. Pricing of prescription pharmaceuticals is subject to governmental control in many countries. Pricing negotiations with governmental authorities can extend well beyond the receipt of regulatory marketing approval for a product and may require us to conduct a clinical trial that compares the cost

effectiveness of our product candidates or products to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in our commercialization efforts.

In the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that drug products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular drug candidate to currently available therapies. For example, the European Union provides options for its member states to restrict the range of drug products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. European Union member states may approve a specific price for a drug product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the drug product on the market. Other member states allow companies to fix their own prices for drug products, but monitor and control company profits. The downward pressure on healthcare costs in general, particularly prescription drugs, has become intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert competitive pressure that may reduce pricing within a country. Any country that has price controls or reimbursement limitations for drug products might not allow favorable reimbursement and pricing arrangements.

### **Healthcare Law and Regulation**

Arrangements with healthcare providers, pharmacists, consultants, third-party payors and customers are subject to broadly applicable healthcare laws and regulations that may constrain our business and/or financial arrangements. Applicable federal and state healthcare laws and regulations include without limitation the following:

- the federal Anti-Kickback Statute, which prohibits persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, if one purpose of the remuneration is to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made, in whole or in part, under a federal healthcare program such as Medicare and Medicaid;
- the federal civil and criminal false claims laws, including the civil False Claims Act, and civil monetary penalties laws, which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal laws that prohibit, among other things, knowingly and willingly executing, or attempting to execute, a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, which amended HIPAA to impose additional obligations, including mandatory contractual terms regarding the privacy, security and transmission of individually identifiable health information;
- the federal transparency requirements known as the federal Physician Payments Sunshine Act, under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or the Affordable Care Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies to report annually to the Centers for Medicare & Medicaid Services, or CMS, within the United States Department of Health and Human Services, information related to payments and other transfers of value to clinicians and teaching hospitals and clinician ownership and investment interests; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to healthcare items or services that are reimbursed by non-governmental third-party payors, including private insurers.

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

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

### **Changes in the Healthcare Marketplace**

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. There have been several federal and state proposals during the last few years regarding the pricing of pharmaceutical and biopharmaceutical products, limiting coverage and reimbursement for drugs and other medical products, government control, and other changes to the healthcare system in the United States.

The Patient Protection and Affordable Care Act of 2010, or ACA, included provisions related to the coverage of and payment for prescription drugs under government healthcare programs. With regard to pharmaceutical products, among other things, the ACA was designed to expand and increase industry rebates for drugs covered under Medicaid programs, impose an annual fee on branded pharmaceutical manufacturers and make changes to the coverage requirements under the Medicare Part D program. Although the ACA continues to be the subject of various and ongoing repeal efforts, cost containment for prescription drugs will likely remain a priority under the incoming administration as efforts to curb drug prices enjoy relatively high levels of political support. Among the provisions of the ACA of importance to our potential drug candidates are:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic products, apportioned among these entities according to their market share in certain government healthcare programs, although this fee would not apply to sales of certain products approved exclusively for orphan indications;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expanded manufacturers' rebate liability under the Medicaid Drug Rebate Program by increasing the minimum rebate for both branded and generic drugs and revising the definition of "average manufacturer price," or AMP, for calculating and reporting Medicaid drug rebates on outpatient prescription drug prices and extending rebate liability to prescriptions for individuals enrolled in Medicare Advantage plans;
- addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- expanded the types of entities eligible for the 340B drug discount program;
- established the Medicare Part D coverage gap discount program by requiring manufacturers to provide a 50% point-of-sale-discount off the negotiated price of applicable brand drugs to eligible beneficiaries during their coverage gap period as a condition for the manufacturers' outpatient drugs to be covered under Medicare Part D;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- the Independent Payment Advisory Board, or IPAB, which has authority to recommend certain changes to the Medicare program to reduce expenditures by the program that could result in reduced payments for prescription drugs. However, the IPAB implementation has been not been clearly defined. The ACA provided that under certain circumstances, IPAB recommendations will become law unless Congress enacts legislation that will achieve the same or greater Medicare cost savings; and
- established the Center for Medicare and Medicaid Innovation within CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Pharmaceutical pricing was a focus of the Trump administration, which also continued efforts to repeal the ACA. It remains to be seen, however, what direction the new Biden administration will take, and what

impact it will have on the availability and cost of healthcare goods and services. The elimination of the ACA's individual mandate, which imposed penalties to individuals who failed to obtain insurance coverage, could ultimately result in fewer individuals having health insurance coverage, which changes to the ACA's minimum coverage requirements may lead to policies with less generous benefits. While the timing and scope of any potential future legislation to repeal and replace ACA provisions is highly uncertain in many respects, it is also possible that some of the ACA provisions that generally are not favorable for the research-based pharmaceutical industry could also be repealed along with ACA coverage expansion provisions.

### **Employees**

As of March 29, 2021, we had 31 full-time and 3 part-time employees. We also engage various consultants and contractors.

### **Available Information**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge on our website at [www.eyenovia.com](http://www.eyenovia.com) as soon as reasonably practicable after electronically filing or furnishing such material to the SEC. The SEC maintains a website ([www.sec.gov](http://www.sec.gov)) that includes our reports, proxy statements and other information.

## Item 1A. Risk Factors.

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this report, including our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the market price of our common stock could decline and you might lose all or part of your investment.*

### **RISKS RELATED TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL**

***We might not be able to continue as a going concern which would likely cause our stockholders to lose most or all of their investment.***

Our audited financial statements for the year ended December 31, 2020 were prepared under the assumption that we would continue as a going concern. However, our independent registered public accounting firm included a “going concern” explanatory paragraph in its report on our financial statements for the year ended December 31, 2020, indicating that, without additional sources of funding, our cash at December 31, 2020 is not sufficient for us to operate as a going concern for a period of at least one year from the date that the financial statements included in this Annual Report on Form 10-K are issued. Management’s plans concerning these matters, including our need to raise additional capital, are described in Note 2 — Summary of Significant Accounting Policies — Liquidity and Going Concern of our financial statements included within this Annual Report on Form 10-K, however, management cannot assure you that its plans will be successful. In light of the foregoing, there is substantial doubt about our ability to continue as a going concern. If we cannot continue as a viable entity, our stockholders would likely lose most or all of their investment in us.

***We will need to raise additional capital in order to continue developing our product candidates and to potentially manufacture and commercialize them. Such funding might not be available on acceptable terms, or at all. Failure to obtain this necessary capital may force us to delay, limit or terminate certain of our product development and commercialization efforts or to continue operations.***

We require substantial additional funding to continue our research and development activities. We also need substantial funding to advance potential manufacturing and commercialization, and fund our operating expenses and other activities into next year. If additional capital is not available when needed, including because of general market conditions, we may need to significantly scale back or reprioritize our research and development activities, manufacturing and commercialization plans, and potentially even cease our operations.

We will require substantial funds to discover, develop, protect and conduct research and development for our product candidates, including preclinical testing for future product candidates and clinical trials of any of our product candidates, and to potentially manufacture and market any such product that may be approved for commercial sale. Even if we are successful in raising additional capital, such funds may prove to be insufficient for these activities. Our financing needs may change substantially because of research and development, manufacturing and commercialization-related costs, competition, clinical trials and costs arising from additional regulatory approvals. We might not succeed in raising needed additional funds. The timing of our need for additional funds will depend on a number of factors, which factors are difficult to predict or may be outside of our control, including:

- the resources, time and costs required to initiate and complete research and development, to initiate and complete preclinical studies and clinical trials and to obtain regulatory approvals for our product candidates;
- progress in our research and development programs;
- the timing, receipt and amount of milestone, royalty and other payments from any current or future collaborators, if any; and
- costs necessary to protect our intellectual property.

If our estimates and predictions relating to any of these factors are incorrect, we may need to modify our operating plan. Additional funds might not be available to us on acceptable terms, or at all, when needed.

***Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies.***

Until such time as we can generate substantial product revenues, we may attempt to finance our cash needs through equity offerings, debt financings, government and/or other third-party grants or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our investors' ownership interest will be diluted. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable to obtain funding on a timely basis, we may be required to significantly curtail one or more clinical research or development programs or delay manufacturing and commercialization plans, which would adversely impact potential revenues, results of operations and our financial condition.

If we raise additional capital through future collaborations, strategic alliances or third-party licensing arrangements, we may have to relinquish valuable rights to our intellectual property, future revenue streams, research programs or product candidates, or grant licenses on terms that might not be favorable to us.

***We have incurred operating losses since our inception. We expect to continue to incur losses for the foreseeable future and might never achieve or maintain profitability.***

We have incurred net losses of approximately \$77.4 million since inception, have not generated any product sales revenue and have not achieved profitable operations. Our net losses were approximately \$19.8 million and \$21.2 million for the years ended December 31, 2020 and 2019, respectively. We expect to continue to incur substantial losses in future periods while we continue to test and prepare our product candidates for the market. It could be a year or more, if ever, before we have a commercialized drug. The net losses we incur may fluctuate significantly from quarter to quarter and year to year. We anticipate that our expenses will increase substantially if, and as, we:

- continue the ongoing development of our product candidates;
- seek marketing approvals for our current and future product candidates that successfully complete clinical trials;
- continue to develop a sales, marketing and distribution infrastructure to commercialize any product candidate for which we may obtain marketing approval;
- develop, maintain, expand and protect our intellectual property portfolio;
- implement additional operational, financial and management systems; and
- attract, hire and retain additional administrative, clinical, regulatory and scientific personnel; and
- initiate preclinical studies and clinical trials for any additional product candidates that we may pursue in the future;

Even if we are able to generate revenues from the sale of our potential products, we might not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce our operations. Even if we do achieve profitability, we might not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, expand our business or continue our operations. In addition, because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses, or when, or if, we will be able to achieve or maintain profitability.

***Our relatively short operating history may make it difficult for investors to evaluate the success of our business to date and to assess our future viability.***

We are a clinical stage company which commenced active operations in 2014. Our operations to date have been primarily limited to organizing and staffing our company, business planning, raising capital and developing our product candidates. Additionally, during the year ended December 31, 2020, we entered into licensing agreements with Bausch Health, for the development and commercialization of MicroPine in the United States and Canada, and Arctic Vision, for the development and commercialization of MicroPine and MicroLine in Greater China and South Korea. We also submitted an NDA for Mydcombi for pharmacologic mydriasis and initiated our Phase III Chaperone studies for presbyopia. However, we have not yet demonstrated our ability to obtain marketing approval, manufacture a commercial scale product or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. We will need to transition from a company with a product development focus to a company capable of supporting commercial and manufacturing activities in the near future. We might not be successful in such a transition. In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors during such transition. Consequently, any predictions about our future success or viability might not be as accurate as they could be if we had a longer operating history.

***If we are unable to use carryforward tax losses or benefit from favorable tax legislation to reduce our taxes, our business, results of operations and financial condition may be adversely affected.***

We have incurred significant net operating losses since our inception in July 2014. As of December 31, 2020, we had federal net operating loss carry-forwards of approximately \$60.0 million, of which, approximately \$10.8 million will expire at various dates from 2034 to 2037 for federal purposes. If we are unable to use carryforward tax losses to reduce our future taxable basis for corporate tax purposes, our business, results of operations and financial condition may be adversely affected.

Net operating loss and tax credit carry-forwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities and may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant stockholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. Pre-July 15, 2019, net operating loss carryforwards of approximately \$35,000,000 are subject to an annual limitation of approximately \$918,000.

The federal and state income tax returns are generally subject to tax examinations. To the extent we have tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state tax authorities to the extent utilized in a future period. Any unfavorable tax adjustment could have a significant impact on our results of operations and future cash flows. Furthermore, if the United States government decides to eliminate, or reduce the scope or the rate of any tax benefit, either of which it could decide to do at any time, our results of operations could be adversely affected.

## **RISKS RELATED TO DEVELOPMENT AND COMMERCIALIZATION OF OUR PRODUCT CANDIDATES**

***We or our licensees may encounter substantial delays in or failure of our clinical trials.***

If the clinical trials that we or our licensees are required to conduct to gain regulatory approval are delayed or unsuccessful, we might not be able to market our product candidates. Additionally, because our product candidates are based on new technologies, we expect that our human clinical trials will require extensive research and development and have substantial manufacturing and processing costs. Accordingly, our clinical trial costs could be significantly higher than other conventional therapeutic technologies or drug products and could be delayed if we do not have adequate means to fund them.

We may experience delays in any phase of the development and commercial launch of our product candidates, including during research and development and clinical trials. Conducting a clinical trial is time-consuming and expensive, particularly human clinical trials, and the outcome of any clinical trial is

uncertain. The completion of any of these clinical trials may be delayed or halted for numerous reasons, including, but not limited to, the following:

- patients do not enroll in our clinical trials (including due to any adverse impacts of the coronavirus pandemic and resulting social distancing and shelter in place orders) or results from patients are not received at the expected rate;
- patients discontinue participation in a clinical trial prior to the scheduled endpoint set forth in the clinical protocol at a higher than expected rate, especially if such discontinuations interfere with our ability to assess the efficacy of our drug candidate;
- patients experience adverse events from our treatment;
- patients get hurt during a clinical trial for a variety of reasons that might not be related to our product candidates, including the advanced stage of their disease and other medical problems;
- third-party clinical investigators do not perform the clinical trials in accordance with the anticipated schedule or consistent with the clinical trial protocol and good clinical practices or other third-party organizations do not perform data collection and analysis in a timely or accurate manner;
- the FDA, IRBs, European Union regulatory authorities, or the European Medicines Agency, and national authorities, or other regulatory authorities do not approve a clinical trial protocol or place a clinical trial on hold;
- enrollment and sample size of our clinical trials may be substantially different than estimated which may lead to longer timelines and larger expenses;
- third-party clinical investigators engage in activities that, even if not directly associated with our clinical trials, result in their debarment, loss of licensure, or other legal or regulatory sanction;
- regulatory inspections of manufacturing facilities, which may, among other things, require us to undertake corrective action or suspend the clinical trials;
- changes in governmental regulations or administrative actions;
- the interim results of the clinical trial, if any, are inconclusive or negative; and
- the study design, although approved and completed, is inadequate to demonstrate effectiveness and safety.

Our dependence upon clinical trials in developing product candidates may impede them from reaching advanced stages of development and might prevent all or part of our commercial operations. To date, the situations regarding potential delays in research and development activities and clinical trials have yet to occur in a manner which adversely affects our research and development activities.

***We or our licensees may find it difficult to enroll or maintain participation of an adequate number of patients in our clinical trials, which could delay or prevent us or our licensees from proceeding with clinical trials of our product candidates.***

Identifying and qualifying patients to participate in our clinical trials is critical to our success. Patient enrollment depends on many factors, including the size and nature of the patient population, eligibility criteria for the clinical trial, the proximity of patients to clinical sites and their ability and willingness to participate in our trials (which may be adversely affected due to personal or environmental factors, including pandemics like COVID-19 and the resulting social distancing and shelter in place orders), the design of the clinical protocol, the availability of competing clinical trials, the availability of new drugs approved for the indication the clinical trial is investigating, and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies. Any inability to locate, enroll and maintain participation of a sufficient number of patients in our clinical trials would result in significant delays, could require us to abandon one or more clinical trials altogether and could delay or prevent our receipt of necessary regulatory approvals. Delays in our clinical trials may also result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

In addition, any negative results we may report in clinical trials of our product candidates may make it difficult or impossible to recruit and retain patients in other clinical trials of that same product candidate. Delays in the enrollment for any clinical trial of our product candidates will increase our costs, slow down our product development and approval process and delay or potentially jeopardize our ability to commence product sales and generate revenue. In addition, some of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

***We might not be able to develop marketable products utilizing our technology and we might not be able to identify and successfully implement an alternative product development strategy.***

The approach we have adopted to discover and develop product candidates is new and may never lead to marketable products. We have concentrated our efforts on developing therapeutic product candidates utilizing new advanced technology for drug delivery. To our knowledge, no person or company has developed any therapeutic product utilizing the same technology and no such ophthalmic micro-therapeutic product has been approved for marketing to date. We are leading a new field of ophthalmic micro-therapeutic research and development and the scientific discoveries that form the basis for our efforts to develop products are relatively new. The scientific evidence to support the feasibility of developing such products and treatments based on these discoveries is limited. Our focus solely on developing products utilizing our proprietary technology, as opposed to more traditional technology, increases the risks associated with investing in our stock. If we are unsuccessful in developing product candidates utilizing our technology or finding additional applications for our technology, we may be required to change the scope and direction of our product development activities. If we are not able to identify and successfully implement an alternative product development strategy, our business may fail.

***Even if we or our licensees complete the necessary preclinical studies for any new product candidates and clinical trials for certain of our existing product candidates, the marketing approval process is expensive, time-consuming and uncertain and may prevent us or our licensees from obtaining approvals for the commercialization of some of our product candidates. If we or our licensees are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we or our licensees would not be able to commercialize our product candidates, and our ability to generate revenue or receive licensing payments would be materially impaired.***

Our business depends on the success of our lead research and development programs, some of which will require additional clinical testing before we can seek regulatory approval and potentially launch commercial sales. In addition, we do not have any products that have gained regulatory approval. Our business and future success depends on our ability to obtain regulatory approval of and then successfully manufacture and commercialize our lead product candidates either alone or with our licensees. We are currently in Phase III clinical trials for MicroLine and MicroPine and our and our licensees ability to develop, obtain regulatory approval for, and successfully commercialize, these and any future product candidates will depend on several factors, including the following:

- further ascertaining the FDA's expectations with respect to the nonclinical and clinical testing requirements across our development programs;
- successful completion of our current clinical trials or any future clinical trials, which will depend substantially upon the satisfactory performance of third-party contractors;
- successful achievement of the objectives of planned clinical trials, including manufacturability qualification of devices;
- receipt of marketing approvals from the FDA, and similar regulatory authorities outside the United States;
- establishing commercial manufacturing and supply arrangements;
- establishing a manufacturing and commercial infrastructure;
- acceptance of the products by patients, the medical community and third-party payors;
- establishing market share while competing with other therapies;

- successfully executing any pricing and/or reimbursement strategy;
- a continued acceptable safety and adverse event profile of the products following regulatory approval; and
- qualifying for, identifying, registering, maintaining, enforcing and defending intellectual property rights and claims covering the products.

Our business strategy includes developing several pipeline product candidates over the next approximately 3-4 years which will require additional clinical development, regulatory review and approval in multiple jurisdictions, substantial investment, access to sufficient commercial manufacturing capacity and significant marketing efforts before we can generate any revenue from product sales. We are not permitted to market or promote any of our product candidates before we receive regulatory approval from the FDA or comparable foreign regulatory authorities, and we may never receive such regulatory approval for any of our product candidates. If we are unable to develop or receive marketing approval in a timely manner or at all, we could experience significant delays or an inability to commercialize the product, which would materially and adversely affect our business, financial condition and results of operations.

***Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial potential or result in significant negative consequences following any potential marketing approval.***

If our product candidates are associated with undesirable side effects or have characteristics that are unexpected, we may need to abandon our development or limit development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Any serious adverse or undesirable side effects identified during the development of our product candidates could interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications, and in turn prevent us from commercializing our product candidates and generating revenues from their sale. In addition, if any of our product candidates receive regulatory approval and we or others later identify undesirable adverse effects caused by the product, we could face one or more of the following consequences:

- regulatory authorities may require the addition of labeling statements, such as a boxed warning or a contraindication, or other safety labeling changes;
- regulatory authorities may require a Risk Evaluation and Mitigation Strategy;
- regulatory authorities may withdraw their approval of the product;
- regulatory authorities may seize the product;
- we may be required to change the way that the product is administered, or conduct additional clinical trials or we may need to recall the product;
- we may be subject to litigation or product liability claims fines, injunctions or criminal penalties; and
- our reputation may suffer.

***If the market opportunities for our product candidates are smaller than we believe they are, our product revenues may be adversely affected and our business may suffer.***

We are currently focusing efforts on our Mydcombi product, and we have licensed commercialization rights to MicroPine and MicroLine in Greater China (mainland China, Hong Kong, Macau and Taiwan) and South Korea to Arctic Vision (with Senju retaining such licensed rights in the rest of Asia) and to MicroPine in the United States and Canada to Bausch Health. Our understanding of both the number of people who have needs for our products, as well as the subset of people who have the potential to benefit from our product candidates in varying countries, are based on estimates in published literature. While we believe these estimates are reasonable, they may prove to be incorrect and new studies may reduce the estimated incidence or prevalence of mydriasis, progressive myopia and presbyopia. The number of patients in the United States and elsewhere may turn out to be lower than expected or these patients might not be otherwise amenable to our product candidates or may become increasingly difficult to identify and access, all of which would adversely affect our business, financial condition, results of operations and prospects.

***The commercial success of our product candidates will depend in large part on the degree of market acceptance among ophthalmologists and optometrists, patients, patient advocacy groups, third-party payors and the medical community.***

Even if we receive regulatory approval to market our product candidates, our product candidates might not gain market acceptance upon their commercial introduction, which could prevent us from becoming profitable.

We may have difficulties convincing the medical community, third-party payors and consumers to accept and use any of our product candidates that may be approved for commercialization in the future. Other factors that we believe will affect market acceptance of our product candidates include:

- the timing of our receipt of any marketing approvals, the terms of any approvals and the countries in which approvals are obtained;
- safety, efficacy and ease of administration of our product candidates;
- the success of physician education programs;
- the availability of any government and third-party payor reimbursement;
- the pricing of our product candidates, particularly as compared to alternative treatment methods and medications;
- the extent to which alternative treatment methods and medications are more readily available as compared to the availability of any product candidates that we may develop in the future; and
- the prevalence and severity of any adverse effects.

***Our licensing partners may fail to use commercially reasonable efforts to commercialize certain of our products.***

Our licensing partners are contractually obligated to use commercially reasonable efforts in the commercialization of the products for which they have negotiated a license. Uncovering that one or more of our partners is not using commercially reasonable efforts could take time to discover and time to remedy, during which the sales of our products candidates could be lower than we expect.

***We face competition in an environment of rapid technological change and the possibility that our competitors may achieve regulatory approval before us or develop therapies that are more advanced or effective than ours, may adversely affect our financial condition and our or our licensees ability to successfully market or commercialize our product candidates.***

The specialty pharma market is highly competitive. If we or our licensees are unable to compete effectively with any existing products, new treatment methods and new technologies, we may be unable to commercialize our current or any future therapeutic products.

The specialty pharma market is subject to rapid technological change and is significantly affected by existing rival products and medical procedures, new product introductions and the market activities of other participants. Pharmaceutical and biotechnology companies, academic institutions, governmental agencies and other public and private research organizations may pursue the research and development of technologies, drugs or other therapeutic products for the treatment of some or all of the diseases we are targeting. We may also face competition from products which have already been approved and accepted by the medical community for the treatment of these same indications.

As a result of any of the foregoing factors, our competitors may develop or commercialize products with significant advantages over any therapeutic products that we may develop. If our competitors are more successful in commercializing their products than we are, their success could adversely affect our competitive position and harm our business prospects.

***If we fail to establish and maintain effective manufacturing and distribution processes our business may be adversely affected.***

We have limited resources for the manufacturing, sales, marketing and distribution of drug products. To achieve commercial success for the product candidates for which we obtain marketing approval, we will

need to establish and maintain an adequate sales force, and additional manufacturing, marketing and distribution capabilities, either ourselves or through collaborations or other arrangements with third parties. In addition, failure to secure contracts with manufacturers, wholesalers, retailers, or specialty pharmacies could negatively impact the production and distribution of our potential products, and failure to coordinate financial systems could negatively impact our ability to accurately report product revenue. If we are unable to effectively establish and manage the manufacturing and distribution process, the commercial launch and sales of our potential products may be delayed or severely compromised and our results of operations may be harmed.

***We are exposed to the risk of claims seeking monetary damages by individuals and the risk of investigations by regulatory authorities, which could cause us to incur substantial liabilities and to limit commercialization of any products that we develop.***

We are exposed to the risk of claims seeking monetary damages being filed against us for loss or harm suffered by participants of our clinical trials or for loss or harm suffered by users of any drug that may receive approval for commercialization in the future. In either event, the FDA or the regulatory authorities of other countries or regions may commence investigations of the safety and effectiveness of any such clinical trial or commercialized drug, the manufacturing processes and facilities or marketing programs utilized in respect of any such clinical trial or drug. Such investigations may result in mandatory or voluntary recalls of any commercialized drug or other significant enforcement action such as limiting the indications for which any such drug may be used, or suspension or withdrawal of approval for any such drug. Investigations by the FDA or any other regulatory authority in other countries or regions also could delay or prevent the completion of any of our other clinical development programs.

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

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

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

Our insurance policies might not fully cover the risk of loss associated with our operations. We may need to increase our insurance coverage as we expand or undertake new our clinical trials for existing and future product candidates. We will need to further increase our insurance coverage if we commence commercialization of any of the product candidates for which we obtain marketing approval. Insurance coverage is increasingly expensive. We might not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. In the event that we are required to pay damages for any such claim, we may be forced to seek bankruptcy or to liquidate because our asset and revenue base may be insufficient to satisfy the payment of damages and any insurance that we have obtained or may obtain for product or clinical trial liability might not provide sufficient coverage against potential liabilities.

## **RISKS RELATED TO REGULATORY APPROVAL OF OUR PRODUCT CANDIDATES AND OTHER LEGAL COMPLIANCE MATTERS**

***If we or our licensees are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we might not be able to commercialize our product candidates, and our ability to generate revenue would be materially impaired.***

Our product candidates are subject to extensive and burdensome governmental regulations relating to product development, manufacturing, marketing and commercialization, and sale, in addition to the laws and regulations applicable to clinical trials. Rigorous preclinical testing and clinical trials and related regulatory approval processes are required in the United States and in many foreign jurisdictions before a new product may be offered or sold. Satisfaction of these and other regulatory requirements is costly, time-consuming, uncertain and subject to unanticipated delays.

In the United States, the product candidates we intend to develop and market are regulated by the FDA under its drug development and review process. The time required to obtain FDA and other approvals for our product candidates is unpredictable. Before such product candidates can be marketed, we must obtain FDA approval of an IND permitting the conduct of clinical trials, then we must successfully complete human testing, and the FDA must approve our NDA. Even after successful completion of clinical testing, there is a risk that the FDA may request further information from us, disagree with our findings or otherwise undertake a lengthy review of our submission.

It is possible that FDA will not approve any application we submit. It is possible that none of the product candidates that we may develop will obtain the appropriate regulatory approvals necessary for us to commence the offer and sale of such products. Any delay or failure in obtaining required approvals could have a material adverse effect on our ability to generate revenues from a particular prospective product.

***Failure to obtain marketing approval in foreign jurisdictions would prevent our product candidates from being marketed in such jurisdictions.***

Because we intend to market any therapy that we may develop in jurisdictions in addition to the United States, such as Canada, Asia, and possibly the European Union, we will likely incur the same costs or more in satisfying foreign regulatory requirements governing the conduct of clinical trials, manufacturing and marketing and commercialization of our product candidates. Approval by the FDA by itself does not assure approval by regulatory authorities outside the United States and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. Each of these foreign regulatory approval processes includes all of the risks associated with the FDA approval process, as well as risks attributable to having to satisfy local regulations within each of these foreign jurisdictions. In addition, any failure or delay in obtaining regulatory approval in one country may negatively affect the regulatory process in other countries. Our inability to obtain regulatory approval outside the United States may adversely compromise our business prospects.

***The terms of approvals, ongoing regulations and post-marketing restrictions for our products in the United States and other jurisdictions in which we have licensed our products may limit how we manufacture and market our products, which could materially impair our ability to generate revenue.***

Once marketing approval has been granted, an approved product and its manufacturer and marketer are subject to ongoing review and extensive regulation. Regulatory authorities, including the FDA in the United States and similar regulatory bodies in other jurisdictions in which we have licensed our products, closely regulate the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling and regulatory requirements. The FDA, and similar regulatory bodies in other jurisdictions in which we have licensed our products, impose stringent restrictions on manufacturers' communications regarding off-label use and if we do not restrict the marketing of our products only to their approved indications, we may be subject to enforcement action for off-label marketing. We, and any potential collaborators we may have in the future, must therefore comply with requirements concerning advertising and promotion for any of our products for

which we or our collaborators obtain marketing approval. Thus, if any of our product candidates receive marketing approval, the accompanying label may limit the approved use of our product, which could limit sales of the product.

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive requirements of the FDA and similar regulatory bodies in other jurisdictions in which we have licensed our products, including, for example, ensuring that quality control and manufacturing procedures conform to cGMP or similar requirements applicable to drug manufacturers, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, any contract manufacturers we may engage in the future, our future collaborators and their contract manufacturers will also be subject to other regulatory requirements, including submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements regarding the distribution of samples to clinicians, recordkeeping, and costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product such as the requirement to implement a risk evaluation and mitigation strategy. Our third party manufacturers' inability to satisfy the chemistry, manufacturing and control concerns of regulatory bodies such as the FDA would either prevent us from completing clinical trials or prevent us from obtaining regulatory approval for marketing, either of which would significantly compromise our business prospects.

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

Violations of the Food Drug and Cosmetics Act ("FDCA") relating to the promotion or manufacturing of drug products may lead to investigations by the FDA, Department of Justice, and/or state Attorneys General alleging violations of federal and state healthcare fraud and abuse laws, as well as state consumer protection laws in the United States and we face similar regulatory requirements in other jurisdictions in which we have licensed our products. In addition, later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

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

***We are subject to federal and state healthcare fraud and abuse laws, false claims laws and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.***

We are subject to various U.S. state and federal laws and regulations as well as those of certain foreign jurisdictions. Among the laws applicable to us are those related to fraud and abuse related to healthcare programs and services, including without limitation the federal anti-kickback statute, the federal False Claims

Act, the federal physician self-referral law, and the prohibition against beneficiary inducements, among others. Changes in these and other laws may require changes in our business to maintain compliance with legal requirements. Any finding of our failure to comply with such laws and regulations could have a material adverse effect on our business.

Our operations may be directly or indirectly affected by various U.S. federal and state healthcare fraud and abuse laws, including the federal anti-kickback statute, which prohibits any person from knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, in return for or to induce the referring, ordering, leasing, purchasing or arranging for or recommending the ordering, purchasing or leasing of an item or service for which payment may be made under U.S. federal healthcare programs, such as the Medicare and Medicaid programs. The U.S. federal anti-kickback statute is very broad in scope. In addition, violations of the federal anti-kickback statute can lead to prosecution under the federal False Claims Act, which imposes per-claim penalties up to nearly \$24,000 in addition to treble damages. Because of the potential for such substantial monetary penalties, those under investigation for potential or actual violations of the anti-kickback statute and the False Claims Act have a strong incentive to settle their cases with the government rather than risk litigation. For that reason, some provisions of these laws have not been uniformly or definitively interpreted by existing case law or regulations. In addition, many states have adopted laws similar to the U.S. federal anti-kickback statute, and some of these laws are broader than that statute in that their prohibitions are not limited to items or services paid for by a U.S. federal healthcare program but, instead, apply regardless of the source of payment. Violations of these laws could result in fines, imprisonment or exclusion from government-sponsored programs.

Additionally, our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which may expose us to criminal sanctions, civil penalties, program exclusion, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors play a primary role in the recommendation of any product candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we plan to market, sell and distribute products for which we obtain marketing approval.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and federal and state laws may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by the Health Insurance Portability and Accountability Act, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices might not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business are found to be out of compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

***Recently enacted and future legislation may affect our or our licensees' ability to commercialize our products and the prices we obtain for any products that are approved in the United States or foreign jurisdictions, which would harm our business.***

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could affect our ability to

profitably sell or commercialize our product candidates for which we obtain marketing approval. The pharmaceutical industry has been a particular focus of these efforts and have been significantly affected by legislative initiatives regarding pricing stability and transparency and other topics of reform. Current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any FDA approved product.

The United States Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the Medicare Modernization Act, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for clinician administered drugs. In addition, this legislation provided authority for limiting the number of drugs that will be covered in any therapeutic class. Cost reduction initiatives in this and similar legislation could decrease the coverage and price that we receive for any approved products. While the Medicare Modernization Act applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from changes in laws applicable to federal and state healthcare programs may result in similar reduction in payment from private payors.

As is discussed above, several provisions of the ACA are important to our business, including, without limitation, our ability to commercialize our product candidates and the prices we may obtain for any of our product candidates that are approved for sale. Provisions of the ACA that are potentially important to our business include:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic products;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- a new Medicare Part D coverage gap discount program, in which participating manufacturers must agree to offer 50% point-of-sale discounts off negotiated drug prices during the coverage gap period as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- expansion of healthcare fraud and abuse laws, including the federal False Claims Act and the federal Anti-Kickback Statute, and the addition of new government investigative powers, and enhanced penalties for noncompliance;
- extension of manufacturers' Medicaid rebate liability
- expansion of eligibility criteria for Medicaid programs; and
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. The Budget Control Act of 2011, for instance, included measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs ("Sequestration"). These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2027 unless additional Congressional action is taken. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These and similar laws, including ongoing legislative efforts to promote transparency and contain costs related to pharmaceutical prices, may result in additional reductions in Medicare and other third-party rates and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Continued efforts to reform the healthcare marketplace and delivery system could have an adverse effect on anticipated revenue from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop or commercialize product candidates. We expect that future reform efforts will continue to prioritize reductions in Medicare and other healthcare spending, more rigorous reimbursement criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product and/or the level of reimbursement physicians receive for administering any approved product we might bring to market. Reductions in reimbursement levels may negatively impact the prices we receive or the frequency with which any products we may develop are prescribed or administered. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors.

The cost of prescription pharmaceuticals has also been the subject of considerable discussion in the United States, members of both political parties continue to seek ways to address rising costs through new legislative and administrative measures. To date, there have been several laws passed in recent years aimed at curbing the cost of drugs, and additional legislation has been proposed on this subject. It is unclear how the incoming administration will seek to implement these and other measures.

The pricing of prescription pharmaceuticals is also subject to governmental controls outside the United States, which vary widely from country to country. As a result, we might obtain regulatory approval for a product in a particular country, but then be subjected to pricing regulations in that country that delay the commercial launch of the product and negatively impact the revenues able to be generated from the sale of the product in that country. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidates to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our ability to generate revenues and become profitable could be impaired.

***We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, be precluded from developing manufacturing and selling products outside the United States or be required to develop and implement costly compliance programs, which could adversely affect our business, results of operations and financial condition.***

We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, be precluded from developing manufacturing and selling products outside the United States or be required to develop and implement costly compliance programs, which could adversely affect our business, results of operations and financial condition.

Our operations are subject to anti-corruption laws, including the United States Foreign Corrupt Practices Act, or FCPA, and the United Kingdom Bribery Act 2010, or Bribery Act, which apply wherever we do business around the world. We may also become subject to local anti-corruption laws in countries where we may do business in the future, such as Canada's Corruption of Foreign Public Officials Act, the Criminal Law and Anti-unfair Competition Law of the People's Republic of China, the Hong Kong Prevention of Bribery Ordinance, and the Act on Preventing Bribery of Foreign Public Officials in International Business Transactions, or OECD Anti-Bribery Convention, enacted by the Organisation for Economic Co-operation and Development, and adopted by South Korea along with more than 40 other countries, and which is designed to criminalize bribery of public officials in connection with international business transactions. The Bribery Act, FCPA, the OECD Anti-Bribery Convention, and similar international treaties and various countries' local anti-corruption laws, referred to as Anti-Corruption Laws, generally prohibit us, our officers, and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. Compliance with the FCPA, for example, is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and

doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

We may in the future operate in jurisdictions that pose a high risk of potential violations of Anti-Corruption Laws, and we may participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under Anti-Corruption Laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. As we expand our operations outside of the United States, we will need to dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate.

We are also subject to other laws and regulations governing our potential international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations, collectively referred to as the Trade Control laws. In addition, various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-United States nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

We might not be completely effective in ensuring our compliance with all applicable Anti-Corruption Laws or other legal requirements, including Trade Control laws. If we are not in compliance with Anti-Corruption Laws or Trade Control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. The SEC also may suspend or bar issuers from trading securities on United States exchanges for violations of the FCPA's accounting provisions. Any investigation of any potential violations of Anti-Corruption Laws or Trade Control laws by U.K., U.S. or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

## **RISKS RELATED TO OUR BUSINESS OPERATIONS AND MANAGING GROWTH**

***We are highly dependent on the services of our senior management team, including our Chief Executive Officer and Chief Medical Officer, Dr. Ianchulev, and if we are not able to retain these members of our management team or recruit and retain additional management, clinical, scientific and sales personnel, our business will be harmed.***

We are highly dependent on our senior management team, including our Chief Executive Officer and Chief Medical Officer, Dr. Ianchulev. The employment agreements we have with our executive officers do not prevent such persons from terminating their employment with us at any time. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

In addition, we are dependent on our continued ability to attract, retain and motivate highly qualified additional management, clinical, scientific, and sales personnel. If we are not able to retain our management and to attract, on acceptable terms, additional qualified personnel necessary for the continued development of our business and commercialization of our product candidates, we might not be able to sustain our operations or grow.

We might not be able to attract or retain qualified personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses. Many of the other pharmaceutical companies that we compete against for qualified personnel and consultants have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these

characteristics may be more appealing to high-quality candidates and consultants than what we have to offer. If we are unable to continue to attract, retain and motivate high-quality personnel and consultants to accomplish our business objectives, the rate and success at which we can discover and develop drug candidates and our business will be limited and we may experience constraints on our development objectives.

Our future performance will also depend, in part, on our ability to successfully integrate newly hired executive officers into our management team and our ability to develop an effective working relationship among senior management. Our failure to integrate these individuals and create effective working relationships among.

***We have limited corporate infrastructure and may experience difficulties in managing growth.***

As of March 29, 2021, we had only 31 full time employees and we rely on third-party contractors for the provision of professional and other services. As our development and commercialization plans and strategies develop, we expect to need additional managerial, operational, sales, marketing, financial, legal and other resources. Our management may need to divert a disproportionate amount of its attention away from our day-to-day operations and devote a substantial amount of time to managing these growth activities. We might not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational inefficiencies, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of our current and potential future drug candidates. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and grow revenue could be reduced and we might not be able to implement our business strategy. Our future financial performance, our ability to commercialize drug candidates, develop a scalable infrastructure and compete effectively will depend, in part, on our ability to effectively manage any future growth.

***We rely upon information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cyber security incidents, could harm our ability to operate our business effectively.***

Our business operations could suffer in the event of system failure. Despite the implementation of security measures, our internal computer systems and those of our contract research organizations, and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and further development of our product candidates could be delayed.

## **RISKS RELATED TO OUR DEPENDENCE ON THIRD PARTIES**

***We have limited clinical trial experience. We rely upon third parties in conducting and managing our clinical trials, and those third parties might not perform satisfactorily, including failing to meet deadlines for the completion of such clinical trials.***

We have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals for our product candidates and, as part of our various licensing agreements, we rely on our licensees and certain other third parties for some of our clinical development activities. Reliance on third parties reduces our control over these activities and does not relieve us of our responsibilities. For example, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the clinical trial. Moreover, the FDA requires us to comply with standards, commonly referred to as good clinical practices for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. We are also required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database,

ClinicalTrials.gov, within specified timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions. If any third parties we engage do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we might not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be required to replace them, which may delay the affected clinical trial.

***We may need to contract with additional third parties for the manufacture of our product candidates, particularly for commercialization, just as we do to provide materials required for the production of the Optejet and for some of our current research and development activities. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or such quantities at an acceptable cost, which could delay, prevent or impair our development and commercialization efforts.***

We do not currently operate and might not be able to timely implement adequate internal manufacturing facilities for additional clinical or commercial production of our product candidates. In addition, we rely on a number of third parties for the supply of parts, formulations, active pharmaceutical ingredients, and other materials required for our research and development activities. If we are unable to establish adequate manufacturing processes internally or we are unable to reach and maintain agreements with third parties to help us, our research and development, manufacturing, and commercialization activities would be delayed.

We rely on third parties to provide the materials required for our research and development activities. Obtaining these materials can require various approvals as well as reaching a purchase or commercial agreement on acceptable terms with the provider of the materials. We might not be able to reach agreements with a sufficient number of suppliers or do so on acceptable terms. If we are unable to reach acceptable agreements with a sufficient number of suppliers of materials, our research and development activities will be delayed and our ability to implement our business plan will be compromised.

Our manufacturing process is complicated and expensive and it requires months of advance planning. We rely on a limited number of manufacturers for our current supply of product candidates and may need to rely on them extensively for adequate supply of our products during commercialization. If we were unable to acquire the necessary amount of deliverables to complete our clinical trials and ultimately commercialize our products, our progress could be delayed substantially.

Additional potential risks related to reliance on third-party manufacturers include:

- manufacturing delays if our third-party manufacturers are compromised due to environmental or political factors or health epidemics and pandemics such as the coronavirus, they do not satisfactorily perform according to the terms of their agreements with us, or they give greater priority to the supply of other products over our product candidates or otherwise;
- delays in obtaining regulatory approval for our product candidates, if our third-party manufacturers fail to satisfy or comply with regulatory requirements;
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us;
- the possible breach of the manufacturing agreement by the third party;
- product loss due to contamination, equipment failure or improper installation or operation of equipment or operator error;
- the failure of the third-party manufacturer to comply with applicable regulatory requirements; and
- the possible misappropriation of our proprietary information, including our trade secrets and know-how.

***If we, our service providers or our third-party manufacturers fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.***

If we, our service providers, or any third-party manufacturers fail to comply with laws regulating the protection of the environment and health and human safety, we could be subject to enforcement actions and our business prospects could be adversely affected.

Our research and development activities, and the research and development activities of our service providers and third-party manufacturers, may involve the use of hazardous materials and chemicals or the maintenance of various flammable and toxic chemicals. Failure to adequately handle and dispose of these materials could lead to liabilities for resulting damages, which could be substantial. We also may be subject to numerous environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of bio-hazardous materials.

If we, our service providers, or any third-party manufacturers fail to comply with applicable federal, state or foreign laws or regulations, we could be subject to enforcement actions, which could adversely affect our ability to develop, market and sell our product candidates successfully and could harm our reputation and lead to reduced acceptance of our product candidates. These enforcement actions may include:

- restrictions on, or prohibitions against, marketing our product candidates;
- restrictions on importation of our product candidates;
- suspension of review or refusal to approve new or pending applications;
- suspension or withdrawal of product approvals;
- product seizures;
- injunctions; and
- civil and criminal penalties and fines.

#### **RISKS RELATED TO OUR INTELLECTUAL PROPERTY AND POTENTIAL LITIGATION**

*Our success depends on our ability to protect our intellectual property and proprietary technology.*

Our success depends in large part on our ability to obtain and maintain patent, trade secret and other intellectual property protection in the United States and other countries with respect to our proprietary product candidates. If we do not adequately protect our intellectual property rights, competitors may be able to erode, negate or preempt any competitive advantage we may have, which could harm our business and ability to achieve profitability. To protect our proprietary position, we file patent applications in the United States and abroad related to our novel product candidates that are important to our business. The patent application and approval process is expensive and time-consuming and we might not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner.

If the scope of the patent protection we obtain is not sufficiently broad, we might not be able to prevent others from developing and commercializing technology and products similar or identical to ours. The degree of patent protection we require to successfully compete in the marketplace may be unavailable or severely limited in some cases and might not adequately protect our rights or permit us to gain or keep any competitive advantage. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, contractors and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability, and commercial value of our patent rights may be uncertain. Our pending and future patent applications might not result in patents being issued which protect our technology or product candidates or which effectively prevent others from commercializing competitive technologies and product candidates. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if

our patent applications issue as patents, they might not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. In addition, the laws of foreign countries might not protect our rights to the same extent or in the same manner as the laws of the United States. For example, patent laws in various jurisdictions, including significant commercial markets such as Europe, restrict the patentability of methods of treatment of the human body more than United States law does.

Some of our future patents and patent applications may be co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we would need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation might not be provided to us. Furthermore, we, or any future partners, collaborators, or licensees, may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, we may miss potential opportunities to strengthen our patent position. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***Our patents covering our proprietary technology maybe subject to challenge, narrowing, circumvention and invalidation by third parties.***

Any of our patents may be challenged, narrowed, circumvented, or invalidated by third parties. The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our patents may be challenged in the courts or patent offices in the United States and abroad. We may be subject to a third party preissuance submission of prior art to the USPTO or become involved in opposition, derivation, revocation, reexamination, post-grant and *inter partes* review, or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the USPTO to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge priority of invention or other features of patentability. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and product candidates. Such proceedings also may result in substantial cost and require significant time from our scientists and management, even if the eventual outcome is favorable to us.

In addition, our competitors and other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. For example, a third party may develop a competitive therapy that provides benefits similar to our product candidates but that uses a technology that falls outside the scope of our patent protection. Our competitors may also seek approval to market generic versions of any approved products and in connection with seeking such approval may claim that our patents are invalid, unenforceable or not infringed. In these circumstances, we may need to defend or assert our patents, or both, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or other agency with jurisdiction may find our patents invalid or unenforceable, or that our competitors are competing in a non-infringing manner. Thus, even if we have valid and enforceable patents, these patents still might not provide protection against competing products or processes sufficient to achieve our business objectives. If the patent protection provided by the patents and patent applications we hold or pursue with respect to our product candidates is not sufficiently broad to impede such competition, our ability to successfully commercialize our product candidates could be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***We cannot be sure that we were the first to make the technologies claimed in our patents or patent applications or that we were the first to file for patent protection.***

Assuming the other requirements for patentability are met, currently, the first to file a patent application is generally entitled to the patent. However, prior to March 16, 2013, in the United States, the first to invent was entitled to the patent. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Similarly, we cannot be certain that parties from whom we may license or purchase patent rights were the first to make relevant claimed inventions or were the first to file for patent protection for them. If third parties have filed patent applications on inventions claimed in our patents or applications on or before March 15, 2013, an interference proceeding in the United States can be initiated by such third parties to determine the first to invent any of the subject matter covered by the patent claims of our applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding in the United States can be initiated by such third parties to determine whether our invention was derived from theirs.

***The patent application process is subject to numerous risks and there can be no assurance that we will be successful in obtaining patents for which we have applied.***

Pending patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications. The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our future development partners will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case;
- the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance;
- patent applications might not result in any patents being issued;
- patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, narrowed, found to be unenforceable or otherwise might not provide any competitive advantage;
- our competitors, many of whom have substantially greater resources and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with or eliminate our ability to make, use, and sell our potential product candidates;
- there may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful, as a matter of public policy regarding worldwide health concerns; and
- countries other than the United States may have patent laws less favorable to patentees than those upheld by United States courts, allowing foreign competitors a better opportunity to create, develop and market competing product candidates.

Any of the foregoing events could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***It is difficult and costly to protect our intellectual property and our proprietary technologies, and we might not be able to ensure their protection.***

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection for the composition, use and structure of our products and product candidates, the methods used to manufacture them, the related therapeutic targets and associated methods of treatment as well as on successfully defending these patents against potential third-party challenges. Our ability to protect our products and product candidates from unauthorized making, using, selling, offering to sell or importing by third parties is dependent on the extent to which we have rights under valid and enforceable patents that cover these activities.

The ultimate determination by the USPTO or by a court or other trier of fact in the United States, or corresponding foreign national patent offices or courts, on whether a claim meets all requirements of patentability cannot be assured. Although we have conducted searches for third-party publications, patents and other information that may affect the patentability of claims in our various patent applications and patents, we cannot be certain that all relevant information has been identified. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or patent applications, in our licensed patents or patent applications or in third-party patents.

We cannot provide assurances that any of our patent applications will be found to be patentable, including over our own prior art patents, or will issue as patents. Neither can we make assurances as to the scope of any claims that may issue from our pending and future patent applications nor to the outcome of any proceedings by any potential third parties that could challenge the patentability, validity or enforceability of our patents and patent applications in the United States or foreign jurisdictions. Any such challenge, if successful, could limit patent protection for our products and product candidates and/or materially harm our business.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and might not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we might not be able to generate sufficient data to support full patent applications that protect the entire breadth of developments in one or more of our programs;
- it is possible that one or more of our pending patent applications will not become an issued patent or, if issued, that the patent(s) will be insufficient to protect our technology, provide us with a basis for commercially viable products or provide us with any competitive advantages;
- if our pending applications issue as patents, they may be challenged by third parties as not infringed, invalid or unenforceable under United States or foreign laws; or
- if issued, the patents under which we hold rights might not be valid or enforceable.

In addition, to the extent that we are unable to obtain and maintain patent protection for one of our products or product candidates or in the event that such patent protection expires, it may no longer be cost-effective to extend our portfolio by pursuing additional development of a product or product candidate for follow-on indications. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***Obtaining and maintaining patent protection of our technologies depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various non- U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

Under the terms of some of our licenses or future licenses, we may not have the ability to maintain or prosecute patents in the portfolio, and must therefore rely on third parties to comply with these requirements. Failure by us or our licensors to maintain protection of our patent portfolio could have a material adverse effect on our business, financial condition, results of operations, and prospects.

In addition, it is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example with respect to proper priority claims, inventorship, claim scope, or requests for patent term adjustments. If we fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If any of our present or future partners, collaborators, licensees, or licensors, are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form, preparation, prosecution, or enforcement of our patents or patent applications, such patents may be invalid and/or unenforceable, and such applications may never result in valid, enforceable patents. Any of these outcomes could impair our ability to prevent competition from third parties, which may have a material adverse effect on our business, financial condition, results of operations, and prospects.

***Patent terms may be inadequate to protect our competitive position on our products for an adequate amount of time and if we do not obtain protection under the Hatch-Waxman Amendments and similar non- U.S. legislation for extending the term of patents covering each of our product candidates, our business may be materially harmed.***

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. Various extensions may be available, however, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio might not provide us with adequate and continuing patent protection sufficient to exclude others from commercializing products similar to our product candidates.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments and similar legislation in the European Union. The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we might not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced and could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***Changes to the patent law in the United States or other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products.***

Our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. The Leahy-Smith America Invents Act, or the America Invents Act, reformed U.S. patent law in part by changing the U.S. patent system from a “first to invent” system to a “first inventor to file” system, expanding the definition of prior art, and developing a post-grant review system. This legislation changed U.S. patent law in a way that may weaken our ability to obtain patent protection in the United States for those applications filed after March 16, 2013.

Further, the America Invents Act created new procedures to challenge the validity of issued patents in the United States, including post-grant review and *inter partes* review proceedings, which some third parties have been using to cause the cancellation of selected or all claims of issued patents of competitors. For a patent with an effective filing date of March 16, 2013 or later, a petition for post-grant review can be filed by a third party in a nine-month window from issuance of the patent. A petition for *inter partes* review can be filed immediately following the issuance of a patent if the patent has an effective filing date prior to March 16, 2013. A petition for *inter partes* review can be filed after the nine-month period for filing a post-grant review petition has expired for a patent with an effective filing date of March 16, 2013 or later. Post-grant review proceedings can be brought on any ground of invalidity, whereas *inter partes* review proceedings can only raise an invalidity challenge based on published prior art and patents. These adversarial actions at the USPTO review patent claims without the presumption of validity afforded to U.S. patents in lawsuits in U.S. federal courts, and use a lower burden of proof than used in litigation in U.S. federal courts. Therefore, it is generally considered easier for a competitor or third party to have a U.S. patent invalidated in a USPTO post-grant review or *inter partes* review proceeding than invalidated in a litigation in a U.S. federal court. If any of our patents are challenged by a third party in such a USPTO proceeding, there is no guarantee that we, our licensors or collaborators will be successful in defending the patent, which would result in a loss of the challenged patent right to us.

In addition, recent court rulings in cases such as *Association for Molecular Pathology v. Myriad Genetics, Inc.*, *BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litigation*, *Promega Corp. v. Life Technologies Corp.* and *Abbvie Deutschland GmbH v. Janssen Biotech, Inc.* have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained. Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Any changes to patent law in the United States or other jurisdictions that impairs our ability to protect our product candidates could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***We might not be able to enforce our intellectual property rights throughout the world.***

Filing, prosecuting, enforcing and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some foreign countries can be less extensive than those in the United States. The requirements for patentability may differ in certain countries, particularly in developing countries; thus, even in countries where we do pursue patent protection, there can be no assurance that any patents will issue with claims that cover our products.

Moreover, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, including India, China and other developing countries, do not favor the enforcement of patents and other intellectual property rights. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we might not be able to prevent third parties from practicing our inventions in certain foreign countries. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop and market their own products and, further, may export otherwise infringing products to territories where we have patent protection, if our ability to enforce our patents to stop infringing activities is inadequate. These products may compete with our products, and our patents or other intellectual property rights might not be effective or sufficient to prevent them from competing.

Agreements through which we license patent rights might not give us sufficient rights to permit us to pursue enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents (or control of enforcement or defense) of such patent rights in all relevant jurisdictions as requirements may vary.

Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and resources from other aspects of our business. Moreover, such proceedings could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We might not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, might not be commercially meaningful. Furthermore, while we intend to protect our intellectual property rights in major markets for our products, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our products. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our product candidates.***

Our commercial success depends, in part, on our ability to develop, manufacture, market and sell our product candidates without infringing, misappropriating, or otherwise violating the intellectual property and other proprietary rights of third parties. Third parties may have U.S. and non-U.S. issued patents and pending patent applications relating to compounds, methods of manufacturing compounds and/or methods of use for the treatment of the disease indications for which we are developing our product candidates that may cover our product candidates or approach to complement inhibition. If any third-party patents or patent applications are found to cover our product candidates or their methods of use or manufacture, or our approach to complement inhibition, we might not be free to manufacture or market our product candidates as planned without obtaining a license, which might not be available on commercially reasonable terms, or at all.

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our product candidates, including interference and post-grant proceedings before the USPTO. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the composition, use or manufacture of our product candidates. We cannot guarantee that any of our patent searches or analyses including, but not limited to, the identification of relevant patents, the scope of patent claims or the expiration of relevant patents are complete or thorough, nor can we be certain that we have identified each and every patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our product candidates in any jurisdiction. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may be accused of infringing. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Accordingly, third parties may assert infringement claims against us based on intellectual property rights that exist now or arise in the future. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. The pharmaceutical and biotechnology industries have produced a significant number of patents, and it might not always be clear to industry participants, including us, which patents cover various types of products or methods of use or manufacture. The scope of protection afforded by a patent is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our product candidates, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we might not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could significantly harm our business and operating results. In addition, we might not have sufficient resources to bring these actions to a successful conclusion. Further, the outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of any adverse party. This is especially true in intellectual property cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree.

If we are found to infringe, misappropriate, or otherwise violate a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing product candidate or product. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or marketing the infringing product candidate or product. However, we might not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us; alternatively or additionally it could include terms that impede or destroy our ability to compete successfully in the commercial marketplace. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

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

Many of our current and former employees and our licensors' current and former employees, including our senior management, were previously employed at universities or at other biotechnology or pharmaceutical companies, including some which may be competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such third party. Litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license might not be available on commercially reasonable terms or at all. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our senior management and scientific personnel. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

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

Competitors may infringe, misappropriate, or otherwise violate our patents, trademarks, copyrights or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving one

or more of our patents could limit our ability to assert those patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Further, the outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of any adverse party. This is especially true in intellectual property cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which might not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could adversely affect the price of our common shares. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings. Any such litigation could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***If we fail to comply with our obligations under our existing and any future intellectual property licenses with third parties, we could lose license rights that are important to our business.***

We may be reliant upon licenses to certain patent rights and proprietary technology from third parties that are important or necessary to the development of our product candidates. These and other licenses might not provide exclusive rights to use such intellectual property and technology in all relevant fields of use and in all territories in which we may wish to develop or commercialize our technology and products in the future. As a result, we might not be able to prevent competitors from developing and commercializing competitive products in territories included in all of our licenses. Our licensors may have relied on third party consultants or collaborators or funds from third parties such that our licensors are not the sole and exclusive owners of the patents we in-license. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

In addition, the agreements under which we license patent rights might not give us control over patent prosecution or maintenance, so that we might not be able to control which claims or arguments are presented and might not be able to secure, maintain, or successfully enforce necessary or desirable patent protection from those patent rights. We cannot be certain that patent prosecution and maintenance activities by our licensors will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents. Even if we are permitted to pursue such enforcement or defense, we will require the cooperation of our licensors, and cannot guarantee that we would receive it and on what terms. We cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in any licensed patents. If we cannot obtain patent protection, or enforce existing or future patents against third parties, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Further, the agreements under which we currently license intellectual property or technology to or from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial conditions, results of operations, and prospects. Moreover, if disputes over intellectual property that we license prevent or impair our ability to maintain our licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and

commercialize the affected product candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects. Disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under current and any future collaborative development relationships;
- our diligence obligations under any license agreement and what activities satisfy such obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our license counterparties and us and our partners; and
- the priority of invention of patented technology.

In spite of our efforts, our license counterparties might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, which may remove our ability to develop and commercialize the product candidates and technology covered by these license agreements. If any in-licenses are terminated, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. It is possible that we may be unable to obtain any additional licenses that we require at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to redesign our product candidates, technology, or the methods for manufacturing them or to develop or license replacement technology, all of which might not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize the affected product candidates, which could harm our business, financial condition, results of operations, and prospects significantly. Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

***If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be negatively impacted and our business would be harmed.***

In addition to the protection afforded by patents, we also rely on trade secret protection for certain aspects of our intellectual property. However, trade secrets are difficult to protect. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, consultants, independent contractors, advisors, contract manufacturers, suppliers and other third parties. We also enter into confidentiality and invention or patent assignment agreements with employees and certain consultants. Any party with whom we have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we might not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret. Further, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such third party, or those to whom they communicate such technology or information, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***If our trademarks and trade names are not adequately protected, then we might not be able to build name recognition in our marks of interest and our business may be adversely affected.***

Our trademarks or trade names, including Optejet, may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We rely on both registration and common law protection for our trademarks. We might not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. During trademark registration proceedings, we may

receive rejections. Although we would be given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks might not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we might not be able to compete effectively and our business may be adversely affected.

## **RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK**

***Our management and members of our Board of Directors have the ability to substantially influence all matters submitted to stockholders for approval.***

As of March 29, 2021, our management and members of our Board of Directors, in the aggregate, beneficially owned shares representing approximately 18.0% of our capital stock. As a result, they can substantially influence all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons would substantially influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders desire or result in management of our company that our public stockholders disagree with.

***A significant portion of our total outstanding shares may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is performing well.***

Sales of a substantial number of shares of our common stock in the public market could occur at any time, subject to certain restrictions. These sales, or the perception in the market that holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of March 29, 2021, we had 25,623,577 shares of common stock outstanding, and 1,357,853 shares of common stock issuable upon exercise of warrants also issued in the March 2020 private placement, which may be resold without restriction.

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

The stock market historically has experienced extreme price and volume fluctuations, such as those seen in February 2020 as a result of concerns the coronavirus will impact the economy worldwide. As a result of this volatility and because the public market for our stock is new, you might not be able to sell your common stock at or above the price at which you purchase it. From our IPO in January 2018 through March 29, 2021, the per share trading price of our common stock has been as high as \$10.74 and as low as \$1.77. It might continue to fluctuate significantly in response to various factors, some of which are beyond our control. These factors include:

- general economic, industry and market conditions, including as a result of the coronavirus pandemic;
- our ability to successfully conduct clinical trials, submit NDAs and gain marketing approval for our product candidates;
- results of clinical trials of our product candidates or those of our competitors;
- the success of competitive products or technologies;
- commencing, maintaining, or terminating of licensing agreements and other collaborations;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates;

- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- our inability to obtain or delays in obtaining adequate product supply for any approved product or inability to do so at acceptable prices;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- significant lawsuits, including patent or stockholder litigation;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- the other factors described in this “Risk Factors” section.

***We have broad discretion in the use of our cash, including the net proceeds from our financings, and might not use them effectively.***

Our management will have broad discretion in the application of our cash, including the net proceeds from our December 2018, July 2019 and August 2020 public offerings of common stock, and March 2020 private placement, and could spend our cash in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest our cash, including the net proceeds from our financings, in a manner that does not produce income or that loses value.

***Our business is subject to changing regulations regarding corporate governance, disclosure controls, internal control over financial reporting, and other compliance areas that will increase both our costs and the risk of noncompliance.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Act, and the rules and regulations of our stock exchange. The requirements of these rules and regulations will increase our legal, accounting, and financial compliance costs, will make some activities more difficult, time-consuming, and costly, and may also place undue strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Commencing with our fiscal year ending December 31, 2018, we performed system and process evaluation and testing of our internal control over financial reporting so that management could report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 of the Sarbanes-Oxley Act requires that we incur substantial accounting expense and expend significant management efforts. Prior to our IPO, we had never been required to test our internal controls within a specified period.

We are required to disclose changes made to our internal control and procedures on a quarterly basis. However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until we are no longer an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act), if we take advantage of the exemption available under the JOBS Act to the auditor attestation requirement in Section 404(b) of the Sarbanes-Oxley Act. If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, the market price of our stock could decline and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC, or other regulatory authorities, which would require additional financial and management resources.

***Failure to develop and maintain adequate financial controls could cause us to have material weaknesses, which could adversely affect our operations and financial position.***

An internal control system, no matter how well-designed, cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we might not be able to produce timely and accurate financial statements. If that were to happen, the market price of our stock could decline and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC, or other regulatory authorities.

Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports filed with the SEC under Section 404 of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures or internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. Implementing any appropriate changes to our internal controls may require specific compliance training of our directors, officers, and employees, entail substantial costs in order to modify our existing accounting systems, and take a significant period of time to complete. Such changes may not be effective, however, in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In the event that we are not able to demonstrate compliance with Section 404 of the Sarbanes-Oxley Act in a timely manner, that our internal controls are perceived as inadequate, or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline.

***We are an “emerging growth company” and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.***

We are an emerging growth company. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards.

For as long as we continue to be an emerging growth company, we intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved, and exemptions from the requirements of auditor attestation reports on the effectiveness of our internal control over financial reporting. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of June 30 of that fiscal year, (ii) the end of the fiscal year in which we have total annual gross revenue of \$1.07 billion or more during such fiscal year, (iii) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period, or (iv) December 31, 2023.

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

Provisions in our certificate of incorporation, and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including

transactions in which you might otherwise receive a premium for your shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our Board of Directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board. Among other things, these provisions:

- allow the authorized number of our directors to be changed only by resolution adopted by a majority of our Board;
- limit the manner in which stockholders can remove directors from the Board, as may be permitted by law;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our Board;
- limit who may call stockholder meetings;
- authorize our Board to issue preferred stock without stockholder approval, which could be used to institute a stockholder rights plan, or so-called “poison pill,” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our Board; and
- require all stockholder action to take place at duly called stockholder meetings and disallow the ability of our stockholders to act by majority written consent.

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

***Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is, to the fullest extent permitted by law, the sole and exclusive forum for substantially all disputes between us and our stockholders. These choice of forum provisions could limit the ability of stockholders to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Unless we consent to the selection of an alternative forum, our certificate of incorporation provides that the Court of Chancery of the State of Delaware, or the Court of Chancery, will be, to the fullest extent permitted by law, the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees or agent to the Company or our stockholders; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or DGCL, or our certificate of incorporation or bylaws; any action to enforce or determine the validity of our certificate of incorporation or bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Since the choice of forum provisions are only applicable to “the fullest extent permitted by law,” as provided in our certificate of incorporation, the provisions do not designate the Court of Chancery as the exclusive forum for any derivative action or other claim for which the applicable statute creates exclusive jurisdiction in another forum. As such, the choice of forum provisions do not apply to any actions arising under the Securities Act of 1933, as amended or the Exchange Act.

These choice of forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provisions contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and operating results.

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

We have never declared or paid cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

***If securities analysts do not continue to publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.***

The trading market for our common stock will rely, in part, on the research and reports that industry or financial analysts publish about us or our business. If securities analysts do not continue coverage of us, the trading price of our stock could decrease. Additionally, if one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

#### **Item 1B. Unresolved Staff Comments.**

Smaller reporting companies such as us are not required to provide the information required by this Item.

#### **Item 2. Properties.**

Our principal executive offices are located in approximately 3,800 square feet of office space in New York City, NY. In addition, we lease approximately 1,000 square feet of office space in Reno, Nevada where we perform certain of our research and development activities. We also lease approximately 4,500 square feet for a planned commercial manufacturing facility in Redwood City, California and 120 square feet of office space in Newport Beach, California for clinical and marketing team offices.

We believe that our existing facilities are adequate to meet our current needs, and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

#### **Item 3. Legal Proceedings.**

None.

#### **Item 4. Mine Safety Disclosures.**

Not applicable.

#### **Executive Officers**

The following table sets forth information concerning our executive officers as of March 29, 2021:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Tsontcho Ianchulev, M.D., M.P.H.	47	Chief Executive Officer, Chief Medical Officer and Director
John Gandolfo	60	Chief Financial Officer and Secretary
Michael Rowe	59	Chief Operating Officer
Jennifer “Ginger” Clasby	67	Vice President of Regulatory and Clinical
Luke Clauson	43	Vice President, Research & Development, Manufacturing

**Dr. Ianchulev** has been serving as our Chief Executive Officer, Chief Medical Officer and a member of our Board of Directors since March 2014. From 2009 to 2016, he was the chief medical officer and the head of technology and business development for Transcend Medical, Inc. (acquired by Novartis AG (NYSE: NVS)/Alcon Inc. (NYSE: ALC)). Prior to that, while at Genentech, Inc. (previously NYSE: DNA, before going private in 2009), Dr. Ianchulev headed the ophthalmology research group and directed the development

and the FDA approval of Lucentis. Dr. Ianchulev currently serves as a director of the ASCRS Foundation, and is a member of the board of directors of Iantrek, Inc. and AEye, Inc. He was formerly chairman of the board of directors of ianTECH, Inc. from 2014 until its acquisition by Carl Zeiss Meditec AG (ETR: AFX) in December 2018. Dr. Ianchulev received his B.S. from the University of Rochester. He received both his M.D. and an M.P.H. from Harvard University and completed his specialty training at the Doheny Eye Institute. Currently, Dr. Ianchulev serves as a professor in the New York Eye and Ear Infirmary of Mount Sinai.

**John Gandolfo** has been serving as our Chief Financial Officer and Secretary since December 2017. Mr. Gandolfo has approximately 30 years of experience as a chief financial officer of multiple rapidly growing private and publicly held companies with a primary focus in the life sciences, healthcare and medical device areas. Mr. Gandolfo has had direct responsibility over capital raising, including five public offerings, financial management, mergers and acquisition transactions and SEC reporting throughout his professional career. Prior to joining Eyenovia, Mr. Gandolfo was Chief Financial Officer of Xtant Medical Holdings, Inc. (NYSE: XTNT) from July 2010 through August 2017. Prior to joining Xtant, he served as the Chief Financial Officer for Progenitor Cell Therapy, L.L.C., the global contract development and manufacturing services platform of the Hitachi Chemical Co., Ltd. (now known as Showa Denko Materials, Co., Ltd.) Regenerative Medicine Business Sector, represented in the United States by Hitachi Chemical Advanced Therapeutics Solutions, LLC (now known as Minaris Regenerative Medicine, LLC), a manufacturer of stem cell therapies, from January 2009 to June 2010. Prior to joining Progenitor, Mr. Gandolfo served as the Chief Financial Officer of Power Medical Interventions, Inc. (acquired by Covidien Public Limited Company, which was in turn acquired by Medtronic Public Limited Company (NYSE: MDT)), a publicly held developer and manufacturer of computerized surgical stapling and cutter systems, from January 2007 to January 2009. Prior to joining Power Medical Interventions, Mr. Gandolfo was the Chief Financial Officer of Bioject Medical Technologies Inc., a then publicly held supplier of needle-free drug delivery systems to the pharmaceutical and biotechnology industries, from September 2001 to May 2006, and he served on the Bioject's board of directors from September 2006 through May 2007. Prior to joining Bioject, Mr. Gandolfo was the Chief Financial Officer of Capital Access Network, Inc. (now known as CAN Capital, Inc.), a privately held specialty finance company, from 2000 through September 2001, and Xceed Software, Inc. (OTC: EXDW), an Internet consulting firm, from 1999 to 2000. From 1994 to 1999, Mr. Gandolfo was Chief Financial Officer and Chief Operating Officer of Impath, Inc., a then publicly held, cancer-focused healthcare information company. From 1987 through 1994, he was Chief Financial Officer of Medical Resources, Inc., a then publicly held manager of diagnostic imaging centers throughout the United States. Mr. Gandolfo currently serves on the board of directors and audit and compensation committees of Odyssey Group International, Inc. (OTC: ODYY) and on the board and audit committee of electroCore, Inc. (NASDAQ:ECOR). Mr. Gandolfo received his B.A. in business administration from Rutgers University. He is a certified public accountant (inactive status) who began his professional career at Price Waterhouse.

**Michael Rowe** has served as the Company's Chief Operating Officer since January 2021. Prior to that, he served as the Company's Vice President, Commercial since October 2019, having first joined the Company in July 2018 as Vice President, Marketing. From February 2016 to June 2018, Mr. Rowe was Senior Director of U.S. and Global Marketing, Ophthalmology at Aerie Pharmaceuticals, Inc. (NASDAQ: AERI), where he was responsible for the United States and international commercialization of glaucoma and ocular hypertension products. From July 2010 until February 2016, Mr. Rowe served in various strategic management roles at Allergan plc (since acquired by AbbVie Inc. (NYSE: ABBV)), most recently as the Head of Corporate Competitive Intelligence, where he supported multiple corporate strategic initiatives as well as strategic planning for the company's worldwide glaucoma franchise. Mr. Rowe also has held senior marketing roles at Bayer Healthcare Pharmaceuticals Inc., Women First HealthCare, Inc. (a former public company) and senior marketing and health economics roles at Pfizer Inc. (NYSE: PFE). Mr. Rowe received an M.S. from Rensselaer Polytechnic Institute and received a B.A. from The State University of New York at Stony Brook.

**Jennifer "Ginger" Clasby** has served as the Company's Vice President of Regulatory and Clinical since January 2021. Prior to that, she served as the Company's Vice President, Clinical Operations since September 2017. From July 2009 to May 2017, she served as Vice President, Clinical & Regulatory Affairs/ Quality Assurance at Transcend Medical, Inc. In that position, she was responsible for overseeing clinical operations and regulatory processes for the company's clinical trials in the United States, Europe and

Latin America, as well as worldwide regulatory affairs, quality assurance and compliance activities. She was also a pivotal executive with Promedica International, a contract research organization, from 1994 to 2009. Prior to that, Ms. Clasby worked with ophthalmic device companies American Medical Optics, a division of America Hospital Supply Corporation (currently known as Johnson & Johnson Vision Care, Inc.) and Optical Radiation Corporation (now part of EssilorLuxottica SA (Euronext Paris: EL)) in various roles for approximately 14 years in the areas of clinical affairs, manufacturing operations, marketing and sales. She has served on the University of California-Irvine Extension Life Science Advisory Committee and the Orange County Regulatory Affairs Discussion Group. She holds an M.S. degree in Industrial Engineering from Arizona State University and B.S. degrees in mathematics and physics from Guilford College.

**Luke Clauson** has been serving as our Vice President, Research & Development and Manufacturing since August 2017, as our Vice President, Research & Development. He founded a medical device-focused engineering development company, Innovative Drive Corporation, that has helped businesses of all sizes conceptualize and bring dozens of products to market, including several in ophthalmology, in 2004 and has been serving as its President since then. Mr. Clauson has been the President and a director of Inspire Products, Inc. since 2012 and also serves on the board of directors of Mimicmotion, Inc. From 2016 until 2018, he was Chief Operating Officer of ianTECH, Inc. From 2009 to 2016, Mr. Clauson was Vice President, Research & Development and Operations at Transcend Medical. He started his engineering career at Cardica, Inc. (now Dex Liquidating Co.), where he ultimately directed product development for the core anastomotic business. Mr. Clauson has extensive experience in designing, validating, achieving regulatory approval and scaling for commercialization with multiple products. He holds a B.Sc. in mechanical engineering from the University of California, Davis.

## PART II

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

#### **Market for Common Equity**

Our common stock trades on the Nasdaq Capital Market under the symbol “EYEN.”

Based upon information furnished by our transfer agent, at March 29, 2021, we had approximately 130 holders of record of our common stock.

#### **Dividend Policy**

We have never declared dividends on our equity securities, and currently do not plan to declare dividends on shares of our common stock in the foreseeable future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our Board of Directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our Board.

#### **Securities Authorized for Issuance under Equity Compensation Plans**

See Item 12 of this report for disclosure regarding securities authorized for issuance under equity compensation plans required by Item 201(d) of Regulation S-K.

#### **Recent Sales of Unregistered Securities**

None.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

### **Item 6. Selected Financial Data.**

Smaller reporting companies such as us are not required to provide the information required by this Item.

### **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation**

*The following discussion and analysis is based on, and should be read in conjunction with our financial statements for the years ended December 31, 2020 and 2019, which are included elsewhere in this Annual Report on Form 10-K. This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. These statements are often identified by the use of words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “estimate,” or “continue,” and similar expressions or variations. Actual results could differ materially because of the factors discussed in “Risk Factors” elsewhere in this Annual Report on Form 10-K, and other factors that we have not identified.*

#### **Overview**

We are a clinical stage ophthalmic company developing a pipeline of advanced therapeutics based on our proprietary microdose array print (MAP™) platform technology. We aim to achieve clinical microdosing of next-generation formulations of well-established ophthalmic pharmaceutical agents using our high-precision targeted ocular delivery system, branded the Optejet®, which has the potential to replace conventional eye dropper delivery and improve safety, tolerability, patient compliance and topical delivery success for ophthalmic eye treatments. In the clinic, the Optejet has demonstrated the ability to horizontally

deliver ophthalmic medication with a success rate significantly higher than traditional eye drops (~ 90% vs. ~ 50%). Our technology also can deliver up to a 75% reduction in ocular drug and preservative exposure and has demonstrated significant improvement in the therapeutic index in drugs used for mydriasis and IOP lowering through three Phase II and Phase III trials. Using the Optejet, we are developing the next generation of smart ophthalmic therapeutics which target new indications or new combinations where there are currently no comparable drug therapies approved by the U.S. Food and Drug Administration, or the FDA. Our microdose therapeutics follow the FDA-designated pharmaceutical registration and regulatory process. Our products are classified by the FDA as drugs, and not medical devices or drug-device combination products. Our pipeline is currently focused on the late-stage development of microdosed medications for progressive myopia, presbyopia, and mydriasis.

MicroPine is our first-in-class topical therapy for the treatment of progressive myopia, a back-of-the-eye ocular disease associated with pathologic axial elongation and sclero-retinal stretching. In the United States, myopia is estimated to affect approximately 25 million children, with up to 5 million considered to be at risk for high myopia. In February 2019, the FDA accepted our investigational new drug application, or IND, to initiate a Phase III registration trial of MicroPine (the CHAPERONE study) to reduce the progression of myopia in children. We enrolled the first patient in the CHAPERONE study in June 2019. Due to the COVID-19 pandemic, we previously experienced delays in trial enrollment and initiation as a result of reduced clinical trial activities and operations at investigator sites. However, we have since been able to resume enrollment in the CHAPERONE study.

On October 9, 2020, we entered into the Bausch License Agreement, pursuant to which Bausch Health may develop and commercialize MicroPine in the United States and Canada. Under the terms of the Bausch License Agreement, we received an upfront payment of \$10.0 million and we may receive up to a total of \$35.0 million in additional payments, based on the achievement of certain regulatory and launch-based milestones. Bausch Health also will pay us royalties on a tiered basis (ranging from mid-single digit to mid-teen percentages) on gross profits from sales of MicroPine in the United States and Canada, subject to certain adjustments. Under the terms of the Bausch License Agreement, Bausch Health has assumed oversight and costs related to the ongoing CHAPERONE study.

MicroLine is our pharmacologic treatment for presbyopia. Presbyopia is a non-preventable, age-related hardening of the lens, which causes the gradual loss of the eye's ability to focus on nearby objects. There currently are no known FDA-approved drugs for the improvement of near vision in patients with presbyopia, although other companies have related therapies in their pipeline. We have two planned Phase III VISION trials for MicroLine, and initiated the first of these trials in December 2020.

On August 10, 2020, we entered into the Arctic Vision License Agreement, pursuant to which Arctic Vision may develop and commercialize MicroPine and MicroLine in Greater China (mainland China, Hong Kong, Macau and Taiwan) and South Korea. Under the terms of the Arctic Vision License Agreement, we received an upfront payment of \$4.0 million before any payments to Senju. In addition, we may receive up to a total of \$41.75 million in additional payments, based on various development and regulatory milestones, including the initiation of clinical research and approvals in Greater China and South Korea, and development costs. Arctic Vision also will purchase its supply of MicroPine and MicroLine from us or, for such products not supplied by us, pay us a mid-single digit percentage royalty on net sales of such products, subject to certain adjustments. We will pay a mid-double digit percentage of such payments, royalties, or net proceeds of such supply to Senju pursuant to the Senju License Agreement.

MicroStat (or Mydcombi™) is our fixed combination formulation of phenylephrine-tropicamide for mydriasis, designed to be a novel approach for the estimated 80 million office-based comprehensive eye exams performed every year in the United States. We have completed two Phase III trials for MicroStat and announced positive results from these studies, known as MIST-1 and MIST-2. In March 2021, the FDA accepted our NDA for MydCombi with an expected PDUFA date of October 28, 2021.

Historically, we have financed our operations principally through equity offerings, including our initial public offering, numerous public offerings in 2018, 2019 and August 2020, and our private placement that closed in March 2020. Recently we also have generated cash through licensing arrangements. Based upon our current operating plan, there is substantial doubt about our ability to continue as a going concern for a period of at least the next twelve months. Our ability to continue as a going concern depends on our ability

to raise additional capital, through the sale of equity or debt securities to support our future operations. If we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs.

Our net losses were \$19.8 million and \$21.2 million for the years ended December 31, 2020 and 2019. As of December 31, 2020, we had working capital and an accumulated deficit of \$15.2 million and \$77.4 million, respectively.

## **Financial Overview**

### Revenue and Cost of Revenue

In August and October 2020, we entered into the Arctic Vision License Agreement and Bausch License Agreement, respectively. Both of these agreements provide for the Company to earn revenue from an upfront licensing fee, the achievement of various development and regulatory milestones, and royalty income on sales of licensed products. Pursuant to the Senju License agreement, we will pay a mid-double digit percentage of such payments from the Arctic Vision License Agreement to Senju. See Note 9 — Commitments and Contingencies and Note 10 — Related Party Transactions.

### Research and Development Expenses

Research and development expenses are incurred in connection with the research and development of our microdose therapeutics and consist primarily of contract service expenses. Given where we are in our life cycle, we do not separately track research and development expenses by project. Our research and development expenses consist of:

- direct clinical and non-clinical expenses, which include expenses incurred under agreements with contract research organizations, contract manufacturing organizations, and costs associated with preclinical activities, development activities and regulatory activities;
- personnel-related expenses, which include expenses related to consulting agreements with individuals that have since entered into employment agreements with us as well as salaries and other compensation of employees that is attributable to research and development activities; and
- facilities and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, marketing, insurance and other supplies used in research and development activities.

We expense research and development costs as incurred. We record costs for some development activities, such as clinical trials, based on an evaluation of the progress to completion of specific tasks using data such as subject enrollment, clinical site activations or other information our vendors provide to us.

We expect that our research and development expenses will increase with the continuation of the aforementioned initiatives.

### General and Administrative Expenses

General and administrative expenses consist primarily of payroll and related expenses, legal and other professional services, and non-cash stock-based compensation expense. We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research and development and the potential commercialization of our product candidates. We also anticipate increased expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with our exchange listing and SEC requirements. In addition, director and officer insurance premiums and investor relations costs associated with being a public company are expected to increase in future periods.

## Results of Operations

### *Year Ended December 31, 2020 Compared with Year Ended December 31, 2019*

#### Revenue and Cost of Revenue

In August 2020, we received a \$4.0 million upfront payment under the Arctic Vision License Agreement, and made a related payment of \$1.6 million to Senju. This upfront payment has not yet met the revenue recognition criteria under U.S. GAAP, and has been recorded as \$4.0 million of deferred license fee and \$1.6 million of deferred cost of revenue. In October 2020, we received a \$10.0 million upfront payment under the Bausch Health License Agreement. This upfront payment has also not yet met the revenue recognition criteria under U.S. GAAP and has been recorded as \$10.0 million of deferred license fee. In December 2020, in connection with the achievement of a milestone under the Arctic Vision License Agreement, we recognized \$2.0 million of revenue, and accrued \$0.8 million of cost of revenue (due to Senju).

#### Research and Development Expenses

Research and development expenses for the year ended December 31, 2020 totaled \$13.3 million, a decrease of \$0.8 million, or 6%, as compared to \$14.1 million recorded for the year ended December 31, 2019. Research and development expenses consisted of the following:

	For the Year Ended December 31,	
	2020	2019
Direct clinical and non-clinical expenses . . . . .	\$ 6,717,452	\$ 7,830,488
Personnel-related expenses . . . . .	3,688,948	3,136,860
Supplies and materials . . . . .	1,438,928	1,666,284
Non-cash stock-based compensation expenses . . . . .	1,350,894	1,459,055
Other . . . . .	67,595	9,762
Total research and development expenses . . . . .	<u>\$13,263,817</u>	<u>\$14,102,449</u>

The decrease in direct clinical and non-clinical expenses is primarily due to cost reimbursements from Arctic Vision and Bausch Health (contra expense) and reduced activity due to COVID-19 austerity measures. The increase in personnel-related expenses is primarily due to new hires in the R&D group. The decrease in supplies and materials is primarily due to COVID-19 austerity measures. The decrease in stock-based compensation expense is primarily due to the timing of vesting of certain equity awards. The increase in other expense reflects the depreciation of additional equipment purchased for clinical trials.

#### General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2020 totaled \$7.7 million, an increase of \$0.5 million, or 7%, as compared to \$7.2 million recorded for the year ended December 31, 2019. The increase was primarily attributable to increases of \$0.2 million in payroll related expenses due to new hires, \$0.4 million in patent expense, and \$0.8 million in legal costs related to business development activities. This was offset by decreases of \$0.4 million in travel expense and \$0.2 million in meetings primarily due to COVID-19 austerity measures, as well as decreases of \$0.1 million in filing fees and \$0.1 million in consulting fees.

#### **Liquidity and Going Concern**

Since inception, we have experienced negative cash flows from operations. At December 31, 2020, our accumulated deficit since inception was \$77.4 million.

At December 31, 2020, we had a cash and cash equivalents balance of \$28.4 million, working capital of \$15.2 million and stockholders' equity of \$15.3 million.

At December 31, 2020, we had \$0.5 million of debt outstanding. On May 8, 2020, we received cash proceeds of \$463,353 pursuant to a loan provided in connection with the Paycheck Protection Program under the CARES Act (the “PPP Loan”). The PPP Loan provides for monthly installment payments of \$19,508 beginning in August 2021 with the remaining balance due on May 3, 2022, the maturity date. The PPP Loan bears interest at a fixed rate of 1.00% per annum.

These conditions raise substantial doubt about our ability to continue as a going concern for at least one year from the date that the financial statements included elsewhere in this Annual Report on Form 10-K are issued. Our financial statements do not include adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern. Our ability to continue as a going concern depends on our ability to raise additional capital through the sale of equity or debt securities to support our future operations. Our operating needs include the planned costs to operate our business, including amounts required to fund research and development activities including clinical studies, working capital and capital expenditures. Our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully commercialize our products and services, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings. If we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve our cash.

During the year ended December 31, 2020 and 2019, our sources and uses of cash were as follows:

Net cash used in operating activities for the year ended December 31, 2020 was \$6.4 million, which includes cash used to fund a net loss of \$19.8 million, reduced by \$2.6 million of non-cash expenses, offset by \$10.8 million of net cash provided by changes in the levels of operating assets and liabilities. Net cash used in operating activities for the year ended December 31, 2019 was \$18.9 million, which includes cash used to fund a net loss of \$21.2 million, reduced by \$2.5 million of non-cash expenses and \$0.3 million of net cash used in changes in the levels of operating assets and liabilities.

Net cash used in investing activities was \$0.3 million and \$0.2 million for the years ended December 31, 2020 and 2019, respectively, which was attributable to purchases of property and equipment.

Net cash provided by financing activities for the year ended December 31, 2020 totaled \$20.9 million, which was primarily attributable to \$12.4 million of net proceeds from the sale of common stock in our August 2020 public offering, \$5.6 million of net proceeds from the sale of common stock and warrants in our March 2020 private placement, \$2.9 million of proceeds from the exercise of warrants issued in our March 2020 private placement and options and \$0.5 million from the proceeds of the PPP Loan, offset by \$0.5 million from the repayment of notes payable. Net cash provided by financing activities for the year ended December 31, 2019 totaled \$13.5 million, which was primarily attributable to \$13.0 million of net proceeds from the sale of common stock in our July 2019 public offering and \$0.6 million of proceeds from the exercise of stock options.

### Risks and Uncertainties

Due to the COVID-19 pandemic, we previously experienced delays in trial enrollment and initiation of our Phase III registration trial of our MicroPine drug candidate (the CHAPERONE study) as a result of reduced clinical trial activities and operations at investigator sites. However, we have since been able to resume enrollment in that study.

### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements between us and any other entity that have, or are reasonably likely to have, a current or future effect on financial conditions, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

### **Critical Accounting Policies**

Our critical accounting policies are included in Note 2 — Summary of Significant Accounting Policies of our financial statements included within this Annual Report on Form 10-K.

## **Recently Issued Accounting Standards**

Our recently issued accounting standards are included in Note 2 — Summary of Significant Accounting Policies of our financial statements included within this Annual Report on Form 10-K.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Smaller reporting companies such as us are not required to provide the information required by this Item.

## **Item 8. Financial Statements and Supplementary Data.**

See the financial statements included at the end of this report beginning on page F-1.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

Not applicable.

## **Item 9A. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on their evaluation, our principal executive officer and principal financial and accounting officer concluded that as of December 31, 2020 our disclosure controls and procedures were designed to, and were effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosures as of December 31, 2020.

### **Management’s Report on Internal Control over Financial Reporting**

Our management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020, based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 Framework). Based on this evaluation under the 2013 Framework, our principal executive officer and principal financial officer have concluded that our internal control over financial reporting was effective as of December 31, 2020.

#### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting that occurred during the fourth quarter of 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Attestation Report of Registered Public Accounting Firm**

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to an exemption established by the JOBS Act for emerging growth companies.

#### **Item 9B. Other Information.**

None.

## PART III

### Item 10. Directors, Executive Officers, and Corporate Governance.

Information required by this Item concerning our directors is incorporated by reference from the sections captioned “Election of Directors” and “Corporate Governance Matters” contained in our proxy statement related to the 2021 Annual Meeting of Stockholders currently scheduled to be held on June 16, 2021, which we intend to file with the SEC within 120 days of the end of our fiscal year pursuant to General Instruction G(3) of Form 10-K.

The information required by this Item concerning our Audit Committee is incorporated by reference from the section captioned “Corporate Governance Matters — Board Committees — Audit Committee” contained in our proxy statement related to the 2021 Annual Meeting of Stockholders.

We have adopted a code of business conduct and ethics relating to the conduct of our business by all of our employees, executive officers, and directors. The policy is posted on our website, [www.eyenoviabio.com](http://www.eyenoviabio.com).

The information required by this Item concerning our executive officers is set forth at the end of Part I of this Annual Report on Form 10-K.

The information required by this Item concerning compliance with Section 16(a) of the Exchange Act is incorporated by reference from the section of the proxy statement captioned “Delinquent Section 16(a) Reports.”

### Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to the information under the sections captioned “Executive Compensation,” and “Director Compensation” in the proxy statement.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table provides information as of December 31, 2020 about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans (including individual arrangements):

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders:			
2014 Equity Incentive Plan, as amended . . . . .	1,140,630	\$2.88	15,333
Amended and Restated 2018 Omnibus Stock Incentive Plan . . . . .	2,423,993	3.57	502,853
Equity compensation plans not approved by security holders . . . . .	—	—	—
Total . . . . .	<u>3,564,623</u>	<u>\$3.34</u>	<u>518,186</u>

The other information required by this Item is incorporated by reference to the information under the section captioned “Security Ownership of Certain Beneficial Owners and Management” contained in the proxy statement.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item is incorporated by reference to the information under the section captioned “Certain Relationships and Related-Party Transactions” and “Corporate Governance Matters” in the proxy statement.

**Item 14. Principal Accounting Fees and Services.**

The information required by this Item is incorporated by reference to the information under the section captioned “Audit Committee Report” in the proxy statement.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

(a) List of documents filed as part of this report:

1. Financial Statements:

The financial statements of the Company and the related reports of the Company's independent registered public accounting firm thereon have been filed under Item 8 hereof.

2. Financial Statement Schedules:

None.

3. Exhibit Index

The following is a list of exhibits filed as part of this Annual Report on Form 10-K:

Exhibit Number	Exhibit Description	Incorporated by Reference (Unless Otherwise Indicated)			
		Form	File No.	Exhibit	Filing Date
3.1	Third Amended and Restated Certificate of Incorporation	8-K	001-38365	3.1	January 29, 2018
3.1.1	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation	8-K	001-38365	3.1.1	June 14, 2018
3.2	Amended and Restated Bylaws	8-K	001-38365	3.1	March 12, 2018
4.1	Description of Securities	—	—	—	Filed herewith
4.2	Form of Class A Warrant issued on March 24, 2020	8-K	001-38365	4.1	March 25, 2020
4.3	Form of Class B Warrant issued on March 24, 2020	8-K	001-38365	4.2	March 25, 2020
10.1	Exclusive License Agreement, dated March 18, 2015, between Eyenovia, Inc. and Senju Pharmaceutical Co., Ltd.	S-1	333-222162	10.1	December 19, 2017
10.1.1#	Amendment to the Exclusive License Agreement by and between Eyenovia, Inc. and Senju Pharmaceutical Co., Ltd., dated April 8, 2020	10-Q	001-38365	10.24	August 14, 2020
10.1.2#	Letter Agreement by and between Eyenovia, Inc. and Senju Pharmaceutical Co., Ltd., dated August 10, 2020	10-Q	001-38365	10.27	August 14, 2020
10.2*	Master Consulting Services Agreement, dated November 4, 2014, between Eyenovia, Inc. and Private Medical Equity, Inc.	S-1	333-222162	10.10	December 19, 2017
10.3*	Executive Employment Agreement, dated February 15, 2019, by and between the Company and Tsoncho Ianchulev.	8-K	001-38365	10.16	February 19, 2019
10.4*	Executive Employment Agreement, dated February 15, 2019, by and between the Company and John Gandolfo.	8-K	001-38365	10.17	February 19, 2019

Exhibit Number	Exhibit Description	Incorporated by Reference (Unless Otherwise Indicated)			
		Form	File No.	Exhibit	Filing Date
10.5*	Executive Employment Agreement, dated February 15, 2019, by and between the Company and Luke Clauson.	8-K	001-38365	10.18	February 19, 2019
10.6*	Executive Employment Agreement, dated February 15, 2019, by and between the Company and Michael Rowe.	8-K	001-38365	10.19	February 19, 2019
10.7*	Executive Employment Agreement, dated February 15, 2019, by and between the Company and Jennifer Clasby.	8-K	001-38365	10.20	February 19, 2019
10.8	Form of Nondisclosure, Assignment of Inventions and Noncompetition Agreement.	8-K	001-38365	10.21	February 19, 2019
10.9*	Eyenovia, Inc. 2014 Equity Incentive Plan, as amended.	S-8	333-233278	10.14	August 14, 2019
10.10*	Form of Nonqualified Stock Option Agreement.	S-8	333-23378	10.15	August 14, 2019
10.11	Registration Rights Agreement, dated March 23, 2020, between Eyenovia, Inc. and the investors named therein	8-K	001-38365	10.23	March 25, 2020
10.12	Promissory Note and Agreement dated May 3, 2020	8-K	001-38365	10.24	May 8, 2020
10.13*	Eyenovia, Inc. Amended and Restated 2018 Omnibus Stock Incentive Plan	8-K	001-38365	10.25	July 2, 2020
10.14*	Form of Notice of Stock Option Grant and Award Agreement	8-K	001-38365	10.14	June 14, 2018
10.15*	Form of Restricted Stock Award Agreement	8-K	001-38365	10.15	June 14, 2018
10.16#	License Agreement by and between Eyenovia, Inc. and Artic Vision (Hong Kong) Limited, dated August 10, 2020	10-Q	001-38365	10.28	August 14, 2020
10.17#	License Agreement by and between Eyenovia, Inc. and Bausch Health Ireland Limited, dated October 9, 2020.	8-K	001-38365	10.1	October 13, 2020
23.1	Consent of Marcum LLP	—	—	—	Filed herewith
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	Filed herewith
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	Filed herewith
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	Filed herewith
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	Filed herewith

Exhibit Number	Exhibit Description	Incorporated by Reference (Unless Otherwise Indicated)			
		Form	File No.	Exhibit	Filing Date
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Balance Sheets as of December 31, 2020 and 2019; (ii) Statements of Operations for the Years Ended December 31, 2020 and 2019; (iii) Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2020 and 2019; (iv) Statements of Cash Flows for the Years Ended December 31, 2020 and 2019; and (v) Notes to Financial Statements	—	—	—	Filed herewith

\* Management contract or other compensatory plan.

# Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).

**Item 16. Form 10-K Summary.**

None.

## SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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.

### EYENOVIA, INC.

Date: March 30, 2021

By: /s/ Tsontcho Ianchulev  
Tsontcho Ianchulev  
Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Tsontcho Ianchulev</u> Tsontcho Ianchulev	Chief Executive Officer (Principal Executive Officer) and Director	March 30, 2021
<u>/s/ John Gandolfo</u> John Gandolfo	Chief Financial Officer (Principal Financial and Accounting Officer)	March 30, 2021
<u>/s/ Fredric N. Eshelman</u> Fredric N. Eshelman	Chairman of the Board and Director	March 30, 2021
<u>/s/ Curt H. LaBelle</u> Curt H. LaBelle	Director	March 30, 2021
<u>/s/ Kenneth B. Lee, Jr.</u> Kenneth B. Lee, Jr.	Director	March 30, 2021
<u>/s/ Ernest Mario</u> Ernest Mario	Director	March 30, 2021
<u>/s/ Charles E. Mather IV</u> Charles E. Mather IV	Director	March 30, 2021
<u>/s/ Anthony Y. Sun</u> Anthony Y. Sun	Director	March 30, 2021

**EYENOVIA, INC.**  
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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of  
Eyenovia, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying balance sheets of Eyenovia, Inc. (the “Company”) as of December 31, 2020 and 2019, the related statements of operations, changes in stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America .

### **Explanatory Paragraph — Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations for a reasonable period of time, which is considered to be one year from the issuance of the financial statements. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2017.

New York, NY  
March 30, 2021

**EYENOVIA, INC.**

**Balance Sheets**

	December 31,	
	2020	2019
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents . . . . .	\$ 28,371,828	\$ 14,152,601
Deferred license costs . . . . .	1,600,000	—
License receivable . . . . .	2,966,039	—
Prepaid expenses and other current assets . . . . .	453,478	196,680
<b>Total Current Assets</b> . . . . .	<b>33,391,345</b>	<b>14,349,281</b>
Property and equipment, net . . . . .	396,380	230,538
Security deposit . . . . .	119,035	117,800
<b>Total Assets</b> . . . . .	<b>\$ 33,906,760</b>	<b>\$ 14,697,619</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable . . . . .	\$ 1,461,665	\$ 1,541,358
Accrued compensation . . . . .	1,150,672	916,873
Accrued expenses and other current liabilities . . . . .	1,480,692	453,430
Deferred rent – current portion . . . . .	7,809	—
Deferred license fee . . . . .	14,000,000	—
Notes payable – current portion . . . . .	97,539	—
<b>Total Current Liabilities</b> . . . . .	<b>18,198,377</b>	<b>2,911,661</b>
Deferred rent – non-current portion . . . . .	38,684	45,351
Notes payable – non-current portion . . . . .	365,814	—
<b>Total Liabilities</b> . . . . .	<b>18,602,875</b>	<b>2,957,012</b>
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, \$0.0001 par value, 6,000,000 shares authorized; 0 shares issued and outstanding as of December 31, 2020 and 2019, respectively . . . . .	—	—
Common stock, \$0.0001 par value, 90,000,000 shares authorized; 24,978,585 and 17,100,726 shares issued and outstanding as of December 31, 2020 and 2019, respectively . . . . .	2,498	1,710
Additional paid-in capital . . . . .	92,742,306	69,409,949
Accumulated deficit . . . . .	(77,440,919)	(57,671,052)
<b>Total Stockholders' Equity</b> . . . . .	<b>15,303,885</b>	<b>11,740,607</b>
<b>Total Liabilities and Stockholders' Equity</b> . . . . .	<b>\$ 33,906,760</b>	<b>\$ 14,697,619</b>

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

**EYENOVIA, INC.**  
**Statements of Operations**

	For the Years Ended December 31,	
	2020	2019
<b>Operating Income</b>		
Revenue . . . . .	\$ 2,000,000	\$ —
Cost of revenue . . . . .	(800,000)	—
Gross Profit . . . . .	1,200,000	—
<b>Operating Expenses:</b>		
Research and development . . . . .	13,263,817	14,102,449
General and administrative . . . . .	7,725,408	7,206,095
Total Operating Expenses . . . . .	20,989,225	21,308,544
Loss From Operations . . . . .	(19,789,225)	(21,308,544)
<b>Other Income (Expense):</b>		
Small Business Administration Economic Injury Disaster Grant . . . . .	10,000	—
Interest expense . . . . .	(17,042)	—
Interest income . . . . .	26,400	151,786
<b>Net Loss</b> . . . . .	\$(19,769,867)	\$(21,156,758)
Net Loss Per Share		
– Basic and Diluted . . . . .	\$ (0.94)	\$ (1.47)
Weighted Average Number of Common Shares Outstanding		
– Basic and Diluted . . . . .	21,054,706	14,349,738

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

EYENOVIA, INC.

Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2020 and 2019

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance – January 1, 2019</b> . . . . .	11,468,996	\$1,147	\$53,388,216	\$(36,514,294)	\$ 16,875,069
Issuance of common stock in public offering <sup>(1)</sup> . . . . .	5,046,763	505	12,958,070	—	12,958,575
Exercise of stock options on cashless basis . . . . .	236,466	24	(24)	—	—
Exercise of stock options . . . . .	348,501	34	551,743	—	551,777
Stock-based compensation . . . . .	—	—	2,511,944	—	2,511,944
Net loss . . . . .	—	—	—	(21,156,758)	(21,156,758)
<b>Balance – December 31, 2019</b> . . . . .	<u>17,100,726</u>	<u>1,710</u>	<u>69,409,949</u>	<u>(57,671,052)</u>	<u>11,740,607</u>
Issuance of common stock and warrants in private placement <sup>(2)</sup> . . .	2,675,293	267	5,451,475	—	5,451,742
Issuance of common stock in public offering <sup>(3)</sup> . . . . .	3,833,334	383	12,495,325	—	12,495,708
Exercise of stock warrants . . . . .	1,332,841	134	2,820,228	—	2,820,362
Exercise of stock options . . . . .	36,391	4	82,157	—	82,161
Stock-based compensation . . . . .	—	—	2,483,172	—	2,483,172
Net loss . . . . .	—	—	—	(19,769,867)	(19,769,867)
<b>Balance – December 31, 2020</b> . . . . .	<u>24,978,585</u>	<u>\$2,498</u>	<u>\$92,742,306</u>	<u>\$(77,440,919)</u>	<u>\$ 15,303,885</u>

(1) Includes gross proceeds of \$14,030,001, less total issuance costs of \$1,071,426.

(2) Includes gross proceeds of \$5,984,931, less total issuance costs of \$533,189.

(3) Includes gross proceeds of \$13,800,002, less total issuance costs of \$1,304,294.

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

**EYENOVIA, INC.**  
**Statements of Cash Flows**

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$(19,769,867)	\$(21,156,758)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	95,415	15,343
Stock-based compensation	2,483,172	2,511,944
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	218,418	(63,924)
License receivable	(2,966,039)	—
Deferred license costs	(1,600,000)	—
Accounts payable	(79,693)	31,834
Accrued compensation	233,799	4,769
Accrued expenses and other current liabilities	1,000,612	(266,283)
Deferred license fee	14,000,000	—
Security deposit	(1,235)	—
Deferred rent	1,142	3,767
<b>Net Cash Used In Operating Activities</b>	<b>(6,384,276)</b>	<b>(18,919,308)</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(261,257)	(166,643)
<b>Net Cash Used In Investing Activities</b>	<b>(261,257)</b>	<b>(166,643)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from sale of common stock in public offering <sup>(1)</sup>	—	13,214,949
Proceeds from sale of common stock and warrants in private placement <sup>(2)</sup>	5,569,136	—
Proceeds from sale of common stock in public offering <sup>(3)</sup>	12,734,002	—
Proceeds from exercise of stock warrants	2,820,362	—
Proceeds from PPP 7(a) Loan	463,353	—
Repayments of notes payable	(475,216)	—
Payment of offering issuance costs	(329,038)	(256,374)
Proceeds from exercise of stock options	82,161	551,777
<b>Net Cash Provided By Financing Activities</b>	<b>20,864,760</b>	<b>13,510,352</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>14,219,227</b>	<b>(5,575,599)</b>
<b>Cash and cash equivalents – Beginning of Year</b>	<b>14,152,601</b>	<b>19,728,200</b>
<b>Cash and cash equivalents – End of Year</b>	<b>\$ 28,371,828</b>	<b>\$ 14,152,601</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the periods for:		
Interest	\$ 13,974	\$ —
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Exercise of stock options on a cashless basis	\$ —	\$ 24
Accrued purchases of leasehold improvements	\$ —	\$ 42,500

- (1) Includes gross proceeds of \$14,030,001, less issuance costs of \$815,052 deducted directly from the offering proceeds.
- (2) Includes gross proceeds of \$5,984,931, less issuance costs of \$415,795 deducted directly from the private placement proceeds.
- (3) Includes gross proceeds of \$13,800,002, less issuance costs of \$1,066,000 deducted directly from the offering proceeds.

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

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 1 — Business Organization and Nature of Operations

Eyenovia, Inc. (“Eyenovia” or the “Company”) was organized as a corporation under the laws of the State of Florida on March 12, 2014 under the name, PGP Holdings V, Inc. On May 5, 2014, PGP Holdings V, Inc. changed its name to Eyenovia, Inc. On October 6, 2014, Eyenovia, Inc. reincorporated in the State of Delaware by merging into Eyenovia, Inc., a Delaware corporation.

Eyenovia, Inc. (“Eyenovia” or the “Company”) is a clinical stage ophthalmic company developing a pipeline of advanced therapeutics based on its propriety array print (MAP<sup>TM</sup>) platform technology. Eyenovia aims to achieve clinical microdosing of next-generation formulations of novel and existing ophthalmic pharmaceutical agents using its high-precision targeted ocular delivery system, branded the Opejet®, which has the potential to replace conventional eye dropper delivery and improve safety, tolerability, patient compliance and topical delivery success for ophthalmic eye treatments. In the clinic, the Opejet has demonstrated the ability to horizontally deliver ophthalmic medication with a success rate significantly higher than that of traditional eye drops (~ 90% vs. ~ 50%). Using its proprietary delivery technology, Eyenovia is developing the next generation of smart ophthalmic therapies which target new indications or new combinations where there are currently no comparable drug therapies approved by the U.S. Food and Drug Administration (the “FDA”). Eyenovia’s microdose therapeutics follow the FDA-designated pharmaceutical registration and regulatory process. Its products are classified by the FDA as drugs, and not medical devices or drug-device combination products.

#### Risks and Uncertainties

Due to the COVID-19 pandemic, the Company initially experienced delays in trial enrollment and initiation of its Phase III registration trial of its MicroPine drug candidate (the CHAPERONE study) as a result of reduced clinical trial activities and operations at trial sites. However, the Company has since been able to resume enrollment in that study.

#### Note 2 — Summary of Significant Accounting Policies

##### Liquidity and Going Concern

As of December 31, 2020, the Company had cash and cash equivalents of approximately \$28.4 million and an accumulated deficit of approximately \$77.4 million. For the year ended December 31, 2020, the Company incurred net losses of approximately \$19.8 million and used cash in operations of approximately \$6.4 million.

The Company does not have recurring revenue and has not yet achieved profitability. The Company expects to continue to incur cash outflows from operations. The Company expects that its research and development and general and administrative expenses will continue to increase and, as a result, it will eventually need to generate significant product revenues to achieve profitability. These circumstances raise substantial doubt about the Company’s ability to continue as a going concern for at least one year from the date that these financial statements are issued. Implementation of the Company’s plans and its ability to continue as a going concern will depend upon the Company’s ability to raise further capital, through the sale of additional equity or debt securities or otherwise, to support its future operations.

The Company’s operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures. The Company’s future capital requirements and the adequacy of its available funds will depend on many factors, including the Company’s ability to successfully commercialize its products and services, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement its product and service offerings. If the Company is unable to secure additional capital, it may be required to curtail its research and development initiatives and take additional measures to reduce costs in order to conserve its cash.

**EYENOVIA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies — (Continued)**

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and the amounts disclosed in the related notes to the financial statements. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company’s balance sheets and the amounts of expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, fair value calculations for equity securities, establishment of valuation allowances for deferred tax assets, stock-based compensation, the recoverability and useful lives of long-lived assets, the recovery of deferred costs and the deferral of revenues. Certain of the Company’s estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that actual results could differ from those estimates.

See Note 2 — Summary of Significant Accounting Policies — Stock-Based Compensation for additional discussion of the use of estimates in estimating the fair value of the Company’s common stock.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents in the financial statements.

The Company has cash deposits and U.S. treasury bills in financial institutions which, at times, may be in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The Company has not experienced losses in such accounts and periodically evaluates the creditworthiness of its financial institutions. As of December 31, 2020 and 2019, the Company had cash and cash equivalent balances in excess of FDIC insurance limits of \$28,121,828 and \$13,902,601, respectively.

Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation, which is recorded commencing at the in-service date using the straight-line method at rates sufficient to charge the cost of depreciable assets to operations over their estimated useful lives, which range from 1 to 10 years. Leasehold improvements are amortized over the lesser of (a) the useful life of the asset; or (b) the remaining lease term. Maintenance and repairs are charged to operations as incurred. The Company capitalizes costs attributable to the betterment of property and equipment when such betterment extends the useful life of the assets.

Impairment of Long-lived Assets

The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. An impairment would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. The Company did not record any impairment losses during the years ended December 31, 2020 and 2019.

Preferred Stock

The Company applies the accounting standards for distinguishing liabilities from equity when determining the classification and measurement of its preferred stock. Preferred shares subject to mandatory redemption are classified as liability instruments and are measured at fair value. Conditionally redeemable preferred shares (including preferred shares that feature redemption rights that are either within the control

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 2 — Summary of Significant Accounting Policies — (Continued)

of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) are classified as temporary equity. At all other times, preferred shares are classified as stockholders' equity.

#### Fair Value of Financial Instruments

The Company measures the fair value of financial assets and liabilities based on Accounting Standards Codification ("ASC") Topic 820 "Fair Value Measurements and Disclosures" ("ASC 820"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities;

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable; and

Level 3 — inputs that are unobservable (for example, cash flow modeling inputs based on assumptions).

The carrying amounts of the Company's financial instruments, such as cash and cash equivalents, accounts payable, accrued expenses and other current liabilities approximate fair values due to the short-term nature of these instruments.

#### Income Taxes

The Company is subject to Federal, New York State and City, and State of California income taxes and files tax returns in those jurisdictions.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which such temporary differences are expected to reverse.

The Company utilizes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company's policy is to classify assessments, if any, for tax-related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations.

#### Revenue Recognition

Our revenues are generated primarily through research, development and commercialization agreements. The terms of such agreements may contain multiple promised goods and services, which may include (i) licenses to our intellectual property, and (ii) in certain cases, payment in connection with the manufacturing and delivery of clinical supply materials. Payments to us under these arrangements typically include one or

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 2 — Summary of Significant Accounting Policies — (Continued)

more of the following: non-refundable, upfront license fees; milestone payments; payments for clinical product supply, and royalties on future product sales.

We analyze our arrangements to assess whether such arrangements involve joint operating activities. For collaboration arrangements that are deemed to be within the scope of ASC Topic 808, “Collaborative Arrangements” (“ASC 808”), we allocate the contract consideration between such joint operating activities and elements that are reflective of a vendor-customer relationship and, therefore, within the scope of ASC Topic 606, “Revenue from Contracts with Customers” (“ASC 606”). Our policy is to recognize amounts allocated to joint operating activities as a reduction in research and development expense.

Under ASC 606, we recognize revenue when our customers obtain control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that we determine are within the scope of ASC 606, we perform the following five steps:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when the company satisfies a performance obligation.

We must make significant judgments in our revenue recognition process, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. In addition, arrangements that include rights to additional goods or services that are exercisable at a customer’s discretion are generally considered discretionary purchase options. We assess if these options provide a material right to the customer and if so, they are considered performance obligations.

For upfront license fees, we must consider how many performance obligations are in the contract and, if more than one, how to allocate the fee to those performance obligations upon satisfaction of the performance obligation(s). Milestone payments represent variable consideration that will be recognized when the performance obligation is achieved. Sales-based royalty payments derived from usage of intellectual property are recognized when those sales occur.

During 2020, the Company entered into a license agreement (the “Arctic Vision License Agreement”) with Arctic Vision (Hong Kong) Limited (“Arctic Vision”) and a license agreement (the “Bausch License Agreement”) with Bausch Health Companies, Inc. (“Bausch Health”). Each license has three revenue components: 1) an upfront license fee; 2) milestone payments and 3) royalty payments. See Note 9 — Commitments and Contingencies for additional details.

#### Deferred License Fee

The Company enters into license agreements which provides for the receipt of non-refundable, upfront licensing payments. These payments are recorded as deferred license fees and will be earned and recognized as revenue upon the satisfaction of performance obligations. See Note 9 — Commitments and Contingencies for additional details.

#### Deferred License Costs

The Company enters into license agreements which provides for payment of license costs in connection with the Company’s receipt of license fees. These payments are recorded as deferred license costs and will be

EYENOVIA, INC.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**Note 2 — Summary of Significant Accounting Policies — (Continued)**

recorded as an expense when the related license fee revenue is recognized. See Note 10 — Related Party Transactions for additional details.

Research and Development

Research and development expenses are charged to operations as incurred. The Company records prepaid expenses on its balance sheet for the payment of research and development expenses in advance of services being provided.

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. The fair value of the award is measured on the grant date and the fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Upon the exercise of an option, the Company issues new shares of common stock out of the shares reserved for issuance under its equity plans.

Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or other instruments to issue common stock were exercised or converted into common stock.

The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	December 31,	
	2020	2019
Warrants . . . . .	2,011,313	—
Options . . . . .	3,427,705	2,237,438
Restricted stock units . . . . .	104,083	60,355
Total potentially dilutive shares . . . . .	<u>5,543,101</u>	<u>2,297,793</u>

Subsequent Events

The Company has evaluated subsequent events through the date which the financial statements were issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements, except as disclosed.

Recently Adopted Accounting Pronouncements

In July 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-11 “Earnings Per Share (Topic 260) and Derivatives and Hedging (Topic 815) — Accounting for Certain Financial Instruments with Down Round Features” (“ASU 2017-11”). Equity-linked instruments, such as warrants and convertible instruments may contain down round features that result in the strike price being reduced on the basis of the pricing of future equity offerings. Under ASU 2017-11, a down round feature will no longer require a freestanding equity-linked instrument (or embedded conversion option) to be classified as a liability that is remeasured at fair value through the income statement (i.e. marked-to-market). However, other features

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 2 — Summary of Significant Accounting Policies — (Continued)

of the equity-linked instrument (or embedded conversion option) must still be evaluated to determine whether liability or equity classification is appropriate. Equity classified instruments are not marked-to-market. For earnings per share (“EPS”) reporting, the ASU requires companies to recognize the effect of the down round feature only when it is triggered by treating it as a dividend and as a reduction of income available to common shareholders in basic EPS. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. This standard, which the Company adopted on January 1, 2020, did not have a material impact on the Company’s financial position, results of operations, or cash flows.

In March 2020, the FASB issued ASU 2020-03 “Codification Improvements to Financial Instruments” (“ASU 2020-03”). ASU 2020-03 improves and clarifies various financial instruments topics. ASU 2020-03 includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The Company adopted ASU 2020-03 upon issuance, which did not have a material impact on the Company’s financial position, results of operations or cash flow.

#### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)” (“ASU 2016-02”). ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02, as amended, is now effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The FASB issued ASU 2019-01 “Leases (Topic 842) Codification Improvements” in March 2019 and ASU 2018-10 “Codification Improvements to Topic 842, Leases” and ASU 2018-11 “Leases (Topic 842) Targeted Improvements” in July 2018, and ASU 2018-20 “Leases (Topic 842) — Narrow Scope Improvements for Lessors” in December 2018. ASU 2019-01, ASU 2018-10 and ASU 2018-20 provide certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 allows all entities adopting ASU 2016-02 to choose an additional (and optional) transition method of adoption, under which an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company is currently evaluating ASU 2016-02 and its impact on its financial position, results of operations, and cash flows. The Company intends to adopt the ASU effective January 1, 2021 with no material impact.

In August 2018, the FASB issued ASU No. 2018-13 “Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). The amendments in ASU 2018-13 modify the disclosure requirements on fair value measurements based on the concepts in the FASB Concepts Statement, including the consideration of costs and benefits. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The amendments are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating ASU 2018-13 and its impact on its financial position, results of operations and cash flows.

**EYENOVIA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 2 — Summary of Significant Accounting Policies — (Continued)**

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,” which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating ASU 2019-12 and its impact financial position, results of operations, and cash flows.

**Note 3 — Prepaid Expenses and Other Current Assets**

As of December 31, 2020 and 2019, prepaid expenses and other current assets consisted of the following:

	December 31,	
	2020	2019
Payroll tax receivable . . . . .	\$151,942	\$ 95,233
Prepaid insurance expenses . . . . .	110,094	33,923
Prepaid research and development expenses . . . . .	—	17,978
Prepaid licenses and subscriptions . . . . .	57,051	—
Prepaid patent expenses . . . . .	—	12,404
Prepaid conference expenses . . . . .	29,403	10,600
Prepaid board of directors expenses . . . . .	68,250	—
Prepaid rent and security deposit . . . . .	25,004	2,463
Other . . . . .	11,734	24,079
Total prepaid expenses and other current assets . . . . .	\$453,478	\$196,680

**Note 4 — Property and Equipment, Net**

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	December 31,	
	2020	2019
Equipment . . . . .	\$ 435,521	\$229,529
Leasehold improvements . . . . .	137,765	82,500
	573,286	312,029
Less: accumulated depreciation and amortization . . . . .	(176,906)	(81,491)
Property and equipment, net . . . . .	\$ 396,380	\$230,538

Depreciation and amortization expense was \$95,415 and \$15,343 for the years ended December 31, 2020 and 2019, respectively, of which \$67,595 and \$9,762 was included within research and development expenses and \$27,820 and \$5,581 was included in general and administrative expenses in the statements of operations for the years ended December 31, 2020 and 2019, respectively.

**EYENOVIA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 5 — Accrued Expenses and Other Current Liabilities**

As of December 31, 2020 and 2019, accrued expenses and other current liabilities consisted of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Accrued research and development expenses . . . . .	\$ 348,254	\$208,175
Accrued consulting and professional services . . . . .	235,355	97,396
Credit card payable . . . . .	50,002	56,979
Leasehold improvements . . . . .	—	42,500
Accrued franchise tax . . . . .	32,480	40,995
Accrued travel and entertainment expenses . . . . .	—	7,385
Accrued licensing fees . . . . .	804,447	—
Accrued interest . . . . .	3,068	—
Accrued expense reimbursements . . . . .	5,459	—
Other . . . . .	1,627	—
Total accrued expenses and other current liabilities . . . . .	<u>\$1,480,692</u>	<u>\$453,430</u>

**Note 6 — Accrued Compensation**

As of December 31, 2020 and 2019, accrued compensation consisted of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Accrued bonus expenses . . . . .	\$ 938,873	\$897,839
Accrued payroll expenses . . . . .	211,799	19,034
Total accrued compensation . . . . .	<u>\$1,150,672</u>	<u>\$916,873</u>

**Note 7 — Notes Payable**

As of December 31, 2020 and 2019, notes payable consisted of the following:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
Paycheck Protection Program loan . . . . .	\$97,539	\$365,814	\$463,353	\$ —	\$ —	\$ —
Total . . . . .	<u>\$97,539</u>	<u>\$365,814</u>	<u>\$463,353</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

On February 24, 2020, the Company issued a note payable (the “Note”) for the purchase of a directors’ and officers’ liability insurance policy. The Note was payable in nine monthly payments of \$53,750 for an aggregate principal amount of \$475,216. The Note accrues interest at a rate of 4.29% per year and matured on November 24, 2020. During the year ended December 31, 2020, the Company repaid the principal amount of the Note.

On May 8, 2020, the Company received cash proceeds of \$463,353 pursuant to a loan provided in connection with the Paycheck Protection Program under the CARES Act (the “PPP Loan”). The PPP Loan provides for monthly installment payments of \$19,508 beginning in August 2021 with the remaining

**EYENOVIA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 7 — Notes Payable — (Continued)**

balance due on May 3, 2022, the maturity date. The PPP Loan bears interest at a fixed rate of 1.00% per annum. The Company will be applying for loan forgiveness on the PPP Loan.

Under the terms of the CARES Act, as amended by the Paycheck Protection Program Flexibility Act of 2020, the Company is eligible to apply for and receive forgiveness for all or a portion of its PPP Loan. Such forgiveness will be determined, subject to limitations, based on the use of the loan proceeds for certain permissible purposes as set forth in the PPP Loan, including, but not limited to, payroll costs and mortgage interest, rent or utility costs (collectively, “Qualifying Expenses”) incurred during the 24 weeks subsequent to funding, and on the maintenance of employee and compensation levels following the funding of the PPP Loan. The Company intends to use the proceeds of its PPP Loan for Qualifying Expenses. However, no assurance is provided that the Company will be able to obtain forgiveness of its PPP Loan in whole or in part. Any amounts that are not forgiven incur interest at 1.0% per annum and monthly repayments of principal and interest are deferred until six months after the Small Business Administration makes a determination on forgiveness. While the PPP Loan currently has a two-year maturity, the amended law permits the borrower to request a five-year maturity from its lender.

During the years ended December 31, 2020 and 2019, the Company recorded interest expense of \$17,042 and \$0, respectively.

**Note 8 — Income Taxes**

The provision for income taxes consists of the following expenses (benefits):

	For The Years Ended December 31,	
	2020	2019
Deferred tax provision (benefit):		
Federal . . . . .	(3,797,052)	(4,999,920)
State and local . . . . .	(434,082)	68,762
	(4,231,134)	(4,931,158)
Change in valuation allowance . . . . .	4,231,134	4,931,158
Provision for income taxes . . . . .	\$ —	\$ —

The provision for income taxes differs from the United States Federal statutory rate as follows:

	For The Years Ended December 31,	
	2020	2019
Federal statutory rate . . . . .	(21.0)%	21.0%
State tax rate, net of federal benefit . . . . .	(0.1)%	0.1%
Permanent differences . . . . .	0.5%	(0.2)%
Research & development tax credits . . . . .	(1.4)%	3.0%
Prior period adjustments and other . . . . .	0.6%	(0.6)%
Change in valuation allowance . . . . .	21.4%	(23.3)%
Effective income tax rate . . . . .	(0.0)%	0.0%

**EYENOVIA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 8 — Income Taxes — (Continued)**

Deferred tax assets consist of the following:

	For The Years Ended December 31,	
	2020	2019
Net operating loss carryforwards . . . . .	\$ 12,972,865	\$ 9,479,512
Stock-based compensation . . . . .	1,385,554	943,370
Intangible assets . . . . .	409,705	328,773
Research and development tax credits . . . . .	1,861,938	1,584,753
Deferred tax assets, gross . . . . .	16,630,062	12,336,408
Property and equipment . . . . .	(76,550)	(14,030)
Deferred tax assets, net before allowance . . . . .	16,553,512	12,322,378
Valuation allowance . . . . .	(16,553,512)	(12,322,378)
Deferred tax assets, net . . . . .	\$ —	\$ —

As of December 31, 2020, the Company had approximately \$60,000,000 of domestic Federal net operating loss carryforwards (“NOLs”) that may be available to offset future Federal taxable income. Approximately \$10,800,000 of those NOLs will expire during the years ranging from 2034 to 2037. The remaining NOLs of approximately \$49,200,000 have no expiration dates. Internal Revenue Code Section 382 limits the utilization of approximately \$35,000,000 of those NOLs to approximately \$918,000 on an annual basis as a result of ownership changes that occurred through July 15, 2019. As of December 31, 2020, the Company had (a) minimal state net operating loss carryforwards that may be available to offset future state taxable income as it conducted most of its operations in Nevada which does not tax corporate income; and (b) approximately \$5,500,000 of New York City net operating loss carryforwards.

The Company has assessed the likelihood that deferred tax assets will be realized in accordance with the provisions of ASC 740 “Income Taxes Accounting” (“ASC 740”). ASC 740 requires that such a review considers all available positive and negative evidence, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. ASC 740 requires that a valuation allowance be established when it is “more likely than not” that all, or a portion of, deferred tax assets will not be realized. After the performance of such reviews as of December 31, 2020 and 2019, management believes that uncertainty exists with respect to future realization of its deferred tax assets and has, therefore, established a full valuation allowance as of those dates.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company’s consolidated financial statements as of December 31, 2020 and 2019. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

No tax audits were commenced or were in process during the years ended December 31, 2020 and 2019. No tax related interest or penalties were incurred during the years ended December 31, 2020 and 2019. The Company’s Federal, State and Local income tax returns beginning with the year ended December 31, 2017 remain subject to examination.

**EYENOVIA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 9 — Commitments and Contingencies**

Operating Leases

On August 8, 2018, the Company entered into a lease agreement to lease approximately 3,800 square feet of office space in New York, NY. The monthly base rent ranges from \$19,633 to \$22,486 per month over the term of the lease. The lease expires on September 30, 2023. The security deposit is approximately \$119,000.

On July 17, 2020, the Company entered into a lease agreement to lease approximately 3,000 square feet of office space in Redwood City, California (the “Gross Industrial Lease”). The monthly base rent was for \$7,500 per month over the term of the lease through August 31, 2021 with a security deposit of \$7,500. On December 1, 2020, the Company agreed to amend the terms of the Gross Industrial Lease for a base rent that ranges from \$7,500 to \$7,957 per month over the term of the lease. The amended Gross Industrial Lease expires on August 31, 2023.

Concurrent with the amendment to the Gross Industrial Lease on December 1, 2020, the Company entered into a lease agreement to lease approximately 1,500 square feet of additional office space in Redwood City, California. The monthly base rent ranges from \$3,000 to \$3,183 per month over the term of the lease. The lease expires on August 31, 2023. The security deposit is \$3,000.

Future minimum payments under this operating lease agreement are as follows as:

For the Year Ending December 31,	Minimum Lease Payments
2021 . . . . .	378,486
2022 . . . . .	389,212
2023 . . . . .	285,700
	\$1,053,398

See Note 10 — Related Party Transactions — Lease Agreements for details of a lease agreement with a related party.

Employment Agreements

Effective February 15, 2019, the Company entered into at-will executive employment agreements with Tsontcho Ianchulev, its Chief Executive Officer and Chief Medical Officer, John Gandolfo, its Chief Financial Officer, Jennifer Clasby, now its Vice President of Regulatory and Clinical, Luke Clauson, its Vice President, Research and Development and Manufacturing (“VP of R&D”), and Michael Rowe, now its Chief Commercial Officer. Dr. Clasby and Mr. Rowe’s employment agreements were amended on February 1, 2021 to provide for their new roles at the Company.

Each of the employment agreements provides that if the executive’s employment is terminated by the Company without “Cause” or the executive suffers an “Involuntarily Termination” (each as defined in the employment agreements), provided that the executive has signed a full release of all claims, the executive will be entitled to receive: (i) severance pay equal to three months of his or her then-current base salary (currently estimated at approximately \$419,000 in the aggregate), and (ii) a reimbursement for health insurance benefits under COBRA for the executive and his or her spouse and dependents for a period of three months or until the executive becomes eligible for comparable insurance benefits from another employer, whichever is earlier.

Each of the employment agreements also provides that if, within 12 months following any “Corporate Transaction” (as defined in the employment agreements) of the Company, the executive’s employment is

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 9 — Commitments and Contingencies — (Continued)

terminated by the Company without Cause or the executive suffers an Involuntary Termination, provided that the executive has signed a full release of all claims, the executive will be entitled to receive, in lieu of what is described in the above paragraph: (i) severance pay equal to 12 months of his or her then-current base salary (currently estimated at approximately \$1,677,000 in the aggregate), and (ii) a reimbursement for health insurance benefits under COBRA for the executive and his or her spouse and dependents for a period of 12 months or until the executive becomes eligible for comparable insurance benefits from another employer, whichever is earlier.

#### Litigations, Claims and Assessments

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. The Company records legal costs associated with loss contingencies as incurred and accrues for all probable and estimable settlements.

#### Arctic Vision License Agreement

On August 10, 2020, the Company entered into the Arctic Vision License Agreement pursuant to which Arctic Vision may develop and commercialize MicroPine for the treatment of progressive myopia and MicroLine for the treatment of presbyopia in Greater China (mainland China, Hong Kong, Macau and Taiwan) and South Korea.

Under the terms of the Arctic Vision License Agreement, the Company received a non-refundable, upfront payment of \$4.0 million, before any payments to Senju. The Company has recorded this payment as a deferred license fee until the payment is earned. The Company will consider payment earned once certain trial data has been fully submitted to Arctic Vision, permitting Arctic Vision to obtain regulatory approval with the National Medical Products Administration. The upfront payment had not been earned as of December 31, 2020.

In addition, the Company may receive up to a total of \$41.75 million in additional payments, based on various development and regulatory milestones, including the initiation of clinical research and approvals in Greater China and South Korea, and development costs. During December 2020, the Company satisfied a performance obligation which resulted in the Company recognizing \$2.0 million of milestone revenues, pursuant to the Arctic Vision License Agreement.

Arctic Vision also will purchase its supply of MicroPine and MicroLine from the Company or, for such products not supplied by the Company, pay the Company a mid-single digit percentage royalty on net sales of such products, subject to certain adjustments. No royalty payments were earned during the year ended December 31, 2020. The Company will pay a mid-double digit percentage of such payments, royalties, or net proceeds of such supply to Senju pursuant to the Senju License Agreement. See Note 2 — Summary of Significant Accounting Policies and Note 10 — Related Party Transactions for additional details.

#### Bausch License Agreement

On October 9, 2020, the Company entered into the “Bausch License Agreement pursuant to which Bausch Health may develop and commercialize the Bausch Licensed Product in the Licensed Territory.

In connection with the Bausch License Agreement, Bausch Health paid the Company a non-refundable, upfront payment of \$10.0 million. The Company has recorded this payment as a deferred license fee until the payment is earned. The Company will consider payment earned once certain trial data has been fully submitted to Bausch Health and certain administrative functions are transferred to Bausch Health, permitting Bausch Health to assume supervisory oversight of the ongoing MicroPine study (the CHAPERONE study). The upfront payment had not been earned as of December 31, 2020.

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 9 — Commitments and Contingencies — (Continued)

Bausch Health could also pay the Company up to an aggregate of approximately \$35.0 million in additional payments, depending on the achievement of certain regulatory and launch-based milestones. No milestone payments were earned during the year ended December 31, 2020.

Under the terms of the Bausch License Agreement, on a country-to-country basis and Bausch Licensed Product-by- Bausch Licensed Product basis, Bausch Health will pay the Company royalties on a tiered basis (ranging from mid-single digit to mid-teen percentages) on gross profits from the sales of the Bausch Licensed Product in the Licensed Territory, subject to certain adjustments in the event of generic entry, negative gross profits or patent expiration, for a period of the later to occur of the 10th anniversary of the first commercial sale of a Bausch Licensed Product in such country in the Licensed Territory or the expiration of the last valid patent claim for a Bausch Licensed Product in such country in the Licensed Territory. No royalty payments were earned during the year ended December 31, 2020.

Bausch Health may terminate the Bausch License Agreement, with respect to the Bausch Licensed Product to either country in the Licensed Territory, at any time for convenience upon 90 days' written notice. Both parties have the right to terminate the Bausch License Agreement in the event of (i) an uncured material breach after a 60-day period or (ii) a bankruptcy event. See Note 2 — Summary of Significant Accounting Policies for additional details.

#### Note 10 — Related Party Transactions

##### Consulting Agreements

A company in which a member of the Company's Board of Directors is part owner is a party to a consulting agreement with the Company dated July 6, 2017 that provides for the payment of \$9,567 per month, and \$250 per hour for any additional work, for advisory services performed by such director. The consulting agreement was terminated on September 1, 2020. The director remains on the Board. The Company incurred expenses of \$76,536 and \$213,521 for the years ended December 31, 2020 and 2019, respectively, related to the agreement which was included within general and administrative expenses on the statements of operations.

##### Lease Agreements

The Company's Vice President of Research and Development and Manufacturing ("VP of R&D") owns a company that entered into a lease agreement with the Company on September 15, 2016 to lease 953 square feet of space located in Reno, Nevada with respect to its research and development activities. The initial monthly base rent was \$3,895 per month over the term of the lease and the security deposit was \$3,895. On September 15, 2020, the Company amended the lease agreement to extend it until September 14, 2022 and increase the monthly base rent and security deposit to \$5,404. The Company made \$82,500 of leasehold improvements related to this lease which are included on the balance sheet. The Company's rent expense for this space is recorded in Research and Development on the income statement and amounted to \$59,724 and \$48,144 for the years ended December 31, 2020 and 2019, respectively.

##### Research and Development Activities

The VP of R&D is the sole owner and President of a company that performs contract engineering services for the Company. During the years ended December 31, 2020 and 2019, the Company recognized research and development expense of \$1,024,430 and \$851,746, respectively, related to services provided by such vendor. The Company had a liability of \$0 and \$89,052 to the vendor as of December 31, 2020 and 2019, respectively. The Company recognized \$239,460 and \$186,160 of compensation expense related to the VP of R&D during the years ended December 31, 2020 and 2019, respectively.

**EYENOVIA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 10 — Related Party Transactions — (Continued)**

Senju License Agreement

During 2015, the Company entered into an Exclusive License Agreement with Senju whereby the Company agreed to grant to Senju an exclusive, royalty-bearing license for its microdose product candidates for Asia to sublicense, develop, make, have made, manufacture, use, import, market, sell, and otherwise distribute the microdose product candidates. In consideration for the license, Senju agreed to pay to Eyenovia five percent (5%) royalties on sales (net of certain manufacturing costs) for the term of the Exclusive License Agreement, subject to certain adjustments upon the loss of patent coverage for the term of the license agreement. The agreement will continue in full force and effect, on a country-by-country basis, until the latest to occur of: (i) the tenth (10th) anniversary of the first commercial sale of such a product candidate in a country; or (ii) the expiration of the licensed patents in a country. As of the date of this filing, there had been no commercial sales of a such a product in Asia, so no royalties had been earned. Senju is owned by the family of a former member of the Company's Board of Directors and, together, they beneficially own greater than 5% of the Company's common stock.

On April 8, 2020, Eyenovia entered into an amendment (the "License Amendment") to the Exclusive License Agreement. Pursuant to the License Amendment, the Company can license to any third party the right to research, develop, commercialize, manufacture or use certain products identified below (the "Senju Licensed Products") previously licensed to Senju in China (including the People's Republic of China, Hong Kong, Macao, and Taiwan) and South Korea (the "Territory") if such a license is executed by the Company by April 8, 2021. The Senju Licensed Products are those using piezo-print technology in a microdose dispenser with (i) atropine sulfate as its sole active ingredient to treat myopia in humans and (ii) pilocarpine as its sole active ingredient to treat presbyopia in humans.

Pursuant to the License Amendment, the Company must pay Senju (a) close to a mid-double digit percentage of revenue on any lump-sum payments the Company receives from the third party, revenue (net of costs) obtained by the Company from contract research and/or development of the Senju Licensed Product in the Territory, and revenue (net of costs) obtained by the Company from contract manufacture for the device of the Senju Licensed Product in the Territory, the aggregate of which must be at least a high seven figure dollar amount minimum payment to Senju; and (b) a lower-double digit percentage of any sales royalty revenue the Company receives from the third party. Unless a third-party license is executed by the Company prior to April 8, 2021 (in which case, subject to early termination the License Amendment shall remain in effect for the duration of such license), the License Amendment terminates on April 8, 2021, but may be terminated earlier by Senju upon the Company's material breach of the License Amendment, subject to a 60-day cure period.

The Exclusive License Agreement was further amended in a Letter Agreement by and between the Company and Senju on August 10, 2020 (the "Letter Agreement"). Pursuant to the Letter Agreement, the Company will pay a mid-double digit percentage of certain payments, royalties, or net proceeds received from Arctic Vision in connection with the Arctic Vision License Agreement to Senju. During the year ended December 31, 2020, the Company paid Senju \$1.6 million in connection with the Arctic Vision License Agreement which was recorded as deferred license costs in the Company's balance sheet and will be recognized as expense upon earning the related fee. See Note 2- Summary of Significant Accounting Policies — Revenue Recognition and Note 9 — Commitments and Contingencies for additional details.

**Note 11 — Stockholders' Equity**

Authorized Capital

The Company is authorized to issue 90,000,000 shares of common stock, par value of \$0.0001 per share, and 6,000,000 shares of preferred stock, par value of \$0.0001 per share. The holders of the Company's

EYENOVIA, INC.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**Note 11 — Stockholders' Equity — (Continued)**

common stock are entitled to one vote per share. The Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, redemption, voting or other rights.

**Equity Incentive Plans**

On April 7, 2020, the Company's Board of Directors approved the Company's Amended and Restated 2018 Omnibus Stock Incentive Plan (the "Restated Plan"), which stockholders approved on June 30, 2020. The Restated Plan makes certain changes to the Company's 2018 Omnibus Stock Incentive Plan, as amended (the "2018 Plan, as amended"). The Restated Plan increases the number of shares of Company's common stock reserved for issuance under the 2018 Plan, as amended to 2,950,000 shares. The Restated Plan requires that all equity awards issued under the Restated Plan vest at least twelve months from the applicable grant date, subject to accelerated vesting, and provides that no dividend or dividend equivalent will be paid on any unvested equity award, although dividends with respect to unvested portions of equity may accrue and be paid when, and if, the awards later vest and the shares are actually issued to the grantee. In addition, the Restated Plan sets an annual limit on the grant date fair value of awards to any non-employee director, together with any cash fees paid during the year, of \$150,000, subject to certain exceptions for a non-executive chair of the Board. Finally, the Restated Plan makes several administrative changes to the 2018 Plan, as amended, including to clarify that awards made under the Restated Plan are intended to be exempt from or comply with Section 409(A) of the Internal Revenue Code of 1986, as amended. As of December 31, 2020, the number of securities remaining available for future issuance under equity compensation plans was 518,186.

**Warrants**

A summary of the Warrant activity during the year ended December 31, 2020 is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life In Years</u>	<u>Aggregate Intrinsic Value</u>
Outstanding January 1, 2020 . . . . .	—	\$ —		
Granted . . . . .	3,344,154	2.33		
Exercised . . . . .	(1,332,841)	2.19		
Forfeited . . . . .	—	—		
Outstanding December 31, 2020 . . . . .	<u>2,011,313</u>	<u>\$2.43</u>	<u>3.8</u>	<u>\$7,215,147</u>
Exercisable December 31, 2020 . . . . .	<u>2,011,313</u>	<u>\$2.43</u>	<u>3.8</u>	<u>\$7,215,147</u>

The following table presents information related to Warrants as of December 31, 2020:

<u>Warrants Outstanding</u>		<u>Warrants Exercisable</u>	
<u>Exercise Price</u>	<u>Outstanding Number of Warrants</u>	<u>Weighted Average Remaining Life In Years</u>	<u>Exercisable Number of Warrants</u>
\$2.0580	48,549	0.2	48,549
\$2.2700	144,256	0.2	144,256
\$2.4696	1,602,128	4.2	1,602,128
\$2.7240	216,380	4.2	216,380
	<u>2,011,313</u>	3.8	<u>2,011,313</u>

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 11 — Stockholders' Equity — (Continued)

During the year ended December 31, 2020, Warrants for the purchase of 1,332,841 shares of the Company's common stock with exercise prices of either \$2.058 or \$2.4696 per share, respectively, were exercised for aggregate proceeds of approximately \$2.8 million.

#### Public Offerings

On July 15, 2019, the Company closed an underwritten public offering of 4,388,490 shares of its common stock at a public offering price of \$2.78 per share. The Company granted the underwriters a 30-day over-allotment option to purchase up to an additional 658,273 shares of the Company's common stock at the same price, which was exercised in full on July 16, 2019. Including the over-allotment shares, the Company issued a total of 5,046,763 shares in the underwritten public offering, and received gross proceeds of approximately \$14.0 million and net proceeds of approximately \$13.0 million, after deducting underwriting discounts, commissions and other offering expenses, which were recorded as a reduction of additional paid-in capital.

#### Securities Purchase Agreement

On March 24, 2020, the Company closed on a private placement of approximately \$6.0 million of Units. Each Unit consists of (i) one share of the Company's common stock, (ii) a one-year warrant to purchase 0.5 of a share of common stock ("Class A Warrant"), and (iii) a five-year warrant to purchase 0.75 of a share of common stock ("Class B Warrant") (collectively, the Class A Warrants and Class B Warrants, the "Warrants"). The Units were sold to the public at a price of \$2.21425 per Unit and to certain directors and executive officers at a price of \$2.42625 per Unit. The Company generated approximately \$5.3 million of net proceeds in the offering after deducting placement agent fees and offering expenses. In the offering, the Company issued an aggregate of 2,675,293 shares of common stock, Class A Warrants to purchase up to 1,337,659 shares of common stock, and Class B Warrants to purchase up to 2,006,495 shares of common stock. The exercise price of the Class A Warrants issued to the public is \$2.058 per share and the exercise price of the Class A Warrants issued to the directors and officers is \$2.27 per share. The exercise price of the Class B Warrants issued to the public is \$2.4696 per share and the exercise price of the Class B Warrants issued to the directors and officers is \$2.724 per share.

In connection with the private placement, on March 23, 2020, the Company also entered into a Registration Rights Agreement with the investors. Pursuant to the Registration Rights Agreement, the Company must file with the SEC, no later than 30 days following the date on which the Company files its Form 10-K for the year ended December 31, 2019 with the SEC, a registration statement on Form S-3 covering the shares of common stock issued in the offering and the shares of common stock underlying the Warrants. The Company timely filed the registration statement on Form S-3 (Registration Statement No. 333-237790), which was declared and has remained effective with the SEC since May 13, 2020.

#### Underwritten Public Offering

On August 19, 2020, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with several underwriters (the "Underwriters") in connection with the public offering (the "Offering") of 3,333,334 shares of the Company's common stock at a price of \$3.60 per share, less underwriting discounts and commissions. In addition, pursuant to the terms of the Underwriting Agreement, the Company granted the Underwriters a 30-day option to purchase up to an additional 500,000 shares of the Company's common stock at the same price. The Underwriting Agreement contains customary representations, warranties and covenants of the Company and also provides for customary indemnification by the Company and the Underwriters against certain liabilities and customary contribution provisions in respect of those liabilities.

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### Note 11 — Stockholders' Equity — (Continued)

The closing of the Offering occurred on August 21, 2020. At closing, the Company issued 3,833,334 shares of common stock and received net proceeds of approximately \$12.5 million after deducting underwriting discounts and commissions and offering expenses of approximately \$1.2 million.

The Offering was made pursuant to the Company's effective registration statement on Form S-3 (Registration Statement No. 333-229365), including the prospectus dated February 12, 2019, as supplemented by the prospectus supplement dated August 19, 2020.

#### Stock-Based Compensation Expense

The Company records stock-based compensation expense related to stock options and restricted stock units ("RSUs"). For the years ended December 31, 2020 and 2019, the Company recorded expense of \$2,483,172 (\$1,350,894 of which was included within research and development expenses and \$1,132,278 was included within general and administrative expenses on the statements of operations) and \$2,511,944 (\$1,459,055 of which was included within research and development expenses and \$1,052,889 was included within general and administrative expenses on the statements of operations), respectively. As of December 31, 2020, there was \$3,720,221 of unrecognized stock-based compensation expense which will be recognized over a weighted average period of 2.0 years.

#### Restricted Stock Units

On August 16, 2019, the Company granted to members of its Board of Directors an aggregate of 40,190 RSU under the 2018 Plan, as amended. The grants vest on the earlier of (i) the one-year anniversary of the date of grant and (ii) the date of the 2020 annual stockholders meeting, subject to the grantee remaining on the Board until then. The RSUs had a grant date fair value of \$125,000, which were recognized over the vesting period.

On September 11, 2020, the Company granted members of its Board of Directors an aggregate of 43,728 RSUs under the Restated Plan. Each RSU is subject to settlement into one share of the Company's common stock. The RSUs vest on the earlier of (i) the one-year anniversary of the date of grant and (ii) the date of the 2021 annual stockholders meeting, subject to the grantee remaining on the Board until then. The RSUs had a grant date fair value of \$150,000, which will be recognized over the vesting period.

#### Stock Option Exercises

During the year ended December 31, 2020, stock options for the purchase of an aggregate of 36,391 shares of the Company's common stock with exercise prices ranging from \$1.95 to \$3.11 per share were exercised for aggregate proceeds of \$82,161.

#### Stock Options

On January 2, 2019, stock options to purchase 180,000 and 133,686 shares of common stock with an exercise price of \$1.24 and \$1.95 per share, respectively, were exercised for aggregate proceeds of \$483,888. In connection with the exercise of the stock options, the Company remitted a portion of an employee's payroll taxes of \$62,193 to the Internal Revenue Service. The Company was reimbursed in full by the employee.

On January 14, 2019, the Company granted ten-year stock options to purchase an aggregate of 11,000 shares of common stock to its employees under the 2018 Plan. The 11,000 shares vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months, subject to continued service to the Company. The stock options have an exercise price of \$2.74 per share, which represents the Company's closing stock price on the

EYENOVIA, INC.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**Note 11 — Stockholders' Equity — (Continued)**

date of grant. The stock options had a grant date value of \$27,500, which the Company expects to recognize over the vesting period.

On February 6, 2019, stock options to purchase an aggregate of 320,001 shares of common stock with an exercise price of \$1.24 per share were exercised on a cashless basis, which resulted in the issuance of an aggregate of 236,466 shares of common stock.

On February 13, 2019, the Board of Directors of the Company approved the acceleration and immediate vesting of 124,210 stock options originally granted to Dr. Ianchulev on July 24, 2018 in connection with his employment. In connection with the acceleration and immediate vesting, the Company recognized \$609,322 of stock-based compensation expense during the year ended December 31, 2019, which represents the remaining unamortized grant date fair value of the award.

On May 14, 2019, stock options to purchase 34,815 shares of common stock with an exercise price of \$1.95 per share were exercised for aggregate proceeds of \$67,889.

On August 16, 2019, the Company granted ten-year stock options to purchase an aggregate of 681,572 shares of common stock to its employees, consultants and directors under the 2018 Plan, as amended. Of the 681,572 shares, (i) 636,287 vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months, subject to continued service to the Company and (ii) 45,285 vest on the earlier of the one-year anniversary of the date of grant and the date of the 2020 annual stockholders meeting, subject to continued service to the Company. The stock options have an exercise price of \$3.11 per share, which represents the Company's closing stock price on the date of grant. The stock options had a grant date value of \$1,909,700, which the Company expects to recognize over the vesting period.

On January 31, 2020, the Company granted ten-year stock options to purchase 25,000 shares of common stock to its employees under the 2018 Plan, as amended. The shares vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months. The stock options have an exercise price of \$4.68 per share, which represents the Company's closing stock price on the date of grant. The stock options had a grant date fair value of \$103,400, which the Company expects to recognize over the vesting period.

On May 28, 2020, the Company granted ten-year stock options to purchase 263,500 shares of common stock to its employees under the Restated Plan. The shares vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months. The stock options have an exercise price of \$2.89 per share, which represents the Company's closing stock price on the date of grant. The stock options had a grant date fair value of \$587,100, which the Company expects to recognize over the vesting period.

On June 3, 2020, the Company granted ten-year stock options to purchase 764,419 shares of common stock to its executive officers under the Restated Plan. The shares vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months. The stock options have an exercise price of \$2.72 per share, which represents the Company's closing stock price on the date of grant. The stock options had a grant date fair value of \$1,603,600, which the Company expects to recognize over the vesting period.

On July 28, 2020, the Company granted ten-year stock options to purchase 43,000 shares of common stock to an employee under the Restated Plan. The shares vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months. The stock options have an exercise price of \$3.71 per share, which represents the

**EYENOVIA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Note 11 — Stockholders’ Equity — (Continued)**

Company’s closing stock price on the date of grant. The stock options had a grant date fair value of \$122,400, which the Company expects to recognize over the vesting period.

On September 8, 2020, the Company granted ten-year stock options to purchase 45,000 shares of common stock to employees and consultants under the Restated Plan. The shares vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months. The stock options have an exercise price of \$3.48 per share, which represents the Company’s closing stock price on the date of grant. The stock options had a grant date fair value of \$126,700, which the Company expects to recognize over the vesting period.

On September 11, 2020, the Company granted ten-year stock options to purchase 58,920 shares of common stock under the Restated Plan to members of its Board of Directors. The shares vest on the earlier of (i) the one-year anniversary of the date of grant and (ii) the date of the 2021 annual stockholders meeting, subject to the grantee remaining on the Board until then. The stock options have an exercise price of \$3.43 per share, which represents the Company’s closing stock price on the date of grant. The stock options had a grant date fair value of \$155,400, which the Company expects to recognize over the vesting period.

On December 23, 2020, the Company granted ten-year stock options to purchase 50,000 shares of common stock to an employee under the Restated Plan. The shares vest over three years from the date of grant with one-third vesting on the one-year anniversary of the date of grant and the balance vesting monthly over the remaining 24 months. The stock options have an exercise price of \$5.77 per share, which represents the Company’s closing stock price on the date of grant. The stock options had a grant date fair value of \$218,700, which the Company expects to recognize over the vesting period.

In applying the Black-Scholes option pricing model to stock options granted, the Company used the following approximate assumptions:

	For the Year Ended December 31,	
	2020	2019
Expected term (years) . . . . .	5.85 – 10.00	5.50 – 10.00
Risk free interest rate . . . . .	0.26% – 1.32%	1.42% – 2.53%
Expected volatility . . . . .	96% – 99%	134 – 139%
Expected dividends . . . . .	0.00%	0.00%

The Company has computed the fair value of stock options granted using the Black-Scholes option pricing model. Option forfeitures are accounted for at the time of occurrence. The expected term used for options issued is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the “simplified” method to develop an estimate of the expected term of “plain vanilla” option grants. The Company does not currently have a sufficient trading history to support its historical volatility calculations. Accordingly, the Company is utilizing an expected volatility figure based on a review of the historical volatility of three comparable entities over a period of time equivalent to the expected life of the instrument being valued. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued. The Company has not declared dividends, is currently in the development stage and has no plan to declare future dividends at this time.

The weighted average estimated grant date fair value of the stock options granted for the years ended December 31, 2020 and 2019 was approximately \$3.01 and \$3.10 per share, respectively.

EYENOVIA, INC.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11 — Stockholders' Equity — (Continued)

A summary of the option activity during the year ended December 31, 2020 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding January 1, 2020 . . . . .	2,237,438	\$3.51		
Granted . . . . .	1,249,839	3.01		
Exercised . . . . .	(36,391)	2.26		
Forfeited . . . . .	(23,181)	4.59		
Outstanding December 31, 2020 . . . . .	<u>3,427,705</u>	<u>\$3.37</u>	<u>8.0</u>	<u>\$9,843,341</u>
Exercisable December 31, 2020 . . . . .	<u>1,768,292</u>	<u>\$3.48</u>	<u>6.8</u>	<u>\$5,013,118</u>

The following table presents information related to stock options as of December 31, 2020:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$1.24	260,000	4.2	260,000
\$1.95	673,544	6.5	673,544
\$2.72	764,419	—	—
\$2.74	6,000	8.0	3,833
\$2.89	263,500	—	—
\$3.11	659,849	8.6	318,432
\$3.43	58,920	—	—
\$3.48	45,000	—	—
\$3.71	43,000	—	—
\$4.00	2,000	7.9	1,390
\$4.68	25,000	—	—
\$5.10	6,000	7.7	4,500
\$5.19	16,500	7.7	12,375
\$5.25	26,668	5.8	26,668
\$5.77	50,000	—	—
\$6.20	300,387	7.6	270,476
\$6.30	60,000	7.5	48,333
\$8.72	166,918	7.3	148,741
	<u>3,427,705</u>	6.8	<u>1,768,292</u>

## EYENOVIA, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **Note 12 — Employee Benefit Plans**

##### 401(k) Plan

In April 2019, the Company adopted the Eyenovia 401(k) Plan (the “Plan”), which went into effect in May 2019. All Company employees are able to participate in the Plan, subject to eligibility requirements as outlined in the Plan documents. Under the terms of the Plan, eligible employees are able to defer a percentage of their pay every pay period up to annual limitations set by Congress and the Internal Revenue Service under Section 401(k) of the Internal Revenue Code. For 2019, the Company’s Board of Directors has approved a matching contribution equal to 100% of elective deferrals up to 4% of eligible earnings with the matching contribution subject to certain vesting requirements as outlined in the Plan documents. For the years ended December 31, 2020 and 2019, the Company recorded expense of \$138,785 and \$71,285 associated with its matching contributions, respectively.

#### **Note 13 — Subsequent Events**

##### Management Option Grants

Subsequent to December 31, 2020, the Company granted options to its executive officers for a total of 652,899 shares, which grants are subject to stockholder approval of an amendment to the Restated Plan to increase the share reserve thereunder at the 2021 Annual Meeting of Stockholders. The options, would have a ten year term, vesting one-third on the one year anniversary of the date of grant and then in equal increments on each of the 24 one-month anniversaries thereafter, subject to continued employment, and bear an exercise price of \$6.01 per share for total possible consideration to the Company of approximately \$3.9 million.

##### Stock Warrant Exercises

Subsequent to December 31, 2020, the Company issued an aggregate of 644,992 shares of common stock pursuant to the exercise of warrants for aggregate proceeds of \$1,530,989 at exercise prices ranging from \$2.06 to \$2.47.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Our authorized capital stock consists of 90,000,000 shares of common stock, \$0.0001 par value per share, and 6,000,000 shares of undesignated preferred stock, par value \$0.0001 per share. The following description summarizes the material terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of our capital stock, you should refer to our amended and restated certificate of incorporation, as amended (our “restated certificate”), and our amended and restated bylaws (our “restated bylaws”), which are included as exhibits to this Annual Report on Form 10-K, and to the provisions of applicable Delaware law.

### **Common Stock**

As of December 31, 2020, there were 24,978,585 shares of our common stock outstanding. Holders of our common stock are entitled to the following rights.

- *Dividend Rights.* Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine.
- *Voting Rights.* The holders of our common stock are entitled to one vote for each share of common stock held on all matters submitted to a vote of the stockholders, including the election of directors. Our restated certificate and restated bylaws do not provide for cumulative voting rights.
- *No Preemptive or Similar Rights.* The holders of our common stock have no preemptive, conversion, or subscription rights, and there are no redemption provisions applicable to our common stock.
- *Right to Receive Liquidation Distributions.* Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding shares of preferred stock and payment of other claims of creditors.
- *Fully Paid and Non-Assessable.* All of the outstanding shares of our common stock are fully paid and non-assessable.
- *Potential Adverse Effect of Future Preferred Stock.* The rights, preferences and privileges of the holders of common stock are subject to, and might be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

### **Preferred Stock**

Our board of directors is authorized, subject to limitations prescribed by Delaware law, to issue up to 6,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further action by our stockholders. Our board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in our control or the removal of management and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. As of December 31, 2020, no shares of our preferred stock were outstanding.

### **Stock Awards Available For Issuance**

As of December 31, 2020, the Company has an aggregate of 518,186 shares of common stock available under our 2014 Equity Incentive Plan and Amended and Restated 2018 Omnibus Stock Incentive Plan.

## **CERTAIN PROVISIONS OF DELAWARE LAW, OUR RESTATED CERTIFICATE AND RESTATED BYLAWS**

The provisions of Delaware law, our restated certificate, and our restated bylaws may have the effect of delaying, deferring, or discouraging another person from acquiring control of our Company.

**Delaware Law.** We are governed by the provisions of Section 203 of the Delaware General Corporation Law (“DGCL”). In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder unless:

- prior to such time, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers and by specified employee stock plans; or
- at or subsequent to the date of the transaction, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

A “business combination” includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. In general, an “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring, or preventing a change in our control. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that DGCL Section 203 may also discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

**Restated Certificate and Restated Bylaw Provisions.** Various provisions of our restated certificate and restated bylaws could deter hostile takeovers or delay or prevent changes in control of our management team, including the following:

- **Board of Directors Vacancies.** Our restated certificate and restated bylaws authorize only our board fill vacant directorships. In addition, the number of directors constituting our board is permitted to be set only by a resolution adopted by a majority of our board. These provisions would prevent a stockholder from increasing the size of our board and then gaining control of our board by filling the resulting vacancies with its own nominees.
- **Stockholder Action; Special Meeting of Stockholders.** Under our restated certificate, our stockholders may no longer take action by written consent, and may only take action at annual or special meetings of our stockholders. Our restated bylaws further provide that special meetings of our stockholders may be called only our board, President, Chief Executive Officer or by such other person the board expressly authorizes to call a special meeting.
- Our restated bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders. To be timely, a stockholder’s notice must be delivered to, or mailed and received at, our principal executive offices not less than 90 days nor more than 120 days prior to the one-year anniversary of the previous year’s annual meeting of stockholders; provided, that if no annual meeting of stockholders was held in the previous year or the date of the annual meeting of stockholders has been changed to be more than 30 calendar days earlier or 60 days later than such anniversary, notice by the stockholder, to be timely, must be received not earlier than the 120th day nor later to the 90th day prior to the date of such annual meeting or, if later, the 10th day following the date we publicly disclose the date of the annual meeting. Our restated bylaws also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders.

- Our restated bylaws provide advance notice procedures for stockholders to nominate candidates for election as directors at our annual meeting of stockholders. To be timely, a stockholder's notice must be delivered to, or mailed and received at, our principal executive offices not less than 60 days nor more than 90 days prior to the annual meeting of stockholders. Our restated bylaws also provide advance notice procedures for stockholders to nominate candidates for election as directors at a special meeting of stockholders. To be timely, a stockholder's notice must be delivered to, or mailed and received at, our principal executive offices not later than the close of business on the tenth business day following the date on which notice of such meeting is first given to stockholders. Our restated bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from making nominations for directors at our annual and/or a special meeting of stockholders.
- Issuance of Undesignated Preferred Stock. Our board of directors has the authority, without further action by our stockholders, to issue up to 6,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board. Our board may utilize these shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefits plans. The existence of authorized but unissued shares of preferred stock would enable our board to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means. If we issue such shares without stockholder approval and in violation of limitations imposed by any stock exchange on which our stock may then be trading, our stock could be delisted.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company, LLC.

#### **Stock Exchange Listing**

Our common stock is listed on the Nasdaq Capital Market under the symbol "EYEN".

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT**

We consent to the incorporation by reference in the Registration Statements of Eyenovia, Inc. (the "Company") on Forms S-3 (File No. 333-229365 and File No. 333-237790) and Forms S-8 (File No. 333-227049, File No. 333-233278, File No. 333-233280, and File No. 333-246288) of our report, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, dated March 30, 2021, with respect to our audits of the financial statements of Eyenovia, Inc. as of December 31, 2020 and 2019 and for each of the two years in the period ended December 31, 2020, which report is included in this Annual Report on Form 10-K of Eyenovia, Inc. for the year ended December 31, 2020.

/s/ Marcum LLP

Marcum LLP  
New York, NY  
March 30, 2021

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tsontcho Ianchulev, certify that:

1. I have reviewed this annual report on Form 10-K of Eyenovia, Inc. for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2021

/s/ Tsontcho Ianchulev

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Name: Tsontcho Ianchulev  
Title Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Gandolfo, certify that:

1. I have reviewed this annual report on Form 10-K of Eyenovia, Inc. for the year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2021

/s/ John Gandolfo

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Name: John Gandolfo  
Title Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Eyenovia, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tsoncho Ianchulev, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2021

/s/ Tsoncho Ianchulev

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Name: Tsoncho Ianchulev  
Title Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Eyenovia, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Gandolfo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2021

/s/ John Gandolfo

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Name: John Gandolfo  
Title Chief Financial Officer  
(Principal Financial Officer)