

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from _____ to _____

Commission File No. 001-36672

EYEGATE PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

98-0443284
(I.R.S. Employer
Identification No.)

271 Waverley Oaks Road
Suite 108
Waltham, MA 02452
(Address of Principal Executive Offices, including zip code)

(781) 788-8869
(Registrant's telephone number, including area code)

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

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

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

Large Accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

At August 1, 2018, there were 43,439,130 shares of the registrant's common stock outstanding.

EYEGATE PHARMACEUTICALS, INC.
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QUARTERLY REPORT ON FORM 10-Q
For the Period Ended June 30, 2018

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that are not statements of historical fact and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The forward-looking statements are principally, but not exclusively, contained in “Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about management’s confidence or expectations, and our plans, objectives, expectations and intentions that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “goals,” “sees,” “estimates,” “projects,” “predicts,” “intends,” “think,” “potential,” “objectives,” “optimistic,” “strategy,” and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in detail under the heading “Item 1 A. Risk Factors” beginning on page 25 of our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, or the SEC, on March 2, 2018, or the Annual Report. You should carefully review all of these factors, as well as other risks described in our public filings, and you should be aware that there may be other factors, including factors of which we are not currently aware, that could cause these differences. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. We may not update these forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information.

EyeGate Pharmaceuticals, Inc. is referred to herein as “we,” “our,” “us,” and “the Company.”

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 12,604,803	\$ 7,806,029
Prepaid Expenses and Other Current Assets	614,845	629,591
Current Portion of Refundable Tax Credit Receivable	14,988	23,685
Total Current Assets	13,234,636	8,459,305
Property and Equipment, Net	39,819	55,751
Restricted Cash	45,000	45,000
Goodwill and In-Process R&D	5,438,210	5,438,210
Other Assets	307,126	307,126
Total Assets	<u>\$ 19,064,791</u>	<u>\$ 14,305,392</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	\$ 356,025	\$ 706,089
Accrued Expenses	1,041,672	1,813,847
Deferred Revenue	2,723,000	12,313,600
Total Current Liabilities	<u>4,120,697</u>	<u>14,833,536</u>
Non-Current Liabilities:		
Contingent Consideration	1,210,000	1,210,000
Deferred Tax Liability	183,923	183,923
Long-Term Portion of Capital Lease Obligation	1,712	4,855
Total Non-Current Liabilities	<u>1,395,635</u>	<u>1,398,778</u>
Total Liabilities	<u>5,516,332</u>	<u>16,232,314</u>
Commitments and Contingencies (Note 9)		
Stockholders' Equity (Deficit):		
Preferred Stock, \$0.01 Par Value: 9,994,184 shares authorized; 3,750 designated Series A, 0 shares issued and outstanding at June 30, 2018 and December 31, 2017; 10,000 designated Series B, 0 and 600 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively; 10,000 shares designated Series C, 4,092 and 0 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	41	6
Common Stock, \$0.01 Par Value: 120,000,000 shares authorized; 42,382,880 and 17,257,255 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	423,829	172,573
Additional Paid-In Capital	100,492,233	89,589,681
Accumulated Deficit	(87,498,357)	(91,816,655)
Accumulated Other Comprehensive Income	130,713	127,473
Total Stockholders' Equity (Deficit)	<u>13,548,459</u>	<u>(1,926,922)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 19,064,791</u>	<u>\$ 14,305,392</u>

See Accompanying Notes to the Condensed Consolidated Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Collaboration Revenue	\$ 242,012	\$ 148,290	\$ 1,338,020	\$ 332,822
Operating Expenses:				
Research and Development	(1,837,799)	(2,262,193)	(4,358,808)	(4,077,193)
General and Administrative	(1,202,531)	(1,212,891)	(2,156,579)	(2,502,035)
Total Operating Expenses	<u>(3,040,330)</u>	<u>(3,475,084)</u>	<u>(6,515,387)</u>	<u>(6,579,228)</u>
Operating Loss Before Other Expense	<u>(2,798,318)</u>	<u>(3,326,794)</u>	<u>(5,177,367)</u>	<u>(6,246,406)</u>
Other Income (Expense), Net:				
Interest Income	18,367	236	18,393	497
Interest Expense	(304)	(305)	(608)	(608)
Total Other Income (Expense), Net	<u>18,063</u>	<u>(69)</u>	<u>17,785</u>	<u>(111)</u>
Net Loss	<u>\$ (2,780,255)</u>	<u>\$ (3,326,863)</u>	<u>\$ (5,159,582)</u>	<u>\$ (6,246,517)</u>
Net Loss per Common Share- Basic and Diluted	<u>\$ (0.07)</u>	<u>\$ (0.28)</u>	<u>\$ (0.19)</u>	<u>\$ (0.55)</u>
Weighted Average Shares Outstanding- Basic and Diluted	37,484,329	12,067,187	27,426,668	11,266,233
Other Comprehensive Loss:				
Foreign Currency Translation Adjustments	2,006	2,856	3,240	2,921
Comprehensive Loss	<u>\$ (2,778,249)</u>	<u>\$ (3,324,007)</u>	<u>\$ (5,156,342)</u>	<u>\$ (6,243,596)</u>

See Accompanying Notes to the Condensed Consolidated Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
Six Months Ended June 30, 2018
(unaudited)

	<u>Series B Preferred Stock</u>		<u>Series C Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid In Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2017, as filed	600	\$ 6	-		17,257,255	\$ 172,573	\$ 89,589,681	\$ 127,473	\$ (91,816,655)	\$ (1,926,922)
Cumulative effect of change in accounting principle (note 2)									9,477,880	9,477,880
Balance at January 1, 2018	600	6	-		17,257,255	172,573	89,589,681	127,473	(82,338,775)	7,550,958
Stock-Based Compensation							290,856			290,856
Issuance of Stock in Offering, Net of Offering Costs of \$1,141,238			6,536	65	14,730,000	147,300	9,961,397			10,108,762
Conversion of Series B Preferred Stock into Common Stock	(600)	(6)			400,000	4,000	(3,994)			-
Conversion of Series C Preferred Stock into Common Stock			(2,444)	(24)	7,638,750	76,388	(76,364)			-
Issuance of Common Shares from Warrant Exercises					2,356,875	23,569	730,656			754,225
Foreign Currency Translation Adjustment								3,240		3,240
Net Loss									(5,159,582)	(5,159,582)
Balance at June 30, 2018	-	\$ -	4,092	\$ 41	42,382,880	\$ 423,829	\$ 100,492,233	\$ 130,713	\$ (87,498,357)	\$ 13,548,459

See Accompanying Notes to the Condensed Consolidated Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended June 30,	
	2018	2017
Operating Activities		
Net Loss	\$ (5,159,582)	\$ (6,246,517)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	15,932	9,072
Stock-Based Compensation	290,856	512,141
Changes in Operating Assets and Liabilities:		
Prepaid Expenses and Other Current Assets	14,746	(353,618)
Refundable Tax Credit Receivable	10,076	198
Grant Receivable	-	(108,729)
Other Assets	-	(418)
Accounts Payable	(350,064)	(441,216)
Deferred Revenue	577,208	4,636,400
Unbilled Revenue	(689,928)	-
Accrued Expenses	(768,996)	(504,478)
Net Cash Used in Operating Activities	<u>(6,059,752)</u>	<u>(2,497,165)</u>
Financing Activities		
Proceeds from Stock Offerings, Net of Offering Costs	10,108,762	10,589,183
Exercise of Common Stock Options	-	40,718
Exercise of Warrants	754,225	
Equipment Financing Payments	(6,322)	(6,323)
Net Cash Provided by Financing Activities	<u>10,856,665</u>	<u>10,623,578</u>
Effect of Exchange Rate Changes on Cash	1,861	1,500
Net Increase in Cash	4,798,774	8,127,913
Cash, Including Restricted Cash, Beginning of Period	7,851,029	3,680,224
Cash, Including Restricted Cash, End of Period	<u>\$ 12,649,803</u>	<u>\$ 11,808,137</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Conversion of Preferred Stock into Common Stock	\$ 36,637	\$ 9,300

See Accompanying Notes to the Condensed Consolidated Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

1. Organization, Business

EyeGate Pharmaceuticals, Inc. (“EyeGate” or the “Company”), a Delaware corporation, began operations in December 2004 and is a clinical-stage specialty pharmaceutical company that is focused on developing and commercializing products for treating diseases and disorders of the eye. EyeGate’s first product in clinical trials incorporates a reformulated topically active corticosteroid, dexamethasone phosphate, EGP-437, that is delivered into the ocular tissues through its proprietary iontophoresis drug delivery system, the EyeGate® II Delivery System. The Company is developing the EyeGate® II Delivery System and EGP-437 combination product (together, the “EGP-437 Product”) for the treatment of various inflammatory conditions of the eye, including anterior uveitis, a debilitating form of intraocular inflammation of the anterior portion of the uvea, such as the iris and/or ciliary body, post-cataract surgery inflammation and pain, and macular edema, an abnormal thickening of the macula associated with the accumulation of excess fluids in the retina. For EyeGate’s second product, the Company’s wholly owned subsidiary, Jade Therapeutics, Inc. (“Jade”), develops locally-administered, polymer-based products designed to treat poorly-served ophthalmic indications. EyeGate and Jade are an integrated line of business developing ophthalmic solutions for a variety of ocular diseases and disorders.

As of June 30, 2018, there were 42,382,880 shares of Common Stock outstanding, no shares of Series A Preferred Stock outstanding, no shares of Series B Preferred Stock outstanding, and 4,092 shares of Series C Preferred Stock outstanding.

Since its inception, EyeGate has devoted substantially all of its efforts to business planning, research and development, and raising capital.

The accompanying Condensed Consolidated Financial Statements have been prepared assuming that EyeGate will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At June 30, 2018, EyeGate had Cash and Cash Equivalents of \$12,604,803, and an Accumulated Deficit of \$87,498,357. EyeGate has incurred losses and negative cash flows since inception, and future losses are anticipated. The Company anticipates having sufficient cash to fund planned operations for approximately twelve months from June 30, 2018, however, the acceleration or reduction of cash outflows by Company management can significantly impact the timing for raising additional capital to complete development of its products. To continue development, EyeGate will need to raise additional capital through equity financing, license agreements, and/or additional U.S. government grants. Although the Company successfully completed its IPO, a follow-on public offering, a registered direct offering, two public offerings, and sales under an at-the-market equity offering, additional capital may not be available on terms favorable to EyeGate, if at all. On May 6, 2016, the SEC declared effective EyeGate’s registration statement on Form S-3, registering a total of \$100,000,000 of its securities for sale to the public from time to time in what is known as a “shelf offering”. The Company does not know if any future offerings, including offerings pursuant to its shelf registration statement, will succeed. Accordingly, no assurances can be given that Company management will succeed in these endeavors. The Company’s recurring losses from operations have caused management to determine there is substantial doubt about the Company’s ability to continue as a going concern. The Condensed Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries, EyeGate Pharma S.A.S. and Jade (since date of acquisition), collectively referred to as “the Company”. All inter-company balances and transactions have been eliminated in consolidation. These Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Certain information and disclosures normally included in Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP have been condensed or eliminated. Accordingly, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the annual financial statements of the Company as of and for the year ended December 31, 2017.

Unaudited Interim Financial Information

The accompanying interim financial statements and related disclosures are unaudited, have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which consist of normal recurring adjustments, necessary for a fair presentation of the results of operations for the periods presented. The year-end balance sheet was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The results of operations for an interim period are not necessarily indicative of the results to be expected for the full year or for any other future year or interim period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of expenses during the reporting periods. The Company makes significant estimates and assumptions in recording the accruals for its clinical trial and research activities, establishing the useful lives of intangible assets and property and equipment, and conducting impairment reviews of long-lived assets. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Although the Company monitors and regularly assesses these estimates, actual results could differ significantly from these estimates. The Company records changes in estimates in the period that it becomes aware of the change.

Research and Development Expenses

The Company expenses research and development (“R&D”) expenditures as incurred. R&D expenses are comprised of costs incurred in performing R&D activities, including salaries, benefits, facilities, research-related overhead, sponsored research costs, contracted services, license fees, expenses related to generating, filing, and maintaining intellectual property, and other external costs. Because the Company believes that, under its current process for developing its products, the viability of the products is essentially concurrent with the establishment of technological feasibility, no costs have been capitalized to date.

In-process Research and Development

The Company records in-process R&D projects acquired in asset acquisitions that have not reached technological feasibility and which have no alternative future use. For in-process R&D projects acquired in business combinations, the Company capitalizes the in-process R&D project and periodically evaluates this asset for impairment until the R&D process has been completed. Once the R&D process is complete, the Company amortizes the R&D asset over its remaining useful life. At June 30, 2018, the Company has recorded \$3,912,314 of in-process R&D, as part of goodwill and in-process R&D on the Condensed Consolidated Balance Sheet.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies - (continued)

Accrued Clinical Expenses

As part of the Company's process of preparing the Condensed Consolidated Financial Statements, the Company is required to estimate its accrued expenses. This process includes reviewing open contracts and purchase orders, communicating with its applicable personnel to identify services that have been performed on its behalf and estimating the level of service performed and the associated costs incurred for the service when the Company has not yet been invoiced or otherwise notified of actual costs. The majority of the Company's service providers invoice monthly in arrears for services performed. The Company makes estimates of its accrued expenses as of each balance sheet date in the financial statements based on facts and circumstances known at the time. The Company periodically confirms the accuracy of these estimates with the service providers and makes adjustments if necessary.

Related Party Transactions

The Company has entered into certain related-party transactions, making payments for services to one vendor, seven consultants and a public university for the three months ending June 30, 2018, all of whom also are stockholders of the Company. These transactions generally are ones that involve a stockholder or option holder of the Company to whom we also make payments during the year, typically as a consultant or a service provider. The amounts recorded or paid are not material to the accompanying Condensed Consolidated Financial Statements.

Net Loss per Share

The computation of Net Loss per Common Share – Basic and Diluted, is based on the weighted-average number of shares outstanding of Common Stock. In computing diluted loss per share, no effect has been given to the shares of common stock issuable upon the conversion or exercise of the following dilutive securities, as the Company's net loss would make the effect anti-dilutive.

	June 30, 2018 (unaudited)	June 30, 2017 (unaudited)
Common Stock Warrants	42,255,336	9,519,403
Employee Stock Options	2,106,035	1,842,255
Preferred Stock	12,787,500	400,000
Total Shares of Common Stock Issuable	<u>57,148,871</u>	<u>11,761,658</u>

Fair Value of Financial Instruments

The carrying amounts of Accounts Receivable and Accounts Payable approximate their fair values due to the short-term nature of these items. As of June 30, 2018 and December 31, 2017, the fair value of the Company's money market funds and contingent consideration was \$0 and \$1,210,000, and \$750,965 and \$1,210,000, respectively.

At June 30, 2018 and December 31, 2017, the Company had no other assets or liabilities that are subject to fair value methodology and estimation in accordance with U.S. GAAP.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies - (continued)

Revenue Recognition

The Company's revenues are generated primarily through arrangements which generally contain multiple elements, or deliverables, including licenses and R&D activities to be performed by the Company on behalf of the licensor or grantor. Payments to EyeGate under these arrangements typically include one or more of the following: (1) nonrefundable, upfront license fees, (2) funding of discovery research efforts on a full-time equivalent basis, (3) reimbursement of research, development and intellectual property costs, (4) milestone payments, and (5) royalties on future product sales.

On July 9, 2015, the Company entered into an exclusive, worldwide licensing agreement with a subsidiary of Valeant Pharmaceuticals International, Inc. ("Valeant"), through which the Company granted to Valeant an exclusive, worldwide commercial and manufacturing right to the Company's EGP-437 Product in the field of anterior uveitis, as well as a right of last negotiation to license its EGP-437 Product for indications other than anterior uveitis (the "Valeant Agreement"). There are four principal R&D milestones under the Valeant Agreement: (i) the Phase 3 Clinical Trial, (ii) the Endothelial Cell Count Safety Trial (a trial to determine that treatment has not adversely affected a patient's corneal endothelial cell density), (iii) the CMC Validation, and (iv) the New Drug Application, or "NDA", filing with the FDA (collectively, the "Four Milestones", and each individually, a "Milestone"). Under the Valeant Agreement, Valeant paid to the Company an initial upfront payment of \$1.0 million and the Company is eligible to receive milestone payments totaling up to \$32.5 million, upon and subject to the achievement of certain specified development and commercial progress of the EGP-437 Product for the treatment of anterior uveitis. The Company has received milestone payments totaling \$5.1 million through June 30, 2018. The Company receives payments both when it crosses certain thresholds on the way to each Milestone (each, a "Progress Payment"), as well as once it achieves each Milestone. The Company is entitled to retain all of these payments. In accordance with its former revenue recognition policy, through December 31, 2017 the initial upfront payment and milestone payments were recorded as Deferred Revenue. In addition, the Company is eligible under the Valeant Agreement to receive royalties based on a specified percent of net sales of its EGP-437 Product for the field of anterior uveitis throughout the world, subject to adjustment in certain circumstances.

On February 21, 2017, the Company entered into another exclusive, worldwide licensing agreement with a subsidiary of Valeant (the "New Valeant Agreement"), through which the Company granted Valeant exclusive, worldwide commercial and manufacturing rights to its EGP-437 Product in the field of ocular iontophoretic treatment for post-operative ocular inflammation and pain in ocular surgery patients (the "New Field"). Under the New Valeant Agreement, Valeant paid the Company an initial upfront payment of \$4.0 million, and the Company is eligible to receive milestone payments totaling up to approximately \$99.0 million, upon and subject to the achievement of certain specified developmental and commercial progress of the EGP-437 Product for the New Field. The Company has received milestone payments totaling \$3.4 million through June 30, 2018. In accordance with its former revenue recognition policy, through December 31, 2017 the initial upfront payment and milestone payments were recorded as Deferred Revenue. In addition, the Company is eligible under the New Valeant Agreement to receive royalties based on a specified percent of net sales of its EGP-437 Product for the New Field throughout the world, subject to adjustment in certain circumstances.

In May 2014, the FASB issued ASU No. 2014-09, *Revenues from Contracts with Customers* ("Topic 606"), as subsequently amended, that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most recent revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for public companies for years ending after December 15, 2017, with early adoption permitted.

The Company did not elect to early adopt and adopted the new standard on January 1, 2018, using the modified retrospective method, which resulted in a cumulative effect adjustment in the amount of \$9.5 million to beginning 2018 accumulated deficit and to deferred and unbilled revenue for the Valeant contracts impacted by the adoption of the new standard. The changes to the method and/or timing of the Company's revenue recognition associated with the adoption of the new standard primarily relate to the determination that there is one performance obligation in each contract with Valeant and that the license combined with the R&D services is the performance obligation.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies - (continued)

The cumulative effect of initially applying the new revenue recognition guidance to the Company's Condensed Consolidated Balance Sheet on January 1, 2018 was as follows:

	Balance as of December 31, 2017	Cumulative Impact from Adopting New Revenue Guidance	Balance as of January 1, 2018
Assets:			
Unbilled Revenue	\$ -	\$ 116,280	\$ 116,280
Liabilities:			
Deferred Revenue	12,313,600	(9,361,600)	2,952,000
Stockholders' Equity:			
Accumulated Deficit	\$ (91,816,655)	\$ 9,477,880	\$ (82,338,775)

The impact from adopting the new revenue recognition guidance on the Company's Condensed Consolidated Balance Sheet for the six months ending June 30, 2018 was as follows:

	As Reported	Previous Accounting Guidance	Impact from Adopting New Revenue Guidance
Liabilities:			
Deferred Revenue	\$ 2,723,000	\$ 13,341,100	\$ (10,618,100)
Stockholders' Equity:			
Accumulated Deficit	\$(87,498,357)	\$(98,116,457)	\$ 10,618,100

The impact from adopting the new revenue recognition guidance on the Company's Condensed Consolidated Statement of Operations and Comprehensive Loss for the three and six months ended June 30, 2018 was as follows:

	Three Months Ended			Six Months Ended		
	As Reported	Previous Accounting Guidance	Impact from Adopting New Revenue Guidance	As Reported	Previous Accounting Guidance	Impact from Adopting New Revenue Guidance
Collaboration Revenue	\$ 242,012	\$ -	\$ 242,012	\$ 1,338,020	\$ -	\$ 1,338,020
Operating Loss Before Other Expenses	(2,798,318)	(3,040,330)	242,012	(5,177,367)	(6,515,387)	1,338,020
Net Loss	(2,780,255)	(3,022,267)	242,012	(5,159,582)	(6,497,602)	1,338,020
Comprehensive Loss	\$ (2,778,249)	\$ (3,020,261)	\$ 242,012	\$ (5,156,342)	\$ (6,494,362)	\$ 1,338,020

Under this new guidance, the Company recognizes revenue when its customer obtains control of promised services, in an amount that reflects the consideration which the Company expects to receive in exchange for those services. To determine whether arrangements are within the scope of this new guidance, the Company performs the following five steps: (i) identifies the contract with a customer; (ii) identifies the performance obligations in the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when (or as) the Company satisfies its performance obligation. The Company applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Upon adoption of ASU No. 2014-09, the Company recognizes revenue from the transaction price applied to each single performance obligation over time as milestones are reached for each performance obligation. The Company only recognizes revenue on those milestones that are within the Company's control and any constrained variable consideration that requires regulatory approval will only be included in the transaction price when performance is complete.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies - (continued)

The below table represents the changes in the Company's contract assets and contract liabilities:

	<u>June 30, 2018</u>	<u>January 1, 2018</u>
Contract Asset:		
Unbilled Revenue	\$ -	\$ 116,280
Contract Liabilities:		
Deferred Revenue	\$ 2,723,000	\$ 2,952,000
	Three Months Ended	Six Months Ended
	June 30, 2018	June 30, 2018
Revenue recognized in the period from:		
Amounts included in contract liability at the beginning of the period	\$ 137,000	\$ 229,000

In addition, the Company may receive government grant funds for specified ocular therapeutic research activities. Revenue under these grants will be recorded when the Company performs the activities specified by the terms of each grant and is entitled to the funds.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. Under ASU No. 2016-02, lessees will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and the right-to-use assets, which are asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The Company does not expect to early adopt this standard and currently has leases (*see* Note 9) that will be in place at the effective date. The Company is currently evaluating the effect that the new guidance will have on its Consolidated Financial Statements and related disclosures.

On January 26, 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other*, which simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The new standard is effective for the Company on January 1, 2020. The new standard is required to be applied prospectively. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company did not early adopt ASU No. 2017-04 prior to its December 2017 impairment evaluation and is evaluating the effect that ASU No. 2017-04 will have on its Consolidated Financial Statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting* ("Topic 718"), which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. The Company has not determined whether it will early adopt Topic 718 and is currently evaluating the potential impacts of this updated guidance, but does not expect the adoption of this guidance to have a material impact on its Consolidated Financial Statements and related disclosures.

EYEGATE PHARMACEUTICALS, INC.
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3. Property and Equipment

Property and equipment at June 30, 2018 (unaudited) and December 31, 2017 consists of the following:

	Estimated Useful Life (Years)	June 30, 2018	December 31, 2017
Laboratory Equipment	3	\$ 42,576	\$ 42,576
Office Furniture	5	14,430	14,430
Leasehold Improvements	2	22,569	22,569
Total Property and Equipment, Gross		79,575	79,575
Less: Accumulated Depreciation		39,756	23,824
Total Property and Equipment, Net		<u>\$ 39,819</u>	<u>\$ 55,751</u>

Depreciation expense was \$7,966 and \$4,536 for the three-month periods ended June 30, 2018 and 2017, respectively, and \$15,932 and \$9,072 for the six-month periods ended June 30, 2018 and 2017, respectively.

4. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2018 (unaudited)	December 31, 2017
Payroll and Benefits	\$ 564,977	\$ 788,551
Clinical Trials	304,530	807,322
Professional Fees	153,334	149,273
Consulting	10,796	57,487
Short-Term Portion of Capital Lease Obligation	8,035	11,214
Total Accrued Expenses	<u>\$ 1,041,672</u>	<u>\$ 1,813,847</u>

5. Debt

The Company has no indebtedness other than trade and accounts payable and capital lease obligations in the ordinary course of business as of June 30, 2018 and December 31, 2017.

EYEGATE PHARMACEUTICALS, INC.
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6. Capital Stock

On May 24, 2016, the Company entered into an At The Market Offering Agreement (the “ATM Agreement”) with H.C. Wainwright & Co., LLC (the “Sales Agent”), to create an at the market equity program under which the Company can from time to time offer and sell up to 1,319,289 shares of its Common Stock through the Sales Agent. On February 21, 2017, the Company authorized the Sales Agent to restart sales under the ATM Agreement for maximum aggregate gross proceeds of up to \$3,285,798. During the first quarter of 2017, the Company sold 642,150 shares of Common Stock under this agreement for total net proceeds to the Company from this offering, after deducting the placement agent fees and offering expenses, of approximately \$1.8 million. No further shares of Common Stock have been sold pursuant to the ATM Agreement. On June 14, 2017, the Company closed on the sale of its equity securities in connection with a public offering, described below, and as a result, the Company is restricted from issuing any shares pursuant to the ATM Agreement for a period of twenty-four months following the closing date of the offering. However, this restriction is suspended for any sale of shares of Common Stock under the ATM Agreement that is above \$3.00 per share.

On June 14, 2017, the Company completed a public offering of 5,336,667 shares of Common Stock and 1,995 shares of Series B Preferred Stock (convertible into 1,330,000 shares of Common Stock), along with warrants to purchase 6,666,667 shares of Common Stock. The total net proceeds to the Company from the offering, after deducting the placement agent fees and offering expenses, were approximately \$8.8 million. Additionally, the investors received, for each share of Common Stock, or for each share of Common Stock issuable upon conversion of a share of Series B Preferred Stock purchased in the public offering, warrants to purchase one share of Common Stock at an exercise price of \$1.50 per share, which totaled warrants to purchase an aggregate of 6,666,667 shares of Common Stock. The warrants issued to investors became initially exercisable immediately upon issuance and terminate on June 14, 2022, five years following the date of issuance. Concurrently with the closing of the public offering, a holder elected to convert 675 shares of Series B Preferred Stock into 450,000 shares of Common Stock. Subsequently, on June 15, 2017 and April 9, 2018, holders converted 1,320 shares of Series B Preferred stock into 880,000 shares of Common Stock.

On April 17, 2018, the Company completed a public offering of 14,730,000 shares of Common Stock and 6,536.4 shares of Series C Preferred Stock (convertible into 20,426,250 shares of Common Stock), along with warrants to purchase 35,156,250 shares of Common Stock. The total net proceeds to the Company from the offering, after deducting the placement agent fees and offering expenses, were approximately \$10.1 million. Additionally, the investors received, for each share of Common Stock, or for each share of Common Stock issuable upon conversion of a share of Series C Preferred Stock purchased in the public offering, warrants to purchase one share of Common Stock at an exercise price of \$0.32 per share, which totaled warrants to purchase an aggregate of 35,156,250 shares of Common Stock. The warrants issued to investors became initially exercisable immediately upon issuance and terminate on April 17, 2023, five years following the date of issuance. Concurrently with the closing of the public offering, a holder elected to convert 1,400 shares of Series C Preferred Stock into 4,375,000 shares of Common Stock. Subsequently, on April 18, 2018, April 23, 2018, and April 30, 2018, holders converted 1,044.4 shares of Series C Preferred stock into 3,263,750 shares of Common Stock.

At June 30, 2018, the Company had 100,000,000 authorized shares of Common Stock, \$0.01 par value, of which 42,382,880 shares were outstanding. At June 30, 2018, the Company had 9,994,184 authorized shares of Preferred Stock, \$0.01 par value, of which 3,750 shares were designated as Series A Preferred Stock and 0 shares are issued and outstanding, 10,000 shares were designated as Series B Preferred Stock and 0 shares are issued and outstanding, and 10,000 shares were designated as Series C Preferred Stock and 4,092 shares are issued and outstanding. At June 30, 2018, there were 0 shares of Common Stock underlying the outstanding shares of Series A Preferred Stock, 0 shares of Common Stock underlying the outstanding shares of Series B Preferred Stock, and 12,787,500 shares of Common Stock underlying the outstanding shares of Series C Preferred Stock.

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7. Warrants

At June 30, 2018, the following warrants were outstanding:

	Number of Awards	Weighted Average Exercise Price	Weighted Average Remaining Term in Years
Outstanding at December 31, 2017	9,455,961	\$ 3.26	4.23
Issued	35,156,250	0.32	4.80
Exercised	<u>(2,356,875)</u>	0.32	4.80
Outstanding at June 30, 2018	<u>42,255,336</u>	<u>\$ 0.98</u>	<u>4.56</u>

All of the warrant agreements provide for a cashless exercise in the event a registration statement covering the issuance of the shares of common stock underlying the warrants is not effective, whereby the number of warrants to be issued will be reduced by the number of shares which could be purchased from the proceeds of the exercise of the respective warrant. The outstanding warrants expire from 2020 through 2025.

8. Equity Incentive Plan

In 2005, the Company approved the 2005 Equity Incentive Plan (the "2005 Plan"). The 2005 Plan provides for the granting of options, restricted stock or other stock-based awards to employees, officers, directors, consultants and advisors. During 2010, the maximum number of shares of Common Stock that may be issued pursuant to the 2005 Plan was increased to 891,222 shares. The Board of Directors (the "Board") is responsible for administration of the 2005 Plan. The Company's Board determines the term of each option, the option exercise price, the number of shares for which each option is granted and the rate at which each option is exercisable. Incentive stock options may be granted to any officer or employee at an exercise price per share of not less than the fair value per common share on the date of the grant (not less than 110% of fair value in the case of holders of more than 10% of the Company's voting stock) and with a term not to exceed ten years from the date of the grant (five years for incentive stock options granted to holders of more than 10% of the Company's voting stock). Nonqualified stock options may be granted to any officer, employee, consultant or director at an exercise price per share of not less than the par value per share. Following adoption of the 2014 Equity Incentive Plan (the "2014 Plan"), no further grants were made under the 2005 Plan.

The Company's Board adopted the 2014 Plan and the Employee Stock Purchase Plan (the "ESPP") and the Company's Stockholders approved the 2014 Plan and the ESPP Plan in February 2015. As of June 30, 2018, the maximum number of shares of Common Stock that may be issued pursuant to the 2014 Plan and the ESPP was 2,040,123 and 170,567 shares, respectively.

In January 2018, the number of shares of common stock issuable under the 2014 Plan automatically increased by 350,000 shares pursuant to the terms of the 2014 Plan. These additional shares are included in the total of 2,040,123 shares issuable under the 2014 Plan.

The following is a summary of stock option activity for the six months ended June 30, 2018:

	Number of Options	Weighted- Average Exercise Price	Weighted-Average Contractual Life (In Years)
Outstanding at December 31, 2017	1,893,003	\$ 2.49	5.40
Granted	275,500	0.57	9.65
Forfeited	(1,500)	0.83	
Expired	(60,968)	0.80	
Outstanding at June 30, 2018	<u>2,106,035</u>	<u>\$ 2.29</u>	<u>4.66</u>
Exercisable at June 30, 2018	<u>1,429,484</u>	<u>\$ 2.65</u>	<u>3.95</u>
Vested and Expected to Vest at June 30, 2018	<u>1,429,484</u>	<u>\$ 2.65</u>	<u>3.95</u>

EYEGATE PHARMACEUTICALS, INC.
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8. Equity Incentive Plan - (continued)

On February 28, 2018, the Board approved the grant of options to purchase 275,000 shares of its common stock to sixteen employees. On March 21, 2018, the Board approved the grant of options to purchase 500 shares of its common stock to one employee. All grants were pursuant to the 2014 Plan. In general, options granted under the 2014 Plan vest with respect to one-third of the underlying shares on the one-year anniversary of the grant date and the remainder ratably over a 24-month period.

For the six months ended June 30, 2018 and 2017, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted-average assumptions:

	2018	2017
Risk-Free Interest Rate	1.82%	1.82%
Expected Life	7.00 years	7.29 years
Expected Volatility	159%	172%
Expected Dividend Yield	0%	0%

Using the Black-Scholes Option Pricing Model, the estimated weighted average fair value of an option to purchase one share of common stock granted during the six months ended June 30, 2018 and 2017 was \$0.57 and \$1.47, respectively.

The total stock-based compensation expense for employees and non-employees is included in the accompanying Condensed Consolidated Statements of Operations and as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Research and Development	\$ 49,897	\$ 62,242	\$ 106,975	\$ 107,994
General and Administrative	95,412	172,998	183,881	404,147
	<u>\$ 145,309</u>	<u>\$ 235,240</u>	<u>\$ 290,856</u>	<u>\$ 512,141</u>

The fair value of options granted for the six months ended June 30, 2018 and June 30, 2017 was approximately \$151,000 and \$530,000, respectively. The fair value of restricted stock granted for the six months ended June 30, 2017 was approximately \$158,000. As of June 30, 2018 and June 30, 2017, there was approximately \$805,000 and \$1,295,000 of total unrecognized compensation expense related to unvested stock-based compensation arrangements granted, which cost is expected to be recognized over a weighted-average period of 1.57 and 2.12 years, respectively. The aggregate intrinsic value of stock options outstanding and exercisable at June 30, 2018 and June 30, 2017 was approximately \$0 and \$326,000, respectively. The intrinsic value of stock options exercised during the six months ended June 30, 2018 and June 30, 2017 was approximately \$0 and \$78,000, respectively.

At June 30, 2018, there were 192,411 options available under the 2014 Plan and 117,090 shares available under the Company's ESPP.

EYEGATE PHARMACEUTICALS, INC.
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9. Commitments and Contingencies

Leases

The Company is a party to a real property operating lease for the rental of office space in Waltham, Massachusetts of up to 4,516 square feet, that is used for its corporate headquarters. This lease terminates in December 2019. On July 6, 2016, the Company entered into a real property operating lease for office and laboratory space of approximately 2,300 square feet in Salt Lake City, Utah. This lease terminates in June 2019. Estimated future minimum lease payments for the years ended December 31, 2018 and 2019 are approximately \$86,000 and \$144,000, respectively.

The Company is a party to two nominal equipment capital lease agreements, one for a three-year term and one for a two-year term, for the use of scientific instruments in its Salt Lake City laboratory.

License Agreements

The Company is a party to six license agreements as described below. Four of the six license agreements require the Company to pay royalties or fees to the licensor based on Revenue related to the licensed technology, and the agreements with Valeant require Valeant to pay royalties to the Company based on revenue related to the licensed technology.

On February 15, 1999, the Company entered in to an exclusive worldwide license agreement with the University of Miami School of Medicine to license technology relating to the Company's EyeGate® II Delivery System. This agreement, which was amended in December 2005, requires the Company to pay to the University of Miami an annual license fee of \$12,500. This license also requires payments to the University of Miami upon the Company's achievement of certain milestones. Unless terminated pursuant to the license agreement, this license will expire 12 years after the date of the first commercial sale of a product containing the licensed technology.

On July 23, 1999, the Company entered into a perpetual Transaction Protocol agreement with Francine Behar-Cohen to acknowledge the Company's right to use certain patents that Ms. Behar-Cohen had certain ownership rights with respect to and which are used in the Company's EGP-437 Combination Product. The agreement also provides for the Company to pay Ms. Behar-Cohen a fee based on a percentage of the pre-tax turnover generated from sales of the Company's EGP-437 Combination Product relating to its inclusion of the EyeGate® II Delivery System. The fees due under the agreement expired in January 2018, but the Company continues to maintain its rights under the agreement.

On September 12, 2013, Jade entered into an agreement with BioTime, Inc. granting to it the exclusive worldwide right to commercialize cross-linked thiolated carboxymethyl hyaluronic acid ("CMHA-S") for ophthalmic treatments in humans. The agreement calls for a license issue fee paid to BioTime of \$50,000, and requires the Company (through its Jade subsidiary) to pay an annual fee of \$30,000 and royalties to BioTime based on revenue relating to any product incorporating the CMHA-S technology. The agreement expires when patent protection for the CMHA-S technology lapses.

On July 9, 2015, the Company entered into an exclusive worldwide licensing agreement with a subsidiary of Valeant through which EyeGate has granted Valeant exclusive, worldwide commercial and manufacturing rights to its EGP-437 Product in the field of anterior uveitis, as well as a right of last negotiation to license the EGP-437 Product for other indications. Under the agreement, Valeant paid the Company an upfront payment of \$1.0 million. The Company is eligible to receive milestone payments totaling up to \$32.5 million, upon and subject to the achievement of certain specified developmental and commercial milestones. In addition, the Company is eligible to receive royalties based on a specified percent of net sales of the Product throughout the world, subject to adjustment in certain circumstances.

On June 17, 2016, the Company entered into an exclusive worldwide license agreement with the University of Utah Research Foundation to further the commercial development of the NASH technology, together with alkylated HA. The agreement calls for payments due to the University of Utah, consisting of a license grant fee of \$15,000 due within 30 days of signing, and an annual licensing fee, initially \$5,000, and escalating ratably up to \$20,000 in 2021.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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9. Commitments and Contingencies - (continued)

On February 21, 2017, the Company entered into an exclusive, worldwide licensing agreement with a subsidiary of Valeant (the “New Valeant Agreement”), through which the Company granted Valeant exclusive, worldwide commercial and manufacturing rights to its EGP-437 Product in the field of ocular iontophoretic treatment for post-operative ocular inflammation and pain in ocular surgery patients (the “New Field”). Under the New Valeant Agreement, Valeant paid the Company an initial upfront payment of \$4.0 million, and the Company is eligible to receive milestone payments totaling up to approximately \$99.0 million, upon and subject to the achievement of certain specified developmental and commercial progress of the EGP-437 Product for the New Field. In addition, the Company is eligible under the New Valeant Agreement to receive royalties based on a specified percent of net sales of its EGP-437 Product for the New Field throughout the world, subject to adjustment in certain circumstances.

10. Employee Benefit Plans

The Company has an employee benefit plan for its United States-based employees under Section 401(k) of the Internal Revenue Code. The Plan allows all eligible employees to make contributions up to a specified percentage of their compensation. Under the Plan, the Company may, but is not obligated to, match a portion of the employee contribution up to a defined maximum. The Company made no matching contribution for the six months ended June 30, 2018 and 2017.

11. Subsequent Events

On July 10, 2018, following the 2018 Annual Meeting of Stockholders of the Company (the “Annual Meeting”), the Company filed a Certificate of Amendment to its Restated Certificate of Incorporation that increased the number of authorized shares of Common Stock from 100,000,000 to 120,000,000. The stockholders of the Company also approved an amendment to the Company’s 2014 Equity Incentive Plan at the Annual Meeting to increase the maximum number of shares authorized for issuance thereunder by 6,000,000, which amendment became effective following the Annual Meeting.

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

The following section of this Quarterly Report on Form 10-Q entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains statements that are not statements of historical fact and are forward-looking statements within the meaning of federal securities laws. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Factors that may cause our actual results to differ materially from those in the forward-looking statements include those factors described in "Item 1A. Risk Factors" beginning on page 25 of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 2, 2018. You should carefully review all of these factors, as well as the comprehensive discussion of forward-looking statements on page 1 of this Quarterly Report on Form 10-Q.

EyeGate Pharmaceuticals, Inc. is referred to herein as "we," "our," "us," and "the Company". Jade Therapeutics, Inc., a wholly owned subsidiary of the Company, is referred to herein as "Jade".

Business Overview

We are a clinical-stage specialty pharmaceutical company focused on developing and commercializing products for treating diseases and disorders of the eye. We accomplish this by leveraging our two proprietary platform technologies, crosslinked thiolated carboxymethyl hyaluronic acid ("CMHA-S") and iontophoresis drug delivery system. Our CMHA-S platform is based on a modified form of the natural polymer hyaluronic acid ("HA"), which is a gel that possesses unique physical and chemical properties such as hydrating and promoting wound healing when applied to the ocular surface. We believe that the ability of CMHA-S to adhere longer to the ocular surface, while hydrating and promoting wound healing, makes it well-suited for treating various ocular surface injuries from dry eye to corneal wounds.

Hyaluronic acid is a naturally occurring polymer that is important in many physiological processes, including wound healing, tissue homeostasis, and joint lubrication. To create this hydrogel, the HA is modified to create CMHA that is then crosslinked together through the thiol groups to CMHA-S. Crosslinking slows degradation of the HA backbone and provides a matrix for incorporating therapeutic agents. Variations in the number of thiols per molecule, the molecular weight of the polymer, the concentration of the polymer, the type of crosslinking, and incorporation of active ingredients, provides a highly versatile platform that can be tailored to a specific application and formulated as eye drops, gels, or films.

Our first CMHA-S-based product candidate, EyeGate OBG, is a topically applied 0.75% CMHA-S eye drop formulation that has completed its first-in-man or proof-of-concept clinical trial. Preclinical studies suggest that the specific CMHA-S chemical modification comprising EyeGate OBG creates a favorable set of attributes, including prolonged retention time on the ocular surface, and a smooth continuous clear barrier without blur that can minimize mechanical lid friction, reduce repeat injury, and mechanically protect the ocular surface, allowing accelerated corneal re-epithelization. It is intended for the management of corneal epithelial wounds/defects and epitheliopathies, and to accelerate re-epithelization of the ocular surface following surgery, infections, and other traumatic and non-traumatic conditions.

EyeGate OBG is being developed pursuant to a de novo 510(k) regulatory pathway for devices submitted for marketing clearance to the U.S. Food and Drug Administration, or FDA. We plan to develop EyeGate OBG for two indications, acceleration of corneal re-epithelization post photorefractive keratectomy and for the reduction of corneal staining in patients with punctate epitheliopathies (i.e. moderate dry eye patients). We believe that EyeGate OBG is the first and only eye drop being developed in the U.S. to target acceleration of corneal re-epithelization.

EyeGate OBG has successfully completed its first-in-man clinical trial demonstrating the acceleration of re-epithelization of the cornea following photorefractive keratectomy. We received approval of our Investigative Device Exemption (IDE) in the third quarter of 2018 and anticipate initiating a second trial, the pilot trial, in the third quarter of 2018. We filed an additional IDE for the same product to treat patients with punctate epitheliopathies, focused on moderate dry eye, and also received approval in the third quarter of 2018 and anticipate initiating the trial in the third quarter of 2018.

The same crosslinked HA in EyeGate OBG is presently available commercially as a veterinary device indicated for use in the management of superficial noninfectious corneal ulcers. Manufactured by SentrX Animal Care and sold in the U.S. by Bayer Animal Health as Remend® Corneal Repair, the product has been used successfully for five years in dogs, cats and horses, without adverse effects. The composition of the veterinary product is identical to that of the EyeGate OBG. We have obtained a license from BioTime, Inc. for the exclusive worldwide right to commercialize CMHA-S for ophthalmic treatments in humans. We paid BioTime \$50,000, and are required to pay an annual fee of \$30,000 and royalties to BioTime based on revenue relating to any product incorporating the CMHA-S technology. Our license agreement expires when patent protection for the CMHA-S technology lapses, which is expected to occur in the U.S. in 2027. We do not have the rights to the CMHA-S platform for animal health or veterinary medicine.

Our other product candidate from our second platform is EGP-437, a reformulated topically active corticosteroid, dexamethasone phosphate, delivered into the ocular tissues through our proprietary innovative iontophoresis drug delivery system, the EyeGate® II Delivery System. The EyeGate® II Delivery System features a compact and easy-to-use device that we believe has the potential to deliver drugs non-invasively and quickly into the ocular tissues through the use of iontophoresis, which can accelerate the onset of action, dramatically reduce dosing frequency compared to regular eye drops, and sustain the duration of therapeutic effect. Iontophoresis employs the use of a low electrical current that promotes the migration of a charged drug substance across biological membranes. The EyeGate® II Delivery System is easy-to-use, taking only a few minutes to deliver medication. More than 3,000 treatments have been administered to date using our EyeGate® II Delivery System in clinical trials.

EGP-437 is currently in clinical development for the treatment of various inflammatory conditions of the eye. Current programs include the treatment of ocular inflammation and pain in post-surgical cataract patients and the treatment of uveitis, a debilitating form of intraocular inflammation of the anterior portion of the uvea, such as the iris and/or ciliary body, with a Phase 3 trial currently underway. We expect to report top-line data for the uveitis trial in the third quarter of 2018. We announced topline data for the Phase 2b cataract surgery trial in the first quarter of 2018. Although EGP-437 demonstrated a higher rate of success compared to vehicle at all time points, the co-primary endpoints of proportion of subjects with an anterior chamber cell (ACC) count of zero at day 7 and the proportion of subjects with a pain score of zero at day 1 did not show statistical significance. The efficacy results for the absence of inflammatory cells in the EGP-437 treatment group met our expectations, but the vehicle group response was better than anticipated. We will continue to review the data to determine next steps and to continue evaluating EGP-437 for the reduction of pain and inflammation following ocular surgery.

EGP-437 is being developed pursuant to a new drug application, or NDA, under the Section 505(b)(2) pathway, which enables an applicant to rely, in part, on the FDA's findings of safety and efficacy for an existing product, or published literature, in support of its NDA. In the case of EGP-437, the existing reference product is dexamethasone eye drops. Based on guidance provided by the FDA, we believe that if the planned confirmatory Phase 3 trial of EGP-437 in anterior uveitis meets non-inferiority criteria, the results of that trial, along with data from our previously completed Phase 3 trial in anterior uveitis, will be sufficient to support a NDA filing in the first half of 2019. We also believe, based on guidance provided by the FDA, that the design of the ongoing confirmatory Phase 3 anterior uveitis trial is acceptable and that the nonclinical work completed to date is sufficient to support a NDA filing.

Medical products containing a combination of new drugs, biological products, or medical devices may be regulated as "combination products" in the U.S. A combination product generally is defined as a product comprised of components from two or more regulatory categories, such as drug/device, device/biologic, or drug/biologic. Each component of a combination product is subject to the requirements established by the FDA for that type of component, whether a new drug, biologic, or device. In order to facilitate premarket review of combination products, the FDA designates one of its centers to have primary jurisdiction for the premarket review and regulation of both components. We expect that the Center for Drug Evaluation and Research will have primary jurisdiction over our EGP-437 combination product. The determination of whether a product is a combination product or two separate products is made by the FDA on a case-by-case basis. We have had discussions with the FDA about the status of our EGP-437 combination product as a combination product and we have been advised that the FDA considers our product a combination drug/device.

We have entered into two exclusive global license agreements with subsidiaries of Valeant Pharmaceuticals International, Inc. ("Valeant"), through which we have granted Valeant exclusive, worldwide commercial and manufacturing rights to the combination of our EyeGate® II Delivery System and our EGP-437 product in the fields of uveitis and ocular iontophoretic treatment for post-operative ocular inflammation and pain in ocular surgery patients, as well as a right of last negotiation to license the combination product for other indications. We are responsible for the clinical development of the product in the U.S. for the indications licensed, together with the costs associated therewith. Valeant has the right to develop the product in the fields outside of the U.S. and has agreed to fund 100% of any costs associated therewith.

On November 20, 2017, we received a notice from Nasdaq notifying us that as of November 20, 2017, we were not in compliance with Nasdaq Listing Rule 5550(b)(1), as we did not maintain a minimum required stockholders' equity of \$2.5 million, or Nasdaq Listing Rule 5550(b)(2), as the market value of our listed securities ("MVLS") was below the minimum \$35 million for the previous 30 consecutive business days, or Nasdaq Listing Rule 5550(b)(3), as we had not had net income from continuing operations in the latest fiscal year or in two of the last three fiscal years. In accordance with Nasdaq Listing Rule 5810(c)(2)(A)(i), we submitted a plan to regain compliance to Nasdaq on January 4, 2018. Nasdaq accepted that plan, and we have a period of 180 calendar days from receipt of the original notice, or until May 21, 2018, to regain compliance. On April 17, 2018, we completed a public offering of our Common Stock, Series C Preferred Stock and warrants, with total net proceeds of approximately \$10.1 million. As a result of that offering, we regained compliance with Nasdaq Listing Rule 5550(b)(1).

On March 20, 2018, we received a written notification (the "Notice Letter") from Nasdaq indicating that we were not in compliance with NASDAQ Listing Rule 5550(a)(2), as the closing bid price for our Common Stock was below the \$1.00 per share requirement for the last 30 consecutive business days. The Notice Letter stated that we have 180 calendar days, until September 17, 2018 (the "Initial Compliance Period"), to regain compliance with the minimum bid price requirement. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we can regain compliance if the closing bid price of our Common Stock is at least \$1.00 for a minimum of 10 consecutive business days. If we do not achieve compliance with the minimum bid price requirement by the end of the Initial Compliance Period, we may be granted a second 180 day compliance period, as long as (a) on the last day of the Initial Compliance Period we are in compliance with the market value requirement for continued listing as well as all other listing standards, except for the minimum bid price requirement, and (b) we provide written notice of its intention to cure the deficiency during the second compliance period.

Throughout our history, we have not generated significant revenue. We have never been profitable, and from inception through June 30, 2018, our losses from operations have aggregated \$87.5 million. Our Net Loss was \$5.2 million and \$6.2 million for the six months ended June 30, 2018 and 2017, respectively. We expect to incur significant expenses and operating losses for the foreseeable future as we continue the development and clinical trials of and seek regulatory approval for our EGP-437 Product for the treatment of uveitis as well as other indications, and the EyeGate OBG, our lead product candidate for corneal epithelial defects, and any other product candidates we advance to clinical development. If we obtain regulatory approval for EyeGate OBG, we expect to incur significant expenses in order to create an infrastructure to support the commercialization of EyeGate OBG including sales, marketing and distribution functions.

We will need additional financing to support our continuing operations. We will seek to fund our operations through public or private equity, debt financings, license and development agreements, or other sources, which may include collaborations with third parties. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. These conditions raise substantial doubt about our ability to continue as a going concern. We will need to generate significant revenue to achieve profitability, and we may never do so.

EyeGate Pharmaceuticals, Inc. was formed in Delaware on December 26, 2004. We were originally incorporated in 1998 under the name of Optis France S.A. in Paris, France. At that time, the name of the French corporation was changed to EyeGate Pharma S.A.S. and became a subsidiary of EyeGate Pharmaceuticals, Inc. Jade was formed in Delaware on December 31, 2012. EyeGate Pharma S.A.S. and Jade are wholly-owned subsidiaries of EyeGate Pharmaceuticals, Inc.

Financial Overview

Revenues

To date, we have recognized Collaboration Revenue from several U.S. government grants made to Jade for ocular therapeutic research (collectively, the “U.S. Government Grants”), as well as from Valeant as performance obligations toward milestones are met. *See* Note 2, “Significant Accounting Policies”. We expect to continue to incur significant operating losses as we fund research and clinical trial activities relating to our ocular therapeutic assets, consisting of EGP-437, our iontophoretic delivery technology, and our CMHA-S-based products. There can be no guarantee that the losses incurred to fund these activities will succeed in generating revenue.

Research and Development Expenses

We expense all research and development expenses as they are incurred. Research and development expenses primarily include:

- non-clinical development, preclinical research, and clinical trial and regulatory-related costs;
- expenses incurred under agreements with sites and consultants that conduct our clinical trials;
- expenses related to generating, filing, and maintaining intellectual property; and
- employee-related expenses, including salaries, bonuses, benefits, travel and stock-based compensation expense.

Substantially all of our research and development expenses to date have been incurred in connection with our EGP-437 Combination Product and EyeGate OBG. We expect our research and development expenses to remain stable for the foreseeable future as EGP-437 and EyeGate OBG continue through clinical development, including the conduct of our planned clinical trials. The process of conducting clinical trials necessary to obtain regulatory approval is costly and time consuming. We are unable to estimate with any certainty the costs we will incur in the continued development of our EGP-437 Combination Product and EyeGate OBG. Clinical development timelines, the probability of success and development costs can differ materially from expectations.

We may never succeed in achieving marketing approval for our product candidates.

The costs of clinical trials may vary significantly over the life of a project including, but not limited to, the following:

- per patient trial costs;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the cost of comparative agents used in trials;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidate.

We do not expect our product candidates to be commercially available, if at all, for the next several years.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation. Our general and administrative expenses consisted primarily of payroll expenses for our full-time employees. Other general and administrative expenses include professional fees for auditing, tax, patent costs and legal services.

We expect that general and administrative expenses will remain consistent for the near future until commercialization of our CMHA-S based products, which could lead to an increase in these expenses.

Total Other Income (Expense)

Total other income (expense) consists primarily of interest income we earn on interest-bearing accounts, and interest expense incurred on our outstanding financing arrangements.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are discussed in more detail in Note 2 to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q, we believe that the following accounting policies are the most critical for fully understanding and evaluating our financial condition and results of operations.

Accrued Research and Development Expenses

As part of the process of preparing financial statements, we are required to estimate and accrue research and development expenses. This process involves the following:

- communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost;
- estimating and accruing expenses in our financial statements as of each balance sheet date based on facts and circumstances known to us at the time; and
- periodically confirming the accuracy of our estimates with selected service providers and making adjustments, if necessary.

Examples of estimated research and development expenses that we accrue include:

- fees paid to contract research organizations and investigative sites in connection with clinical studies;
- fees paid to contract manufacturing organizations in connection with non-clinical development, preclinical research, and the production of clinical study materials; and
- professional service fees for consulting and related services.

We base our expense accruals related to non-clinical development, preclinical studies, and clinical trials on our estimates of the services received and efforts expended pursuant to contracts with organizations/consultants that conduct and manage clinical studies on our behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts may depend on many factors, such as the successful enrollment of patients, site initiation and the completion of clinical study milestones. Our service providers invoice us as milestones are achieved and monthly in arrears for services performed. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates. To date, we have not experienced significant changes in our estimates of accrued research and development expenses after a reporting period.

However, due to the nature of estimates, we cannot assure you that we will not make changes to our estimates in the future as we become aware of additional information about the status or conduct of our clinical studies and other research activities.

Stock-Based Compensation

We have issued options to purchase our common stock and restricted stock. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service/vesting period. Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require the use of highly subjective assumptions, including the expected life of the stock-based payment awards and stock price volatility.

We estimate the grant date fair value of stock options and the related compensation expense, using the Black-Scholes option valuation model. This option valuation model requires the input of subjective assumptions including: (1) expected life (estimated period of time outstanding) of the options granted, (2) volatility, (3) risk-free rate and (4) dividends. In general, the assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future.

Revenue Recognition

Our revenues are generated primarily through arrangements which generally contain multiple elements, or deliverables, including licenses and R&D activities to be performed by us on behalf of the licensor or grantor. Payments to us under these arrangements typically include one or more of the following: (1) nonrefundable, upfront license fees, (2) funding of discovery research efforts on a full-time equivalent basis, (3) reimbursement of research, development and intellectual property costs, (4) milestone payments, and (5) royalties on future product sales.

In May 2014, the FASB issued ASU No. 2014-09, *Revenues from Contracts with Customers* (“Topic 606”), as subsequently amended, that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most recent revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for public companies for years ending after December 15, 2017, with early adoption permitted.

We did not elect to early adopt and adopted the new standard on January 1, 2018, using the modified retrospective method, which provides for a cumulative effect adjustment in the amount of \$9.5 million to beginning 2018 accumulated deficit and to deferred and unbilled revenue for the Valeant contracts impacted by the adoption of the new standard. The changes to the method and/or timing of our revenue recognition associated with the adoption of the new standard primarily relate to the determination that there is one performance obligation in each contract with Valeant and that the license combined with the R&D services is the performance obligation.

Under this new guidance, we recognize revenue when our customer obtains control of promised services, in an amount that reflects the consideration which we expect to receive in exchange for those services. To determine whether arrangements are within the scope of this new guidance, we perform the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy our performance obligation. We apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. Upon adoption of ASU No. 2014-09, we recognize revenue from the transaction price applied to each single performance obligation over time as milestones are reached for each performance obligation. We only recognize revenue on those milestones that are within our control and any constrained variable consideration that requires regulatory approval will only be included in the transaction price when performance is complete.

In addition, we may receive government grant funds for specified ocular therapeutic research activities. Revenue under these grants will be recorded when we perform the activities specified by the terms of each grant and are entitled to the funds.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. Under ASU No. 2016-02, lessees will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and the right-to-use assets, which are asset that represents the lessee's right to use or control the use of a specified asset for the lease term. We do not expect to early adopt this standard and currently have leases (*see* Note 9) that will be in place at the effective date. We are currently evaluating the effect that the new guidance will have on our Consolidated Financial Statements and related disclosures.

On January 26, 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other*, which simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The new standard is effective for us on January 1, 2020. The new standard is required to be applied prospectively. Early adoption is permitted for any impairment tests performed after January 1, 2017. We did not early adopt ASU No. 2017-04 prior to our December 2017 impairment evaluation and are evaluating the effect that ASU No. 2017-04 will have on our Consolidated Financial Statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting* ("Topic 718"), which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. We have not determined whether we will early adopt Topic 718 and are currently evaluating the potential impacts of this updated guidance, but do not expect the adoption of this guidance to have a material impact on our Consolidated Financial Statements and related disclosures.

Other Information

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We have evaluated the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company,” we rely on certain of these exemptions, including without limitation, (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board (“PCAOB”) regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an “emerging growth company” until the earliest of (a) the last day of the fiscal year in which we have total annual gross revenues of \$1 billion or more, (b) the last day of our fiscal year following the fifth anniversary of the date of the completion of our initial public offering, or December 31, 2020, (c) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years or (d) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Results of Operations

Comparison of Three Months ended June 30, 2018 and 2017

The following table summarizes the results of our operations for the three months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Change
	2018	2017	
Collaboration Revenue	\$ 242,012	\$ 148,290	\$ 93,722
Operating Expenses:			
Research and Development	1,837,799	2,262,193	(424,394)
General and Administrative	1,202,531	1,212,891	(10,360)
Total Operating Expenses	3,040,330	3,475,084	(434,754)
Other Income (Expense), Net:	18,063	(69)	18,132
Net Loss	\$ 2,780,255	\$ 3,326,863	\$ (546,608)

Collaboration Revenue. Collaboration Revenue was \$0.242 million for the three months ended June 30, 2018, compared to \$0.148 million for the three months ended June 30, 2017. The revenue generated in the second quarter of 2018 related to the Valeant milestone payments earned, compared to revenue generated in the second quarter of 2017 from the U.S. Government Grants. The revenue recognized for the three months ended June 30, 2018 includes revenue recognized under the new standard for revenue recognition, while the revenue recognized for the three months ended June 30, 2017 includes revenue recognized under the prior standard for revenue recognition. As a result of adopting the new standard, \$0.242 million of additional revenue was recognized during the three months ended June 30, 2018.

Research and Development Expenses. Research and Development Expenses were \$1.838 million for the three months ended June 30, 2018, compared to \$2.262 million for the three months ended June 30, 2017. The decrease of \$0.424 million was primarily due to decreases in clinical activity for the EGP-437 trials for the treatment of post cataract surgery inflammation and pain; chemistry, manufacturing and controls (CMC) work related to EyeGate OBG; and research activity. These decreases were partially offset by increases in CMC work related to EGP-437 and personnel costs.

General and Administrative Expenses. General and Administrative Expenses were \$1.203 million for the three months ended June 30, 2018, compared to \$1.213 million for the three months ended June 30, 2017. The decrease of \$0.010 million was primarily due to decreases in corporate and personnel related costs, partially offset by an increase in professional fees for legal and corporate communication costs.

Other Income (Expense), Net. Other Income (Expense), Net was \$0.018 million for the three months ended June 30, 2018, compared to \$0 million for the three months ended June 30, 2017 due to more favorable interest rates on our cash balances.

Comparison of Six Months ended June 30, 2018 and 2017

The following table summarizes the results of our operations for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,		Change
	2018	2017	
Collaboration Revenue	\$ 1,338,020	\$ 332,822	\$ 1,005,198
Operating Expenses:			
Research and Development	4,358,808	4,077,193	281,615
General and Administrative	2,156,579	2,502,035	(345,456)
Total Operating Expenses	6,515,387	6,579,228	(63,841)
Other Income (Expense), Net:	17,785	(111)	17,896
Net Loss	\$ 5,159,582	\$ 6,246,517	\$ (1,086,935)

Collaboration Revenue. Collaboration Revenue was \$1.338 million for the six months ended June 30, 2018, compared to \$0.333 million for the six months ended June 30, 2017. The revenue generated in the first six months of 2018 related to the Valeant milestone payments earned, compared to revenue generated in the first six months of 2017 from the U.S. Government Grants. The revenue recognized for the six months ended June 30, 2018 includes revenue recognized under the new standard for revenue recognition, while the revenue recognized for the six months ended June 30, 2017 includes revenue recognized under the prior standard for revenue recognition. As a result of adopting the new standard, \$1.338 million of additional revenue was recognized during the six months ended June 30, 2018.

Research and Development Expenses. Research and Development Expenses were \$4.359 million for the six months ended June 30, 2018, compared to \$4.077 million for the six months ended June 30, 2017. The increase of \$0.282 million was primarily due to increases in clinical and other activity for EGP-437, including the Phase 3 trial for the treatment of anterior uveitis, as well as related CMC work; and personnel related costs. These increases were partially offset by decreases in clinical activity for the EGP-437 trials for the treatment of post cataract surgery inflammation and pain; CMC and clinical activity related to EyeGate OBG; and research activity.

General and Administrative Expenses. General and Administrative Expenses were \$2.157 million for the six months ended June 30, 2018, compared to \$2.502 million for the six months ended June 30, 2017. The decrease of \$0.345 million was primarily due to decreases in personnel related and corporate costs, partially offset by an increase in professional fees for corporate communication costs.

Other Income (Expense), Net. Other Income (Expense), Net was \$0.018 million for the six months ended June 30, 2018, compared to \$0 million for the six months ended June 30, 2017 due to more favorable interest rates on our cash balances.

Liquidity and Capital Resources

Since becoming a public company in 2015, we have financed our operations from four registered offerings of our Common Stock and Convertible Preferred Stock, payments from our Valeant License Agreements and the U.S. Government Grants, and sales through our At The Market Offering Agreement. From inception through June 30, 2018, we have raised a total of approximately \$94.6 million from such sales of our equity and debt securities, both as a public company and prior to our IPO, as well as approximately \$14.7 million in payments received under our license agreements and U.S. Government Grants.

On February 21, 2017, we received the initial \$4.0 million upfront payment from Valeant as provided under the New Valeant Agreement related to our EGP-437 Product in the field of ocular iontophoretic treatment for post-operative ocular inflammation and pain in ocular surgery patients. Through June 30, 2018, we have received cash payments of \$13.5 million under the Valeant Agreements, which are presented as Collaboration Revenue on our Condensed Consolidated Statement of Operations and Comprehensive Loss, or Deferred or Unbilled Revenue on our Condensed Consolidated Balance Sheet. Additionally, on January 1, 2018, \$9.5 million was recorded as a reduction to our opening accumulated deficit balance on our Condensed Consolidated Balance Sheet.

On May 24, 2016, we entered into an At The Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC (the "Sales Agent"), to create an at the market equity program under which we can from time to time offer and sell up to 1,319,289 shares of its Common Stock through the Sales Agent. On February 21, 2017, we authorized the Sales Agent to restart sales under the ATM Agreement for maximum aggregate proceeds of up to \$3,285,798. During the first quarter of 2017, we sold 642,150 shares of Common Stock under this agreement for total net proceeds to us from this offering, after deducting the placement agent fees and offering expenses, of approximately \$1.8 million. No further shares of Common Stock have been sold pursuant to the ATM Agreement. On June 14, 2017, we closed on the sale of our equity securities in connection with a public offering, described below, and as a result, we are restricted from issuing any shares pursuant to the ATM Agreement for a period of twenty-four months following the closing date of the offering. However, this restriction is suspended for any sale of shares of Common Stock under the ATM Agreement that is above \$3.00 per share.

On June 14, 2017, we completed a public offering of 5,336,667 shares of Common Stock and 1,995 shares of Series B Preferred Stock (convertible into 1,330,000 shares of Common Stock), along with warrants to purchase 6,666,667 shares of Common Stock. The offering was priced at \$1.50 per share of Common Stock (or share of Common Stock issuable upon conversion of a share of Series B Convertible Preferred Stock) and warrant. The total net proceeds to us from this offering, after deducting the placement agent fees and offering expenses, were approximately \$8.8 million. Additionally, the investors received, for each share of Common Stock, or for each share of Common Stock issuable upon conversion of a share of Series B Preferred Stock purchased in the public offering, warrants to purchase one share of Common Stock at an exercise price of \$1.50 per share, which totaled warrants to purchase an aggregate of 6,666,667 shares of Common Stock. The warrants issued to investors became initially exercisable immediately upon issuance and terminate on June 14, 2022, five years following the date of issuance. As of June 30, 2018, holders of the Series B Preferred Stock had converted all 1,995 shares of Series B Preferred Stock into an aggregate of 1,330,000 shares of Common Stock.

On April 17, 2018, we completed a public offering of 14,730,000 shares of Common Stock and 6,536.4 shares of Series C Convertible Preferred Stock (convertible into 20,426,250 shares of Common Stock), along with warrants to purchase 35,156,250 shares of Common Stock. The offering was priced at \$0.32 per share of Common Stock (or share of Common Stock issuable upon conversion of a share of Series C Convertible Preferred Stock) and warrant. The total net proceeds to us from the offering, after deducting the placement agent fees and offering expenses, were approximately \$10.1 million. Additionally, the investors received, for each share of Common Stock, or for each share of Common Stock issuable upon conversion of a share of Series C Convertible Preferred Stock purchased in the public offering, warrants to purchase one share of Common Stock at an exercise price of \$0.32 per share, which totaled warrants to purchase an aggregate 35,156,250 shares of Common Stock. The warrants issued to investors became initially exercisable immediately upon issuance and terminate on April 17, 2023, five years following the date of issuance. Concurrently with the closing of the public offering, a holder elected to convert 1,400 shares of Series C Convertible Preferred Stock into 4,375,000 shares of Common Stock. Subsequently, on April 18, 2018, April 23, 2018, and April 30, 2018, holders converted 1,044.4 shares of Series C Convertible Preferred stock into 3,263,750 shares of Common Stock.

At June 30, 2018, we had cash and cash equivalents totaling \$12,604,803.

The following table sets forth the primary sources and uses of cash for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,	
	2018	2017
Net Cash Used in Operating Activities	\$ (6,059,752)	\$ (2,497,165)
Net Cash Provided by Financing Activities	\$ 10,856,665	\$ 10,623,578

Comparison of Six Months Ended June 30, 2018 and 2017

Operating Activities. Net cash used in operating activities was \$6.060 million for the six months ended June 30, 2018, compared to \$2.497 million for the six months ended June 30, 2017. The primary use of cash was to fund operating losses of \$5.160 million and \$6.247 million during the first half of 2018 and 2017, respectively. Additionally, during the first six months of 2018, we recorded a decrease in accounts payable and accrued expenses of \$1.119 million. During the first six months of 2017, we recorded a decrease in accounts payable and accrued expenses of \$0.946 million, partially offset by cash payments of \$4.636 million received from Valeant.

Financing Activities. Net cash provided by financing activities was \$10.857 million for the six months ended June 30, 2018, compared to net cash provided by financing activities of \$10.624 million for the six months ended June 30, 2017. During the six months ended June 30, 2018, we received net proceeds of \$10.109 million from a stock offering and \$0.754 million from the exercise of warrants. During the six months ended June 30, 2017, we received net proceeds of \$8.765 million from a stock offering and net proceeds of \$1.824 million from sales under our ATM Agreement.

Funding Requirements and Other Liquidity Matters

Our EGP-437 Combination Product and our CMHA-S-based product pipeline are still in various stages of clinical development. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- seek marketing approval for our EGP-437 Combination Product and our CMHA-S-based products;
- establish a sales and marketing infrastructure to commercialize our CMHA-S-based products in the United States, if approved;
- add operational, financial and management information systems and personnel, including personnel to support our product development and future commercialization efforts.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our Stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of a Common Stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with pharmaceutical partners, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, including our EGP-437 Product and our CMHA-S-based products, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market the EGP-437 Product and CMHA-S-based products that we would otherwise prefer to develop and market ourselves.

Based on our cash on hand at June 30, 2018 and cash we expect to receive from Valeant over the remainder of 2018, we believe we will have sufficient cash to fund planned operations for approximately twelve months from June 30, 2018. However, the acceleration or reduction of cash outflows by management can significantly impact the timing for raising additional capital to complete development of its products. To continue development, we will need to raise additional capital through debt and/or equity financing, or access additional funding through grants. Although we successfully completed our IPO, a follow-on offering, a registered direct offering, two public offerings, and sales under our at-the-market equity offering, additional capital may not be available on terms favorable to us, if at all. On May 6, 2016, the SEC declared effective our registration statement on Form S-3, registering a total of \$100,000,000 of our securities for sale to the public in what is known as a “shelf offering”. We do not know if our future offerings, including offerings pursuant to our shelf registration statement, will succeed. Accordingly, no assurances can be given that management will be successful in these endeavors. Our recurring losses from operations have caused management to determine there is substantial doubt about our ability to continue as a going concern. Our Condensed Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as of June 30, 2018, except for operating leases.

Contractual Obligations

The following table summarizes our contractual obligations as of June 30, 2018:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>More than 3 years</u>
Leases (1)	\$ 240,074	\$ 179,794	\$ 60,280	\$ -
Licensing Agreement (2)	217,500	52,500	100,000	65,000
Purchase Obligations (3)	405,102	405,102	-	-
Total (4)	<u>\$ 862,676</u>	<u>\$ 637,396</u>	<u>\$ 160,280</u>	<u>\$ 65,000</u>

- (1) Lease obligations reflect our obligation to make payments in connection with operating leases for our office space and capital leases with respect to laboratory equipment.
- (2) Licensing Agreement obligations represent our commitments under license agreements, including those made by us under our license agreements with the University of Miami School of Medicine, the University of Utah Research Foundation, and BioTime.
- (3) Purchase Obligations relate to a Master Service Agreement with a contract research organization (“CRO”). The CRO will provide clinical research services for Phase 3 trials in patients with non-infectious anterior segment uveitis.
- (4) This table does not include (a) anticipated expenditures under supply agreements for periods for which we are not yet bound under binding purchase orders, and (b) contracts that are entered into in the ordinary course of business that are not material in the aggregate in any period presented above.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

This Report includes the certifications of our President and Chief Executive Officer (who is our principal executive officer) and our Chief Financial Officer (who is our principal financial and accounting officer) required by Rule 13a-14 of the Exchange Act. See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the President and Chief Executive Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on the Form 10-Q, the Company’s Management, under the supervision of, and with the participation of, our President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2018. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and our management necessarily was required to apply its judgment in evaluating and implementing our disclosure controls and procedures. Based upon the evaluation described above, our President and Chief Executive Officer and our Chief Financial Officer have concluded that they believe that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Accounting and Reporting

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated whether any change in our internal control over financial accounting and reporting occurred during the second quarter ended June 30, 2018. Management concluded that no changes to our internal control over financial accounting and reporting occurred during the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial accounting and reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

While we are not currently a party to any legal proceedings, from time to time we may be a party to a variety of legal proceedings that arise in the normal course of our business.

Item 1A. Risk Factors.

Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 2, 2018, and Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, filed with the SEC on May 11, 2018, contain risk factors identified by the Company. There have been no material changes to the risk factors we previously disclosed. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index immediately preceding such exhibits, and are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 3, 2018

By: /s/ Stephen From
President and Chief Executive Officer
(Principal executive officer)

Date: August 3, 2018

By: /s/ Sarah Romano
Chief Financial Officer
(Principal financial and accounting officer)

EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report on Form 10-Q. Where such filing is made by incorporation by reference to a previously filed document, such document is identified.

Exhibit Number	Description of Exhibit
<u>3.1⁽¹⁾</u>	<u>Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock.</u>
<u>3.2⁽²⁾</u>	<u>Amendment to Restated Certificate of Incorporation.</u>
<u>4.1⁽³⁾</u>	<u>Form of Warrant dated as of April 17, 2018.</u>
<u>10.1⁽³⁾</u>	<u>Form of Securities Purchase Agreement dated as of April 13, 2018.</u>
<u>10.2*</u>	<u>EyeGate Pharmaceuticals, Inc. 2014 Equity Incentive Plan, as amended.</u>
<u>31.1**</u>	<u>Certification of principal executive officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2**</u>	<u>Certification of principal financial and accounting officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1**</u>	<u>Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2**</u>	<u>Certification of principal financial and accounting officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
1	Previously filed as an exhibit to the Company's Current Report on Form 8-K (filed April 17, 2018) and incorporated by reference thereto.
2	Previously filed as an exhibit to the Company's Current Report on Form 8-K (filed July 11, 2018) and incorporated by reference thereto.
3	Previously filed as an exhibit to the Company's Current Report on Form 8-K (filed April 13, 2018) and incorporated by reference thereto.
*	Filed herewith.
**	This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act.

**EYEGATE PHARMACEUTICALS, INC.
2014 EQUITY INCENTIVE PLAN**

(as amended on July 10, 2018)

ARTICLE 1. INTRODUCTION.

The Board adopted the Plan to become effective immediately, although no Awards may be granted prior to the Registration Date. The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Service Providers to focus on critical long-range corporate objectives, (b) encouraging the attraction and retention of Service Providers with exceptional qualifications and (c) linking Service Providers directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Options (which may constitute ISOs or NSOs), SARs, Restricted Shares, Stock Units and Performance Cash Awards.

ARTICLE 2. ADMINISTRATION.

2.1 General. The Plan may be administered by the Board or one or more Committees. Each Committee shall have the authority and be responsible for such functions as have been assigned to it.

2.2 Section 162(m). To the extent an Award is intended to qualify as “performance-based compensation” within the meaning of Code Section 162(m), the Plan will be administered by a Committee of two or more “outside directors” within the meaning of Code Section 162(m).

2.3 Section 16. To the extent desirable to qualify transactions hereunder as exempt under Exchange Act Rule 16b-3, the transactions contemplated hereunder will be approved by the entire Board or a Committee of two or more “non-employee directors” within the meaning of Exchange Act Rule 16b-3.

2.4 Powers of Administrator. Subject to the terms of the Plan, and in the case of a Committee, subject to the specific duties delegated to the Committee, the Administrator shall have the authority to (a) select the Service Providers who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) determine whether and to what extent any Performance Goals have been attained, (d) interpret the Plan and Awards granted under the Plan, (e) make, amend and rescind rules relating to the Plan and Awards granted under the Plan, including rules relating to sub-plans established for the purposes of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws, (f) impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant of any Common Shares issued pursuant to an Award, including restrictions under an insider trading policy and restrictions as to the use of a specified brokerage firm for such resales, and (g) make all other decisions relating to the operation of the Plan and Awards granted under the Plan.

2.5 Effect of Administrator’s Decisions. The Administrator’s decisions, determinations and interpretations shall be final and binding on all Participants and any other holders of Awards.

2.6 Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except its choice-of-law provisions).

ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Common Shares issued pursuant to the Plan may be authorized but unissued shares or treasury shares. The aggregate number of Common Shares issued under the Plan shall not exceed the sum of (a) 8,040,123 Common Shares, which includes (i) the 728,597 Common Shares originally reserved and available for issuance under the Plan, plus (ii) 1,061,526 Common Shares previously added through January 1, 2018 in accordance with the evergreen provision of Section 3.2 of the Plan, plus (iii) an additional 250,000 Common Shares reserved and available for issuance under the Plan in accordance with an amendment dated as of June 21, 2017, plus (iv) an additional 6,000,000 Common Shares reserved and available for issuance under the Plan in accordance with an amendment dated as of July 10, 2018 and (b) the additional Common Shares described in Articles 3.2 and 3.3. The number of Common Shares that are subject to Stock Awards outstanding at any time under the Plan may not exceed the number of Common Shares that then remain available for issuance under the Plan. The numerical limitations in this Article 3.1 shall be subject to adjustment pursuant to Article 9.

3.2 Annual Increase in Shares. As of the first business day of each fiscal year of the Company during the term of the Plan, commencing on the first day of the Company's 2016 fiscal year, the aggregate number of Common Shares that may be issued under the Plan shall automatically increase by a number equal to the least of (a) 4% of the total number of Common Shares outstanding on the last calendar day of the prior fiscal year, (b) subject to adjustment under Article 9, 350,000 Common Shares, or (c) a number of Common Shares determined by the Board.

3.3 Shares Returned to Reserve. To the extent that Options, SARs or Stock Units granted under this Plan are forfeited or expire for any other reason before being exercised or settled in full, the Common Shares subject to such Options, SARs or Stock Units shall again become available for issuance under the Plan. If SARs are exercised, then only the number of Common Shares (if any) actually issued to the Participant in settlement of such SARs shall reduce the number available under Article 3.1 and the balance shall again become available for issuance under the Plan. If Stock Units are settled, then only the number of Common Shares (if any) actually issued to the Participant in settlement of such Stock Units shall reduce the number available under Article 3.1 and the balance shall again become available for issuance under the Plan. If Restricted Shares or Common Shares issued upon the exercise of Options or otherwise under the Plan are reacquired by the Company pursuant to a forfeiture provision, repurchase right or for any other reason prior to the shares having become vested, then such Common Shares shall again become available for issuance under the Plan. Common Shares applied to pay the Exercise Price of Options or to satisfy tax withholding obligations related to any Award shall again become available for issuance under the Plan. To the extent that an Award is settled in cash rather than Common Shares, the cash settlement shall not reduce the number of Shares available for issuance under the Plan.

3.4 Awards Not Reducing Share Reserve in Article 3.1. Any dividend equivalents paid or credited under the Plan with respect to Stock Units shall not be applied against the number of Common Shares that may be issued under the Plan, whether or not such dividend equivalents are converted into Stock Units. In addition, Common Shares subject to Substitute Awards granted by the Company shall not reduce the number of Common Shares that may be issued under Article 3.1, nor shall shares subject to Substitute Awards again be available for Awards under the Plan in the event of any forfeiture, expiration or cash settlement of such Substitute Awards.

3.5 Code Section 162(m) and 422 Limits. Subject to adjustment in accordance with Article 9:

(a) The aggregate number of Common Shares subject to Options and SARs that may be granted under this Plan during any fiscal year to any one Participant shall not exceed 1,000,000, except that the Company may grant to a new Employee in the fiscal year in which his or her Service as an Employee first commences Options and/or SARs that cover (in the aggregate) up to an additional 1,000,000 Common Shares;

(b) The aggregate number of Common Shares subject to Restricted Share awards and Stock Units that may be granted under this Plan during any fiscal year to any one Participant shall not exceed 1,000,000, except that the Company may grant to a new Employee in the fiscal year in which his or her Service as an Employee first commences Restricted Share awards and Stock Units that cover (in the aggregate) up to an additional 1,000,000 Common Shares;

(c) No Participant shall be paid more than \$6 million in cash in any fiscal year pursuant to Performance Cash Awards granted under the Plan; and

(d) No more than 8,040,123 Common Shares plus the additional Common Shares described in Article 3.2 may be issued under the Plan upon the exercise of ISOs.

ARTICLE 4. ELIGIBILITY.

4.1 Incentive Stock Options. Only Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, an Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Parents or Subsidiaries shall not be eligible for the grant of an ISO unless the additional requirements set forth in Code Section 422(c)(5) are satisfied.

4.2 Other Awards. Awards other than ISOs may only be granted to Service Providers.

ARTICLE 5. OPTIONS.

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is intended to be an ISO or an NSO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

5.2 Number of Shares. Each Stock Option Agreement shall specify the number of Common Shares subject to the Option, which number shall adjust in accordance with Article 9.

5.3 Exercise Price. Each Stock Option Agreement shall specify the Exercise Price, which shall not be less than 100% of the Fair Market Value of a Common Share on the date of grant. The preceding sentence shall not apply to an Option that is a Substitute Award granted in a manner that would satisfy the requirements of Code Section 409A and, if applicable, Code Section 424(a).

5.4 Exercisability and Term. Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become vested and/or exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that, except to the extent necessary to comply with applicable foreign law, the term of an Option shall in no event exceed 10 years from the date of grant. A Stock Option Agreement may provide for accelerated vesting and/or exercisability upon certain specified events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service.

5.5 Death of Optionee. After an Optionee's death, any vested and exercisable Options held by such Optionee may be exercised by his or her beneficiary or beneficiaries. Each Optionee may designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Optionee's death. If no beneficiary was designated or if no designated beneficiary survives the Optionee, then any vested and exercisable Options held by the Optionee may be exercised by his or her estate.

5.6 Modification or Assumption of Options. Within the limitations of the Plan, the Administrator may modify, reprice, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of shares and at the same or a different exercise price or in return for the grant of a different type of Award. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair his or her rights or obligations under such Option.

5.7 Buyout Provisions. The Administrator may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Administrator shall establish.

5.8 Payment for Option Shares. The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such Common Shares are purchased. In addition, the Administrator may, in its sole discretion and to the extent permitted by applicable law, accept payment of all or a portion of the Exercise Price through any one or a combination of the following forms or methods:

(a) Subject to any conditions or limitations established by the Administrator, by surrendering, or attesting to the ownership of, Common Shares that are already owned by the Optionee with a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Common Shares as to which such Option will be exercised;

(b) By delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company;

(c) Subject to such conditions and requirements as the Administrator may impose from time to time, through a net exercise procedure;

(d) By delivering a full-recourse promissory note, on such terms approved by the Administrator; or

(e) Through any other form or method consistent with applicable laws, regulations and rules.

ARTICLE 6. STOCK APPRECIATION RIGHTS.

6.1 SAR Agreement. Each grant of a SAR under the Plan shall be evidenced by a SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical.

6.2 Number of Shares. Each SAR Agreement shall specify the number of Common Shares to which the SAR pertains, which number shall adjust in accordance with Article 9.

6.3 Exercise Price. Each SAR Agreement shall specify the Exercise Price, which shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant. The preceding sentence shall not apply to a SAR that is a Substitute Award granted in a manner that would satisfy the requirements of Code Section 409A.

6.4 Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become vested and exercisable. The SAR Agreement shall also specify the term of the SAR; provided that except to the extent necessary to comply with applicable foreign law, the term of a SAR shall not exceed 10 years from the date of grant. A SAR Agreement may provide for accelerated vesting and exercisability upon certain specified events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service.

6.5 Exercise of SARs. Upon exercise of a SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (a) Common Shares, (b) cash or (c) a combination of Common Shares and cash, as the Administrator shall determine. The amount of cash and/or the Fair Market Value of Common Shares received upon exercise of SARs shall, in the aggregate, not exceed the amount by which the Fair Market Value (on the date of surrender) of the Common Shares subject to the SARs exceeds the Exercise Price. If, on the date when a SAR expires, the Exercise Price is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion. A SAR Agreement may also provide for an automatic exercise of the SAR on an earlier date.

6.6 Death of Optionee. After an Optionee's death, any vested and exercisable SARs held by such Optionee may be exercised by his or her beneficiary or beneficiaries. Each Optionee may designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Optionee's death. If no beneficiary was designated or if no designated beneficiary survives the Optionee, then any vested and exercisable SARs held by the Optionee at the time of his or her death may be exercised by his or her estate.

6.7 Modification or Assumption of SARs. Within the limitations of the Plan, the Administrator may modify, reprice, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (whether granted by the Company or by another issuer) in return for the grant of new SARs for the same or a different number of shares and at the same or a different exercise price or in return for the grant of a different type of Award. The foregoing notwithstanding, no modification of a SAR shall, without the consent of the Optionee, impair his or her rights or obligations under such SAR.

ARTICLE 7. RESTRICTED SHARES.

7.1 Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

7.2 Payment for Awards. Restricted Shares may be sold or awarded under the Plan for such consideration as the Administrator may determine, including (without limitation) cash, cash equivalents, property, cancellation of other equity awards, full-recourse promissory notes, past services and future services, and such other methods of payment as are permitted by applicable law.

7.3 Vesting Conditions. Each Award of Restricted Shares may or may not be subject to vesting and/or other conditions as the Administrator may determine. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. Such conditions, at the Administrator's discretion, may include one or more Performance Goals. A Restricted Stock Agreement may provide for accelerated vesting upon certain specified events.

7.4 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders, unless the Administrator otherwise provides. A Restricted Stock Agreement, however, may require that any cash dividends paid on Restricted Shares (a) be accumulated and paid when such Restricted Shares vest, or (b) be invested in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the shares subject to the Stock Award with respect to which the dividends were paid. In addition, unless the Administrator provides otherwise, if any dividends or other distributions are paid in Common Shares, such Common Shares shall be subject to the same restrictions on transferability and forfeitability as the Restricted Shares with respect to which they were paid.

ARTICLE 8. STOCK UNITS.

8.1 Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the recipient and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical.

8.2 Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

8.3 Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting, as determined by the Administrator. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. Such conditions, at the Administrator's discretion, may include one or more Performance Goals. A Stock Unit Agreement may provide for accelerated vesting upon certain specified events.

8.4 Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, Stock Units awarded under the Plan may, at the Administrator's discretion, provide for a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Common Shares, or in a combination of both. Prior to distribution, any dividend equivalents shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

8.5 Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Common Shares or (c) any combination of both, as determined by the Administrator. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award, based on predetermined performance factors, including Performance Goals. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Common Shares over a series of trading days. Vested Stock Units shall be settled in such manner and at such time(s) as specified in the Stock Unit Agreement. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Article 9.

8.6 Death of Recipient. Any Stock Units that become payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of Stock Units under the Plan may designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units that become payable after the recipient's death shall be distributed to the recipient's estate.

8.7 Modification or Assumption of Stock Units. Within the limitations of the Plan, the Administrator may modify or assume outstanding stock units or may accept the cancellation of outstanding stock units (whether granted by the Company or by another issuer) in return for the grant of new Stock Units for the same or a different number of shares or in return for the grant of a different type of Award. The foregoing notwithstanding, no modification of a Stock Unit shall, without the consent of the Participant, impair his or her rights or obligations under such Stock Unit.

8.8 Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

ARTICLE 9. ADJUSTMENTS; DISSOLUTIONS AND LIQUIDATIONS; CORPORATE TRANSACTIONS.

9.1 Adjustments. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares or a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, corresponding proportionate adjustments shall automatically be made in each of the following:

- (a) The number and kind of shares available for issuance under Article 3, including the numerical share limits in Articles 3.1, 3.2 and 3.5;
- (b) The number and kind of shares covered by each outstanding Option, SAR and Stock Unit; and
- (c) The Exercise Price applicable to each outstanding Option and SAR, and the repurchase price, if any, applicable to Restricted Shares.

In the event of a declaration of an extraordinary dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Administrator shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of the foregoing. Any adjustment in the number of and kind of shares subject to an Award under this Article 9.1 shall be rounded down to the nearest whole share, although the Administrator in its sole discretion may make a cash payment in lieu of a fractional share. Except as provided in this Article 9, a Participant shall have no rights by reason of any issuance by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

9.2 Dissolution or Liquidation. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

9.3 Corporate Transactions. In the event that the Company is a party to a merger, consolidation, or a Change in Control (other than one described in Article 14.6(d)), all Common Shares acquired under the Plan and all Awards outstanding on the effective date of the transaction shall be treated in the manner described in the definitive transaction agreement (or, in the event the transaction does not entail a definitive agreement to which the Company is party, in the manner determined by the Administrator, with such determination having final and binding effect on all parties), which agreement or determination need not treat all Awards (or portions thereof) in an identical manner. Unless an Award Agreement provides otherwise, the treatment specified in the transaction agreement or by the Administrator shall include (without limitation) one or more of the following with respect to each outstanding Award:

- (a) The continuation of such outstanding Awards by the Company (if the Company is the surviving entity);
- (b) The assumption of such outstanding Awards by the surviving entity or its parent, provided that the assumption of an Option or a SAR shall comply with applicable tax requirements;
- (c) The substitution by the surviving entity or its parent of an equivalent award for outstanding Awards (including, but not limited to, an award to acquire the same consideration paid to the holders of Common Shares in the transaction), provided that the substitution of an Option or a SAR shall comply with applicable tax requirements;
- (d) The cancellation of outstanding Options and SARs without payment of any consideration. The Optionees shall be able to exercise such Options and SARs (to the extent the Options and SARs are vested or become vested as of the effective date of the transaction) during a period of not less than five full business days preceding the closing date of the transaction, unless (i) a shorter period is required to permit a timely closing of the transaction and (ii) such shorter period still offers the Optionees a reasonable opportunity to exercise such Options and SARs. Any exercise of such Options and SARs during such period may be contingent on the closing of the transaction;
- (e) Full exercisability of outstanding Options and SARs and full vesting of the Common Shares subject to Options and SARs, followed by cancellation of such Options and SARs. The full exercisability of such Options and SARs and full vesting of such Common Shares may be contingent on the closing of the transaction. The Optionees shall be able to exercise such Options and SARs during a period of not less than five full business days preceding the closing date of such merger or consolidation, unless (i) a shorter period is required to permit a timely closing of such merger or consolidation and (ii) such shorter period still offers the Optionees a reasonable opportunity to exercise such Options and SARs. Any exercise of such Options and SARs during such period may be contingent on the closing of such merger or consolidation;
- (f) The cancellation of the Options and SARs and a payment to the Optionee with respect to each Share subject to the portion of the Award that is vested as of the transaction date equal to the excess of (A) the value, as determined by the Administrator in its absolute discretion, of the property (including cash) received by the holder of a Common Share as a result of the transaction, over (B) the per-share Exercise Price of the Option or SAR (such excess, the “**Spread**”). Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving entity or its parent having a value equal to the Spread. In addition, any escrow, holdback, earn-out or similar provisions in the transaction agreement may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Common Shares, but only to the extent the application of such provisions does not adversely affect the status of the Option or SAR as exempt from Code Section 409A. If the Spread applicable to an Option or SAR is zero or a negative number, then the Option or SAR may be cancelled without making a payment to the Optionee;

(g) The cancellation of outstanding Stock Units and a payment to the holder thereof with respect to each Common Share subject to the Stock Unit (whether or not such Stock Unit is then vested) equal to the value, as determined by the Administrator in its absolute discretion, of the property (including cash) received by the holder of a Common Share as a result of the transaction (the “**Transaction Value**”). Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving entity or its parent having a value equal to the Transaction Value. In addition, such payment may be subject to vesting based on the Participant’s continuing Service, provided that the vesting schedule shall not be less favorable to the Participant than the schedule under which such Stock Units would have vested, and if required under applicable tax rules, such payment may be deferred until the settlement date specified in the Stock Unit Agreement. In addition, any escrow, holdback, earn-out or similar provisions in the transaction agreement may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Common Shares. In the event that a Stock Unit is subject to Code Section 409A, the payment described in this clause (g) shall be made on the settlement date specified in the applicable Stock Unit Agreement, provided that settlement may be accelerated in accordance with Treasury Regulation Section 1.409A-3(j)(4); or

(h) The assignment of any reacquisition or repurchase rights held by the Company in respect of an Award of Restricted Shares to the surviving entity or its parent, with corresponding proportionate adjustments made to the price per share to be paid upon exercise of any such reacquisition or repurchase rights.

For avoidance of doubt, the Administrator shall have the discretion, exercisable either at the time an Award is granted or at any time while the Award remains outstanding, to provide for the acceleration of vesting upon the occurrence of a Change in Control, whether or not the Award is to be assumed or replaced in the transaction, or in connection with a termination of the Participant’s Service following a transaction.

Any action taken under this Article 9.3 shall either preserve an Award’s status as exempt from Code Section 409A or comply with Code Section 409A.

ARTICLE 10. OTHER AWARDS.

10.1 Performance Cash Awards. A Performance Cash Award is a cash award that may be granted subject to the attainment of specified Performance Goals during a Performance Period. A Performance Cash Award may also require the completion of a specified period of continuous Service. The length of the Performance Period, the Performance Goals to be attained during the Performance Period, and the degree to which the Performance Goals have been attained shall be determined conclusively by the Administrator. Each Performance Cash Award shall be set forth in a written agreement or in a resolution duly adopted by the Administrator which shall contain provisions determined by the Administrator and not inconsistent with the Plan. The terms of various Performance Cash Awards need not be identical.

10.2 Awards Under Other Plans. The Company may grant awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under this Plan. Such Common Shares shall be treated for all purposes under the Plan like Common Shares issued in settlement of Stock Units and shall, when issued, reduce the number of Common Shares available under Article 3.

ARTICLE 11. LIMITATION ON RIGHTS.

11.1 Retention Rights. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain a Service Provider. The Company and its Parents, Subsidiaries and Affiliates reserve the right to terminate the Service of any Service Provider at any time, with or without cause, subject to applicable laws, the Company’s Restated Certificate of Incorporation and Amended and Restated Bylaws and a written employment agreement (if any).

11.2 Stockholders’ Rights. Except as set forth in Article 7.4 or 8.4 above, a Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any Common Shares covered by his or her Award prior to the time when a stock certificate for such Common Shares is issued or, if applicable, the time when he or she becomes entitled to receive such Common Shares by filing any required notice of exercise and paying any required Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

11.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed necessary by the Company’s counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Common Shares as to which such requisite authority will not have been obtained.

11.4 Transferability of Awards. The Administrator may, in its sole discretion, permit transfer of an Award in a manner consistent with applicable law. Unless otherwise determined by the Administrator, Awards shall be transferable by a Participant only by (a) beneficiary designation, (b) a will or (c) the laws of descent and distribution. An ISO may only be transferred by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative.

11.5 Other Conditions and Restrictions on Common Shares. Any Common Shares issued under the Plan shall be subject to such forfeiture conditions, rights of repurchase, rights of first refusal, other transfer restrictions and such other terms and conditions as the Administrator may determine. Such conditions and restrictions shall be set forth in the applicable Award Agreement and shall apply in addition to any restrictions that may apply to holders of Common Shares generally. In addition, Common Shares issued under the Plan shall be subject to such conditions and restrictions imposed either by applicable law or by Company policy, as adopted from time to time, designed to ensure compliance with applicable law or laws with which the Company determines in its sole discretion to comply including in order to maintain any statutory, regulatory or tax advantage.

ARTICLE 12. TAXES.

12.1 General. As a condition to an Award under the Plan, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any federal, state, local or foreign withholding tax obligations that arise in connection with any Award granted under the Plan. The Company shall not be required to issue any Common Shares or make any cash payment under the Plan until such obligations are satisfied.

12.2 Share Withholding. To the extent that applicable law subjects a Participant to tax withholding obligations, the Administrator may permit such Participant to satisfy all or part of such obligations by having the Company withhold all or a portion of any Common Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Common Shares that he or she previously acquired. Such Common Shares shall be valued at their Fair Market Value on the date when they are withheld or surrendered. Any payment of taxes by assigning Common Shares to the Company may be subject to restrictions including any restrictions required by SEC, accounting or other rules.

12.3 Section 162(m) Matters. The Administrator, in its sole discretion, may determine whether an Award is intended to qualify as "performance-based compensation" within the meaning of Code Section 162(m). The Administrator may grant Awards that are based on Performance Goals but that are not intended to qualify as performance-based compensation. With respect to any Award that is intended to qualify as performance-based compensation, the Administrator shall designate the Performance Goal(s) applicable to, and the formula for calculating the amount payable under, an Award within 90 days following commencement of the applicable Performance Period (or such earlier time as may be required under Code Section 162(m)), and in any event at a time when achievement of the applicable Performance Goal(s) remains substantially uncertain. Prior to the payment of any Award that is intended to constitute performance-based compensation, the Administrator shall certify in writing whether and the extent to which the Performance Goal(s) were achieved for such Performance Period. The Administrator shall have the right to reduce or eliminate (but not to increase) the amount payable under an Award that is intended to constitute performance-based compensation.

12.4 Section 409A Matters. Except as otherwise expressly set forth in an Award Agreement, it is intended that Awards granted under the Plan either be exempt from, or comply with, the requirements of Code Section 409A. To the extent an Award is subject to Code Section 409A (a "**409A Award**"), the terms of the Plan, the Award and any written agreement governing the Award shall be interpreted to comply with the requirements of Code Section 409A so that the Award is not subject to additional tax or interest under Code Section 409A, unless the Administrator expressly provides otherwise. A 409A Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order for it to comply with the requirements of Code Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" to an individual who is considered a "specified employee" (as each term is defined under Code Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the Participant's separation from service or (ii) the Participant's death, but only to the extent such delay is necessary to prevent such payment from being subject to Code Section 409A(a)(1).

12.5 Limitation on Liability. Neither the Company nor any person serving as Administrator shall have any liability to a Participant in the event an Award held by the Participant fails to achieve its intended characterization under applicable tax law.

ARTICLE 13. FUTURE OF THE PLAN.

13.1 Term of the Plan. The Plan, as set forth herein, shall become effective on the Registration Date. The Plan shall remain in effect until the earlier of (a) the date when the Plan is terminated under Article 13.2 or (b) the 10th anniversary of the date when the Board adopted the Plan.

13.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

13.3 Stockholder Approval. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules.

ARTICLE 14. DEFINITIONS.

"Administrator" means the Board or any Committee administering the Plan in accordance with Article 2.

"Affiliate" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

"Award" means any award granted under the Plan, including as an Option, a SAR, a Restricted Share, a Stock Unit or a Performance Cash Award.

"Award Agreement" means a Stock Option Agreement, an SAR Agreement, a Restricted Stock Agreement, a Stock Unit Agreement or such other agreement evidencing an Award granted under the Plan.

"Board" means the Company's Board of Directors, as constituted from time to time.

"Change in Control" means:

(a) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then-outstanding voting securities;

(b) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(c) The consummation of a merger or consolidation of the Company with or into any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation; or

(d) Individuals who are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board over a period of 12 months; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

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. In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for a deferral of compensation and is subject to Code Section 409A, then notwithstanding anything to the contrary in the Plan or applicable Award Agreement the transaction with respect to such Award must also constitute a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Code Section 409A.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Committee**" means a committee of one or more members of the Board, or of other individuals satisfying applicable laws, appointed by the Board to administer the Plan.

"**Common Share**" means one share of the common stock of the Company.

"**Company**" means Eyegate Pharmaceuticals, Inc., a Delaware corporation.

"**Consultant**" means a consultant or adviser who provides *bona fide* services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor and who qualifies as a consultant or advisor under Instruction A.1.(a)(1) of Form S-8 under the Securities Act of 1933, as amended.

"**Employee**" means a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Exercise Price**," in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of a SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

"**Fair Market Value**" means the closing price of a Common Share on any established stock exchange or a national market system on the applicable date or, if the applicable date is not a trading day, on the last trading day prior to the applicable date, as reported in a source that the Administrator deems reliable. If Common Shares are no longer traded on an established stock exchange or a national market system, the Fair Market Value shall be determined by the Administrator in good faith on such basis as it deems appropriate. The Administrator's determination shall be conclusive and binding on all persons.

"**ISO**" means an incentive stock option described in Code Section 422(b).

"**NSO**" means a stock option not described in Code Sections 422 or 423.

"**Option**" means an ISO or NSO granted under the Plan and entitling the holder to purchase Common Shares.

"**Optionee**" means an individual or estate holding an Option or SAR.

"**Outside Director**" means a member of the Board who is not an Employee.

"**Parent**" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

"**Participant**" means an individual or estate holding an Award.

“**Performance Cash Award**” means an award of cash granted under Article 10.1 of the Plan.

“**Performance Goal**” means a goal established by the Administrator for the applicable Performance Period based on one or more of the performance criteria set forth in **Appendix A**. Depending on the performance criteria used, a Performance Goal may be expressed in terms of overall Company performance or the performance of a business unit, division, Subsidiary, Affiliate or an individual. A Performance Goal may be measured either in absolute terms or relative to the performance of one or more comparable companies or one or more relevant indices. The Administrator may adjust the results under any performance criterion to exclude any of the following events that occurs during a Performance Period: (a) asset write-downs, (b) litigation, claims, judgments or settlements, (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results, (d) accruals for reorganization and restructuring programs, (e) extraordinary, unusual or non-recurring items, (f) exchange rate effects for non-U.S. dollar denominated net sales and operating earnings, or (g) statutory adjustments to corporate tax rates; provided, however, that if an Award is intended to qualify as “performance-based compensation” within the meaning of Code Section 162(m), such adjustment(s) shall only be made to the extent consistent with Code Section 162(m).

“**Performance Period**” means a period of time selected by the Administrator over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to a Performance Cash Award or an Award of Restricted Shares or Stock Units that vests based on the achievement of Performance Goals. Performance Periods may be of varying and overlapping duration, at the discretion of the Administrator.

“**Plan**” means this Eyegate Pharmaceuticals, Inc. 2014 Equity Incentive Plan, as amended from time to time.

“**Registration Date**” means February 2, 2015, the effective date of the initial registration statement filed by the Company with the Securities and Exchange Commission pursuant to Form S-1.

“**Restricted Share**” means a Common Share awarded under the Plan.

“**Restricted Stock Agreement**” means the agreement between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.

“**SAR**” means a stock appreciation right granted under the Plan.

“**SAR Agreement**” means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her SAR.

“**Service**” means service as an Employee, Outside Director or Consultant.

“**Service Provider**” means any individual who is an Employee, Outside Director or Consultant.

“**Stock Award**” means any award of an Option, a SAR, a Restricted Share or a Stock Unit under the Plan.

“**Stock Option Agreement**” means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

“**Stock Unit**” means a bookkeeping entry representing the equivalent of one Common Share, as awarded under the Plan.

“**Stock Unit Agreement**” means the agreement between the Company and the recipient of a Stock Unit that contains the terms, conditions and restrictions pertaining to such Stock Unit.

“**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

“**Substitute Awards**” means Awards or Common Shares issued by the Company in assumption of, or substitution or exchange for, Awards previously granted, or the right or obligation to make future awards, in each case by a corporation acquired by the Company or any Affiliate or with which the Company or any Affiliate combines to the extent permitted by NASDAQ Marketplace Rule 5635 or any successor thereto.

APPENDIX A

PERFORMANCE CRITERIA

The Administrator may establish Performance Goals derived from one or more of the following criteria when it makes Awards of Restricted Shares or Stock Units that vest entirely or in part on the basis of performance or when it makes Performance Cash Awards:

- Earnings (before or after taxes)
 - Earnings per share
 - Earnings before interest, taxes and depreciation
 - Earnings before interest, taxes, depreciation and amortization
 - Total stockholder return
 - Return on equity or average stockholders' equity
 - Return on assets, investment or capital employed
 - Operating income
 - Gross margin
 - Operating margin
 - Net operating income
 - Net operating income after tax
 - Return on operating revenue
 - Objective corporate or individual strategic goals
 - Sales or revenue (using a measure thereof that complies with Section 162(m))
 - Expense or cost reduction
 - Working capital
 - Economic value added (or an equivalent metric)
 - Market share
 - Cash measures including cash flow and cash balance
 - Operating cash flow
 - Cash flow per share
 - Share price
 - Debt reduction
 - Customer satisfaction
 - Stockholders' equity
 - Contract awards or backlog
 - Objective individual performance goals
- To the extent that an Award is not intended to comply with Code Section 162(m), other measures of performance selected by the Administrator

Certification

I, Stephen From, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EyeGate Pharmaceuticals, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2018

/s/ Stephen From
Stephen From
President and Chief Executive Officer
(Principal executive officer)

Certification

I, Sarah Romano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EyeGate Pharmaceuticals, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2018

/s/ Sarah Romano
Sarah Romano
Chief Financial Officer
(Principal financial and accounting officer)

**CERTIFICATION OF PERIODIC FINANCIAL REPORT
PURSUANT TO 18 U.S.C. SECTION 1350**

The undersigned officer of EyeGate Pharmaceuticals, Inc. (the "Company") hereby certifies to his knowledge that the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (the "Report") to which this certification is being furnished as an exhibit, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 3, 2018

/s/ Stephen From

Stephen From
President and Chief Executive Officer
(Principal executive officer)

**CERTIFICATION OF PERIODIC FINANCIAL REPORT
PURSUANT TO 18 U.S.C. SECTION 1350**

The undersigned officer of EyeGate Pharmaceuticals, Inc. (the “Company”) hereby certifies to her knowledge that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (the “Report”) to which this certification is being furnished as an exhibit, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K (“Item 601(b)(32)”) promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 3, 2018

/s/ Sarah Romano

Sarah Romano

Chief Financial Officer

(Principal financial and accounting officer)
