SECURITIES & EXCHANGE COMMISSION EDGAR FILING

ALIMERA SCIENCES INC

Form: 10-Q

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Corporate Issuer CIK: 1267602

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2020

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File Number: 001-34703

Alimera Sciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-0028718**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6120 Windward Parkway, Suite 290 Alpharetta, GA	**30005**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

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

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

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

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

As of October 29, 2020, there were 5,131,744 shares of the registrant's Common Stock issued and outstanding.

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND PROJECTIONS

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

Risks Related to the COVID-19 Pandemic

- the adverse effects of the COVID-19 pandemic, and its unpredictable duration, in the regions where we have customers, employees and distributors;
- the adverse effects of the COVID-19 pandemic on sales of ILUVIEN® resulting from (a) limitations on in-person access to physicians for treatment imposed by governments or healthcare facilities and (b) the unwillingness of patients, many of whom suffer from diabetic macular edema and, in Europe, non-infectious uveitis, to visit their physicians in person for fear of contracting the COVID-19 coronavirus;
- financial uncertainty associated with the adverse effects of the COVID-19 pandemic and the duration of those effects, which had an adverse effect on our revenue beginning late in the first quarter and continuing through the third quarter of 2020 and may in the future have an adverse effect on our revenue and on our financial condition and cash flows as well as an impact in future periods on certain estimates used in the preparation of our quarterly financial results, including impairment of intangible assets, the income tax provision and recoverability of certain receivables;
- the possibility that the economic impact of the COVID-19 pandemic will lead to changes in reimbursement policies and reduce market access for ILUVIEN in countries where we sell ILUVIEN;
- the possibility that we may fail to maintain or modify as necessary our internal controls over financial reporting in the current environment in which (a) some of our employees may be required to work remotely from time to time and (b) we or our distributors are required to modify our standard business processes to take into account the current environment in light of the COVID-19 pandemic;
- the possibility of reduced efficiency and potential distractions of our employees resulting from the impact of the COVID-19 pandemic, and the resulting loss of productivity;

Financial Risks

- the possibility that we may fail to comply with minimum required revenue and liquidity covenants in our $45.0 million loan and security agreement with Solar Capital Ltd.;
- the possibility that we may not be entitled to forgiveness of our PPP Loan;
- our possible need to raise additional financing;
- uncertainty regarding our ability to achieve profitability and positive cash flow through the commercialization of ILUVIEN in the U.S., the European Economic Area and other regions of the world where we sell ILUVIEN;
- a slowdown or reduction in our sales due to, in addition to the other factors cited above, a reduction in end user demand, unexpected competition, regulatory issues, or other unexpected circumstances;

Manufacturing Risks

- uncertainty associated with our transition from the previous third-party manufacturer of certain component parts of the ILUVIEN applicator to the successor manufacturer;
- dependence on third-party manufacturers to manufacture ILUVIEN or any future products or product candidates in sufficient quantities and quality, in a timely manner, and at an acceptable price;
- the possibility that we may fail to plan appropriately to meet the demand of our customers for ILUVIEN, which could lead either to (a) ILUVIEN being out of stock or (b) our investment of a greater amount of cash in inventory than we need;

Regulatory Risks

- uncertainty regarding the pricing and reimbursement guidelines for ILUVIEN or any future products or product candidates, including ILUVIEN in new markets;
- uncertainty associated with our pursuit of reimbursement approval from local health authorities in certain countries for the recently obtained additional indication for ILUVIEN for prevention of relapse in recurrent non-infectious uveitis affecting the posterior segment of the eye (NIU-PS);
- delay in or failure to obtain regulatory and reimbursement approval of ILUVIEN or any future products or product candidates in additional countries;
- uncertainty associated with our ability to meet any post-market requirements for NIU-PS in the European Economic Area;
- uncertainty associated with our ability to successfully commercialize ILUVIEN following regulatory approval in additional markets;

Other Risks

- uncertainty associated with our ability to retain our current employees and to recruit and retain the new employees we need in the future, in particular a productive sales force;
- the possibility that we may fail to comply with the Nasdaq listing standards in the future; and
- the possibility that the NEW DAY Study may fail to demonstrate the efficacy of ILUVIEN as baseline therapy in patients with early diabetic macular edema (DME) or to generate data demonstrating the benefits of ILUVIEN when compared to the current leading therapy for DME.

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

We encourage you to read the discussion and analysis of our financial condition and our condensed consolidated financial statements contained in this report. We also encourage you to read Item 1A of Part II of this Quarterly Report on Form 10-Q, entitled “Risk Factors,” and Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which contains a more detailed discussion of some of the risks and uncertainties associated with our business. In addition to the risks described above, other unknown or unpredictable factors also could affect our results. There can be no assurance that we will in fact achieve the actual results or developments we anticipate or, even if we do substantially realize them, that they will have the expected consequences to, or effects on, us. Therefore, we can give no assurances that we will achieve the outcomes stated in those forward-looking statements and estimates.

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

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

	September 30, 2020	December 31, 2019
	(In thousands, except share and per share data)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,254	$ 9,426
Restricted cash	32	33
Accounts receivable, net	15,628	19,331
Prepaid expenses and other current assets	3,177	2,565
Inventory (Note 7)	2,522	1,390
Total current assets	32,613	32,745
NON-CURRENT ASSETS:		
Property and equipment, net	1,582	940
Right of use assets, net	791	1,107
Intangible asset, net (Note 8)	13,327	14,783
Deferred tax asset	767	734
TOTAL ASSETS	$ 49,080	$ 50,309
CURRENT LIABILITIES:		
Accounts payable	$ 5,356	$ 7,077
Accrued expenses	3,475	4,716
Notes payable	1,185	—
Finance lease obligations	219	255
Total current liabilities	10,235	12,048
NON-CURRENT LIABILITIES:		
Notes payable, net of discount (Note 10)	42,459	38,658
Finance lease obligations — less current portion	452	94
Other non-current liabilities	3,567	3,954
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Preferred stock, $.01 par value — 10,000,000 shares authorized at September 30, 2020 and December 31, 2019:		
Series A Convertible Preferred Stock, 1,300,000 authorized and 600,000 issued and outstanding at September 30, 2020 and December 31, 2019; liquidation preference of $24,000 at September 30, 2020 and December 31, 2019	19,227	19,227
Series C Convertible Preferred Stock, 10,150 authorized and 8,650.033 issued and outstanding at September 30, 2020 and 10,150 authorized issued and outstanding at December 31, 2019; liquidation preference of $8,650 at September 30, 2020 and liquidation preference of $10,150 at December 31, 2019	9,474	11,117
Common stock, $.01 par value — 150,000,000 shares authorized, 5,131,744 shares issued and outstanding at September 30, 2020 and 4,965,949 shares issued and outstanding at December 31, 2019	51	50
Additional paid-in capital	352,728	350,117
Common stock warrants	3,707	3,707
Accumulated deficit	(391,932)	(387,570)
Accumulated other comprehensive loss	(888)	(1,093)
TOTAL STOCKHOLDERS' DEFICIT	(7,633)	(4,445)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 49,080	$ 50,309

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except share and per share data)			
NET REVENUE	$ 12,473	$ 12,850	$ 37,046	$ 36,595
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(1,537)	(1,579)	(4,949)	(4,353)
GROSS PROFIT	10,936	11,271	32,097	32,242
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	2,469	2,761	7,162	8,322
GENERAL AND ADMINISTRATIVE EXPENSES	2,619	3,121	8,775	10,189
SALES AND MARKETING EXPENSES	4,764	6,437	14,818	18,458
DEPRECIATION AND AMORTIZATION	677	668	2,016	1,974
OPERATING EXPENSES	10,529	12,987	32,771	38,943
NET INCOME (LOSS) FROM OPERATIONS	407	(1,716)	(674)	(6,701)
INTEREST EXPENSE AND OTHER	(1,285)	(1,232)	(3,928)	(3,696)
UNREALIZED FOREIGN CURRENCY GAIN (LOSS), NET	267	(115)	295	(135)
NET LOSS BEFORE TAXES	(611)	(3,063)	(4,307)	(10,532)
PROVISION FOR TAXES	(7)	(77)	(55)	(409)
NET LOSS	$ (618)	$ (3,140)	$ (4,362)	$ (10,941)
NET LOSS PER COMMON SHARE — Basic and diluted	$ (0.12)	$ (0.66)	$ (0.87)	$ (2.31)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING — Basic and diluted	5,068,701	4,733,484	5,026,905	4,727,472

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
NET LOSS	$ (618)	$ (3,140)	$ (4,362)	$ (10,941)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	198	(165)	205	(193)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	198	(165)	205	(193)
COMPREHENSIVE LOSS	$ (420)	$ (3,305)	$ (4,157)	$ (11,134)

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2020	2019
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,362)	$ (10,941)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,016	1,974
Unrealized foreign currency transaction (gain) loss	(295)	135
Amortization of debt discount	727	626
Stock-based compensation expense	1,074	1,903
Changes in assets and liabilities:		
Accounts receivable	3,942	663
Prepaid expenses and other current assets	(301)	(451)
Inventory	(1,104)	726
Accounts payable	(1,906)	497
Accrued expenses and other current liabilities	(1,310)	(89)
Other long-term liabilities	(411)	383
Net cash used in operating activities	(1,930)	(4,574)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(535)	(150)
Net cash used in investing activities	(535)	(150)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	10	34
Issuance of debt	4,278	—
Payment of debt costs	(19)	—
Payment of finance lease obligations	(341)	(234)
Net cash provided by (used in) financing activities	3,928	(200)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	364	(217)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,827	(5,141)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	9,459	13,075
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH — End of period	$ 11,286	$ 7,934
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 2,854	$ 3,070
Cash paid for income taxes	$ 20	$ 10
Supplemental schedule of non-cash investing and financing activities:		
Property and equipment acquired under finance leases	$ 776	$ 124
Property and equipment acquired under operating leases	$ —	$ 676
Note payable end of term payment accrued but unpaid	$ 2,125	$ 1,800

See Notes to Condensed Consolidated Financial Statements.

ALIMERA SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

	Common Stock		Series A Convertible Preferred Stock		Series C Convertible Preferred Stock		Additional Paid-In Capital	Common Stock Warrants	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
2020	(In thousands, except share data)										
Balance, December 31, 2019	4,965,949	$ 50	600,000	$ 19,227	10,150	$ 11,117	$ 350,117	$ 3,707	$ (387,570)	$ (1,093)	$ (4,445)
Issuance of common stock, net of issuance costs	62,933	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	440	—	—	—	440
Other	—	—	—	—	—	—	(115)	—	—	—	(115)
Net loss	—	—	—	—	—	—	—	—	(1,198)	—	(1,198)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(86)	(86)
Balance, March 31, 2020	5,028,882	$ 50	600,000	$ 19,227	10,150	$ 11,117	$ 350,442	$ 3,707	$ (388,768)	$ (1,179)	$ (5,404)
Issuance of common stock, net of issuance costs	2,863	—	—	—	—	—	10	—	—	—	10
Stock-based compensation expense	—	—	—	—	—	—	317	—	—	—	317
Net loss	—	—	—	—	—	—	—	—	(2,546)	—	(2,546)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	93	93
Balance, June 30, 2020	5,031,745	$ 50	600,000	$ 19,227	10,150	$ 11,117	$ 350,769	$ 3,707	$ (391,314)	$ (1,086)	$ (7,530)
Preferred stock conversion	99,999	1	—	—	(1,500)	(1,643)	1,642	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	317	—	—	—	317
Net loss	—	—	—	—	—	—	—	—	(618)	—	(618)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	198	198
Balance, September 30, 2020	5,131,744	$ 51	600,000	$ 19,227	8,650	$ 9,474	$ 352,728	$ 3,707	$ (391,932)	$ (888)	$ (7,633)
2019											
Balance, December 31, 2018	4,671,921	$ 47	600,000	$ 19,227	10,150	$ 11,117	$ 346,762	$ 3,707	$ (377,127)	$ (1,011)	2,722
Issuance of common stock, net of issuance costs	59,319	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	770	—	—	—	770
Net loss	—	—	—	—	—	—	—	—	(2,763)	—	(2,763)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(83)	(83)
Balance, March 31, 2019	4,731,240	$ 47	600,000	$ 19,227	10,150	$ 11,117	$ 347,532	$ 3,707	$ (379,890)	$ (1,094)	$ 646
Issuance of common stock, net of issuance costs	2,124	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	655	—	—	—	655
Net loss	—	—	—	—	—	—	—	—	(5,038)	—	(5,038)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	55	55
Balance, June 30, 2019	4,733,364	$ 47	600,000	$ 19,227	10,150	$ 11,117	$ 348,187	$ 3,707	$ (384,928)	$ (1,039)	$ (3,682)
Issuance of common stock, net of issuance costs	1,018	—	—	—	—	—	7	—	—	—	7
Stock-based compensation expense	—	—	—	—	—	—	504	—	—	—	504
Net loss	—	—	—	—	—	—	—	—	(3,140)	—	(3,140)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(165)	(165)
Balance, September 30, 2019	4,734,382	$ 47	600,000	$ 19,227	10,150	$ 11,117	$ 348,698	$ 3,707	$ (388,068)	$ (1,204)	$ (6,476)

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Alimera Sciences, Inc., together with its wholly owned subsidiaries (the Company), is a pharmaceutical company that specializes in the commercialization and development of ophthalmic pharmaceuticals. The Company presently focuses on diseases affecting the back of the eye, or retina, because the Company believes these diseases are not well treated with current therapies and affect millions of people globally. The Company's only product is ILUVIEN®, which has received marketing authorization and reimbursement approval in 24 countries for the treatment of diabetic macular edema (DME). In addition, ILUVIEN has received marketing authorization in 16 European countries, and reimbursement approval in two countries, Germany and the U.K., for the prevention of relapse in recurrent non-infectious uveitis affecting the posterior segment (NIU-PS).

The Company markets ILUVIEN directly in the U.S., Germany, the U.K., Portugal and Ireland. The Company has entered into various agreements under which distributors are providing or will provide to varying degrees regulatory, reimbursement and sales and marketing support for ILUVIEN in Austria, Belgium, the Czech Republic, Denmark, Finland, France, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Australia, New Zealand, Canada and several countries in the Middle East. As of September 30, 2020, the Company has recognized sales of ILUVIEN to the Company's international distributors in the Middle East, France, Italy and Spain.

2. BASIS OF PRESENTATION

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements and notes thereto (Interim Financial Statements) in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, these Interim Financial Statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the accompanying Interim Financial Statements reflect all adjustments, which include normal recurring adjustments, necessary to present fairly the Company's interim financial information.

The accompanying Interim Financial Statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019 and related notes included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 2, 2020. The financial results for any interim period are not necessarily indicative of the expected financial results for the full year.

Effects of the COVID-19 Pandemic

The public health crisis caused by the COVID-19 pandemic and the measures being taken by governments, businesses, and the public at large to limit the COVID-19 pandemic's spread have had, and the Company expects will continue to have, certain negative effects on, and present certain risks to, the Company's business. The Company is currently unable to fully determine the COVID-19 pandemic's future impact on the Company's business. These limitations and other effects of the COVID-19 pandemic had an adverse impact on the Company's revenues late in the first quarter and continuing through the third quarter of 2020. The Company expects these factors to continue to adversely impact the Company's revenue, and the extent and duration of that impact is uncertain at this time. The Company is monitoring the pandemic and its potential effect on the Company's financial position, results of operations and cash flows. This uncertainty could have an impact in future periods on certain estimates used in the preparation of the Company's quarterly financial results, including impairment of intangible assets, the income tax provision and realizability of certain receivables. Should the pandemic continue for an extended period, the impact on the Company's operations could have an adverse effect on the Company's revenue, financial condition and cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Financial Statements included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2019.

Reverse Stock Split

On November 14, 2019, the Company filed a certificate of amendment to its restated certificate of incorporation with the Secretary of State of the State of Delaware, which effected a one-for-15 reverse stock split (the reverse split) of its issued and outstanding shares of common stock at 5:01 PM Eastern Time on that date. As a result of the reverse split, every 15 shares of common stock then issued and outstanding were converted into one share of common stock. The Company paid cash in lieu of fractional shares, and accordingly, no fractional shares were issued in connection with the reverse split.

The reverse split did not change the par value of the common stock or the authorized number of shares of common stock. All outstanding options, preferred stock, restricted stock units, warrants and other securities entitling their holders to purchase or otherwise receive shares of Alimera's common stock have been adjusted as a result of the reverse split, as required by the terms of each security. The number of shares available to be awarded under the 2019 Omnibus Incentive Plan and the number of shares that are purchasable under the 2010 Employee Stock Purchase Plan have also been appropriately adjusted.

Accounting Standards Issued but Not Yet Effective

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

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes*. The standard eliminates the need for an organization to analyze whether the following apply in a given period: (1) exception to the incremental approach for intraperiod tax allocation; (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments; and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The ASU also is designed to improve financial statement preparers' application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax and (4) enacted changes in tax laws in interim periods. The standard becomes effective for the Company on January 1, 2021. The Company is in the process of determining the effect that the adoption will have on its financial statements.

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The standard requires entities to provide expanded disclosures about the terms and features of convertible instruments and amends certain guidance in ASC 260 on the computation of EPS for convertible instruments and contracts on an entity's own equity. The standard becomes effective for the Company on January 1, 2022. The Company is currently assessing the impact of adoption of the ASU.

4. REVENUE RECOGNITION

Net Revenue

The Company sells its products to major pharmaceutical distributors, pharmacies, hospitals and wholesalers (collectively, its Customers). In addition to distribution agreements with Customers, the Company enters into arrangements with healthcare providers and payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks, and discounts with respect to the purchase

of the Company's products. All of the Company's current contracts have a single performance obligation, as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

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

As of September 30, 2020, the Company had received a total of $1,000,000 of milestone payments in connection with the Company's Canadian distributor that it has not recognized as revenue based on the Company's analysis in connection with ASU 2014-09, *Revenue from Contracts with Customers (ASC 606)*. These deferred revenues are included as a component of other non-current liabilities on the Company's balance sheets.

Estimates of Variable Consideration

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

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

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

Consideration Payable to Customers

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

Product Returns

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

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

Other Revenue

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

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

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

Customer Payment Obligations

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

5. LEASES

The Company evaluates all of its contracts to determine whether it is or contains a lease at inception. The Company reviews its contracts for options to extend, terminate or purchase any right of use assets and accounts for these, as applicable, at inception of the contract. Lease renewal options are not recognized as part of the lease liability until the Company determines it is reasonably certain it will exercise any applicable renewal options. The Company has not recorded any liability for renewal options in these Interim Financial Statements. The useful lives of leased assets as well as leasehold improvements, if any, are limited by the expected lease term.

Operating Leases

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

Supplemental balance sheet information as of September 30, 2020 for the Company's operating leases is as follows:

	(In thousands)
NON-CURRENT ASSETS:	
Right of use assets, net	$ 791
Total lease assets	$ 791
CURRENT LIABILITIES:	
Accrued expenses	$ 489
NON-CURRENT LIABILITIES:	

Other non-current liabilities	442
Total lease liabilities	$ 931

The Company's operating lease cost for the three and nine months ended September 30, 2020 was $113,000 and $338,000, respectively, and is included in general and administrative expenses in its condensed consolidated statement of operations. The Company's operating lease cost for the three and nine months ended September 30, 2019 was $117,000 and $359,000, respectively, and is included in general and administrative expenses in its condensed consolidated statement of operations.

As of September 30, 2020, a schedule of maturity of lease liabilities under all of the Company's operating leases is as follows:

Years Ending December 31	**(In thousands)**
2020 (remaining)	$ 145
2021	459
2022	159
2023	159
2024	159
Thereafter	—
Total	1,081
Less amount representing interest	(150)
Present value of minimum lease payments	931
Less current portion	(489)
Non-current portion	$ 442

Cash paid for operating leases was $464,000 during the nine months ended September 30, 2020. No right of use assets were obtained in exchange for operating leases for the nine months ended September 30, 2020.

As of September 30, 2020, the weighted average remaining lease terms of the Company's operating leases was 3.0 years. The weighted average discount rate used to determine the lease liabilities was 10.1%.

Finance Leases

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

Supplemental balance sheet information as of September 30, 2020 and December 31, 2019 for the Company's finance leases is as follows:

	September 30, 2020	**December 31, 2019**
	(In thousands)	
NON-CURRENT ASSETS:		
Property and equipment, net	$ 783	$ 414
Total lease assets	$ 783	$ 414
CURRENT LIABILITIES:		
Finance lease obligations	$ 219	$ 255
NON-CURRENT LIABILITIES:		
Finance lease obligations — less current portion	452	94
Total lease liabilities	$ 671	$ 349

Depreciation expense associated with property and equipment under finance leases was approximately $101,000 and $83,000 for the three months ended September 30, 2020 and 2019, respectively. Depreciation expense associated with property and equipment under finance leases was approximately $294,000 and $236,000 for the nine months ended September 30, 2020 and 2019, respectively. Interest expense associated with finance leases was $14,000 and $9,000 for the three months ended September 30, 2020 and 2019, respectively. Interest expense associated with finance leases was $33,000 and $26,000 for the nine months ended September 30, 2020 and 2019, respectively.

As of September 30, 2020, a schedule of maturity of lease liabilities under finance leases, together with the present value of minimum lease payments, is as follows:

Years Ending December 31	(In thousands)
2020 (remaining)	$ 103
2021	335
2022	208
2023	80
Total	726
Less amount representing interest	(55)
Present value of minimum lease payments	671
Less current portion	(219)
Non-current portion	$ 452

Cash paid for finance leases was $486,000 during the nine months ended September 30, 2020. The Company acquired $776,000 of property and equipment in exchange for finance leases during the nine months ended September 30, 2020.

As of September 30, 2020, the weighted average remaining lease terms of the Company’s financing leases was 1.6 years. The weighted average discount rate used to determine the financing lease liabilities was 8.7%.

6. GOING CONCERN

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

To date, the Company has incurred recurring losses and negative cash flow from operations and has accumulated a deficit of $391,932,000 from inception through September 30, 2020. As of September 30, 2020, the Company had approximately $11,254,000 in cash and cash equivalents. The Company’s ability to avoid depleting its cash depends upon its ability to maintain revenue and contain its expenses. Should the impact of the COVID-19 pandemic be extended, the Company has plans in place to reduce its expenses further in the future.

Further, the Company must maintain compliance with the debt covenants of its $45,000,000 Loan and Security Agreement with Solar Capital Ltd., as amended (see Note 10). In management’s opinion, the uncertainty regarding future revenues raises substantial doubt about the Company’s ability to continue as a going concern without access to additional debt and/or equity financing over the course of the next twelve months.

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

7. INVENTORY

Inventory consisted of the following:

	September 30, 2020	December 31, 2019
	(In thousands)	
Component parts (1)	$ 1,051	$ 389
Work-in-process (2)	416	399
Finished goods	1,055	602
Total Inventory	$ 2,522	$ 1,390

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

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

8. INTANGIBLE ASSET

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

The gross carrying amount of the intangible asset is $25,000,000, which is being amortized over approximately 13 years from the acquisition date. The amortization expense related to the intangible asset was approximately $489,000 for both the three months ended September 30, 2020 and 2019, respectively. The amortization expense related to the intangible asset was approximately $1,457,000 for the nine months ended September 30, 2020 and $1,451,000 for the nine months ended September 30, 2019. The net book value of the intangible asset was $13,327,000 and $14,783,000 as of September 30, 2020 and December 31, 2019, respectively.

The estimated future amortization expense as of September 30, 2020 for the remaining periods in the next five years and thereafter is as follows:

Years Ending December 31	(In thousands)
2020 (remaining)	$ 489
2021	1,940
2022	1,940
2023	1,940
2024	1,946
Thereafter	5,072
Total	$ 13,327

Property and equipment and definite lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Company evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved.

In April of 2020, as a result of the potential impact of the COVID-19 pandemic on the Company’s statements of operations, the Company performed an asset impairment analysis by comparing future undiscounted cash flows of the identified asset group to the carrying value of that asset group. The Company concluded no impairment was necessary.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. LICENSE AGREEMENTS

EyePoint Agreement

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

In July 2017, the Company amended and restated its license agreement with EyePoint, which was made effective July 1, 2017 (the New Collaboration Agreement). Under the New Collaboration Agreement, the Company has the right to the technology underlying ILUVIEN for the treatment of (a) human eye diseases, including uveitis, in Europe, the Middle East, and Africa, and (b) human eye diseases other than uveitis worldwide. The New Collaboration Agreement converted the Company's previous profit share obligation to a royalty payable on global net revenues of ILUVIEN. The Company began paying a 2% royalty on net revenues and other related consideration to EyePoint on July 1, 2017. The royalty amount increased to 6% effective December 12, 2018. The Company is required to pay an additional 2% royalty on global net revenues and other related consideration in excess of $75,000,000 in any year. During the three and nine months ended September 30, 2020, the Company recognized approximately $499,000 and $1,481,000 of royalty expense, respectively, which is included in cost of goods sold, excluding depreciation and amortization. As of September 30, 2020, approximately $499,000 of this royalty expense was included in the Company's accounts payable. During the three and nine months ended September 30, 2019, the Company recognized approximately $514,000 and $1,464,000 of royalty expense, respectively, which is included in cost of goods sold, excluding depreciation and amortization.

Following the signing of the New Collaboration Agreement, the Company retained a right to recover up to $15,000,000 of commercialization costs that were incurred prior to profitability of ILUVIEN and to offset a portion of future payments owed to EyePoint with these accumulated commercialization costs, referred to as the Future Offset. Due to the uncertainty of future net profits, the Company has fully reserved the Future Offset in the accompanying Interim Financial Statements. In March 2019, pursuant to the New Collaboration Agreement, the Company forgave $5,000,000 of the Future Offset in connection with the approval of ILUVIEN for NIU-PS in the U.K. As of September 30, 2020, the balance of the Future Offset was approximately $8,117,000.

10. LOAN AGREEMENTS

Hercules Loan Agreement and Related Warrants

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

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

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

2019 Solar Capital Loan Agreement

On December 31, 2019, we refinanced our $40.0 million Loan and Security Agreement (the 2018 Solar Loan Agreement) with Solar Capital Ltd. (Solar Capital) and other lenders by entering into a $45.0 million Loan and Security Agreement (the 2019 Solar Loan Agreement) with Solar Capital as Collateral Agent (Agent), and the parties signing the 2018 Solar Loan Agreement from time to time as Lenders, including Solar Capital in its capacity as a Lender. Under the 2019 Solar Loan Agreement, we borrowed $42.5 million on

December 31, 2019 and $2.5 million on February 21, 2020 (the 2019 Solar Loan). The 2019 Solar Loan matures on July 1, 2024. We used the initial proceeds of the 2019 Solar Loan to pay off borrowings under the 2018 Solar Loan Agreement (the 2018 Solar Loan), along with related prepayment, legal and other fees and expenses totaling approximately $2.3 million, which included $2.2 million in fees to Solar Capital. In addition, the Company is obligated to pay a $2,250,000 fee upon repayment of the 2019 Solar Loan.

2018 Exit Fee Agreement

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

First Amendment to 2019 Solar Capital Loan Agreement

On May 1, 2020, the Company entered into a First Amendment (the Amendment) to its 2019 Solar Loan Agreement with Solar Capital. The Amendment, among other things:

(a) eliminates the previous requirement that the following covenant (the Revenue Covenant) be measured at June 30, 2020 and September 30, 2020: the Company shall not permit revenues (under U.S. GAAP) from the sale of ILUVIEN in the ordinary course of business to third party customers, on a trailing six-month basis, to be less than a specified minimum revenue amount for each such date;

(b) requires that the Revenue Covenant be measured at November 30, 2020 and specifies a new minimum revenue amount in that regard;

(c) requires that the Revenue Covenant be measured at December 31, 2020 and specifies a new minimum revenue amount in that regard; and

(d) requires that the Revenue Covenant be measured at March 31, 2021 and at the last day of each quarter thereafter, with the minimum revenue amount equal to a percentage of the Company’s projected revenues in accordance with an annual plan submitted by the Company to Agent by January 15th of such year, such plan to be approved by the Company’s board of directors and Agent in its sole discretion.

The Amendment also adds the following new minimum liquidity requirement that is in effect from May 1, 2020 until the Company notifies Agent that it has met the Revenue Covenant at November 30, 2020: the Company shall not permit the aggregate amount of unrestricted cash and cash equivalents to be less than the sum of (i) $8,500,000 plus (ii) the amount of the Company’s accounts payable that have not been paid within 90 days from the invoice date of the relevant account payable. The Company paid no fees to Solar Capital in connection with the Amendment; however, the Company agreed to reimburse Agent for its legal fees. As of September 30, 2020, the Company was in compliance with the covenants of the Amendment to its 2019 Solar Loan Agreement.

Paycheck Protection Program

On April 22, 2020, the Company received an approximately $1,778,000 loan (the PPP Loan) under the Paycheck Protection Program established by the U.S. Small Business Administration (the SBA) as part of the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act. The PPP Loan is unsecured and is evidenced by a note (the Note) in favor of HSBC Bank USA, National Association (HSBC) as the lender.

The interest rate on the Note is 1.0% per annum. The Note has a two-year term and is payable in 18 equal monthly payments of principal and interest beginning on the 180th day following the disbursement of the loan proceeds, subject to possible full forgiveness and a deferred commencement date for beginning payments as described below. The Paycheck Protection Program provides for forgiveness of up to the full amount borrowed as long as the Company uses the loan proceeds during the 24-week period following disbursement for eligible purposes as described in the CARES Act and related guidance. Under the CARES Act, loan forgiveness is generally available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the 24-week period. The Company

used all of the proceeds from the PPP Loan to pay expenses during the applicable period that the Company believes were for eligible purposes. On July 21, 2020, the Company submitted an application to HSBC for forgiveness of the PPP Loan. As of the date of this filing, the application for forgiveness is still pending review.

Under the revised rules for the PPP Loan program, the Company will not have to begin principal and interest payments before the date on which the SBA remits the loan forgiveness amount to HSBC (or notifies HSBC that no loan forgiveness is allowed). If no loan forgiveness is allowed, the Company will be required to pay HSBC equal monthly payments of principal and interest based on the principal amount outstanding on the PPP Loan, plus interest outstanding at the end of the deferment period, and taking into account any reductions in the principal amount due to forgiveness, if any. Interest accrued during the deferment period will be capitalized as principal.

In connection with the PPP Loan, the Company entered into a Consent to Loan and Security Agreement (the Consent) under the 2019 Solar Loan Agreement. In the Consent, Solar Capital consented as Collateral Agent and a Lender, and the other Lenders consented as Lenders, to the indebtedness incurred under the PPP Loan, subject to certain conditions, including the Company's covenant to comply with specified provisions of the CARES Act, the Company's confirmation of the accuracy of its representations and warranties in the 2019 Solar Loan Agreement and related documents and a release in favor of the Collateral Agent and the Lenders.

The Company has accounted for the PPP Loan in the same manner as it has for its other loan agreements. Payments that are due within 12 months of balance sheet dates are shown as current liabilities and payments due thereafter are shown as non-current liabilities. The Company incurred and capitalized insignificant costs with third parties as deferred financing costs associated with the PPP Loan and is expensing these costs to interest expense over the life of the loan using the effective interest method. If the Company's application for forgiveness is approved, the Company will recognize a gain on extinguishment of debt at the time of forgiveness.

Modification of Debt

In accordance with the guidance in ASC 470-50, *Debt*, the Company entered into and accounted for the 2019 Solar Loan Agreement as a modification and capitalized approximately $427,000 of costs as additional deferred financing costs and expensed approximately $76,000 of costs incurred with third parties within the consolidated statements of operations for the year ended December 31, 2019.

In accordance with the guidance in ASC 470-50, *Debt*, the Company entered into and accounted for the May 1, 2020 Amendment to its 2019 Solar Loan Agreement as a modification, capitalized no additional costs and expensed approximately $76,000 of costs incurred with third parties within the consolidated statements of operations for the nine months ended September 30, 2020.

Fair Value of Debt

The weighted average interest rates of the Company's notes payable approximate the rate at which the Company could obtain alternative financing. Therefore, the carrying amount of the notes approximated their fair value at September 30, 2020 and December 31, 2019.

11. EARNINGS (LOSS) PER SHARE (EPS)

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

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

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	September 30,	
	2020	2019
Series A convertible preferred stock	601,504	601,504
Series C convertible preferred stock	576,669	676,667
Common stock warrants	119,712	119,712
Stock options	1,040,987	880,096
Restricted stock & RSUs outstanding at period end	30,086	36,763
Total	2,368,958	2,314,742

12. PREFERRED STOCK

On August 28, 2020, the Company issued 99,999 shares of common stock pursuant to the conversion of 1,499.967 shares of Series C Preferred Stock. As of September 30, 2020, there were 8,650.033 shares of Series C Preferred Stock issued and outstanding.

13. STOCK INCENTIVE PLANS

Stock Option Plans

During the three months ended September 30, 2020 and 2019, the Company recorded compensation expense related to stock options of approximately $282,000 and $408,000, respectively. During the nine months ended September 30, 2020 and 2019, the Company recorded compensation expense related to stock options of approximately $853,000 and $1,470,000, respectively. As of September 30, 2020, the total unrecognized compensation cost related to non-vested stock options granted was $1,716,000 and is expected to be recognized over a weighted average period of 2.27 years. The following table presents a summary of stock option activity for the three months ended September 30, 2020 and 2019:

	Three Months Ended September 30,			
	2020		2019	
	Options	Weighted Average Exercise Price ($)	Options	Weighted Average Exercise Price ($)
Options outstanding at beginning of period	1,043,297	29.84	912,430	36.04
Grants	2,450	5.46	5,412	12.65
Forfeitures	(4,760)	28.29	(37,748)	47.34
Exercises	—	—	—	—
Options outstanding at period end	1,040,987	29.79	880,094	35.41
Options exercisable at period end	764,151	36.91	648,880	42.25
Weighted average per share fair value of options granted during the period	$ 3.48		$ 7.65	

The following table presents a summary of stock option activity for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,			
	2020		2019	
	Options	Weighted Average Exercise Price ($)	Options	Weighted Average Exercise Price ($)
Options outstanding at beginning of period	871,472	35.46	830,100	39.41
Grants	198,731	6.70	126,948	13.45
Forfeitures	(29,216)	42.00	(76,954)	42.31
Exercises	—	—	—	—
Options outstanding at period end	1,040,987	29.79	880,094	35.41
Options exercisable at period end	764,151	36.91	648,880	42.25
Weighted average per share fair value of options granted during the period	$ 4.17		$ 8.34	

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table provides additional information related to outstanding stock options, exercisable stock options and stock options that were expected to vest as of September 30, 2020:

	Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($)
				(In thousands)
Outstanding	1,040,987	29.79	5.94 years	1
Exercisable	764,151	36.91	4.92 years	—
Outstanding, vested and expected to vest	1,007,268	30.48	5.84 years	1

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

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

As of September 30, 2020, 239,565 shares remain available for grant under the 2019 Omnibus Incentive Plan.

Employee Stock Purchase Plan

During the three months ended September 30, 2020 and 2019, the Company recorded compensation expense related to its employee stock purchase plan of approximately $13,000 and $6,000, respectively. During the nine months ended September 30, 2020 and 2019, the Company recorded compensation expense related to its employee stock purchase plan of approximately $51,000 and $17,000, respectively.

Restricted Stock and Restricted Stock Units

A summary of restricted stock and restricted stock units (RSU) transactions under the plans are as follows:

	Three Months Ended September 30,			
	2020		2019	
	Restricted Stock & RSUs RSUs	Weighted Average Grant Date Fair Value ($)	Restricted Stock & RSUs RSUs	Weighted Average Grant Date Fair Value ($)
Restricted stock & RSUs outstanding at beginning of period	30,086	3.12	36,763	13.15
Grants	—	—	—	—
Vested units	—	—	—	—

Forfeitures	—	—	—	—
Restricted stock & RSUs outstanding at period end	30,086	3.12	36,763	13.15

	Nine Months Ended September 30,			
	2020		2019	
	Restricted Stock & RSUs RSUs	Weighted Average Grant Date Fair Value ($)	Restricted Stock & RSUs RSUs	Weighted Average Grant Date Fair Value ($)
Restricted stock & RSUs outstanding at beginning of period	36,763	13.15	60,041	17.30
Grants	30,086	3.12	36,763	13.15
Vested units	(36,763)	13.15	(60,041)	17.29
Forfeitures	—	—	—	—
Restricted stock & RSUs outstanding at period end	30,086	3.12	36,763	13.15

Employee stock-based compensation expense related to restricted stock and RSUs recognized in accordance with ASC 718, *Compensation - Stock Compensation* (ASC 718) was $22,000 and $90,000 for the three months ended September 30, 2020 and 2019, respectively. Employee stock-based compensation expense related to RSUs recognized in accordance with ASC 718 was $170,000 and $416,000 for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, the total unrecognized compensation cost related to restricted stock was $47,000 and is expected to be recognized over a weighted average period of 0.44 years.

14. INCOME TAXES

In accordance with ASC 740, *Income Taxes,* the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of its assets and liabilities at the enacted tax rates in effect for the year in which the differences are expected to reverse. The Company records a valuation allowance against its net deferred tax asset to reduce the net carrying value to an amount that is more likely than not to be realized. At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, the Company's best estimate of operating results and foreign currency exchange rates.

The Company also applies the provisions for income taxes related to, among other things, accounting for uncertain tax positions and disclosure requirements. The Company's recorded liability for uncertain tax positions as of September 30, 2020 has increased by approximately $4,500 as compared to December 31, 2019. There has been no change to the Company's policy that recognizes potential interest and penalties related to uncertain tax positions. The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into law. In addition to other provisions, the CARES Act contains modifications to Net Operating Loss (NOL) carryback rules. For the nine months ended September 30, 2020, there was no impact to the tax provision related to the CARES Act. We are currently evaluating the provisions of the CARES Act and how other elections may impact our financial position, results of operations, and disclosures, if needed.

At December 31, 2019, the Company had U.S. federal NOL carry-forwards of approximately $125,756,000 and state NOL carry-forwards of approximately $172,993,000 available to reduce future taxable income. The Company's U.S. federal NOL carry-forwards remain fully reserved as of September 30, 2020. Except for the NOLs generated after 2017, the U.S. federal NOLs not fully utilized will expire at various dates between 2029 and 2037; most state NOL carry-forwards will expire at various dates between 2020 and 2039. Under the Tax Cuts and Jobs Act of 2017, U.S. federal NOLs and some state NOLs generated after 2017 will carryforward indefinitely.

ALIMERA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

15. SEGMENT INFORMATION

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

The following table presents a summary of the Company's reporting segments for the three months ended September 30, 2020 and 2019:

	Three Months Ended September 30, 2020				Three Months Ended September 30, 2019			
	U.S.	International	Other	Consolidated	U.S.	International	Other	Consolidated
	(In thousands)							
NET REVENUE	$ 6,962	$ 5,511	$ —	$ 12,473	$ 8,692	$ 4,158	$ —	$ 12,850
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(746)	(791)	—	(1,537)	(1,001)	(578)	—	(1,579)
GROSS PROFIT	6,216	4,720	—	10,936	7,691	3,580	—	11,271
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	1,560	861	48	2,469	1,573	1,100	88	2,761
GENERAL AND ADMINISTRATIVE EXPENSES	1,952	475	192	2,619	2,032	768	321	3,121
SALES AND MARKETING EXPENSES	3,461	1,226	77	4,764	4,502	1,840	95	6,437
DEPRECIATION AND AMORTIZATION	—	—	677	677	—	—	668	668
OPERATING EXPENSES	6,973	2,562	994	10,529	8,107	3,708	1,172	12,987
SEGMENT (LOSS) INCOME FROM OPERATIONS	(757)	2,158	(994)	407	(416)	(128)	(1,172)	(1,716)
OTHER INCOME AND EXPENSES, NET	—	—	(1,018)	(1,018)	—	—	(1,347)	(1,347)
NET LOSS BEFORE TAXES				$ (611)				$ (3,063)

The following table presents a summary of the Company's reporting segments for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019			
	U.S.	International	Other	Consolidated	U.S.	International	Other	Consolidated
	(In thousands)							
NET REVENUE	$ 17,449	$ 19,597	$ —	$ 37,046	$ 22,778	$ 13,817	$ —	$ 36,595
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(1,928)	(3,021)	—	(4,949)	(2,494)	(1,859)	—	(4,353)
GROSS PROFIT	15,521	16,576	—	32,097	20,284	11,958	—	32,242
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	4,580	2,418	164	7,162	4,629	3,361	332	8,322
GENERAL AND ADMINISTRATIVE EXPENSES	5,867	2,250	658	8,775	6,116	2,876	1,197	10,189
SALES AND MARKETING EXPENSES	10,948	3,618	252	14,818	12,760	5,324	374	18,458
DEPRECIATION AND AMORTIZATION	—	—	2,016	2,016	—	—	1,974	1,974
OPERATING EXPENSES	21,395	8,286	3,090	32,771	23,505	11,561	3,877	38,943
SEGMENT (LOSS) INCOME FROM OPERATIONS	(5,874)	8,290	(3,090)	(674)	(3,221)	397	(3,877)	(6,701)
OTHER INCOME AND EXPENSES, NET	—	—	(3,633)	(3,633)	—	—	(3,831)	(3,831)

NET LOSS BEFORE TAXES	$ (4,307)	$ (10,532)

During the three months ended September 30, 2020 and 2019, two customers within the U.S. segment that are large pharmaceutical distributors accounted for 56% and 68%, respectively, of the Company's consolidated revenues. During the nine months ended September 30, 2020 and 2019, these two customers within the U.S. segment accounted for 47% and 62%, respectively, of the Company's consolidated revenues. These same two customers within the U.S. segment accounted for approximately 65% and 68% of the Company's consolidated accounts receivable at September 30, 2020 and at December 31, 2019, respectively.

16. SUBSEQUENT EVENTS

On October 30, 2020, the Company entered into a Manufacturing Services Agreement (the Cadence Agreement) with Cadence, Inc., under which Cadence will manufacture certain component parts of the ILUVIEN applicator (the components) at its facility near Pittsburgh, Pennsylvania.

Under the Cadence Agreement, the Company will pay certain per-unit prices based on regularly scheduled shipments of a minimum number of components. The initial term of the Cadence Agreement expires on October 30, 2025. After the expiration of the initial term, the Cadence Agreement will automatically renew for separate but successive one-year terms unless either party provides written notice to the other party that it does not intend to renew the Cadence Agreement at least 24 months before the end of the term. The Cadence Agreement may be terminated by either party under certain circumstances.

The foregoing description of the Cadence Agreement does not purport to be complete and is qualified in its entirety by the full text of the Cadence Agreement, a copy of which is filed as Exhibit 10.16 to this report.

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

Overview

The following discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and the related notes that appear elsewhere in this quarterly report on Form 10-Q. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including those provided in the sections entitled "Risk Factors" in our most recent annual report on Form 10-K, our most recent Forms 10-Q filed in 2020 and in Part II, Item 1A of this report below. For further information regarding forward-looking statements, please refer to the "Special Note Regarding Forward-Looking Statements and Projections" immediately after the index to this report above.

Alimera Sciences, Inc., and its subsidiaries (we, our or us), is a pharmaceutical company that specializes in the commercialization and development of prescription ophthalmic pharmaceuticals. We presently focus on diseases affecting the back of the eye, or retina, because we believe these diseases are not well treated with current therapies and affect millions of people globally. Our only product is ILUVIEN®, which has received marketing authorization and reimbursement approval in numerous countries for the treatment of diabetic macular edema (DME). In addition, ILUVIEN has received marketing authorization in 16 European countries and reimbursement approval in two countries, Germany and the U.K., for the prevention of relapse in recurrent non-infectious uveitis affecting the posterior segment (NIU-PS).

We market ILUVIEN directly in the U.S., Germany, the U.K., Portugal, Austria and Ireland. We have entered into various agreements under which distributors are providing or will provide regulatory, reimbursement and sales and marketing support for ILUVIEN in Austria, Belgium, the Czech Republic, Denmark, Finland, France, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Australia, New Zealand, Canada and several countries in the Middle East.

As of September 30, 2020, we have recognized sales of ILUVIEN to our international distributors in the Middle East, France, Italy and Spain.

Where We Market ILUVIEN to Treat DME

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

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

Where We Market ILUVIEN to Treat Recurrent NIU-PS

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

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

Effects of the COVID-19 Pandemic

The unprecedented and adverse effects of the COVID-19 pandemic, and its unpredictable duration, in the regions where we have customers, employees and distributors have had an adverse effect on our sales of ILUVIEN and thus on our net revenues and may in the future have an adverse effect on our liquidity and financial condition. These adverse effects of the pandemic on us have resulted from the following, among other factors. Governments and private parties imposed limitations on in-person access to physicians, which adversely affects us in at least two ways. First, these limitations can affect patient access to treatment. Because ILUVIEN is administered only by an injection into the eye, telemedicine is not a viable substitute when administration of treatment is required. Second, limitations on in-person access to physicians also makes it difficult or impossible for our sales representatives (including those employed by our distributors) to meet with retina specialists and their staff to educate them about ILUVIEN.

Our business is also negatively affected by patients' concerns in the current environment. Prior to the pandemic, most of our ILUVIEN sales were driven by the use of ILUVIEN to treat diabetic macular edema, or DME. Given that health authorities have cited diabetes as a factor that places a person at higher risk for severe illness from the COVID-19 pandemic, many DME patients are unwilling to visit their physicians in person (even if otherwise permitted) for fear of contracting the COVID-19 coronavirus.

In addition to the effects of limitations on in-person access to physicians, limitations on travel within and between the countries in which we market and sell ILUVIEN, as well as various types of "shelter in place" orders, have curtailed our in-person marketing activities.

These limitations and other effects of the COVID-19 pandemic have had an adverse impact on our revenues beginning late in the first quarter and continuing through the third quarter of 2020. We expect these factors to continue to adversely impact our revenue, but the extent and duration of that impact is uncertain at this time. Depending on the duration of these limitations and other effects of the COVID-19 pandemic, our liquidity and financial condition may be adversely affected in the future as well.

In response to these developments, we have implemented measures to mitigate the impact of the pandemic on our financial position and operations. These measures include the following:

- We are managing our cost structure, minimizing all non-payroll spending where possible to mitigate our anticipated loss of revenue and conserve our cash.
- We are decreasing our external spending on commercial and medical affairs activities related to the promotion of ILUVIEN.
- Because we believe that our employees are critical to both (a) serving our customers and patients through alternative forms of engagement as the pandemic-related restrictions continue, and (b) realizing the long-term value of ILUVIEN, we have maintained our staffing levels and do not currently have any plans to reduce them.

License Agreement with EyePoint Pharmaceuticals US, Inc.

In July 2017, we amended and restated our license agreement with EyePoint Pharmaceuticals US, Inc. (EyePoint), formerly known as pSivida US, Inc., which was made effective July 1, 2017 (the New Collaboration Agreement). Under the New Collaboration Agreement, we

have the right to the technology underlying ILUVIEN for the treatment of (a) human eye diseases, including uveitis, in Europe, the Middle East, and Africa, and (b) human eye diseases other than uveitis worldwide. The New Collaboration Agreement converted our previous profit share obligation to a royalty payable on global net revenues of ILUVIEN. We began paying a 2% royalty on net revenues and other related consideration to EyePoint effective July 1, 2017. The royalty amount increased to 6% as of December 12, 2018. We will pay an additional 2% royalty on global net revenues and other related consideration in excess of $75.0 million in any year. During the three and nine months ended September 30, 2020, we recognized approximately $499,000 and $1,481,000 of royalty expense, respectively, which is included in cost of goods sold, excluding depreciation and amortization. As of September 30, 2020, approximately $499,000 of this royalty expense was included in our accounts payable. In comparison, during the three and nine months ended September 30, 2019, we recognized approximately $514,000 and $1,464,000 of royalty expense, respectively, which is included in cost of goods sold, excluding depreciation and amortization.

Following the signing of the New Collaboration Agreement, we retained a right to offset $15.0 million of future royalty payments (the Future Offset). In March 2019, pursuant to the New Collaboration Agreement, we forgave $5,000,000 of the Future Offset in connection with the approval of ILUVIEN for NIU-PS in the U.K. As of September 30, 2020, the balance of the Future Offset was approximately $8,117,000. (See Note 9 of our notes to the accompanying Interim Financial Statements.)

Sources of Revenues

Our revenues for the three and nine months ended September 30, 2020 and 2019 were generated from product sales primarily in the U.S., Germany and the U.K. In the U.S., two large pharmaceutical distributors accounted for 56% and 68% of our consolidated revenues for the three months ended September 30, 2020 and 2019, respectively, and 47% and 62% of our consolidated revenues for the nine months ended September 30, 2020 and 2019, respectively. These U.S.-based distributors purchase ILUVIEN from us, maintain inventories of ILUVIEN and sell downstream to physician offices, pharmacies and hospitals. Internationally, in countries where we sell direct, our customers are hospitals, clinics and pharmacies. We sometimes refer to physician offices, pharmacies, hospitals and clinics as end users. In international countries where we sell to distributors, these distributors maintain inventory levels of ILUVIEN and sell to their customers.

Reverse Stock Split Effective November 14, 2019

On November 14, 2019, we filed a certificate of amendment to our restated certificate of incorporation with the Secretary of State of the State of Delaware, which effected a one-for-15 reverse stock split (the reverse split) of our issued and outstanding shares of common stock at 5:01 PM Eastern Time on that date. As a result of the reverse split, every 15 shares of common stock issued and outstanding were converted into one share of common stock.

First Amendment to 2019 Solar Capital Loan Agreement

On May 1, 2020, we entered into a First Amendment (the Amendment) to our $45,000,000 Loan and Security Agreement (the 2019 Solar Loan Agreement) with Solar Capital, as Agent, and the parties signing the Loan Agreement from time to time as Lenders, including Solar Capital in its capacity as a Lender (collectively, the Lenders). For a summary of the terms of the Amendment, see “Liquidity and Capital Resources – Indebtedness – Loans from Solar Capital.”

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands, except share and per share data)			
NET REVENUE	$ 12,473	$ 12,850	$ 37,046	$ 36,595
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(1,537)	(1,579)	(4,949)	(4,353)
GROSS PROFIT	10,936	11,271	32,097	32,242
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	2,469	2,761	7,162	8,322
GENERAL AND ADMINISTRATIVE EXPENSES	2,619	3,121	8,775	10,189
SALES AND MARKETING EXPENSES	4,764	6,437	14,818	18,458
DEPRECIATION AND AMORTIZATION	677	668	2,016	1,974
OPERATING EXPENSES	10,529	12,987	32,771	38,943
NET INCOME (LOSS) FROM OPERATIONS	407	(1,716)	(674)	(6,701)
INTEREST EXPENSE AND OTHER	(1,285)	(1,232)	(3,928)	(3,696)
UNREALIZED FOREIGN CURRENCY GAIN (LOSS), NET	267	(115)	295	(135)
NET LOSS BEFORE TAXES	(611)	(3,063)	(4,307)	(10,532)
PROVISION FOR TAXES	(7)	(77)	(55)	(409)
NET LOSS	$ (618)	$ (3,140)	$ (4,362)	$ (10,941)
NET LOSS PER COMMON SHARE — Basic and diluted	$ (0.12)	$ (0.66)	$ (0.87)	$ (2.31)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING — Basic and diluted	5,068,701	4,733,484	5,026,905	4,727,472

Net Revenue

Revenue from our U.S. distributors and revenue from our partners in the markets in our international segment where we do not sell direct fluctuates depending on the timing of the shipment of ILUVIEN to the distributors and the distributors' sales of ILUVIEN to their customers.

Net revenue decreased by approximately $400,000, or 3%, to approximately $12.5 million for the three months ended September 30, 2020, compared to approximately $12.9 million for the three months ended September 30, 2019. The decrease was primarily attributable to a $1.7 million revenue decrease in our U.S. business related to the impact of the COVID-19 pandemic. While the COVID-19 pandemic has affected our international segment, we benefited from sales for our uveitis indication, which contributed to an increase of $1.3 million in our international segment.

Net revenue increased by approximately $400,000, or 1%, to approximately $37.0 million for the nine months ended September 30, 2020, compared to approximately $36.6 million for the nine months ended September 30, 2019. The increase was primarily attributable to a $5.8 million increase in our international segment as a result of both sales in our international distributor markets and in the international markets where we sell direct. These direct sales included sales for our uveitis indication. This was offset by a $5.4 million decrease in our U.S. business related to the impact of the COVID-19 pandemic.

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

Gross profit is affected by costs of goods sold, which includes costs of manufactured goods sold and royalty payments to EyePoint under the New Collaboration Agreement. Additionally, cost of goods sold from our international distributors fluctuates depending on the timing of the shipment of ILUVIEN to our international distributors. Further, cost of goods sold associated with sales in our international markets where we sell to distributors is a higher percentage of revenue.

Cost of goods sold, excluding depreciation and amortization, decreased by approximately $100,000, or 6%, to approximately $1.5 million for the three months ended September 30, 2020, compared to approximately $1.6 million for the three months ended September 30, 2019.

Cost of goods sold, excluding depreciation and amortization, increased by approximately $500,000, or 11%, to approximately $4.9 million for the nine months ended September 30, 2020, compared to approximately $4.4 million for the nine months ended September 30, 2019. The increase was primarily attributable to increased sales in our international segment, including to distributors, where costs of goods sold is a higher percentage of net revenue.

Gross profit decreased by approximately $400,000, or 4%, to approximately $10.9 million for the three months ended September 30, 2020, compared to approximately $11.3 million for the three months ended September 30, 2019. Gross margin was 88% for both of the three-month periods ended September 30, 2020 and 2019, respectively.

Gross profit decreased by approximately $100,000, or 0.3%, to approximately $32.1 million for the nine months ended September 30, 2020, compared to approximately $32.2 million for the nine months ended September 30, 2019. Gross margin was 87% and 88% for the nine months ended September 30, 2020 and 2019, respectively.

Research, Development and Medical Affairs Expenses

Currently, our research, development and medical affairs expenses are primarily focused on activities that support ILUVIEN and include clinical trials costs, salaries and related expenses for research, development and medical affairs personnel, as well as costs related to the provision of medical affairs support, such as scientific advisory boards, symposia development for physician education, and costs related to compliance with FDA, European Medicines Agency or other regulatory requirements. We expense both internal and external development costs as they are incurred.

Research, development and medical affairs expenses decreased by approximately $300,000, or 11%, to approximately $2.5 million for the three months ended September 30, 2020, compared to approximately $2.8 million for the three months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $250,000 in scientific communications expenses and $110,000 in travel expenses.

Research, development and medical affairs expenses decreased by approximately $1.1 million, or 13%, to approximately $7.2 million for the nine months ended September 30, 2020, compared to approximately $8.3 million for the nine months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $590,000 in scientific communications expenses, $290,000 in personnel costs, including international vacant positions, global bonus expenses and global stock-based compensation expenses, and $280,000 in travel expenses.

General and Administrative Expenses

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

General and administrative expenses decreased by approximately $500,000, or 16%, to approximately $2.6 million for the three months ended September 30, 2020, compared to approximately $3.1 million for the three months ended September 30, 2019. Additionally, we benefitted from a one-time cash refund of approximately $400,000 associated with recovery of previously paid VAT expense in Germany for the years 2014 through 2018.

General and administrative expenses decreased by approximately $1.4 million, or 14%, to approximately $8.8 million for the nine months ended September 30, 2020, compared to approximately $10.2 million for the nine months ended September 30, 2019. The decrease was primarily attributable to a decrease of approximately $540,000 in global stock-based compensation expenses and decreases of $200,000 in international severance expense incurred in 2019 and $200,000 in professional fees. Additionally, we benefitted from a one-time cash refund of approximately $400,000 associated with recovery of previously paid VAT expense in Germany for the years 2014 through 2018.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of third-party service fees and compensation for employees for the commercial promotion, the assessment of the commercial opportunity of, the development of market awareness for, the pursuit of market reimbursement for and the execution of launch plans for ILUVIEN in countries where we have not previously sold ILUVIEN or are marketing it for a different indication. Other costs include professional fees associated with developing plans for ILUVIEN or any future products or product candidates and maintaining public relations.

Sales and marketing expenses decreased by approximately $1.6 million, or 25%, to approximately $4.8 million for the three months ended September 30, 2020, compared to approximately $6.4 million for the three months ended September 30, 2019. The decrease was primarily attributable to a decrease of approximately $1.3 million in marketing costs related to cost controls put in place during the three months ended September 30, 2020 as a result of the COVID-19 pandemic, along with medical congresses being cancelled or moved online, the absence in 2020 of the expenses we incurred in 2019 for the launch of our direct-to-patient advertising pilot program in the U.S. and a decrease of $430,000 in travel expenses.

Sales and marketing expenses decreased by approximately $3.7 million, or 20%, to approximately $14.8 million for the nine months ended September 30, 2020, compared to approximately $18.5 million for the nine months ended September 30, 2019. The decrease was primarily attributable to a decrease of approximately $2.8 million in marketing costs related to cost controls we implemented during the nine months ended September 30, 2020 as a result of the COVID-19 pandemic, the absence in 2020 of the expenses we incurred in 2019 for the launch of our direct-to-patient advertising pilot program in the U.S. and a decrease of $830,000 in travel expenses.

Operating Expenses

As a result of the increases and decreases in various expenses described above, total operating expenses decreased by approximately $2.5 million, or 19%, to approximately $10.5 million for the three months ended September 30, 2020, compared to approximately $13.0 million for the three months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $1.7 million in sales and marketing expenses, $500,000 in general and administrative expenses and $400,000 in research, development and medical affairs expenses as described above.

As a result of the increases and decreases in various expenses described above, total operating expenses decreased by approximately $6.1 million, or 16%, to approximately $32.8 million for the nine months ended September 30, 2020, compared to approximately $38.9 million for the nine months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $3.7 million in sales and marketing expenses, $1.4 million in general and administrative expenses and $1.2 million in research, development and medical affairs expenses as described above.

Interest Expense and Other

Interest Expense and Other increased by approximately $100,000, or 8%, to approximately $1.3 million for the three months ended September 30, 2020, compared to approximately $1.2 million for the three months ended September 30, 2019.

Interest Expense and Other increased by approximately $200,000, or 5%, to approximately $3.9 million for the nine months ended September 30, 2020, compared to approximately $3.7 million for the nine months ended September 30, 2019. For these periods, interest expense consisted primarily of interest and amortization of deferred financing costs and debt discounts associated with our outstanding debt under the 2018 and 2019 Solar Loan Agreements with Solar Capital. As discussed in Note 10 of our notes to Interim Financial Statements, we entered into the 2018 Solar Loan Agreement on January 5, 2018, which we refinanced with the 2019 Solar Loan Agreement on December 31, 2019.

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

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

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

Common stock equivalent securities that would potentially dilute basic EPS in the future, but were not included in the computation of diluted EPS because they were either classified as participating and do not share in losses or would have been anti-dilutive, were approximately 2,368,958 for the three and nine months ended September 30, 2020, and 2,314,742 for the three and nine months ended September 30, 2019.

Results of Operations - Segment Review

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

We have three segments: U.S., International and Other. Each segment is separately managed and is evaluated primarily upon segment gain or loss from operations. Non-cash items including stock-based compensation expense, depreciation and amortization are categorized as Other. We allocate certain operating expenses between our reporting segments based on activity-based costing methods. These activity-based costing methods require us to make estimates that affect the amount of each expense category that is attributed to each segment. Changes in these estimates will directly affect the amount of expense allocated to each segment and therefore the operating profit of each reporting segment. There were no significant changes in our expense allocation methodology during 2020 or 2019.

U.S. Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
NET REVENUE	$ 6,962	$ 8,692	$ 17,449	$ 22,778
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(746)	(1,001)	(1,928)	(2,494)
GROSS PROFIT	6,216	7,691	15,521	20,284
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	1,560	1,573	4,580	4,629
GENERAL AND ADMINISTRATIVE EXPENSES	1,952	2,032	5,867	6,116
SALES AND MARKETING EXPENSES	3,461	4,502	10,948	12,760
OPERATING EXPENSES	6,973	8,107	21,395	23,505
SEGMENT LOSS FROM OPERATIONS	$ (757)	$ (416)	$ (5,874)	$ (3,221)

U.S. Segment - three months ended September 30, 2020 compared to the three months ended September 30, 2019

Net revenue. Net revenue decreased by approximately $1.7 million, or 20%, to approximately $7.0 million for the three months ended September 30, 2020, compared to approximately $8.7 million for the three months ended September 30, 2019. Net revenue during the three months ended September 30, 2020 was negatively affected by the impact from the COVID-19 pandemic.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, decreased by approximately $250,000, or 25%, to approximately $750,000 for the three months ended September 30, 2020, compared to approximately $1.0 million for the three months ended September 30, 2019. The decrease was primarily attributable to decreased sales due to the COVID-19 pandemic.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $100,000, or 6%, to approximately $1.5 million for the three months ended September 30, 2020, compared to approximately $1.6 million for the three months ended September 30, 2019.

General and administrative expenses. General and administrative expenses decreased by approximately $100,000, or 5%, to approximately $1.9 million for the three months ended September 30, 2020, compared to approximately $2.0 million for the three months ended September 30, 2019. The decrease was primarily attributable to decreases in costs related to operating as a public company, including professional fees and shareholder relations costs.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately $1.1 million, or 24%, to approximately $3.4 million for the three months ended September 30, 2020, compared to approximately $4.5 million for the three months ended September 30, 2019. The decrease was primarily attributable to a decrease of approximately $770,000 in marketing costs related to cost controls we implemented as a result of the COVID-19 pandemic, along with medical congresses being cancelled or moved online, the absence in 2020 of the expenses we incurred in 2019 for the launch of our direct-to-patient advertising pilot program in the U.S. and a decrease in $340,000 in travel expenses.

U.S. Segment - nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Net revenue. Net revenue decreased by approximately $5.4 million, or 24%, to approximately $17.4 million for the nine months ended September 30, 2020, compared to approximately $22.8 million for the nine months ended September 30, 2019. Net revenue during the nine months ended September 30, 2020 was negatively affected by the COVID-19 pandemic, as well as a temporary shortage in stock of ILUVIEN in the first quarter.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, decreased by approximately $600,000, or 24%, to approximately $1.9 million for the nine months ended September 30, 2020, compared to approximately $2.5 million for the nine months ended September 30, 2019. The decrease was primarily attributable to decreased sales.

Research, development and medical affairs expenses. Research, development and medical affairs expenses were $4.6 million for both the nine months ended September 30, 2020, and for the nine months ended September 30, 2019.

General and administrative expenses. General and administrative expenses decreased by approximately $300,000, or 5%, to approximately $5.8 million for the nine months ended September 30, 2020, compared to approximately $6.1 million for the nine months ended September 30, 2019. The decrease was primarily attributable to decreases in costs related to operating as a public company, including professional fees and shareholder relations costs.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately $1.9 million, or 15%, to approximately $10.9 million for the nine months ended September 30, 2020, compared to approximately $12.8 million for the nine months ended September 30, 2019. The decrease was primarily attributable to a decrease of approximately $1.5 million in marketing costs related to cost controls we implemented as a result of the COVID-19 pandemic, the absence in 2020 of the expenses we incurred in 2019 for the launch of our direct-to-patient advertising pilot program in the U.S. and a decrease of approximately $620,000 in travel expenses. These decreases were offset by an increase of approximately $460,000 in personnel costs, as we had refilled previously vacant territories in the second half of 2019 and had little turnover in staffing levels during 2020 even during the COVID-19 pandemic.

International Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
NET REVENUE	$ 5,511	$ 4,158	$ 19,597	$ 13,817
COST OF GOODS SOLD, EXCLUDING DEPRECIATION AND AMORTIZATION	(791)	(578)	(3,021)	(1,859)
GROSS PROFIT	4,720	3,580	16,576	11,958
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	861	1,100	2,418	3,361
GENERAL AND ADMINISTRATIVE EXPENSES	475	768	2,250	2,876
SALES AND MARKETING EXPENSES	1,226	1,840	3,618	5,324
OPERATING EXPENSES	2,562	3,708	8,286	11,561
SEGMENT INCOME (LOSS) FROM OPERATIONS	$ 2,158	$ (128)	$ 8,290	$ 397

International Segment - three months ended September 30, 2020 compared to the three months ended September 30, 2019

Net revenue. Net revenue increased by approximately $1.3 million, or 31%, to approximately $5.5 million for the three months ended September 30, 2020, compared to approximately $4.2 million for the three months ended September 30, 2019. The increase was primarily a result of increased sales in the markets where we sell direct. These direct sales included sales for our uveitis indication.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, increased by approximately $210,000, or 36%, to approximately $790,000 for the three months ended September 30, 2020, compared to approximately $580,000 for the three months ended September 30, 2019. The increase was primarily attributable to our increased sales. As noted above, cost of goods sold associated with sales in our international markets where we sell to distributors is a higher percentage of revenue.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $240,000, or 22%, to approximately $860,000 for the three months ended September 30, 2020, compared to approximately $1.1 million for

the three months ended September 30, 2019. The decrease was primarily attributable to a decrease of approximately $120,000 in safety and quality expenses.

General and administrative expenses. General and administrative expenses decreased by approximately $290,000, or 38%, to approximately $470,000 for the three months ended September 30, 2020, compared to approximately $770,000 for the three months ended September 30, 2019. Additionally, we benefitted from a one-time cash refund of approximately $400,000 associated with recovery of previously paid VAT expense in Germany for the years 2014 through 2018.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately $600,000, or 33%, to approximately $1.2 million for the three months ended September 30, 2020, compared to approximately $1.8 million for the three months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $570,000 in marketing costs related to cost controls we implemented as a result of the COVID-19 pandemic, along with medical congresses being cancelled or moved online.

International Segment - nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Net revenue. Net revenue increased by approximately $5.8 million, or 42%, to approximately $19.6 million for the nine months ended September 30, 2020, compared to approximately $13.8 million for the nine months ended September 30, 2019. The increase was primarily attributable to both sales in our international distributor markets and in the international markets where we sell direct. These direct sales included sales for our uveitis indication.

Cost of goods sold, excluding depreciation and amortization. Cost of goods sold, excluding depreciation and amortization, increased by approximately $1.1 million, or 58%, to approximately $3.0 million for the nine months ended September 30, 2020, compared to approximately $1.9 million for the nine months ended September 30, 2019. The increase was primarily attributable to our increased sales. As noted above, cost of goods sold associated with sales in our international markets where we sell to distributors is a higher percentage of revenue.

Research, development and medical affairs expenses. Research, development and medical affairs expenses decreased by approximately $1.0 million, or 29%, to approximately $2.4 million for the nine months ended September 30, 2020, compared to approximately $3.4 million for the nine months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $300,000 in personnel and travel expenses, including vacant positions and bonus expenses, $270,000 in costs associated with our 5-year open label registry study as it nears completion and $250,000 in safety, quality and scientific communications expenses.

General and administrative expenses. General and administrative expenses decreased by approximately $600,000, or 21%, to approximately $2.3 million for the nine months ended September 30, 2020, compared to approximately $2.9 million for the nine months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $200,000 in international severance expense incurred in 2019 and $200,000 in professional fees. These decreases were offset by an approximately $170,000 increase in logistics fees. Additionally, we benefitted from a one-time cash refund of approximately $400,000 associated with recovery of previously paid VAT expense in Germany for the years 2014 through 2018.

Sales and marketing expenses. Sales and marketing expenses decreased by approximately $1.7 million, or 32%, to approximately $3.6 million for the nine months ended September 30, 2020, compared to approximately $5.3 million for the nine months ended September 30, 2019. The decrease was primarily attributable to decreases of approximately $1.3 million in marketing costs related to cost controls we implemented in the nine months ended September 30, 2020 as a result of the COVID-19 pandemic, along with medical congresses being cancelled or moved online, $270,000 in market access costs and $210,000 in travel expenses.

Other Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
RESEARCH, DEVELOPMENT AND MEDICAL AFFAIRS EXPENSES	$ 48	$ 88	$ 164	$ 332
GENERAL AND ADMINISTRATIVE EXPENSES	192	321	658	1,197
SALES AND MARKETING EXPENSES	77	95	252	374
DEPRECIATION AND AMORTIZATION	677	668	2,016	1,974
OPERATING EXPENSES	994	1,172	3,090	3,877
SEGMENT LOSS FROM OPERATIONS	$ (994)	$ (1,172)	$ (3,090)	$ (3,877)

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

Operating expenses in the Other segment decreased by approximately $210,000, or 18%, to $990,000 for the three months ended September 30, 2020, compared to approximately $1.2 million for the three months ended September 30, 2019. This decrease is primarily attributable to a decrease of $180,000 in global stock-based compensation expenses. Operating expenses in the Other segment decreased by approximately $800,000, or 21%, to $3.1 million for the nine months ended September 30, 2020, compared to approximately $3.9 million for the nine months ended September 30, 2019. This decrease is primarily attributable to a decrease of $800,000 in global stock-based compensation expenses.

Liquidity and Capital Resources

Overview

Since inception, we have incurred recurring losses, negative cash flow from operations and have accumulated a deficit in stockholders' equity of $391.3 million through September 30, 2020.

As explained above in "Effects of the COVID-19 Pandemic," the unprecedented and adverse effects of the COVID-19 pandemic, and its unpredictable duration, in the regions where we have customers, employees and distributors have had an adverse effect on our sales of ILUVIEN and thus on our net revenues. Depending on the duration of the pandemic and the success of our strategy to conserve our cash and otherwise mitigate the impact of the pandemic, the pandemic may have an adverse effect on our liquidity and financial condition in the future as well. We expect that the pandemic may continue to adversely affect our operations. As a result, it is difficult to project the extent of that impact now and as this situation continues to evolve.

Since January 2018, we have funded our operations through the 2018 and 2019 Solar Loan Agreements described below and a small offering of common stock. In April 2020, we obtained a loan under the Paycheck Protection Program established as part of the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act. Our loans do not include a revolving loan feature and have been fully advanced by the respective lenders. We currently have no additional borrowing capacity, and the 2019 Solar Loan Agreement generally prohibits any additional debt unless we obtain the prior consent of Solar Capital. Currently, we cannot access the equity markets without severe dilution to our current stockholders.

Indebtedness

On December 31, 2019, we refinanced our $40.0 million Loan and Security Agreement (the 2018 Solar Loan Agreement) with Solar Capital Ltd. (Solar Capital) and other lenders by entering into a $45.0 million Loan and Security Agreement (the 2019 Solar Loan Agreement) with Solar Capital as Collateral Agent (Agent), and the parties signing the 2018 Solar Loan Agreement from time to time as Lenders, including Solar Capital in its capacity as a Lender. Under the 2019 Solar Loan Agreement, we borrowed $42.5 million on December 31, 2019 and $2.5 million on February 21, 2020 (the 2019 Solar Loan). The 2019 Solar Loan matures on July 1, 2024. We used the initial proceeds of the 2019 Solar Loan to pay off the 2018 Solar Loan, along with related prepayment, legal and other fees and expenses totaling approximately $2.3 million, which included $2.2 million in fees to Solar Capital. We expect to use the remaining proceeds of the 2019 Solar Loan to provide additional working capital for general corporate purposes, and those proceeds are part of the cash and cash equivalents described below.

On May 1, 2020, we entered into a First Amendment (the Amendment) to the 2019 Solar Loan Agreement. The Amendment, among other things:

(a) eliminated the previous requirement that the following covenant (the Revenue Covenant) be measured at June 30, 2020 and September 30, 2020: we shall not permit revenues (under U.S. GAAP) from the sale of ILUVIEN in the ordinary course of business to third party customers, on a trailing six-month basis, to be less than a specified minimum revenue amount for each such date;

(b) requires that the Revenue Covenant be measured at November 30, 2020 and specifies a new minimum revenue amount in that regard;

(c) requires that the Revenue Covenant be measured at December 31, 2020 and specifies a new minimum revenue amount in that regard; and

(d) requires that the Revenue Covenant be measured at March 31, 2021 and at the last day of each quarter thereafter, with the minimum revenue amount equal to a percentage of our projected revenues in accordance with an annual plan we submit to Agent by January 15th of such year, such plan to be approved by our board of directors and Agent in its sole discretion.

The Amendment also adds the following new minimum liquidity requirement that became effective on May 1, 2020 and will continue until we notify Agent that we have met the Revenue Covenant at November 30, 2020: we shall not permit the aggregate amount of unrestricted cash and cash equivalents to be less than the sum of (i) $8,500,000 plus (ii) the amount of our accounts payable that have not been paid within 90 days from the invoice date of the relevant account payable.

Paycheck Protection Program Loan. On April 22, 2020, we received an approximately $1,778,000 loan (the PPP Loan) under the Paycheck Protection Program established by the U.S. Small Business Administration (the SBA) as part of the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act. The PPP Loan is unsecured and is evidenced by a note (the Note) in favor of HSBC Bank USA, National Association (HSBC) as the lender.

The interest rate on the Note is 1.0% per annum. The Note has a two-year term and is payable in 18 equal monthly payments of principal and interest beginning on the 180th day following the disbursement of the loan proceeds, subject to possible full forgiveness and a deferred commencement date for beginning payments as described below. The Paycheck Protection Program provides for forgiveness of up to the full amount borrowed as long as we use the loan proceeds during the 24-week period following disbursement for eligible purposes as described in the CARES Act and related guidance. Under the CARES Act, loan forgiveness is generally available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the 24-week period. We used all of the proceeds from the PPP Loan to pay expenses during the applicable period that we believe were for eligible purposes. On July 21, 2020, we submitted an application to HSBC for forgiveness of the PPP Loan. As of the date of this filing, the application for forgiveness is still pending review.

Under the revised rules for the PPP Loan program, we will not have to begin principal and interest payments before the date on which the SBA remits the loan forgiveness amount to HSBC (or notifies HSBC that no loan forgiveness is allowed). If no loan forgiveness is allowed, the Company will be required to pay HSBC equal monthly payments of principal and interest based on the principal amount outstanding on the PPP Loan, plus interest outstanding at the end of the deferment period, and taking into account any reductions in the principal amount due to forgiveness, if any.

Current Cash Position

As of September 30, 2020, we had approximately $11.3 million in cash and cash equivalents, compared to $9.4 million as of December 31, 2019 and $13.5 million as of June 30, 2020. In response to the effects of the COVID-19 pandemic, we have adjusted, and we expect to continue to adjust, our commercial spending to continue to operate with our existing cash resources. We may need to raise additional capital to fund our business strategy, including the continued commercialization of ILUVIEN and the retention of our current employees and staff. The actual amount of funds that we may need will depend on many factors, some of which are beyond our control. See “Effects of the COVID-19 Pandemic” in this Item 2 above for an explanation of our strategy to conserve our cash and otherwise mitigate the impact of the pandemic on our financial position and operations.

We cannot ensure that our commercial spending controls will be effective or will continue to be effective throughout the currently unknown duration of the pandemic. We cannot be sure that additional financing will be available when needed or that, if available, the additional financing could be obtained on terms that are not significantly detrimental to us or our stockholders. If we were to raise additional funds by issuing equity securities, substantial dilution to existing stockholders would likely result, and the terms of any new equity securities may have a preference over our common stock. If we were to attempt to raise additional funds through strategic collaboration agreements, we may not be successful in obtaining those agreements, or in receiving milestone or royalty payments under them. If we were to attempt to raise additional funds through debt financing, (a) the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to achieve our business strategy; and (b) we would be required to obtain the permission or participation of Solar Capital, which we might not be able to obtain. Our recurring losses and any potential needs to raise capital create substantial doubt about our ability to continue as a going concern for the next 12 months following the issuance of the financial statements for the filing of this Form 10-Q.

Sources and Uses of Cash for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

For the nine months ended September 30, 2020, cash used in our operations was approximately $1.9 million. The cash used in our operations was primarily due to our net loss of $4.4 million, a decrease in accounts payable, accrued expenses and other current liabilities of $3.2 million, an increase in inventory of $1.1 million, a decrease in other long-term liabilities of $410,000 and an increase in prepaid expenses and other current assets of $300,000. Cash used in operations for the nine months ended September 30, 2020 was offset by a decrease in accounts receivable of $3.9 million, $2.0 million of non-cash depreciation and amortization, $1.1 million of non-cash stock-based compensation expense and $730,000 for non-cash interest expense associated with the amortization of our debt discount.

For the nine months ended September 30, 2019, cash used in our operations was approximately $4.6 million. The cash used in our operations was primarily due to our net loss of $10.9 million and an increase in prepaid expenses and other current assets of $450,000, offset by $2.0 million of non-cash depreciation and amortization, $1.9 million of non-cash stock-based compensation expense, a $660,000 decrease in accounts receivable, and a $410,000 net increase in accounts payable, accrued expenses and other current liabilities. Cash used in operations for the nine months ended September 30, 2019 was further offset by $730,000 of inventory, $630,000 for non-cash interest expense associated with the amortization of our debt discount and a $380,000 increase in other long-term liabilities.

For the nine months ended September 30, 2020, net cash used in our investing activities was approximately $540,000, which was primarily due to capital expenditures associated with the new manufacturing facility at Cadence.

For the nine months ended September 30, 2019, net cash used in our investing activities was approximately $150,000, which was due to the purchase of property and equipment.

For the nine months ended September 30, 2020, net cash provided by our financing activities was approximately $3.9 million, which is primarily due to borrowing the remaining $2.5 million under the 2019 Solar Loan Agreement and receiving the $1.8 million PPP Loan, offset by $340,000 of payments of finance lease obligations.

For the nine months ended September 30, 2019, net cash used in our financing activities was approximately $200,000, which is primarily due to payments of finance lease obligations.

Contractual Obligations and Commitments

Under our Manufacturing Services Agreement dated March 2, 2012 (the Flextronics Agreement) with Flextronics Medical Sales and Marketing, Ltd. (Flextronics), Flextronics agreed to manufacture the component parts of the ILUVIEN applicator (the components) for us at its facility located near Tijuana, Mexico. We purchased certain equipment for Flextronics' facility that Flextronics used solely to manufacture the components of the ILUVIEN applicator for us. On March 28, 2019, we received notice from Flextronics that it intended to terminate the Flextronics Agreement on September 30, 2020, and the Flextronics Agreement terminated in accordance with the notice on September 30, 2020. Before the Flextronics Agreement expired, Flextronics manufactured a supply of components that we expect to serve as a safety stock until the components can be supplied by the replacement manufacturer in the first quarter of 2021 as described below. Some of the Flextronics manufacturing costs for the components were accelerated into the third quarter of 2020, with no production of the components occurring in the fourth quarter.

On October 30, 2020, we entered into a Manufacturing Services Agreement with Cadence, Inc. (Cadence) to manufacture the components at its facility near Pittsburgh, Pennsylvania. We are in the process of transferring equipment from Mexico to Pennsylvania and obtaining FDA qualification of the new facility. We expect Cadence to begin manufacturing the components in the second quarter of 2021 after the new facility becomes fully operational. We currently expect to incur approximately $500,000 of capital expenditures associated with the new facility through December 31, 2020.

Off-Balance Sheet Arrangements

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

Impact of Recent Accounting Pronouncements

See Note 3 of our notes to Interim Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and expected effects on results of operations and financial condition, if known.

ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk*

Not required for smaller reporting companies.

ITEM 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we evaluated the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the nine months ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings*

We are not a party to any material pending legal proceedings, and management is not aware of any contemplated proceedings by any governmental authority against us.

ITEM 1A. *Risk Factors*

In our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on March 2, 2020, we identify under Item 1A of Part I important factors that could affect our business, financial condition, results of operations and future operations and could cause our actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Quarterly Report on Form 10-Q. Except as described below and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020, there have been no material changes in our risk factors after the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. However, the risks described in our Form 10-K and Forms 10-Q are not the only risks we face. Additional risks and uncertainties that we currently deem to be immaterial or not currently known to us, as well as other risks reported from time to time in our reports to the SEC, also could cause our actual results to differ materially from our anticipated results or other expectations.

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

The COVID-19 pandemic has had, and we expect will continue to have, certain negative impacts on our business, and such impacts may have an adverse effect on our results of operations, financial condition and cash flows.

The public health crisis caused by the COVID-19 pandemic and the measures being taken by governments, health authorities, businesses, and the public at large to limit the COVID-19 pandemic’s spread have had, and we expect will continue to have, certain negative effects on, and present certain risks to, our business including the following:

- We have experienced a decrease in sales of ILUVIEN in the U.S. and in our international markets that have been affected by the COVID-19 pandemic resulting from, among other things:
- Governments and private parties have imposed limitations on in-person access to physicians, which can (and in certain instances already have):
    - affect patient access to treatment, given that ILUVIEN is administered only by an injection into the eye, which means telemedicine is not a viable substitute; and
    - make it difficult or impossible for our sales representatives (including those employed by our distributors) to meet with retina specialists and their staff to educate them about the benefits of ILUVIEN and to provide support for insurance pre-certifications.
- Our business is also negatively affected by patient behavior in the current environment. Most of our ILUVIEN sales are driven by the use of ILUVIEN to treat diabetic macular edema, or DME. Given that governmental authorities have cited diabetes as a factor that places a person at higher risk for severe illness from the COVID-19 pandemic, many of those patients are or may be unwilling to visit their physicians in person (even if otherwise permitted) for fear of contracting the COVID-19 coronavirus.

These limitations had an adverse impact on our revenues beginning late in the first quarter and continuing through the third quarter of 2020. We expect these factors to continue to adversely impact our revenue, and the extent and duration of that impact is uncertain at this time. If the COVID-19 pandemic intensifies (as is currently the case in most of the U.S. and Europe), its duration is longer than we expect, or if another pandemic wave follows, its negative effect on our sales and thus our liquidity and financial condition could be more prolonged and may be severe. Financial uncertainty associated with the adverse effects of the COVID-19 pandemic, and the duration of those effects, could have an impact in future periods on certain estimates used in the preparation of our quarterly financial results, including impairment of intangible assets, the income tax provision and realizability of certain receivables.

Other effects or possible effects of the COVID-19 pandemic on us include:

- Limitations on travel within and between the countries in which we market and sell ILUVIEN, as well as various types of “shelter in place” orders, have curtailed our in-person marketing activities, which have in turn contributed to lower sales of ILUVIEN.
- As a result of the COVID-19 pandemic, including related governmental guidance or directives, we required almost all office-based employees, including almost all employees based at our headquarters in Georgia, to work remotely for some or all of the second quarter. While most of our personnel in our headquarters have returned to work in the office, we may in the future experience reductions in productivity and disruptions to our business routines if remote work requirements are reinstated in Georgia. Governmental directives continue to affect the ability of non-U.S. office-based personnel to return to full-time work in the office.
- We may fail to maintain or modify as necessary our internal controls over financial reporting in an environment in which (a) many of our employees are working remotely and (b) we or our distributors have been and may be required to modify our standard business processes to take into account the current environment in light of the pandemic. If we fail to maintain proper and effective internal control over financial reporting, our operating results and our ability to operate our business could be harmed.
- We may fail to plan appropriately to meet the demand of our customers for ILUVIEN, which could lead either to (a) ILUVIEN being out of stock or (b) our investment of a greater amount of cash in inventory than we need. Either event could have an adverse effect on our results of operations, financial condition and cash flows.
- As the result of lower sales of ILUVIEN, we may fail to comply with financial covenants in our $45.0 million 2019 Solar Loan Agreement, as amended, that are based on (a) minimum trailing six months’ revenues as of November 30, 2020 and the end of each calendar quarter thereafter and (b) a minimum liquidity requirement that took effect on May 1, 2020. If an event of default under the 2019 Solar Loan Agreement occurs, Solar Capital may accelerate all of our repayment obligations and take control of our pledged assets, potentially requiring us to raise additional financing, renegotiate the 2019 Solar Loan Agreement on terms less favorable to us or immediately cease operations. Any declaration by Solar Capital of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline significantly after we publicly disclose that event in an SEC filing. Further, if we were liquidated, Solar Capital’s right to repayment would be senior to the rights of our stockholders.

We may not be entitled to forgiveness of our PPP Loan.

On April 22, 2020, we received an approximately $1,778,000 loan (the PPP Loan) under the Paycheck Protection Program established by the U.S. Small Business Administration (the SBA). The PPP Loan is unsecured and is evidenced by a note (the Note) in favor of HSBC Bank USA, National Association (HSBC) as the lender. The Note has a two-year term. The Paycheck Protection Program provides for forgiveness of up to the full amount borrowed as long as we use the loan proceeds during the 24-week period following disbursement for eligible purposes as described in the CARES Act and related guidance. Under the CARES Act, loan forgiveness is generally available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the 24-week period. We used all of the proceeds from the PPP Loan to pay expenses during the applicable period that we believe were for eligible purposes. On July 21, 2020, we submitted an application to HSBC for forgiveness of the PPP Loan. As of the date of this filing, the application for forgiveness is still pending review.

Under the revised rules for the PPP Loan program, we will not have to begin principal and interest payments before the date on which the SBA remits the loan forgiveness amount to HSBC (or notifies HSBC that no loan forgiveness is allowed). If no loan forgiveness is allowed, the Company will be required to pay HSBC equal monthly payments of principal and interest based on the principal amount outstanding on the PPP Loan, plus interest outstanding at the end of the deferment period, and taking into account any reductions in the principal amount due to forgiveness, if any. We cannot provide any assurance that we will be eligible for loan forgiveness or that any amount of the PPP Loan will ultimately be forgiven by the SBA.

We may fail to effect the transition of the manufacturing of essential component parts of our ILUVIEN applicator by our new contract manufacturer before we exhaust our current inventory of those parts.

Under the Flextronics Agreement dated March 2, 2012, Flextronics agreed to manufacture the component parts of the ILUVIEN applicator (the components) for us. As we reported in a Current Report on Form 8-K dated March 28, 2019, we received notice from Flextronics on that date that it intended to terminate the Flextronics Agreement on September 30, 2020. The Flextronics Agreement terminated in accordance with the notice on September 30, 2020. Before the Flextronics Agreement expired, Flextronics manufactured a supply of components that we expect to serve as a safety stock until the components can be supplied by Cadence, Inc., the replacement manufacturer.

On October 30, 2020, we entered into a Manufacturing Services Agreement with Cadence to manufacture the components. We expect Cadence to begin manufacturing the components early in the first quarter of 2021. Unless and until the transition to Cadence is complete, however, there can be no assurances that Cadence will manufacture the components in a timely and otherwise acceptable manner. Significant disruption in this transition, or unanticipated costs related to the transition, could materially and adversely affect our business, financial condition and results of operations. Additionally, if we are unable to transition manufacturing to Cadence in a timely fashion or without disruption to our operations, we could experience a material adverse effect on our business, financial condition and cash flows, and results of operations.

In connection with the relocation of our manufacturing line, we are required to obtain regulatory approval from appropriate regulatory agencies. Delay in approval beyond our expectations may affect our ability to fill orders.

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

None.

ITEM 3. ***Defaults Upon Senior Securities***

None.

ITEM 4. ***Mine Safety Disclosures***

Not applicable.

ITEM 5. ***Other Information***

As previously disclosed, on March 28, 2019, we received notice from Flextronics that it intended to terminate, effective September 30, 2020, the Flextronics Agreement, under which Flextronics manufactured certain component parts of the ILUVIEN applicator (the components). The Flextronics Agreement terminated in accordance with the notice on September 30, 2020. Before the Flextronics Agreement expired, Flextronics manufactured a supply of components, which we expect to serve as a safety stock until the components can be supplied by Cadence, Inc. (Cadence), the replacement manufacturer.

On October 30, 2020, we entered into a Manufacturing Services Agreement (the Cadence Agreement) with Cadence, under which Cadence will manufacture the components at its facility near Pittsburgh, Pennsylvania.

Under the Cadence Agreement, we will pay certain per-unit prices based on regularly scheduled shipments of a minimum number of components. The initial term of the Cadence Agreement expires on October 30, 2025. After the expiration of the initial term, the Cadence Agreement will automatically renew for separate but successive one-year terms unless either party provides written notice to the other party that it does not intend to renew the Cadence Agreement at least 24 months before the end of the term. The Cadence Agreement may be terminated by either party under certain circumstances.

The foregoing description of the Cadence Agreement does not purport to be complete and is qualified in its entirety by the full text of the Cadence Agreement, a copy of which is filed as Exhibit 10.16 to this report.

ITEM 6. *Exhibits*

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Registrant, as amended on various dates (filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K, as filed on March 2, 2020, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, as filed on March 2, 2020 and incorporated herein by reference).
10.8.F†*	Employment Agreement, dated as of July 27, 2020, by and between Alimera Sciences, Inc. and Samer E. Kaba, M.D.
10.16#*	Manufacturing Services Agreement between Alimera Sciences, Inc. and Cadence, Inc. dated October 30, 2020 (including related Supplier Quality Agreement).
31.1*	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Stockholders' (Deficit) and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101).

* Filed herewith.

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

† Management contracts and compensatory plans and arrangements.

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

Signatures

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

ALIMERA SCIENCES, INC.

November 3, 2020 By: /s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

November 3, 2020 By: /s/ J. Philip Jones
J. Philip Jones
Chief Financial Officer
(Principal Financial and Accounting Officer)

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 10.16

Manufacturing Services Agreement

THIS MANUFACTURING SERVICES AGREEMENT ("Agreement") is made and entered into effective as of this 30th day of October, 2020 ("Effective Date") by and between ALIMERA SCIENCES, INC., a Delaware corporation, and its successors and assigns (hereinafter referred to as "Alimera"), having a principal place of business at 6120 Windward Parkway, Suite 290, Alpharetta, GA 30022, and CADENCE, INC., a Virginia Corporation, and its successors and assigns (hereinafter referred to as "Cadence"), having an address at 9 Technology Drive, Staunton, VA 24401. Alimera and Cadence are referred to herein collectively as the "Parties" and each individually as a "Party."

RECITALS

WHEREAS, Cadence has expertise in medical device contract manufacturing and offers services in connection therewith;

WHEREAS, Alimera desires to retain Cadence to perform such services (as more particularly defined herein) subject to the terms and conditions set forth herein; and

WHEREAS, it is the intention of the Parties to establish this Agreement to govern the respective rights, duties and obligations of the Parties.

NOW THEREFORE, in consideration of the mutual promises and benefits made and contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions.

Cadence and Alimera agree that capitalized terms shall have the meanings set forth within the body of this Agreement and Exhibit 1 attached hereto and incorporated herein by reference.

2. Services.

2.1 Manufacturing Services. Cadence agrees to perform all required manufacturing services for the Product(s) ("Manufacturing Services"). Manufacturing Services shall include Materials procurement and the manufacture, assembly, testing, storage, and shipment of Product in accordance with Alimera's detailed written Specifications and orders. "Materials" means the components, parts, and subassemblies comprising the Product and appearing on the related bill of materials. "Specifications" for the Product and any revision thereof shall include but are not limited to bill of materials, designs, schematics, assembly drawings, process documentation, test specifications, current revision number, and Approved Vendor List (AVL). The Specifications (and any modifications thereto) are incorporated herein by reference as Exhibit 2. In the event of any conflict between the Specifications and this Agreement, the Specifications shall prevail.

2.2 Engineering Changes. Alimera may request that Cadence incorporate engineering changes into the Product by providing a written description of the proposed engineering change sufficient to permit Cadence to evaluate feasibility and cost. Cadence will discuss with Alimera in good faith whether any delivery schedule and/or pricing changes are necessary to incorporate the requested changes. Cadence will proceed with engineering changes when the parties have agreed in writing

upon any changes to the Specifications, delivery schedule, Product pricing, and implementation costs, if any.

2.3 Manufacturing Site. The Manufacturing Services shall be performed at Cadence's registered medical device manufacturing facility located at 250 W. Kensinger Dr., Suite 400, Cranberry Township, PA 16066, United States (the "Manufacturing Site"). Cadence will not relocate the Manufacturing Site without providing at least [***] written notice to Alimera to allow Alimera to determine whether such relocation would require regulatory approval. Cadence will not implement any change in the Manufacturing Site until it receives written notification from Alimera authorizing such change. Cadence will cooperate in good faith with Alimera to develop an acceptable transition and relocation plan and shall be responsible for all costs and expenses associated with changes in the Manufacturing Site. Cadence shall provide Alimera with reasonable access at mutually convenient times (as agreed in good faith) to the areas of the Manufacturing Site in which Products are manufactured, stored, handled or shipped to permit Alimera to verify the performance of the Manufacturing Services in accordance with this Agreement. At all times while on Cadence's premises, Alimera's representatives shall comply with Cadence policies and procedures related to safety, security and confidentiality.

2.4 Tooling; Non-Recurring Expenses (NRE); Software. Alimera will provide, through purchase or otherwise, and will allow Cadence to use solely for Alimera's benefit in accordance with this Agreement any Product-specific tooling, equipment, molds, software and other items that are reasonably necessary for the performance of the Manufacturing Services (collectively, "Alimera Property"). Cadence may purchase or acquire Alimera Property for use under this Agreement on Alimera's behalf after obtaining Alimera's prior written consent. Alimera agrees that Alimera shall pay for all reasonably necessary non-recurring expenses associated with the installation as well as removal and shipment of the Alimera Property after termination of this Agreement. Cadence agrees that the provision of Alimera Property to Cadence shall be a bailment and not a sale, and all right, title and interest in Alimera Property, including software that Alimera provides to Cadence or any test software that Alimera engages Cadence to develop, is and shall remain the property of Alimera. Cadence shall handle, store and maintain all Alimera Property under proper conditions to preserve quality and prevent damage or other loss. Cadence shall maintain and service all equipment that Alimera has authorized Cadence to purchase, such equipment to be returned to Alimera in good working order, reasonable wear and tear excepted, following the termination or expiration of this Agreement. Except to the extent caused by Cadence's negligence or other wrongful conduct, the costs of repairing any equipment or tooling outside of reasonable wear and tear will be the responsibility of Alimera and will be performed only upon Alimera's written approval. Cadence shall not use all or any part of the Alimera Property for any purpose other than to perform Manufacturing Services under this Agreement. Cadence shall mark all Alimera Property, including equipment, as "Property of Alimera Sciences." During the term of this Agreement, Cadence shall maintain commercially reasonable insurance to protect against any loss to the Alimera Property while in the possession of Cadence.

3. Forecasts and Purchase Orders

3.1 Forecast. Alimera shall provide Cadence, on a monthly basis within the first 5 business days of each calendar month, a rolling twelve (12) month forecast indicating Alimera's monthly Product requirements. The first ninety (90) days of the forecast will be binding and will constitute a firm order for all Manufacturing Services to be completed during such ninety (90) day period (a "Firm Order"). A purchase order for Manufacturing Services to be completed within the first ninety

(90) day period of a forecast will be issued in accordance with Section 3.2 below.

3.2 Purchase Orders; Precedence. Alimera may use its standard written purchase order form for any Firm Orders; provided that all Firm Orders must reference this Agreement and the applicable Specifications. All Firm Orders will be deemed to incorporate all of the terms and conditions in this Agreement. The parties agree that the terms and conditions contained in this Agreement shall prevail over any contradictory terms and conditions of any such purchase order, acknowledgment form, or other instrument.

3.3 Purchase Order Acceptance. Purchase orders shall be deemed accepted by Cadence so long as they are consistent with this Agreement. Cadence may reject any purchase order only if (a) the purchase order is an amended order in accordance with Section 7.2 below and the purchase order is outside of the Flexibility Table; (b) the fees reflected in the purchase order are inconsistent with the parties' agreement with respect to the fees; or (c) the purchase order represents a significant deviation from the forecast for the same period, unless such deviation is within the parameters of the Flexibility Table. Cadence shall notify Alimera of rejection of any purchase order within five (5) business days of receipt of such purchase order. If Cadence does not notify Alimera of rejection of any purchase order during such period, then the purchase order shall be deemed accepted by Cadence.

4. Pricing and Payment.

4.1 Fees. The initial fees shall be as set forth on the Fees List attached hereto and incorporated herein as Exhibit 3 (the "Fees List"). If a Fees List is not attached or completed, then the initial fees shall be as set forth in purchase orders issued by Alimera and accepted by Cadence in accordance with the terms of this Agreement. Changes to the fees will be agreed by the parties in accordance with Section 4.3.

4.2 Additional Fees and Costs. Alimera is responsible for additional fees and costs due to (a) changes to the Specifications; (b) failure of Alimera or an Alimera-Designated Supplier to timely provide sufficient quantities or a reasonable quality level of Materials where applicable to sustain the production schedule; and (c) any expediting charges reasonably necessary because of a change in Alimera's requirements, provided that Alimera shall be responsible for such fees and costs due to reasons specified in (a) or (c) if Cadence received prior written approval from Alimera to incur such fees and costs. "Alimera-Designated Supplier" means a supplier whom Alimera designates in Exhibit 4 as the required source for certain Materials.

4.3 Changes in Materials Costs. Cadence will notify Alimera of changes to the cost of Materials as such changes are identified. On an annual basis, Cadence and Alimera will review any changes to Materials cost and revise the Fees List to reflect any mutually agreed fee changes resulting from changes, if any, to Materials costs and other costs. By way of example only, the fees may be increased or decreased if the market price of fuels, Materials, equipment, labor and other production costs increase or decrease beyond [***] in pricing, as reasonably demonstrated by Cadence or Alimera.

4.4 Taxes. All fees are exclusive of federal, state and local excise, sales, use, VAT, and similar transfer taxes, and any duties, and Alimera shall be responsible for all such tax items. This subsection 4.4 does not apply to taxes on Cadence's net income.

4.5 Currency. The Fees List will be stated in US dollars. Any purchase price for Materials

Inventory made in any currency other than US dollars will be converted into US dollars based on the exchange rate reported on Reuters' page FIX on the last business day of each month, provided that no adjustment will be made to the converted price set forth in the Fees List unless the reported exchange rate is at least .75% higher or lower than the exchange rate reported in the previous month.

4.6 Payment. Alimera agrees to pay all correct invoices in U.S. Dollars, [***] from the invoice delivery date. Cadence shall invoice Alimera only for shipped Product. If Alimera has any reasonable grounds for disputing in good faith any invoiced amounts under this Agreement, Alimera shall pay the undisputed amount in accordance with this Section and shall, within thirty (30) days after its receipt of the applicable invoice, provide Cadence with written notice specifying the amount of the invoice that is disputed, and describing in reasonable detail the basis of the dispute. The parties agree to work to resolve the dispute pursuant to Section 18.7. After resolution of such dispute, Alimera shall pay any amounts owed to Cadence within the longer of (a) the remaining time for payment pursuant to this Agreement or (b) five (5) business days from the date such dispute was resolved. Alimera agrees to pay [***] monthly interest on all late payments, other than amounts disputed in good faith.

4.7 Cost Reduction Projects. Cadence agrees to seek ways to reduce the cost of manufacturing Product, including, for example, through reduction or elimination of Materials, improvements to Specifications, and re-design or improvement to assembly or test methods (each, a "Cost Reduction Proposal"). Cadence shall submit each Cost Reduction Proposal in writing to Alimera and include sufficient detail to allow Alimera to determine whether the Cost Reduction Proposal will require prior approval from any governmental or regulatory authority. Cadence will not implement any Cost Reduction Proposal until approved in writing by Alimera. Following approval and implementation, Cadence will receive [***] of the demonstrated cost reduction resulting from the Cost Reduction Proposal, and Alimera will receive the remaining [***]. Alimera will receive [***] of the demonstrated cost reduction resulting from any Cost Reduction Proposal initiated by Alimera.

5. Term and Termination.

5.1 Term. The term of this Agreement shall begin on the Effective Date and continue for five years thereafter unless earlier terminated as provided in Section 5.2. After the expiration of the initial term (unless this Agreement is terminated earlier), this Agreement shall automatically renew for separate and successive one-year terms, unless either party provides the other written notice of its intent to not renew this Agreement at least twenty-four (24) months prior to the end of any term.

5.2 Termination. Either party may terminate this Agreement (a) for convenience upon twenty-four (24) months' prior written notice to the other party; (b) upon the material default of the other party and such default not cured within thirty (30) days after delivery of written notice from the non-defaulting party; or (c) pursuant to Section 18.1. Alimera may also terminate this Agreement immediately upon written notice in the event that Alimera or any regulatory authority withdraws the Product or the ILUVIEN® intravitreal insert or a regulatory authority takes any action or raises any objection that prevents Alimera from marketing, distributing, importing, exporting, or selling Product or ILUVIEN.

5.3 Effect of Expiration or Termination. Expiration or termination of this Agreement under any of the foregoing provisions shall not affect the amounts then due under this Agreement by either party or any obligations then outstanding of either party and shall not affect Cadence's express limited warranty in Section 10.1. In addition, within thirty (30) days of expiration or

termination of this Agreement, Cadence shall promptly deliver to Alimera at Alimera's designated facility all Alimera Property, Alimera Intellectual Property and Alimera Confidential Information, and Cadence shall provide to Alimera (or its designee) any and all documentation related to the Manufacturing Services that is the property of Alimera, as reasonably requested by Alimera. Upon reasonable request by Alimera, Cadence will provide transition services to Alimera at Cadence's published labor rates. Upon notice of termination provided by either Party, the Parties shall cooperate to use commercially reasonable efforts to reduce remaining Inventory by seeking to return Materials, cancel pending Materials orders, and otherwise mitigate Inventory levels. Alimera will purchase at cost all usable Inventory remaining upon the date of termination or at the end of any later-ending transitions services period. Provisions of this Agreement that by their nature would be reasonable expected to survive termination or expiration, including without limitation Sections 1, 4.6, 6, 8, 9, 10, 11, 13, 14, 15, 16, 18 and this Section 5.3 of this Agreement, along with Sections 4.02 (Records), 4.16 (Complaint Handling), 4.15 (Reporting to Regulatory Authorities), 4.18 (Control of Nonconforming Product), and 4.19 (Rework) of the Supplier Quality Agreement shall survive any termination or expiration of this Agreement.

6. Materials Procurement

6.1 Authorization to Procure Materials. Alimera's accepted purchase orders and forecast will constitute authorization for Cadence to procure, without additional approval, Materials Inventory necessary to manufacture the Product covered by such purchase orders.

6.2 Preferred Supplier. Alimera shall provide to Cadence and maintain an approved vendor list (the "AVL") for certain identified Materials (see Exhibit 4). Cadence will purchase the identified Materials only from vendors on a current AVL approved in writing by Alimera.

6.3 Materials Warranties. Cadence shall use reasonable efforts to obtain and to pass through to Alimera all relevant vendor warranties with regard to the Materials, including without limitation (i) conformance of the Materials with the vendor's specifications and/or the Specifications; (ii) that the Materials are free from defects in workmanship; (iii) that the Materials comply with applicable Environmental Regulations; and (iv) that the Materials do not infringe the intellectual property rights of third parties

7. Shipments, Schedule Change, Cancellation, Storage

7.1 Shipments. Cadence shall use commercially reasonable efforts to deliver Products in accordance with the delivery times specified in each accepted purchase order. All Products delivered pursuant to the terms of this Agreement shall be suitably packed for shipment in accordance with the Specifications and marked for shipment to Alimera's destination specified in the applicable purchase order. Each time Cadence ships Product, it shall provide Alimera with a certificate of compliance (in English) that confirms that the lot has been manufactured and tested in accordance with the Specifications. Alimera will have sole responsibility for the release of Products to the market. Shipments will be made FCA (Free Carrier, Incoterms 2020) Manufacturing Site, at which time risk of loss and title will pass to Alimera. Cadence will arrange for shipping to Alimera's designated location using the carrier accounts specified by Alimera. All freight, insurance and other shipping expenses, as well as any special packing expenses not included in the original quotation for the Products, will be included in the Fees List. Cadence shall convey good title to the Product to Alimera, free of all liens of any kind whatsoever.

7.2 Quantity Increases and Shipment Schedule Changes.

(a) For any accepted purchase order, Alimera may (a) once increase the quantity of Products or (b) once reschedule the quantity of Products and their shipment date as provided in the table below (the "Flexibility Table"):

Maximum Allowable Variance from Accepted Purchase Order Quantities/Shipment Dates

# of Days before Shipment Date on PO	Allowable Quarterly Increases	Maximum Reschedule Quantity	Maximum Reschedule Period
0-45	0%	0%	0
46-90	15%	15%	30 days

Any decrease in quantity is considered a cancellation only of the decreased quantity, unless the decreased quantity is rescheduled for delivery at a later date in accordance with the Flexibility Table. Quantity cancellations are governed by the terms of Section 7.3 below. Any purchase order quantities increased or rescheduled pursuant to this Section 7. 2 (a) may not be subsequently increased or rescheduled without the approval of Cadence, provided that Cadence will use good faith, commercially reasonable efforts to accommodate any subsequent increase or rescheduling. Any reschedules extending shipment dates outside of the Flexibility Table Maximum Reschedule Period require Cadence's prior written approval.

(b) Cadence will use good faith and commercially reasonable efforts to meet any quantity increases and rescheduling within the Flexibility Table and, subject to Materials and capacity availability, to meet any requests for quantity increases and rescheduling outside the Flexibility Table. All reschedules or quantity increases outside of the Flexibility Table require Cadence's approval, provided that Cadence will use good faith, commercially reasonable efforts to accommodate any rescheduling or quantity-increase requests. If Cadence would incur additional costs by agreeing to accept a reschedule that moves a delivery date sooner or an increase in quantities in excess of the Flexibility Table, Cadence will inform Alimera for Alimera's written acceptance and approval prior to implementing such reschedule or increase.

(c) Any delays in the normal production or interruption in the workflow process caused by Alimera's changes to the Specifications will be considered a reschedule of any affected purchase orders for purposes of this Section 7.2 for the period of such delay.

7.3. Cancellation of Orders.

Cancellation of all or any portion of the Product quantity of an accepted purchase order requires Cadence's prior written approval, which it may or may not grant in its sole discretion.

8. Product Acceptance.

8.1 Alimera will inspect and accept or reject the Products delivered by Cadence within thirty (30) days of receipt at the "ship to" location on the applicable purchase order. If Products do not comply with the express limited warranty set forth in Section 10.1, Alimera has the right to reject such Products. Products not rejected will be deemed accepted. Alimera may return defective Products, freight collect, after completing a failure report and obtaining a return material authorization number from Cadence to be displayed on the shipping container. Rejected Products will be promptly repaired or replaced at Cadence's option and at Cadence's sole cost and returned freight pre-paid. Following delivery of replacement Product, Alimera shall inspect and accept or

reject the Product in accordance with the procedures above. Alimera shall bear all risk and all costs and expenses associated with Products that have been returned to Cadence for which there is no defect found. The parties will attempt to resolve any dispute regarding whether any Products comply with the express limited warranty set forth in Section 10.1, and if the parties cannot resolve such dispute after good faith negotiations, the dispute will be resolved in accordance with Section 18.7.

9. Product Recalls and Returns

9.1 In the event that any Product defect or any governmental action attributable to a Product defect requires a Product Recall in Alimera's reasonable judgment or as directed by a relevant regulatory authority, Alimera shall promptly provide verbal notification to Cadence (followed by a written notification), and the Parties shall cooperate fully in the investigation of the problem. To the extent that the Recall results from a breach by Cadence of its express limited warranty set forth in Section 10.1, then, in addition to Cadence's obligation to repair or replace any such Products, Cadence shall reimburse Alimera for documented out-of-pocket administrative costs and expenses incurred in conducting such Recall.

10. Representations and Warranties.

10.1 Express Limited Warranty. This Section 10.1 sets forth Cadence's warranty with respect to the Product and Alimera's remedies with respect to a breach by Cadence of such warranty.

(a) Cadence warrants that the Products (i) will be manufactured in compliance with the applicable laws of the country in which the Product is manufactured, (ii) will be manufactured in compliance with Current Good Manufacturing Practices ("cGMP"), (iii) will be manufactured in accordance with the applicable Specifications and the Alimera - Cadence Quality Agreement, (iv) will be free from defects in workmanship, and (v) shall incorporate Materials tested in accordance with the Specifications, in each case for a period of three hundred and sixty-five (365) days from the date of shipment. In addition, Cadence warrants that Production Materials comply with applicable Environmental Regulations.

(b) This express limited warranty does not apply to (i) Materials (except as set forth in Section 10.1 (a)(v)); (ii) defects resulting from the Specifications or Product design; (iii) Product that has been abused, damaged, altered or misused by any person or entity after title passes to Alimera; (iv) first articles, prototypes, pre-production units, test units or other similar Products; (v) defects resulting from tooling, designs or instructions produced or supplied by Alimera, or (vi) the compliance of Materials or Products with any Environmental Regulations.

(c) Upon any failure of a Product to comply with the express limited warranty set forth in this Section 10.1, Cadence shall promptly repair or replace such Product and return the same to Alimera, freight prepaid, in accordance with the terms and conditions of Section 8. This Section 10. 1 shall not affect (i) Cadence's indemnification obligations set forth in Section 14.1, (ii) Alimera's right to terminate this Agreement as set forth in Section 5.2, (iii) Cadence's obligations with respect to Recalls as set forth in Section 9, or (iv) Alimera's right to seek refund of amounts paid for any defective Product in the event that Cadence does not repair or replace such defective Product in accordance with this subsection 10.1(c) and Section 8.

10.2 Cadence represents and warrants that it is a corporation duly organized, validly existing

and in good standing under the laws of its incorporating jurisdiction and has all requisite power and authority to enter into this Agreement.

10.3 Cadence represents and warrants that its execution, delivery and performance of this Agreement, including any product, service or documentation provided by Cadence to Alimera in connection with this Agreement, shall

(a) not conflict with, or result in a material breach of any material agreement, judgment or court decree by which Cadence is bound;

(b) to Cadence's knowledge, not be subject to any actual or threatened third party rights (by way of example, infringe third party patents, be the subject of a copyright assertion, or require a license to or from third parties);

(c) to Cadence's knowledge, fully comply with all applicable federal, state, and local laws, statutes, acts, ordinances, rules, codes, standards, and regulations and the rights of third parties established by such laws in the United States.

10.4 Cadence represents and warrants that it currently has, or prior to the commencement of Manufacturing Services, will obtain, pay for, and maintain any and all licenses, permits, inspections, fees, and qualifications required to perform the Manufacturing Services. In addition, if the Manufacturing Services are to be performed on Alimera's premises, Cadence represents and warrants that Cadence will comply with all applicable safety laws and Alimera's then-current safety and other applicable regulations. Cadence shall not use Alimera's facilities and resources for anyone's benefit other than Alimera.

10.5 Cadence represents and warrants to Alimera that there is no action, suit, claim, investigation or proceeding pending or, to the best of its knowledge, threatened against it that, if adversely decided, might adversely affect Cadence's (i) ability to enter into this Agreement; or (ii) the performance of its obligations hereunder.

10.6 Cadence represents and warrants that to the extent the performance of the Manufacturing Services hereunder require Cadence's presence during surgery or any other procedure, Cadence will obtain any and all proper authorizations from the medical treatment facility, and that Cadence will not offer any patient care or treatment, or medical or nursing assistance while performing Manufacturing Services under this Agreement.

11. Independent Contractor.

11.1 Relationship of the Parties. Cadence will perform this Agreement as an independent contractor, and this Agreement will not be construed to create between the Parties the relationship of principal and agent, joint-ventures, co-partners, employer and employee, franchiser and franchisee or any other similar relationship, the existence of which is expressly denied by each Party. Cadence will conduct its business under its own name as an independent contractor and is hereby expressly prohibited from holding itself out as an employee, agent, partner or representative of Alimera. Any person employed by Cadence to perform hereunder will not be deemed to be an employee of Alimera, and Cadence and his/her suppliers, subcontractors, agents or representatives will not be, or represent themselves to be, officers, employees, agents or representatives of Alimera and will not bind, or attempt

to bind, Alimera to any agreement, liability or obligation of any nature. No person employed by Cadence or engaged by Cadence as a subcontractor shall have any claim to any benefit offered by Alimera to any of its own employees. During the term of this Agreement and for a period of two (2) years thereafter, neither party shall solicit, hire, employ, or contract with, either directly or indirectly, any employee of the other party without such party's consent.

11.2 Right to Direct Manufacturing Services. Except as otherwise set forth in this Agreement, Alimera will have no right to control the manner, means, or method by which Cadence performs the Manufacturing Services called for by this Agreement. Rather, Alimera will be entitled only to direct Cadence with respect to the elements of Manufacturing Services to be performed by Cadence and the results to be derived by Alimera and to review and assess the performance of such Manufacturing Services by Cadence for the limited purposes of assuring that such Manufacturing Services have been performed pursuant to the Specifications.

12. Insurance. Cadence will carry and provide certificates of insurance with Alimera shown as a certificate holder of the following insurance coverage during the term of this Agreement:

a. Worker's compensation insurance with limits as required by the laws of the state in which work is being performed and Employer's Liability insurance with a limit of at least one million ($1,000,000) per accident;

b. Commercial general liability and product liability insurance with limits of at least two million dollars ($2,000,000) for each occurrence and two million dollars ($2,000,000) annual aggregate;

c. Automobile liability insurance with a combined single limit of at least one million dollars ($1,000,000) per accident;

d. Employee theft & dishonesty (i.e., fidelity) insurance coverage with a limit of at least one million dollars ($1,000,000) for claims arising from fraudulent or dishonest acts on the part of any Cadence employee or subcontractor and Cadence providing services under this Agreement;

e. Errors and omissions (i.e., professional) liability insurance coverage with a limit of at least two million dollars ($2,000,000) for each occurrence.

13. Governmental Requirements, Inspections and Reporting.

13.1 Governmental Communications. Cadence may communicate with any governmental agency, including but not limited to governmental agencies responsible for granting regulatory approval for the Products, regarding the Manufacturing Site generally and non-Product-specific manufacturing operations.

13.2 Records and Accounting by Cadence. Cadence shall keep records of the manufacture, testing and shipping of the Products in accordance with the Quality Agreement and cGMP requirements.

13.3 Inspection. During the term of this Agreement and for five (5) years thereafter, Alimera may inspect Cadence's reports and records relating to this Agreement, including without limitation reports and records relating to the invoices issued hereunder, during normal business hours upon reasonable advance notice. A Cadence representative may be present during any such inspection.

13.4 Notification of Regulatory Inspections. Cadence's interactions and correspondences with relevant regulatory authorities, including the U.S. Food and Drug Administration (the "FDA"), in connection with this Agreement shall be handled in accordance with the Quality Agreement.

13.5 Reports. Cadence will promptly supply, as requested by Alimera, all Product data in its control, including complaint test results, and all investigations (in manufacturing, testing and storage), that Alimera reasonably requires in order to complete any filing under any applicable regulatory regime.

13.6 Regulatory Filings. Alimera shall have the sole responsibility for filing all documents with all regulatory authorities and taking any other actions that may be required for the receipt and maintenance of regulatory authority approval for the commercial manufacture of the Products.

14. Indemnification.

14.1 Indemnification by Cadence. Cadence agrees to defend, indemnify, and hold harmless Alimera, its Affiliates, and its and their respective officers, directors, employees, and agents (the "Alimera Indemnitees") from and against any and all costs, claims, losses, expenses, or liabilities (including legal costs and reasonable attorney's fees) ("Claims") to the extent arising out of or resulting from (a) Cadence's performance of Manufacturing Services; (b) Cadence's breach of its obligations under this Agreement; or (c) the negligence of Cadence, its officers, employees, agents, and representatives in the performance of its or their obligations under this Agreement. Cadence's obligation to indemnify the Alimera Indemnitees under this Section expressly includes any and all third-party Claims to the extent arising out of or related to

(a) Any actual injury or damage to any person or property caused, or alleged to be caused, by a Product sold by Cadence to Alimera under this Agreement, but solely to the extent such injury or damage has been caused by the breach by Cadence of its warranties set forth in this Agreement; or

(b) Any knowing infringement of intellectual property rights of a third party, but solely to the extent such infringement is caused by a process that Cadence uses to manufacture, assemble, or test the Products.

14.2 Indemnification by Alimera. Alimera agrees to defend, indemnify and hold harmless Cadence, its Affiliates, and its and their respective officer, directors, employees, and agents (the "Cadence Indemnitees"), from and against any and all Claims to the extent arising out of or relating to (i) Alimera's breach of its obligations under this Agreement or (b) the negligence of Alimera, its officers, employees, agents and representatives. Alimera's obligations to indemnify the Cadence Indemnitees under this Section expressly includes any and all third-party Claims to the extent arising out of or related to

(a) Any failure of any Product (and Materials contained therein) sold by Cadence to Alimera to comply with any safety standards or Environmental Regulations to the extent that such failure has not been caused by Cadence's breach of its warranties set forth in this Agreement;

(b) Any actual or threatened injury or damage to any person or property caused, or alleged to be caused, by a Product, but only to the extent such injury or damage has not been caused by Cadence's breach of its warranties set forth in this Agreement; or

(c) any infringement of the intellectual property rights of any third party by any Product except to the extent such infringement is the responsibility of Cadence pursuant to Section 14.1(b) above.

14.3 Sale of Products Enjoined. Should the use of any Products be enjoined for a cause stated in Section 14.1 (b) or 14.2 (c) above, or in the event the indemnifying party desires to minimize its liabilities under this Section 14, in addition to its indemnification obligations set forth in this Section 14, the indemnifying party's sole responsibility is, subject to Section 2.2, to either substitute a fully equivalent Product or process (as applicable) not subject to such injunction, modify such Product or process (as applicable) without affecting the fit, form, function, or safety of the Product so that the Product or process (as applicable) is no longer subject to such injunction, or obtain the right to continue using the enjoined process or Product (as applicable). In the event that any of the foregoing remedies cannot be effected on commercially reasonable terms, then all accepted purchase orders and the current forecast will be considered cancelled, and Alimera shall purchase all Products and Materials Inventory at the indemnifying party's cost. Any changes to any Products or process must be made in accordance with Section 2.2. Notwithstanding the foregoing, in the event that a third party makes an infringement claim, but does not obtain an injunction, the indemnifying party shall not be required to substitute a fully equivalent Product or process (as applicable) or modify the Product or process (as applicable) if the indemnifying party obtains an opinion from competent patent counsel reasonably acceptable to the other party that such Product or process is not infringing or that the patents alleged to have been infringed are invalid.

15. Confidentiality. Neither Party will disclose to any third party the terms of this Agreement (including prior drafts or summaries) or any other information provided by the other Party in connection with this Agreement, or created or acquired by either Party in performance of this Agreement, without the other Party's prior written approval. This paragraph shall not apply to information that (a) is lawfully received by either Party free of restriction from another source having the right to furnish the information free of restriction or (b) that either Party is required to disclose under applicable law, including a discovery request in a civil litigation, if the Party required to disclose first gives the other Party notice of the required disclosure and cooperates with the other Party, at the other Party's sole expense, in seeking reasonable protective arrangements with the party requiring disclosure. If information relating to the subject matter of this Agreement was disclosed prior to the Effective Date in accordance with a confidentiality agreement between Cadence and Alimera, then such information shall continue to be subject to the confidentiality agreement. Except as required by law, neither party, without the prior written consent of the other, will make any public announcement of this Agreement or regarding the fact that Cadence will manufacture or supply the Product(s).

16. Intellectual Property.

16.1 Alimera grants Cadence a non-exclusive, non-sublicensable, non-transferable (except to its Affiliates) license during the term of this Agreement to use Alimera's patents, trade secrets, know-how, and other intellectual property, in each case solely to the extent necessary to perform Cadence's obligations under this Agreement and solely to perform such obligations.

16.2 Except as expressly set forth in Section 16.1, above, neither Party shall obtain any rights to the existing intellectual property rights of the other Party solely by reason of entering into this Agreement.

16.3 Alimera shall have sole and exclusive ownership and all rights relating to any production or design specific to Product(s) manufactured by Cadence under this Agreement and improvements or

modifications to the Product(s) or to the Alimera intellectual property, including patents, trade secrets and know-how, and to all inventions, data, developments, technology, processes, methods, improvements, information, materials, documents, records, data, specifications, plans, schematics, designs, drawings, prototypes, know how, goodwill and other intellectual property which are developed, made, conceived or reduced to practice specifically for Alimera or the Product(s) by Cadence or in connection with the Alimera know-how and Product(s) or which arise solely from the Manufacturing Services provided by Cadence hereunder for Alimera (collectively, the "Cadence Work for Hire"), and any and all improvements, modifications, enhancements to each of the foregoing, and all other information and materials relating thereto and the attendant intellectual property rights of any sort throughout the world, including, without limitation, rights in any patent, copyright, trademark, trade dress and trade name, in any related registrations and applications for registration, and in all trade secrets and know-how and goodwill related in any manner thereto and as a result of Cadence Work for Hire. Cadence shall maintain and make available to Alimera adequate and current written records of all Cadence Work for Hire and any other data that will enable any other person knowledgeable in the art of the subject to fully understand it and carry forward the work on it. Cadence hereby assigns to Alimera (or if assignment is not permitted by applicable law, waives enforcement of and grants to Alimera an exclusive, irrevocable, perpetual, worldwide, fully-paid, royalty-free license, with right to sublicense through multiple tiers of sublicenses) any and all interest of Cadence in the Cadence Work for Hire, including any intellectual property rights thereto.

Notwithstanding the foregoing, the Parties agree that the following does not constitute Cadence Work for Hire: (a) all rights, title and interests in all intellectual property made, generated or derived by Cadence (i) in the course of production or design not specific to a Product, or (ii) that is an improvement to Cadence's procedure, process, technique or methodology for developing, manufacturing, testing, validating and/or finishing products generally that does not reveal, disclose, embed, embody, incorporate or use any of the Alimera intellectual property; and (b) all rights, title and interests in all intellectual property developed or acquired by Cadence (i) prior to the Effective Date of this Agreement, or (ii) after the Effective Date by or for Cadence independently outside of this Agreement.

16.4 At Alimera's request and expense, Cadence will cause its employees and agents to cooperate with and assist Alimera in confirming, recording, perfecting, obtaining, maintaining, protecting, defending and enforcing Alimera's rights in the Cadence Work for Hire and any intellectual property rights thereto, including execution and delivery to Alimera of any necessary or useful documents and the taking of any other actions that Alimera may reasonably request. Alimera will reimburse Cadence for any reasonable out-of-pocket expenses actually incurred by Cadence in fulfilling its obligations under this Section 16.

17. Additional Services. Alimera may, at any time and in its sole discretion, request that Cadence respond to a request for proposal for services that are beyond the scope specified in this Agreement. In the event that Cadence agrees that it is able perform such additional services for Alimera, and Alimera elects to retain Cadence to perform such additional services, the Parties agree to amend this Agreement accordingly. Upon execution of any such amendment, the definition of the term "Manufacturing Services" shall be deemed amended to include the activities set forth in the amendment. All such additional Manufacturing Services shall be performed pursuant to the terms of this Agreement as amended.

18. General Terms.

18.1 In the event either Party is prevented from performing or is unable to perform any of its

obligations under this Agreement due to any act of God, acts of government or military bodies, fire, casualty, flood, earthquake, war, strike, lockout, epidemic or pandemic, destruction of production facilities, riot, insurrection, materials unavailability, or any other cause beyond the reasonable control of the Party that is unable to perform (collectively, a “Force Majeure”), and if the Party that is unable to perform has used commercially reasonable efforts to mitigate the effects of the Force Majeure and given prompt written notice to the other Party, then the Party that is unable to perform shall be excused from performance to the extent and for as long as such performance is prevented by the Force Majeure, provided that if such Party is prevented from performance by such Force Majeure for more than ninety (90) days, the other Party may terminate this Agreement on written notice to the Party prevented from performance by the Force Majeure.

18.2 Neither Party may assign this Agreement without the prior written consent of the other Party, except that this Agreement and any rights or obligations under or interests in this Agreement by either Party may assigned and transferred automatically to any parent, subsidiary or Affiliate of such assigning Party, or to a third party in the event of the sale, reorganization or other transfer of substantially all of the assigning Party’s relevant business to the third party. A change in control of a Party shall be considered an automatic assignment of this Agreement to the new controlling entity for the purpose of determining the Parties' rights and obligations. All of the terms and provisions of this Agreement will be binding upon, will inure to the benefit of, and be enforceable by successors and assigns of the Parties to this Agreement.

18.3 This Agreement will not confer any right or remedy upon any person other than the Parties hereto and their respective permitted successors and assigns.

18.4 This Agreement and accepted purchase orders constitute the entire agreement between the Parties with respect to this subject matter, and any modification or amendments to this Agreement must be in writing and signed by both Parties.

18.5 The terms "including," "by way of example" or any variation thereof means "including but not limited to" and "by way of example only and without limitation," respectively. This Agreement shall be fairly interpreted in accordance with its terms and without any presumption in favor of or against either Party regardless of the drafter. If any provision of this Agreement is deemed illegal, invalid or unenforceable, the requirements of the provision shall remain to the full extent permissible by law and the offending portions thereof shall be deemed replaced, to the extent possible, with a provision most closely reflecting the purpose of the offending provision.

18.6 No right or remedy conferred in this Agreement is intended to be exclusive of any other right or remedy, and each and every right and remedy will be cumulative and in addition to any other right or remedy given now or existing in law or in equity or by statute. IN NO EVENT WILL EITHER PARTY BE LIABLE (WHETHER ARISING IN CONTRACT, TORT, WARRANTY OR OTHERWISE) FOR ANY SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE, OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF ANTICIPATED PROFITS).

18.7 The Parties will attempt to resolve all disputes arising out of or in connection with this Agreement through formal negotiation between senior executives of each Party prior to initiating any other dispute-resolution process, including prior to instituting any process before any court or other governmental authority. Within fifteen (15) days of receipt of notice from a Party seeking to resolve a dispute, the Parties will meet at a mutually agreeable time and location, including through virtual means, to attempt to resolve the noticed dispute. It the Parties are unable to resolve the dispute within

sixty (60) days of notice, either Party may seek alternative means of resolution, including initiating an appropriate process with a court or other governmental authority having jurisdiction. Nothing in this paragraph shall prevent a Party from seeking a preliminary injunction in an appropriate case while the Parties seek to resolve the related dispute.

18.8 Any notice provided under this Agreement will be effective when received and must be given in writing and delivered in person or sent by overnight courier, by reputable express delivery or by registered or certified mail, return receipt requested, as follows:

If to Cadence: Cadence Inc.
9 Technology Drive
Staunton, VA 24401
Attn: Head of Operations

If to the Alimera: Alimera Sciences, Inc.
6120 Windward Pkwy, Suite 290
Alpharetta, GA 30005
Attn: Head of Operations

Each Party may change its notice address information at any time by notice given in accordance with this Section.

18.9 This Agreement will be governed by and construed in accordance with the laws of the State of Delaware as applicable to contracts made and to be performed in that state, without regard to conflicts of laws principles. The Parties consent to the personal jurisdiction and venue of the state and federal courts covering the State of Delaware.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized corporate officers or representatives as of the date first above written.

ALIMERA SCIENCES, INC.	**CADENCE, INC.**
By: /s/ Philip John Ashman	By: /s/ Jeff Kelly
Name: Philip John Ashman	Name: Jeff Kelly
Title: Chief Operating Officer	Title: Vice President, Sales

Exhibit 1: Definitions

"**Affiliate**"	Shall mean means any corporation, company, partnership, joint venture or other entity directly or indirectly controlling, controlled by, or under direct or indirect common control with the specified entity, for so long as such control exists. For purposes of this definition only, "control" of a corporation, company, partnership, joint venture or other entity means the possession, directly or indirectly, of the power to direct or cause the direction of the activities, management or policies of such corporation, company, partnership, joint venture or other entity, whether through the ownership of voting securities, by contract or otherwise.
"**Approved Vendor List**" or "**AVL**"	Shall mean the list of suppliers set forth in Exhibit 4 to this Agreement to provide the Materials specified in Exhibit 4.
"**Confidential Information"**	Shall mean (a) the existence and terms of this Agreement and all information concerning the unit number and fees for Products and Inventory and (b) any other information that is (i) marked "Confidential" or the like or, if delivered verbally, confirmed in writing to be "Confidential" within 30 days of the initial disclosure or that (ii) is of such a nature that should be understood by a reasonable person to be confidential or proprietary. Confidential Information does not include information (i) that the receiving party can prove it already rightfully knew without restriction at the time of receipt from the disclosing party; (ii) that has come into the public domain without breach of confidence by the receiving party; (iii) that was received from a third party without restrictions on its use or disclosure; (iv) that the receiving party can prove it independently developed without use of or reference to the disclosing party's data or information; or (v) to the extent the disclosing party agrees in writing that such information is free of the confidentiality restrictions and obligations in this Agreement.
"Current Good Manufacturing Practice" or "cGMP"	Shall mean current good manufacturing practices (cGMP), and current regulations and guidelines as described in (a) Part 820 (Quality System Regulation for Medical Devices) of Title 21 of the United States Code of Federal Regulations, (b) Annex 1 Essential Requirements of the Medical Device Directives 93/94/EEC, (c) ISO 13485 (Medical devices – Quality management systems – Requirements for regulatory purposes) and (d) ISO 14971 (Risk Management System), in each case, as may be amended from time to time.

"Environmental Regulations"	Shall mean all applicable laws, regulations, requirements and rules relating to hazardous pollutants, hazardous substances and waste including, without limitation, those related to the EU Directive 2002/95/EC about the Restriction of Use of Hazardous Substances (RoHS).
"**Inventory**"	Shall mean any Materials that are used to manufacture Products that are ordered pursuant to a Firm Order from Alimera.
"**Product**"	Shall have the meaning set forth in Exhibit 2.
"Production Materials"	Shall mean materials that are consumed in the production processes to manufacture Products including without limitation, UV adhesive, labels, and glue. Production Materials do not include any such materials that have been specified by the Alimera in the bill of materials, in the Specifications or any Materials provided by an Alimera-Designated Supplier.
"Quality Agreement"	Shall mean the agreement setting out the quality assurance standards to be applicable to the Manufacturing Services performed by Cadence.
"Recall"	Shall mean any action (a) by Alimera to recover title to or possession of quantities of defective Products sold or shipped to third parties (including, without limitation, the voluntary withdrawal of defective Products from the market); or (b) by any regulatory authorities to detain or destroy any defective Products.

Exhibit 2: Products

"Product" shall mean Alimera Guideshaft & Handpiece Sub-Assemblies which are later assembled into the finished drug product ILUVIEN® 190 micrograms intravitreal implant in applicator at the drug contract manufacturing site, Alliance Medical Products (d.b.a. Siegfried Irvine). As provided in Section 7 of the Agreement, Cadence will manufacture and arrange delivery of the following Products:

Alimera Product Number	Description
ALR-52100	Handpiece
ALR-52102	Guideshaft

Product will be manufactured by Cadence per Alimera-approved Design Specifications & Drawings.

Exhibit 3: Fees List

Pricing originates from Cadence Quote Q001878-4 (Issued 23rd July 2020). Changes in pricing is subject to Section 4 of this Agreement.

Pricing for Flex Transferred Components (Production-A Builds)

Estimated Total Order Quantity*	Product Number	Description	Unit Price
[***]	ALR-52100	Handpiece	[***]
[***]	ALR-52102	Guideshaft	[***]

* Total Quantity of [***] is an estimate of the total number of units that are able to be produced using the Excess & Obsolete (E&O) Component Inventory transferring from Flex to Cadence following Assembly Line Decommissioning. It is understood by both Cadence and Alimera that the Total Order Quantity for Production-A Builds may be lower following final Flex E&O Inventory Counts and following Cadence Qualification Activities.

Routine Production**

Price Tiers based on Quantity Ordered per Rolling 12-Month Forecast	Product Number	Description	Unit Price
[***]	ALR-52100	Handpiece	[***]
[***]	ALR-52100	Handpiece	[***]
[***]	ALR-52100	Handpiece	[***]
[***]	ALR-52102	Guideshaft	[***]
[***]	ALR-52102	Guideshaft	[***]
[***]	ALR-52102	Guideshaft	[***]

**Pricing for Cadence Qualified Components – [***] (Production-C Builds)

Exhibit 4: Approved Vendor List

Alimera-Designated Supplier for Qualification & Production-A Builds:

Supplier	Description of Component or Service
[***]	Injection Molded Components, Pad Printing
[***]	Flat Spring

Alimera Approved Vendor List per ILUVIEN Dossier/NDA File:

Supplier	Description of Component or Service
[***]	Injection Molded Components, Pad Printing
[***]	Flat Spring
[***]	Needle, Needle Stop, Core Wire, Wire Guide Tube
[***]	UV Adhesive

All other suppliers, components, and materials listed in the Bill of Materials must be approved by Alimera and qualified prior to use by Cadence.

This Supplier Quality Agreement (the “Agreement”) is entered into by and between Alimera Sciences Inc. which includes its subsidiaries and affiliates (collectively Alimera), a company located at 6120 Windward Parkway, Alpharetta, GA 30040 and Cadence Device, a company located at 250 W. Kensinger Dr., Suite 400, Cranberry Township, PA 16066.

INTRODUCTION

Quality Policy & Objectives

Our goal is to improve the quality of life for the patients we serve. Alimera Sciences is committed to providing safe, effective, high-quality, innovative products that meet or exceed our customer’s expectations for use in the treatment of eye disease. We achieve this by maintaining effective quality management and drug safety systems, complying with all regulatory requirements of the regions we operate in, and continuously improving our products and performance.

Alimera Sciences will provide high-quality products with the lowest risk to patients:

- Maintain adequate stock for all regions we supply
- Complete all Adverse Event and Technical Complaint investigations in a timely manner
- Ensure full compliance with all regulatory requirements

We will maintain and continuously improve the effectiveness of the quality management system:

- Conduct periodic Quality Management System reviews with senior management
- Monitor and continuously improve distributor and supplier performance
- Ensure employees are appropriately trained regarding GMP and GDP regulations and requirements

Purpose

The purpose of this “Agreement” is to support our quality policy and quality objectives by definingthe terms for which externally provided processes, products, and services (collectively “Product”) will be established, controlled, and maintained for the manufacturing, subcontracting, and distributing of “Product” for Alimera. Per FDA regulation (21 CFR 820) requirements, Alimera is required to control external providers (collectively “Suppliers”) of “Product” to ensure conformance to Alimera’s defined specifications and all regulatory requirements applicable to the intended use of the “Product” provided. Since Alimera depends on its suppliers to provide compliant “Product” (including record creation, record maintenance, record transmission, raw materials, components, sub-assemblies, assemblies, storage, handling, labeling,

packaging, transport, etc.), mutual cooperation and agreement in implementing the quality requirements established within this “Agreement” is essential.

Scope

This agreement applies to all externally provided processes, products, and services for Alimera. The scope of this agreement is intended to ensure initial and on-going production orders are adequately planned and appropriate controls are established based on the risk of the “Product” provided.

NORMATIVE REFERENCES

Quality Management System Regulations

FDA 21 CFR Part 820 – Quality System Regulation – Medical Devices Current Good Manufacturing Practices

Quality Management System Requirements

ISO 13485 – Medical devices – Quality management systems – Requirements for regulatory purposes

Quality Management System Requirements

Annex 1 Essential Requirements of the Medical Device Directives 93/94/EEC

Risk Management

ISO 14971 – Risk Management System

DEFINITIONS

General

Establish – Define, document, implement, & maintain [FDA 21 CFR Part 820]

Lot or Batch – One or more components or finished devices that consist of a single type, model, class, size, composition, or software version that are manufactured under essentially the same conditions and that are intended to have uniform characteristics and quality within specified limits [FDA 21 CFR Part 820].

Notified Body – In the European Union, is an entity that has been accredited by a Member State to assess whether a product to be placed on the market meets certain preordained standards.

Process Validation – Establishing by objective evidence that a process consistently produces a result or product meeting its predetermined requirements [FDA 21 CFR Part 820].

Regulatory Requirement – all applicable domestic and foreign federal, state, and local laws, statutes, acts, ordinances, rules, codes, standards, guidelines and regulations, applicable to the “Supplier” and the “Product” provided under “Agreement” including but not limited to requirements for labeling, re-labeling, packaging, manufacturing, processing, assembly, record creation, record

retention, record modification, record transmission (including by electronic means), storage, handling, and transport of “Product”.

Special Process – Any process for production and service provision where the resulting output cannot be verified by subsequent monitoring and measurement.

Specification – Any requirement with which a product, process, service, or other activity must conform [FDA 21 CFR Part 820].

Validation – Establishing by objective evidence that the particular requirements for a specific intended use can be consistently fulfilled [FDA 21 CFR Part 820].

Verification – Confirmation by examination and provision of objective evidence that the specified requirements have been fulfilled [FDA 21 CFR Part 820].

Definition of Responsibilities

Approve – Approval is required prior to implementation of requirement.

Audit – Requirement is assessed through objective evidence and may be subject of a formal audit.

Evaluate – Requirement is assessed through interactions and may be subject of a formal evaluation.

Responsible – Onus is on the identified party to meet this requirement.

Review – Requirement to be reviewed upon submission of evidence and feedback provided, as appropriate.

Submit – Written notification or submission of evidence to meet requirement shall be provided.

AGREEMENT

See listed requirements and mutual responsibilities in table below.

Clause ID	Requirement	Responsibility Summary		Applicable if for the following intended “Product” Sector(s):
		Alimera	Cadence	
4.01	**General requirements**			
4.01.01	Cadence shall establish a certified quality management system (QMS) by an accredited registrar and maintain its effectiveness in accordance with the requirements of an International Standard (ISO), all applicable regulatory requirements, and any agreed upon requirement made between Alimera and Cadence.	Audit	Responsible	All

4.01.02	Cadence shall be responsible for registering facilities and/or "Product" provided to Alimera with the appropriate regulatory agency or agencies and for maintaining required registration(s), accreditation(s), and/or license(s) with each agency per applicable regulation requirements.	Audit	Responsible	Medical
4.01.03	Cadence shall be aware of the intended sector of the “Product” provided and agrees to implement appropriate quality system controls to ensure “Product” provided meets sector specific regulatory requirements and sector specific requirements defined within this agreement. Note: “Cadence” provides Guideshaft and Handpieces which are considered sub-components of the container closure per Alimera’s Dossier/NDA.	Responsible	Responsible	All
4.01.04	Cadence shall provide a copy of the supplier’s certificate(s) of registration(s), accreditation(s), and/or license(s) of its QMS standards, regulatory listings, or any other applicable certificate requested by Alimera.	Review	Submit	All
4.01.05	Subsequent updates to requested certificates must also be provided to Alimera when received by Cadence.	Review	Submit	All
4.01.06	Cadence shall communicate any change to the supplier’s QMS or regulatory registration status without undue delay to Alimera’s Quality Assurance (QA) representative.	Review	Submit	All
4.01.07	Cadence shall cooperate with Alimera to accomplish Supplier Quality and performance evaluations at Alimera’s request including allowing Alimera representative(s) to perform an on-site audit of the Supplier’s quality systems and processes. Note: Per ISO and regulatory requirements, Alimera is required to evaluate its supplier’s procedures and processes to ensure that all products and services received conform to the specified requirements.	Evaluate	Responsible	All
4.01.08	Cadence shall allow Alimera access to review and inspect processes, equipment, and facilities used in or in relation to the production, manufacturing, packaging, testing, labeling, storing and distribution of the “Product” provided, including reports, records, and any supporting documents. Note: Frequency of audits may be conducted as required by Alimera’s internal Quality requirements. An audit may be requested immediately if Supplier Quality issues are identified.	Evaluate	Responsible	All

4.01.09	Cadence agrees the US Food and Drug Administration (FDA), Notified Bodies, and other Authorities, shall have access to and the right to inspect or audit any pertinent “Product” design, manufacturing, or quality processes, and associated documentation or records, and Cadence may specifically be subject to scheduled or unannounced audits (per EU Recommendation 2013/473/EU).	Evaluate	Responsible	Medical
4.01.10	During unannounced audits, Cadence shall allow Notified Bodies to witness the testing of “Product” samples, and/or if requested, provide samples of “Product” for independent testing by the Notified Bodies.	Evaluate	Responsible	Medical
4.02	**Control of Records**			
4.02.01	Cadence shall establish and maintain a control of records procedure which conforms to the requirements defined within this agreement and any applicable sector specific ISO QMS requirements.	Audit	Responsible	All
4.02.02	Cadence shall establish and maintain requirements for Good Documentation Practice (GDP). Note: Guidance on GDP can be referred to in ISO 13485:2016 – Medical Devices – A practical guide.	Audit	Responsible	Medical
4.02.03	Cadence shall retain all required quality records related to each unique "Product" provided to Alimera for the life of the product + 5 years. Validation records associated with the Product will be retained indefinitely until termination of the Master Supply Agreement (MSA), at which time such records will be transferred to Alimera. Cadence shall provide a schedule of destruction for each lots’ production records annually. Alimera reserves the right to request records to be shipped prior to destruction. If the termination of the MSA occurs before the expiration of the retention period then Cadence will turn over all of the remaining records to Alimera.	Audit	Responsible	All
4.02.04	…and discarded only after written approval has been received by Alimera.	Approve	Submit	All
4.02.05	As applicable, required records shall include; but are not limited to: a) QMS records: · Obsolete QMS documents (i.e. Quality Manuals, Procedures, Work Instructions, Forms, externally controlled documents, etc.) · Regulatory compliance records.	Audit	Responsible	All
4.02.07	b) Training records: · Quality system training records · Process or product specific training records	Audit	Responsible	All

4.02.10	c) Design and development records: · Design and development input, output, and review · Design validation · Design and development transfer · Design change	Audit	Responsible	All
4.02.11	d) Engineering or process change control records: · Product specification change approvals · Process equipment, method, or parameter change approvals	Audit	Responsible	All
4.02.12	e) Purchasing records: · Purchase orders, drawings, specifications, terms, and agreements · Material certifications for each purchased material lot · Inspection reports, Certificate of Conformance (COC), and/or Certificate of Analysis (COA) for subcontracted “Product” · Incoming inspection results for purchased “Product”	Audit	Responsible	All
4.02.13	f) Production and service provision records (batch, device history records (DHR)): · “Product” traceability and lot identification records · Date of product manufacture or service · Quantity of product manufactured or serviced · Quantity approved for distribution · Process and software validation records · Installation and servicing records · Calibration and measuring equipment adjustment records · Test and inspection results for manufactured product · Statistical Process Control (SPC) charts for Critical-to-Quality (CTQ) process parameters and/or product specifications · In-process inspection logs and/or charts for process parameters and/or product specifications · Final inspection results for “Product” provided. · Certificate of Compliance for “Product” provided	Audit	Responsible	All

4.02.14	g) Monitoring, Performance, and Improvement records: · Customer feedback and handling · Internal audit · Non-conforming product, concession justification, and rework · Analysis of data · Corrective action and investigation · Preventative action and investigation	Audit	Responsible	All
4.03	**Responsibility and authority**			
4.03.01	Cadence shall assign a quality representative for the duration of this agreement and this individual shall be responsible for overseeing “Supplier” activities that impact Alimera’s “Product”.	Evaluate	Responsible	All
4.04	**Human resources**			
4.04.01	Cadence shall ensure that personnel performing work affecting product quality (including temporary employees) shall be competent on the basis of appropriate education, training, skills and experience.	Evaluate	Responsible	All
4.04.02	Cadence shall document the process(es) for establishing competence, providing needed training, and ensuring awareness of personnel.	Audit	Responsible	Medical
4.04.03	These process(es) shall consider intended sector of “Product” and applicable sector specific international standard(s) (e.g. ISO 13485) and/or regulatory (e.g. 21 CFR 820.25) requirements.	Audit	Responsible	Medical
4.04.04	As part of their training, personnel shall be made aware of "Product" defects and potential failure modes which may occur from the improper performance of their job responsibilities.	Audit	Responsible	Medical
4.05	**Work environment**			
4.05.01	Cadence shall document the requirements for the work environment needed to achieve conformity to product requirements.	Audit	Responsible	All
4.05.02	If the conditions for the work environment can have an adverse effect on "Product" quality and intended use, Cadence shall document the requirements for the work environment and the procedures to monitor and control the work environment.	Audit	Responsible	Medical
4.05.03	Where "Product" is handled, stored, labeled, or otherwise processed, Cadence shall maintain a work environment that is orderly and suitably designed to meet the "Product" requirements.	Audit	Responsible	All

4.05.04	Cadence shall document requirements for health, cleanliness and clothing of personnel if contact between such personnel and the product or work environment could affect "Product" safety or performance;	Audit	Responsible	All
4.05.05	Cadence shall maintain controlled and secured access to all facilities it uses to process, package, test, label, and store "Product".	Audit	Responsible	All
4.06	**Contamination control**			
4.06.01	As appropriate, Cadence shall plan and document arrangements for the control of contaminated or potentially contaminated product (e.g. chemical, microbial substance, etc.) in order to prevent contamination of the work environment, personnel, or product. Note: Contamination controls include, but are not limited to: Sanitation practices of personnel, clean room clothing controls, designated areas for eating, drinking, and smoking; use and removal of hazardous substances; and pest control respecting use and removal of insecticides, rodenticides, or other such substances to prevent any adverse effect on the Quality of the Product.	Audit	Responsible	Medical
4.08	**Review of requirements related to product ("Contract review")**			
4.08.01	Cadence shall review the requirements related to the "Product" provided, enquire about intended use, and ensure that all applicable sector specific "Cadence" and regulatory requirements are met, and the organization has the ability to meet defined requirements prior to acceptance of Alimera's purchase order (PO).	Audit	Responsible	All
4.08.02	Cadence shall comply with "Product" specifications provided to Alimera, either by purchase order, subsequent drawing, or referenced specification.	Audit	Responsible	All
4.08.03	Cadence shall agree to the terms of Alimera's PO, and confirm "Product" quantity, pricing and firm delivery dates by submission of an order acknowledgment.	Review	Submit	All
4.09	**Change & Deviation Control**			
4.09.01	Cadence shall implement no change or deviation which may affect "Product" specifications. This includes specified purchase requirements, processes, control plans, sub-contractors, or any other change that may have an adverse effect on downstream processes or finished product, without having obtained written authorization from Alimera. Note: A change is defined as a difference in methods, process, or specifications beyond normal maintenance, adjustment, or calibration.	Audit	Responsible	All

4.09.02	This requirement applies to, but is not limited to, the following (if in doubt, please ask); " Subcontractors " Material / Specifications / Product Drawings " Product physical or chemical properties " Nomenclature or part number " Process flow changes / control plan changes " Manufacturing method " Manufacturing location or equipment changes " Machine relocation " Preventative maintenance plans for Alimera Sciences, Inc. owned assets " Measurement and testing methods " Fixturing method or design " Data or production controls reported to the customer " Packaging, test, labeling, or storage method " Any process deviation.	Audit	Responsible	All
4.09.03	Cadence shall not transfer any operation for the Product to third parties or other sites or facilities without the prior written agreement.	Audit	Responsible	All
4.09.04	Regardless of the effect on form, fit, or function, Cadence will notify Alimera of any intended change to regulatory status/licenses/registrations, approved Suppliers, approved materials, manufacturing location, manufacturing/assembly process, inspection and test procedures, and packaging and storage procedures with respect to the Product, prior to implementing the change. Cadence will provide notification and submit the request using Alimera's Change Request Form. Alimera will evaluate the intended change to determine the significance of the change and the appropriate regulatory action, if any. Changes and date of implementation must be approved by Alimera prior to implementation.	Approve	Submit	All
4.09.05	When "Product" requirements are approved by Alimera and changed, the organization shall ensure that relevant documents are amended and that relevant personnel are made aware of the changed requirements.	Audit	Responsible	All
4.10	**Purchasing process**			
4.10.01	Cadence shall establish criteria for the evaluation and selection of its suppliers.	Audit	Responsible	All
4.10.02	Cadence shall ensure that all laboratories used for conducting tests related to manufacture, packaging, testing, labeling, or storing the "Product" are compliant with the Good Laboratory Practices (GLP) and are qualified in all of the methodology associated with the "Product".	Audit	Responsible	All

4.10.03	Cadence shall plan the monitoring and re-evaluation of suppliers.	Audit	Responsible	All
4.10.04	Records of the results of evaluation, selection, monitoring and re-evaluation of supplier capability or performance and any necessary actions arising from these activities shall be maintained.	Audit	Responsible	All
4.10.05	Upon Alimera's request, Cadence shall facilitate Alimera access to any supplier facility where "Product" will be manufactured, packaged, tested, labeled, stored, or otherwise processed for an on-site audit of quality management system and/or process requirements.	Evaluate	Responsible	All
4.11	**Validation of processes for production and service provisions**			
4.11.01	Cadence shall document procedures for validation of processes which conform to applicable sector specific ISO QMS requirements for the intended sector of the product or service provided (e.g. Medical Device – ISO 13485). Note: For any "special process" performed on a product which is intended to be used for a medical device, the IQ, OQ, PQ process validation method is preferred. For guidance on the application of this method refer to ISO 13485:2016 – Medical devices – A practical guide.	Audit	Responsible	Medical
4.12	**Identification**			
4.12.01	Cadence shall document procedures for product identification and identify product by suitable means throughout product realization.	Audit	Responsible	All
4.12.02	Cadence shall assign a unique supplier lot ID for each batch of product…	Audit	Responsible	All
4.12.03	…and clearly identify the product and/or its packaging with this ID.	Audit	Responsible	All
4.12.04	Cadence shall ensure that "Product" lots or sub-lots are never mixed.	Audit	Responsible	All
4.13	**Traceability**			
4.13.01	Cadence shall document procedures for traceability.	Audit	Responsible	All
4.13.02	These procedures shall define the extent of traceability in accordance with applicable regulatory requirements and the records to be maintained.	Audit	Responsible	All
4.13.03	Cadence shall ensure that the unique supplier lot ID is traceable to the Cadence purchase order requirements.	Audit	Responsible	All
4.13.04	Cadence shall include the unique supplier lot ID on all other required traceability records.	Audit	Responsible	All

4.13.05	Cadence shall submit a Certificate of Compliance (COC) with each shipment and with sufficient information to trace shipment back to the raw material source, subsequent testing, chemical analysis, and/or mechanical property performance results.	Review	Submit	All
4.16	**Complaint Handling**			
4.16.01	Cadence shall document procedures for timely complaint handling in accordance with applicable sector ISO and regulatory requirements.	Audit	Responsible	All
4.16.02	If any complaint is not investigated, justification shall be documented.	Audit	Responsible	Medical
4.16.03	Cadence shall investigate complaints if requested to do so by Alimera.	Evaluate	Responsible	All
4.16.04	Cadence shall submit an investigation report and action plan to Alimera within ten (10) business days after Alimera's request for an investigation, unless otherwise agreed in writing by Alimera.	Review	Submit	All
4.16.05	Cadence shall record all actions taken, verification of the effectiveness of all actions taken, and any deviations to original action plan submitted to Alimera.	Audit	Responsible	All
4.16.06	Cadence shall submit objective evidence of actions taken, including evidence of implementation and verification of effectiveness when requested by Alimera.	Review	Submit	All
4.15	**Reporting to regulatory authorities (and Alimera)**			
4.15.01	If applicable regulatory requirements require notification of complaints that meet specified reporting criteria of adverse events or issuance of advisory notice, the organization shall document procedures for providing notification to the appropriate regulatory authorities and Alimera.	Responsible	Audit	All
4.15.02	If Cadence is issued a warning from a regulatory body related to the Quality Management System or Alimera Sciences, Inc. Product/Process, Cadence shall contact Alimera's QA Department within one (1) business day…	Audit	Submit	All
4.15.03	…and forward a copy of the document to Alimera within two (2) business days.	Review	Submit	All
4.15.04	Cadence shall notify Alimera within one (1) business day if Cadence recalls or places a hold on any component that Alimera distributes.	Audit	Submit	All
4.16	**Monitor and measurement of processes**			
4.16.01	Cadence shall apply suitable methods for monitoring and measurement of validated processes and…	Audit	Responsible	All
4.16.02	…records shall be maintained.	Audit	Responsible	All

4.17	**Monitor and measurement of product**			
4.17.01	All inspection, measuring, and testing conducted by Cadence shall be in accordance with defined requirements,…	Audit	Responsible	All
4.17.02	…utilize only calibrated instruments and equipment…	Audit	Responsible	All
4.17.03	…and Cadence must maintain calibration records for review.	Audit	Responsible	All
4.18	**Control of Nonconforming product**			
4.18.01	If Cadence suspects non-conforming product has been or may have been shipped to Alimera's CMO, Cadence shall contact Alimera's QA Department within one (1) business day.	Review	Submit	All
4.19	**Rework**			
4.19.01	The organization shall perform rework in accordance with documented procedures that takes into account the potential adverse effect of the rework on the product.	Audit	Responsible	Medical
4.19.02	These procedures shall undergo the same review and approval as the original procedure.	Audit	Responsible	Medical
4.19.03	Cadence shall not plan or perform any rework or repair activities, including repackaging or relabeling, related to any nonconforming "Product" without prior written permission from Alimera	Approve	Submit	Medical
4.19.04	After the completion of rework, product shall be verified to ensure that it meets applicable acceptance criteria and regulatory requirements.	Audit	Responsible	Medical
4.19.05	Records of rework shall be maintained.	Audit	Responsible	Medical
4.20	**Improvement**			
4.20.01	Cadence shall establish and maintain a corrective and preventative action procedure which conforms to the requirements defined within this agreement and any applicable sector specific ISO QMS or regulatory requirement. Note: This process should include a disciplined approach for containment of affected product, determining the root cause of the problem, developing an appropriate action plan, including implementing planned solutions in a timely manner, and verifying the effectiveness of the actions taken.	Audit	Responsible	All
4.20.02	Corrective and preventative action records shall be retained and shall be made available upon request by Alimera.	Audit	Responsible	All

Exception(s) or Amendment(s)

Cadence requires the following exception(s) or amendment(s) to each referenced clause listed below.

Supplier Quality Agreement Review and Approval Authorities

Role	Print Name	Signature	Date
Cadence Quality Manager			
Cadence Operations Manager			
Alimera Sciences Director of Manufacturing[1]			
Alimera Sciences Director, Supply Chain			
Alimera Sciences Director, Quality Assurance[1]			

[1] If Cadence authorizes this agreement with no exception(s) or amendment(s), no further authorization from Alimera representation is required to enter into this agreement.

EMPLOYMENT AGREEMENT WITH ALIMERA SCIENCES, INC.

This Employment Agreement (this "***Agreement***") is entered into between Alimera Sciences, Inc., a Delaware corporation (the "***Company***"), and Samer E. Kaba, M.D. ("***Executive***"), as of July 27, 2020 (the "***Effective Date***").

RECITALS:

WHEREAS, the Company is engaged in the business of developing, marketing and selling ophthalmic pharmaceuticals in the United States and throughout the world;

WHEREAS, Company and Executive desire that Executive provide the Company employment services upon the terms and conditions set forth below;

WHEREAS, the Company desires to enter into an Employment Agreement under which Executive will continue to serve as its Chief Medical Officer pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties, intending to be legally bound, agree as follows:

AGREEMENT:

SECTION 1. EFFECTIVE DATE

Subject to the terms and conditions set forth in this Agreement, the Company agrees to employ Executive as its Chief Medical Officer, and Executive agrees to be employed by the Company in such capacity as of the Effective Date.

SECTION 2. DEFINITIONS

"***Board***" means the Board of Directors of the Company.

"***Cause***" means

(1) Executive's gross negligence or willful misconduct with respect to the business and affairs of the Company, including violation of any material policy of the Company that is not cured within 30 days after written notice thereof is given to Executive by the Company;

(2) Executive's conviction of, or entering a guilty plea or plea of no contest with respect to, a felony; or

(3) Executive engages in any material breach of the terms of this Agreement or fails to fulfill his responsibilities under this Agreement and such breach or failure, as the case may be, is not cured, or is not capable of being cured, within 30 days after written notice thereof is given to Executive by the Company.

"***Change in Control***" means (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity or (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets. A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur unless such transaction also qualifies as a "change in control event" as described in Treas. Reg. § l.409A-3(i)(5).

"***Code***" means the United States Internal Revenue Code of 1986 as currently and hereafter amended.

"***Competing Business***" means any business which develops, sells or markets ophthalmic pharmaceuticals.

"***Disability***" means a condition which renders Executive unable (as determined by the Board in good faith after consultation with a physician mutually selected by Executive or his duly empowered representative and the Board) to regularly perform his duties hereunder by reason of illness or injury for a period of more than six consecutive months with or without reasonable accommodation.

"***Earned Bonus***" means the bonus, determined based on the actual performance of the Company for the full fiscal year in which Executive's employment terminates, that Executive would have earned for the year in which his employment terminates had he remained employed for the entire year, prorated based on the ratio of the number of days during such year that Executive was employed to 365. Such Earned Bonus will be determined and paid to Executive no later than 2½ months after the close of the fiscal year in which the Earned Bonus was earned.

"***Equity***" means (i) all Stock, including restricted stock; (ii) all options and other rights to purchase Stock; (iii) all restricted stock units, performance units or phantom shares whose value is measured by the value of Stock; and (iv) all stock appreciation rights whose value is measured by increases in the value of Stock; and (v) any other award under an ISP.

"***Good Reason***" shall mean, for purposes of Section 4(e), (i) a material diminution of Executive's authority, duties or responsibilities; (ii) a geographic relocation of the Company's

headquarters, or Executive's primary business location, to a location that is more than 35 miles from the present location of the Company's corporate headquarters or Executive's primary business location, as the case may be; or (iii) any breach by the Company of this Agreement that is material and that is not cured within 30 days after written notice thereof to the Company from Executive.

"***Good Reason***" shall mean, for purposes of Section 5, that Executive resigns within 12 months after one of the following conditions has come into existence without his consent: (i) a reduction in Executive's base salary from the amount set forth in Section 4(a); (ii) a material adverse change in Executive's primary responsibilities or duties; (iii) a geographical relocation of the Company's corporate headquarters, or Executive's primary business location, to a location that is more than 35 miles from the present location of the Company's corporate headquarters or Executive's primary business location, as the case may be; (iv) any breach by the Company of this Agreement that is material and that is not cured, or is not capable of being cured, within 30 days after written notice thereof to the Company and the Board from Executive. A condition shall not be considered "Good Reason" unless Executive gives the Company written notice of such condition within 90 days after such condition comes into existence and the Company fails to remedy such condition within 30 days after receiving Executive's written notice.

"***ISP***" means the Alimera Sciences, Inc., 2019 Omnibus Equity Incentive Plan, as amended from time to time and any new equity incentive plan adopted by the Company.

"***Restricted Period***" means the 12-month period beginning on and after Executive's employment with the Company is terminated pursuant to the terms of this Agreement.

"***Separation***" means a "separation from service," as defined in the regulations under Section 409A of the Code.

"***Stock***" means shares of the Company's common stock.

SECTION 3. TITLE, POWERS AND RESPONSIBILITIES

(a) Title. Executive shall be Chief Medical Officer.

(b) Powers and Responsibilities.

(1) Executive in fulfilling his responsibilities shall have such powers as are normally and customarily associated with a Chief Medical Officer in a company of similar size and operating in a similar industry, including the power to hire and fire employees and executives of the Company reporting to Executive and such other powers as are authorized by the Board.

(2) Executive, as a condition to his employment under this Agreement, represents and warrants that he can assume and fulfill the responsibilities described in Section 3(b)(1) without any risk of violating any non-compete or other restrictive covenant or other agreement to which he is a party.

(c) Reporting Relationship. Executive shall report to the Company's chief executive officer.

(d) Full Time Basis. Executive shall undertake to perform all his responsibilities and exercise all his powers in good faith and on a full-time basis.

SECTION 4. COMPENSATION, BENEFITS, ETC.

(a) Annual Base Salary. Executive's base salary shall be $355,000 per year, which amount may be reviewed and increased from time to time at the discretion of the Board or any committee of the Board duly authorized to take such action. Executive's base salary shall be payable in accordance with the Company's standard payroll practices and policies for executives and shall be subject to such withholdings as are required by law or as are otherwise permissible under such practices or policies.

(b) Annual Bonus. The Company shall pay an annual bonus for a fiscal year to Executive no later than 2½ months after the close of such fiscal year, in the amount, and subject to the terms and conditions of, the Company's Management Cash Incentive Program (or any predecessor or successor cash incentive plan thereto), which may be reviewed at the discretion of the Board or any committee of the Board duly authorized to take such action. The determinations of the Board or its Compensation Committee with respect to such bonus shall be final and binding; *provided, however*, that Executive's target annual bonus amount shall not be reduced to an amount below 40% of Executive's then-current base salary.

(c) Employee Benefit Plans. Executive shall be eligible to participate, on terms no less favorable to Executive than the terms for participation of any other executive of the Company at the same level within the Company as Executive, in the employee benefit plans, programs and policies maintained by the Company in accordance with the terms and conditions to participate in such plans, programs and policies as in effect from time to time.

(d) Equity Awards. Executive shall receive Equity awards at the discretion of the Board, subject to the terms and conditions set forth in the applicable ISP and any corresponding notice, agreement or certificate under the ISP.

(e) Acceleration of Vesting of Equity. The following terms shall apply to all of Executive's Equity outstanding as of the Effective Date, and to all future grants of Equity:

(1) The vested percentage of Executive's Equity shall be determined by adding 12 months to the actual period of service that Executive has completed with the Company if the Company is subject to a Change in Control before Executive's service with the Company terminates (*i.e.*, Executive's vesting shall be accelerated by an additional 12 months). The remaining unvested Equity shall vest in the same amount per vesting period as prior to the Change in Control.

(2) Executive shall vest in 100% of the remaining unvested Equity if (a) the Company is subject to a Change in Control before Executive's employment with the

Company terminates and (b) within 12 months after the Change in Control,Executive's employment with the Company is terminated by the Company (or its successor) without Cause or Executive terminates his employment for Good Reason.

(3) If the Company is a party to a merger or consolidation, all outstanding Equity shall vest in full unless the agreement evidencing the merger or consolidation provides for one or more of the following:

(A) The continuation of such outstanding Equity by the Company (if the Company is the surviving corporation).

(B) The assumption of such outstanding Equity by the surviving corporation or its parent.

(C) The substitution by the surviving corporation or its parent of new Equity for such outstanding Equity.

(D) Full exercisability of outstanding Equity and full vesting of theStock subject to such Equity, followed by the cancellation of such Equity. The full exercisability of such Equity and full vesting of such Stock, as applicable, may be contingent on the closing of such merger or consolidation.

(E) The cancellation of outstanding Equity and a payment to Executive equal to the excess of (i) the fair market value of the Stock subject to such Equity (whether or not such Equity is then exercisable or vested, as applicable) as of the closing date of such merger or consolidation over (ii) the exercise price. Such payment shall be made in the form of cash, cash equivalents or securities of the surviving corporation or its parent with a fair market value equal to the required amount. Such payment may be made in installments and may be deferred until the date or dates when such Equity would have become exercisable or such Stock would have vested. Such payment may be subject to vesting based on Executive's continuing service, provided that the vesting schedule shall not be less favorable to Executive than the schedule under which such Equity would have become exercisable or such Stock would have vested. This provision is mandatory in the event that the Company is acquired by a private company for cash.

(4) Executive shall vest in 100% of the remaining unvested Equity in the event of Disability where a Separation occurs or death.

(f) Rights to Time Off Work. Executive shall have the same rights to vacation, sick days, holidays, and other time off work as other employees of the Company under Company policies.

(g) Expense Reimbursements. Executive shall have the right to expense reimbursements in accordance with the Company's standard policy on expense reimbursements. Any reimbursement shall (a) be paid promptly but not later than the last day of the calendar year

following the year in which the expense was incurred, (b) not be affected by any other expenses that are eligible for reimbursement in any calendar year and (c) not be subject to liquidation or exchange for another benefit.

(h) Indemnification. The Company shall, to the maximum extent permitted by applicable law and the Company's governing documents, indemnify Executive and hold Executive harmless from and against any claim, loss or cause of action arising from or out of Executive's performance as an officer, director, manager or employee of the Company or in any other capacity in which Executive serves at the request of the Board. If any claim is asserted hereunder against Executive, the Company shall pay Executive's legal expenses (or cause such expenses to be paid) on a quarterly basis, provided that Executive shall reimburse the Company, in a timely manner, for such amounts if Executive shall be found by a final, non-appealable order of a court of competent jurisdiction not to be entitled to indemnification. The indemnification obligations of the Company in this paragraph shall survive any termination of this Agreement and shall be supplemental to any other rights to indemnification from the Company to which Executive is entitled.

(i) Directors and Officers Liability Insurance. The Company shall maintain directors' and officers' liability insurance coverage covering Executive in amounts customary for similarly situated companies in the pharmaceutical industry and with insurers reasonably acceptable to Executive. All policies for such coverage shall provide for insurance on an "occurrence" basis, or if on a "claims-made" basis, with sufficient coverage for claims made after the date on which Executive's employment with the Company terminates.

(j) At-Will Employment. Executive's employment with the Company shall be "at will," meaning that either Executive or the Company shall be entitled to terminate Executive's employment at any time and for any or no reason, with or without Cause or Good Reason. Any contrary representations that may have been made to Executive shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between Executive and the Company on the "at will" nature of Executive's employment, which may only be changed in an express written agreement signed by Executive and a duly authorized officer of the Company.

SECTION 5. TERMINATION OF EMPLOYMENT

(a) General. If Executive is subject to a termination of employment without Cause or Executive resigns for Good Reason and a Separation occurs, then Executive will be entitled to the benefits described in this Section 5. However, Executive will not be entitled to any of the benefits described in this Section 5 unless Executive has (i) returned all Company property in Executive's possession, (ii) resigned as a member of the Board and of the boards of directors of all of the Company's subsidiaries, to the extent applicable, and (iii) executed a general release of all claims that Executive may have against the Company or persons affiliated with the Company in a form prescribed by the Company (the "***Release***"). Executive must execute and return the Release on or before the date specified by the Company in the Release (the "***Release Deadline***"). The Release Deadline will in no event be later than fifty (50) days after Executive's Separation. If Executive fails to return the Release on or before the Release Deadline, or if Executive revokes the Release within seven (7) days after return of the executed Release, then Executive will not be entitled to the benefits described in this Section 5.

(b) Termination by Board without Cause or by Executive for Good Reason Not in Connection with Change in Control. If the Board terminates Executive's employment without Cause or Executive resigns for Good Reason and a Separation occurs either more than three months prior to a Change in Control or more than 18 months after a Change in Control, the Company shall pay Executive his earned but unpaid base salary plus 100% of his current total annual base salary (subject to such withholdings as required by law) payable in twelve equal monthly installments. In addition, Executive shall be paid, no later than 2½ months following the close of the fiscal year of termination, his Earned Bonus for the fiscal year in which the Separation occurs. The salary continuation payments shall commence within 60 days after Executive's Separation and, once they commence, shall include any unpaid amounts accrued from the date of Separation. However, if such 60-day period spans two calendar years, then the payments will in any event begin in the second calendar year. In addition, the Company shall make any continuation coverage premium payments (for Executive and Executive's dependents) for continued health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("***COBRA***"), for the one-year period following the Separation or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including Section 2716 of the Public Health Service Act), the Company instead shall provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of the Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments (i) shall be made regardless of whether Executive elects COBRA continuation coverage, (ii) shall commence on the later of (A) the first day of the month following the month in which Executive experiences a Separation and (B) the effective date of the Company's determination of violation of applicable law, and (iii) shall end on the earliest of (x) the effective date on which Executive becomes covered by a medical, dental or vision insurance plan of a subsequent employer, and (y) the last day of the period one year after Separation. Executive shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

(c) Termination by Board without Cause or by Executive for Good Reason in Connection with Change in Control. If the Board terminates Executive's employment without Cause or Executive resigns for Good Reason and a Separation occurs either within three months prior to a Change in Control or within 18 months after a Change in Control, the Company shall pay Executive his earned but unpaid base salary plus 100% of the sum of (i) his current total annual base salary plus (ii)his annual target bonus (subject to such withholdings as required by law), payable in twelve equal monthly installments (the "***Severance Payments***"). In addition, Executive shall be paid, no later than 2½ months following the close of the fiscal year of termination, his Earned Bonus for the fiscal year in which the Separation occurs. The Severance Payments shall commence within 60 days after Executive's Separation. However, if such 60-day period spans two calendar years, then the payments will in any event begin in the second calendar year. In addition, the Company shall make any continuation coverage premium payments (for Executive and Executive's dependents) for continued health insurance coverage under the COBRA for the 12-month period following the Separation or, if earlier, until Executive is eligible to be covered under

another substantially equivalent medical insurance plan by a subsequent employer. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including Section 2716 of the Public Health Service Act), the Company instead shall provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of the Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments (i) shall be made regardless of whether Executive elects COBRA continuation coverage, (ii) shall commence on the later of (A) the first day of the month following the month in which Executive experiences a Separation and (B) the effective date of the Company's determination of violation of applicable law, and (iii) shall end on the earliest of (x) the effective date on which Executive becomes covered by a medical, dental or vision insurance plan of a subsequent employer, and (y) the last day of the period 12 months after Separation. Executive shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

(d) Termination by the Board for Cause or by Executive without Good Reason If the Board terminates Executive's employment for Cause or Executive resigns without Good Reason, the Company's only obligation to Executive under this Agreement shall be to pay Executive his earned but unpaid base salary, if any, up to the date Executive's employment terminates, and Executive shall have no right to any Earned Bonus or any unpaid bonus payment whatsoever. The Company shall only be obligated to make such payments and provide such benefits under any employee benefit plan, program or policy in which Executive was a participant as are explicitly required to be paid to Executive by the terms of any such benefit plan, program or policy following the date on which Executive's employment terminates.

(e) Termination for Disability. The Board shall have the right to terminate Executive's employment on or after the date Executive has a Disability, and such a termination shall not be treated as a termination without Cause under this Agreement. If Executive's employment is terminated on account of a Disability and a Separation occurs, the Company shall:

(1) pay Executive his base salary through the end of the month in which a Separation occurs as soon as practicable after the Separation,

(2) pay Executive his Earned Bonus for the fiscal year in which such Separation occurs; provided that the Earned Bonus shall in no event be paid later than 2½ months after the close of such fiscal year,

(3) pay or cause the payment of benefits to which Executive is entitled under the terms of the disability plan(s) of the Company covering Executive at the time of such Disability,

(4) make such payments and provide such benefits as otherwise called for under the terms of the ISP and each other employee benefit plan, program and policy in which

Executive was a participant; provided no payments made under Section 5(e)(1), Section 5(e)(2) or Section 5(e)(3) shall be taken into account in computing any payments or benefits described in this Section 5(e)(4), and

(5) make any COBRA continuation coverage premium payments (for Executive andfor Executive's dependents), for the 18-month period following the termination of Executive's employment or, if earlier, until Executive is eligible to be covered under another substantially equivalent medical insurance plan by a subsequent employer. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including Section 2716 of the Public Health Service Act), the Company instead shall provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue the group health coverage in effect on the date of the Separation (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive elects COBRA continuation coverage, shall commence on the later of (i) the first day of the month following the month in which Executive experiences a Separation and (ii) the effective date of the Company's determination of violation of applicable law, and shall end on the earliest of (x) the effective date on which Executive becomes covered by a medical, dental or vision insurance plan of a subsequent employer, and (y) the last day of the period 18 months after Separation. Executive shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

(f) Death. If Executive's employment terminates because of his death, the Company shall:

(1) pay to Executive's estate his base salary through the end of the month of his death as soon as practicable after his death,

(2) pay to Executive's estate his Earned Bonus, when actually determined, for the year in which Executive's death occurs,

(3) make such payments and provide such benefits as otherwise called for under the terms of the ISP and each other employee benefit plan, program and policy in which Executive was a participant; provided that no payments made under Section 5(f)(l) or Section 5(f)(2) shall be taken into account in computing any payments or benefits described in this Section 5(f)(3), and

(4) make any COBRA continuation coverage premium payments for Executive's dependents for the one-year period following Executive's death or, if earlier, until such dependents are eligible to be covered under another substantially equivalent medical insurance plan. Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage

without potentially violating or causing the Company to incur additional expense as a result of noncompliance with applicable law (including Section 2716 of the Public Health Service Act), the Company instead shall provide a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive's dependents would be required to pay to continue the group health coverage in effect on the date of Executive's death (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether Executive's dependents elect COBRA continuation coverage, shall commence on the later of (i) the first day of the month following the month in which Executive dies and (ii) the effective date of the Company's determination of violation of applicable law, and shall end on the earliest of (x) the effective date on which Executive's dependents become covered under another substantially equivalent medical insurance plan, and (y) the last day of the period one year after Executive's death. Executive's dependents shall have no right to an additional gross-up payment to account for the fact that such COBRA premium amounts are paid on an after-tax basis.

SECTION 6. COVENANTS BY EXECUTIVE

(a) Company Property. Upon the termination of Executive's employment for any reason or upon any earlier Company request, Executive shall promptly return all Company Property that had been entrusted or made available to Executive by the Company, where the term "***Property***" means all Company-related records, files, memoranda, reports, price lists, customer lists, drawings, plans, sketches, keys, codes, computer hardware and software and other property of any kind or description prepared, used or possessed by Executive during Executive's employment by the Company (and any duplicates of any such Property) together with any and all information, ideas, concepts, discoveries, and inventions and the like conceived, made, developed or acquired at any time by Executive individually or, with others during Executive's employment that relate to the Company or its products or services.

(b) Trade Secrets. Executive agrees that Executive shall hold in a fiduciary capacity in perpetuity for the sole benefit of the Company and its affiliates and shall not directly or indirectly use or disclose any Trade Secret that Executive may have acquired (whether or not developed or compiled by Executive and whether or not Executive is authorized to have access to such information) during the term of Executive's employment by the Company or any of its predecessors for so long as such information remains a Trade Secret, where the term "***Trade Secret***" means information, including technical or non-technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing or a process that (1) derives economic value, actual or potential, from not being generally known to, and not being generally readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (2) is the subject of reasonable efforts by the Company and any of its affiliates to maintain its secrecy. This Section 6(b) is intended to provide rights to the Company and its affiliates which are in addition to, not in lieu of, those rights the Company and its affiliates have under the common law or applicable statutes for the protection of trade secrets.

(c) Confidential Information. Executive while employed by the Company or its affiliates and for the three-year period thereafter shall hold in a fiduciary capacity for the sole benefit of the Company and its affiliates, and shall not directly or indirectly use or disclose, any Confidential Information that Executive may have acquired (whether or not developed or compiled by Executive and whether or not Executive is authorized to have access to such information) during the term of and in the course of or as a result of Executive's employment by the Company or its predecessors without the prior written consent of the Board unless and except to the extent that such disclosure is (i) made in the ordinary course of Executive's performance of his duties under this Agreement or (ii) required by any subpoena or other legal process (in which event Executive will give the Company prompt notice of such subpoena or other legal process in order to permit the Company to seek appropriate protective orders). For the purposes of this Agreement, the term "***Confidential Information***" means any secret, confidential or proprietary information possessed by the Company or any of its affiliates, including trade secrets, customer or supplier lists, details of client or consultant contracts, current and anticipated customer requirements, pricing policies, price lists, market studies, business plans, operational methods, marketing plans or strategies, product flaws or development techniques, computer software programs (including object code and source code), data and documentation data, base technologies, systems, structures and architectures, inventions and ideas, past current and planned research and development, compilations, devices, methods, techniques, processes, financial information and data, business acquisition plans and new personnel acquisition plans (not otherwise included as a Trade Secret under this Agreement) that has not become generally available to the public, and the term "Confidential Information" may include future business plans, licensing strategies, advertising campaigns, information regarding customers or suppliers, executives and independent contractors and the terms and conditions of this Agreement. Notwithstanding the provisions of this Section 6(c) to the contrary, Executive shall be permitted to furnish this Agreement to a subsequent employer or prospective employer.

(d) Non-solicitation of Customers or Employees.

(1) Executive (i) while employed by the Company or any of its affiliates shall not, on Executive's own behalf or on behalf of any person, firm, partnership, association, corporation or business organization, entity or enterprise (other than the Company or one of its affiliates), solicit business for a Competing Business from customers or suppliers of the Company or any of its affiliates and (ii) during the Restricted Period shall not, on Executive's own behalf or on behalf of any person, firm, partnership, association, corporation or business organization, entity or enterprise, solicit business for a Competing Business from customers or suppliers of the Company or any of its affiliates with whom Executive, in the case of both clauses (i) and (ii) above, had or made material business contact with in the course of Executive's employment by the Company within the 24-month period immediately preceding the beginning of the Restricted Period.

(2) Executive (i) while employed by the Company or any of its affiliates shall not, either directly or indirectly, call on, solicit or attempt to induce any other officer, employee or independent contractor of the Company or any of its affiliates to terminate his or her employment with such business and shall not assist any other person or entity in

such a solicitation (regardless of whether any such officer, employee or independent contractor would commit a breach of contract by terminating his or her employment), and (ii) during the Restricted Period, shall not, either directly or indirectly, call on, solicit or attempt to induce any other officer, employee or independent contractor of such business with whom Executive had contact, knowledge of, or association in the course of Executive's employment with the Company or any of its predecessors or affiliates, as the case may be, during the 12-month period immediately preceding the beginning of the Restricted Period, to terminate his or her employment with the Company or any of its affiliates and shall not assist any other person or entity in such a solicitation (regardless of whether any such officer, employee or independent contractor would commit a breach of contract by terminating his or her employment). Notwithstanding the foregoing, nothing shall prohibit any person from contacting Executive about employment or other engagement during the Restricted Period, provided that Executive does not solicit the contact.

(e) Non-competition Obligation. Without the prior written consent of the Company, Executive, while employed by the Company or any of its affiliates and thereafter until the end of the Restricted Period, will not engage in any of the activities described in Section 3(b)(I) hereof within the geographical area in which the Company or any of its affiliates is actively engaged in developing, marketing and selling ophthalmic pharmaceuticals, for himself or on behalf of any other person, partnership, corporation or other business entity that is a Competing Business for the purpose of competing with the Company. Notwithstanding the preceding sentence, Executive will not be prohibited from owning less than 5% percent of any publicly traded corporation, whether or not such corporation is in a Competing Business.

(f) Reasonable and Continuing Obligations. Executive agrees that Executive's obligations under this Section 6 are obligations which will continue beyond the date Executive's employment terminates and that such obligations are reasonable, fair and equitable in scope, terms and duration, are necessary to protect the Company's legitimate business interests and are a material inducement to the Company to enter into this Agreement.

(g) Remedy for Breach. Executive agrees that the remedies at law of the Company for any actual or threatened breach by Executive of the covenants in this Section 6 would be inadequate and that the Company shall be entitled to specific performance of the covenants in this Section 6, including entry of a temporary restraining order in state or federal court, preliminary and permanent injunctive relief against activities in violation of this Section 6, or both, or other appropriate judicial remedy, writ or order, in addition to any damages and legal expenses which the Company may be legally entitled to recover. The Company agrees, however, to give Executive and, if known, Executive's attorney reasonable advance notice of any legal proceeding, including any application for a temporary restraining order, relating to an attempt to enforce the covenants in this Section 6 against Executive. Executive acknowledges and agrees that the covenants in this Section 6 shall be construed as agreements independent of any other provision of this Agreement or any other agreement between the Company and Executive, and that the existence of any claim or cause of action by Executive against the Company, whether predicated upon this Agreement or any other agreement, shall not constitute a defense to the enforcement by the Company of such covenants.

(h) Termination of Restrictive Covenants. In addition to any other right or remedy available to Executive, Executive shall no longer be bound by any of the restrictions set forth in this Section 6 if the Company fails to pay or to provide Executive when due the amounts and benefits due hereunder or under any agreement ancillary hereto, and Executive's pursuit of such remedy shall not relieve the Company from its obligations to pay and to provide such amounts and benefits to Executive.

(i) Ownership of Inventions, Discoveries, Improvements, Etc

(1) Executive shall promptly disclose and describe to the Company all inventions, improvements, discoveries and technical developments, whether or not patentable, made or conceived by Executive, either alone or with others, during such time as Executive is employed with the Company, and within one year after the date upon such employment terminates, that (i) are based in whole or in part upon Confidential Information or (ii) during such time as Executive is employed with the Company are along the lines of, useful in or related to the business of the Company or (iii) result from or are suggested by any work done by Executive for or on behalf of the Company ("***Inventions***"). Executive hereby assigns and agrees to assign to the Company Executive's entire right, title and interest in and to such Inventions (the "***Assigned Inventions***"), and agrees to cooperate with the Company both during and after such time as Executive is employed with the Company in the procurement and maintenance, at the Company's expense and at its direction, of patents and copyright registrations and/or other protection of the Company's rights in such Inventions. Executive shall keep and maintain adequate and current written records of all such Inventions, which shall be and remain the property of the Company.

(2) If a patent application, trademark registration or copyright registration is filed by Executive or on Executive's behalf, or a copyright notice indicating Executive's authorship is used by Executive or on Executive's behalf, within one year after the date on which Executive's employment with the Company terminates, that describes or identifies. any Invention within the scope of Executive's work for the Company or that otherwise related to a portion of the Company's business (or any division thereof) of which Executive had knowledge such time as Executive was employed with the Company, it is to be conclusively presumed that the Invention was conceived by Executive during the such time as Executive was employed with the Company. Executive agrees to notify the Company promptly of any such application or registration and to assign to the Company Executive's entire right, title and interest in such Invention and in such application or registration.

(3) If (i) Executive uses or discloses any of Executive's own or any third party's confidential information or intellectual property (collectively, "***Restricted Materials***") when acting within the scope of Executive's employment (or otherwise on behalf of the Company), or (ii) any Assigned Invention cannot be fully made, used, reproduced or otherwise exploited without using or violating any Restricted Materials, Executive hereby grants and agrees to grant to the Company a perpetual, irrevocable, worldwide, royalty-free, non-exclusive, sublicensable right and license to exploit and exercise all such Restricted Materials and intellectual property rights therein. Executive will not use or

disclose any Restricted Materials for which Executive is not fully authorized to grant the foregoing license.

(4) To the extent allowed by applicable law, the terms of this Section 6(i) include all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as moral rights, artist's rights, droit moral or the like (collectively, "***Moral Rights***"). To the extent Executive retains any such Moral Rights under applicable law, Executive hereby ratifies and consents to any action that may be taken by or authorized by the Company with respect to such Moral Rights and agrees not to assert any Moral Rights with respect thereto. Executive will confirm any such ratification, consent or agreement from time to time as requested by the Company.

SECTION 7. MISCELLANEOUS

(a) Notices. Notices and all other communications shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail. Notices to the Company shall be sent to:

Alimera Sciences, Inc.
Attention: Chief Executive Officer
6120 Windward Parkway, Suite 290
Alpharetta, Georgia 30005

Notices and communications to Executive shall be sent to the address Executive most recently provided to the Company.

(b) No Waiver. Except for the notice described in Section 7(a), no failure by either the Company or Executive at any time to give notice of any breach by the other of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of any provisions or conditions of this Agreement.

(c) Tax Matters.

(1) Notwithstanding any provision in the Agreement to the contrary, this Agreement shall at all times be interpreted and operated in compliance with the requirements of Section 409A of the Code ("***Section 409A***"). Specifically, to the extent necessary to avoid the imposition of tax on Executive under Section 409A, payments payable upon a termination or separation shall be suspended until six (6) months and one day following the effective date of termination or separation, if, immediately prior to Executive's termination or separation, Executive is a "specified employee" (within the meaning of Section 409A) and Section 409A would require the delay of such payment to avoid any penalties thereunder. Each payment hereunder shall be deemed a separate payment for purposes of Section 409A. The parties intend that no payment pursuant to this Agreement shall give rise to any adverse tax consequences to either party pursuant to Section 409A; *provided, however*, that Executive acknowledges that the Company does

not guarantee any particular tax treatment and that Executive is solely responsible for any taxes he incurs pursuant to Section 409A, if any, as a result of this Agreement.

(2) Certain payments, distributions, and acceleration of vesting for Executive made in connection with an acquisition of ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of section 280G of the Code and the regulations thereunder), can be subject to certain tax penalties under sections 280G and 4999 of the Code. This includes amounts payable or distributable pursuant to the terms of this Agreement or otherwise. The excise tax on any such payments, determined under sections 280G and 4999 of the Code, generally applies if all of Executive' parachute payments together equal or exceed 300% of his average annual W-2 compensation from the Company. Executive is solely responsible for any taxes he incurs pursuant to sections 280G and 4999 of the Code.

(d) Georgia Law. This Agreement shall be governed by the laws of the state of Georgia without regard to its provisions regarding choice of law or conflicts of law. Any litigation that may be brought by either the Company or Executive involving the enforcement of this Agreement or any rights, duties, or obligations under this Agreement, shall be brought exclusively in a Georgia state court or United States District Court in Georgia.

(e) Assignment. This Agreement shall be binding upon and inure to the benefit of the Company and any successor in interest to the Company. The Company may assign this Agreement to any affiliate or successor that acquires all or substantially all of the assets and business of the Company or a majority of the voting interests of the Company and no such assignment shall be treated as a termination of Executive's employment under this Agreement. Executive's rights and obligations under this Agreement are personal and shall not be assigned or transferred.

(f) Other Agreements. This Agreement replaces and merges any and all previous agreements and understandings regarding all the terms and conditions of Executive's employment relationship with the Company, and this Agreement constitutes the entire agreement between the Company and Executive with respect to such terms and conditions.

(g) Amendment. No amendment to this Agreement shall be effective unless it is in writing and signed by the Company and by Executive.

(h) Invalidity. If any part of this Agreement is held by a court of competent jurisdiction to be invalid or otherwise unenforceable, the remaining part shall be unaffected and shall continue in full force and effect, and the invalid or otherwise unenforceable part shall be deemed not to be part of this Agreement.

(i) Litigation. If either party to this Agreement institutes litigation against the other party to enforce his or its respective rights under this Agreement, each party shall pay its own costs and expenses incurred in connection with such litigation.

(j) Interpretation. The recitals to this Agreement shall be taken into account in the construction or interpretation of this Agreement. The words "include," "includes" and "including"

are deemed to be followed by the phrase “without limitation.” The captions or headings of the Sections and other subdivisions of this Agreement are inserted only as a matter of convenience or reference and have no effect on the meaning of the provisions of those Sections or subdivisions. If the provisions of this Agreement require judicial interpretation, the parties agree that the judicial body interpreting or construing the Agreement may not apply the assumption that the terms must be more strictly construed against one party by reason of the rule of construction that an instrument is to be construed more strictly against the party that itself or through its agents prepared the instrument.

(k) Survival. The respective indemnities, representations, warranties, agreements and covenants of the Company and Executive contained in this Agreement shall survive the termination of this Agreement and shall remain in full force and effect.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement in multiple originals as of the Effective Date.

ALIMERA SCIENCES, INC.	**EXECUTIVE**
By: _____	By: _____
Name: Richard S. Eiswirth, Jr.	Name: Samer E. Kaba, M.D.
Title: President and Chief Executive Officer	Title: Chief Medical Officer
Date of Signature: _____	Date of Signature: _____

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this Quarterly Report on Form 10-Q of Alimera Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, J. Philip Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alimera Sciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ J. Philip Jones
J. Philip Jones
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

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

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2020

/s/ Richard S. Eiswirth, Jr.
Richard S. Eiswirth, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 3, 2020

/s/ J. Philip Jones
J. Philip Jones
Chief Financial Officer
(Principal Financial and Accounting Officer)

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