EQUITY RESEARCH INITIATION

RBC Capital Markets

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Ocular Therapeutix, Inc.

Initiation: Novel, sustained delivery platform for ophthalmology

Our view: We are initiating coverage with an Outperform Speculative Risk rating and a $21 price target. OCUL's sustained delivery platform is ophthalmology focused. ReSure is marketed and three more products are in Phase III and Phase II studies, all of which represent a lower-risk approach to drug development. The value proposition is improved dosing and increased convenience. Clinical and regulatory newsflow expected in 2014-2018 represents several potential value inflection points.

Key points:

Hydrogel-based, sustained delivery is a platform technology. Two different drugs targeting three separate indications are in development using the same hydrogel technology platform. More drugs targeting additional indications could be advanced as well. OCUL is also evaluating the feasibility of incorporating proteins or antibodies into its hydrogel platform.

Clinical and regulatory approach is lower risk. Since OCUL uses drugs already approved but off patent or about to go off patent with its sustained release platform, clinicians and regulators are familiar and development pathways well established. OCUL can also use the 505(b)(2) pathway when seeking approval in the US.

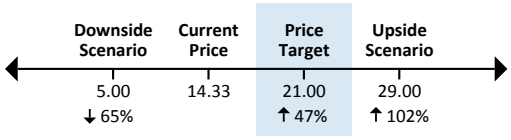
Markets opportunity is attractive. More than 3MM cataract surgeries and over 5MM eye surgeries are performed in the US alone. These could be targeted with ReSure and OTX-DP. Several million prescriptions are written for allergic conjunctivitis and even more are written for glaucoma, including 16MM+ for glaucoma. ROW potential is similarly high. Though generic products dominate, even niche share within these markets add up to sizeable revenues at branded-drug pricing.

Existing clinical and preclinical data show efficacy, safety and sustained delivery. Phase II clinical data are available for OTX-DP and OTX-TP and Phase I data for OTX-MP. Pre-clinical data is also favorable. ReSure, which also uses hydrogel technology, is already approved by the FDA.

OCUL owns all rights except a low single-digit royalty for the technology. Patent protection goes until 2030 leaving OCUL to commercialize on its own or partner opportunistically. ReSure is already sold in the US.

News flow starts near term and continues for four-years. OTX-DP Phase III data for inflammation and pain and Phase IIb data for OTX-TP in glaucoma are expected in 2015. Phase II data in allergic conjunctivitis could be available in 2014. Progress to pivotal studies could be rapid and lead to drug approvals starting in 2016.

Outperform
Speculative Risk
NASDAQ: OCUL; USD 14.33
Price Target USD 21.00
Scenario Analysis*



*Implied Total Returns

Key Statistics

Shares O/S (MM):	20.6	Market Cap (MM):	295
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	NA

RBC Estimates

FY Dec	2013A	2014E	2015E
Revenue	0.0	1.6	8.5
EPS, Ops Diluted	(5.10)	(2.31)	(1.54)
P/E	NM	NM	NM

Revenue	Q1	Q2	Q3	Q4
2014	0.0A	0.1E	0.5E	1.0E
EPS, Ops Diluted				
2014	(2.45)A	(2.20)E	(0.33)E	(0.32)E

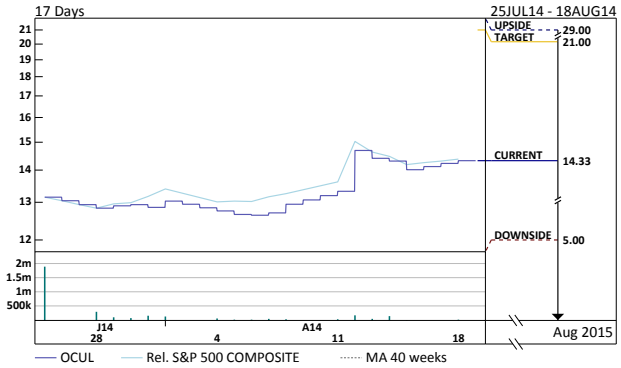
All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Conflicts Disclosures, see Page 45

Target/Upside/Downside Scenarios

Exhibit 1: Ocular Therapeutix, Inc.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Target price/ base case

We value OCUL at $21, which includes US and EU sales with a probability of success of 85% to ReSure (~$5/share), 75% to OTX-DP inflammation (~$2/share), 60% to OTX-DP allergy (~$2/share), and 60% to OTX-TP glaucoma for (~$12/share). We forecast US and ex-US combined peak sales of ReSure, OTX-DP inflammation, OTX-DP allergic conjunctivitis and OTX-TP glaucoma at ~$1B and ~$0.8B respectively. We currently assign no additional value to the earlier stage pipeline.

Upside scenario

Our upside scenario at $29 per share includes US and EU sales with a probability of regulatory and commercial success of 75% to ReSure (~$6/share), 65% to OTX-DP inflammation (~$5/share), 50% to OTX-DP allergy (~$3/share), and 45% to OTX-TP glaucoma for (~$15/share). We forecast US and ex-US combined peak sales of ReSure, OTX-DP inflammation, OTX-DP allergic conjunctivitis and OTX-TP glaucoma at ~$1.4B+ and ~$1.2B+ respectively. Further upside would come from the advancement of earlier stage pipeline as we currently assign no additional value.

Downside scenario

Our downside scenario at $5 per share includes US and EU sales with a probability of success of 85% to ReSure (~$2/share), 80% to OTX-DP inflammation (-$2/share), 70% to OTX-DP allergy (~$0/share), and 70% to OTX-TP glaucoma for (~$5/share). We forecast US and ex-US combined product peak sales at ~$470MM and ~$420MM respectively. The value of OTX-DP inflammation is negative and OTX-DP allergic conjunctivitis as zero because these products are launched first and it is assumed that their sales ramps are not high enough to support the R&D and SG&A infrastructure profitably.

Investment summary

We believe OCUL shares offer the potential for upside as the hydrogel, sustained technology platform lowers clinical and development risk, allows multiple shots at success and the pipeline to be diversified, and increases the chances of a candidate making it through the clinic and onto the market. OTX-DP is in Phase III studies for inflammation and pain, and in Phase II studies for allergic conjunctivitis. OTX-TP is in a Phase IIb study for glaucoma, having posted promising Phase IIa, earlier stage compounds represent upside optionality. Results from these studies are expected in 2014 and 2015, assuming progress going forward through 2017. Target markets represent millions of patients worldwide, and we forecast peak sales of OCUL's products totaling ~$1.7B.

OCUL owns 100% of the rights to its pipeline, and patent protection extends into 2030, meaning the company is free to commercialize itself, partner, or to be acquired. Because ophthalmology remains an attractive therapeutic area and OCUL's product candidates have potential for improved dosing, convenience as well as safety advantages, progress through clinical and regulatory milestones, and any partnerships could be value enhancing.

Potential Catalysts for OCUL Shares

- **Phase II data for OTX-DP Allergy in 4Q:14.** First clinical data, could lead to pivotal study.
- **Phase III data for OTX-DP Inflammation and pain** in **1Q:15**. Positive data could lead to an NDA and MAA
- **Phase IIb data for OTX-TP in 2Q/ 3Q:15.** Potential to show efficacy and 3-month plug retention for glaucoma
- **Potential partnership for OTX-DP and OTX-DP.** OCUL has the rights to both products, and a partnership is possible.
- **Potential OTX-DP approvals and launches in 2016/ 2017 in the US and EU.**
- **ReSure sales** could be higher than expectation

Potential Risks for OCUL Shares

- **Pivotal Phase III and earlier stage studies could fail**. Phase II and Phase III data for OTX-DP are expected in 2014-2017 and one or more products could fail
- **Sales ramp of punctum plug technology could be slow** as clinicians fail to adopt, payers put up hurdles for reimbursing branded drugs, and cheaper generics hamper market penetration.
- **Sales of ReSure Sealant could lag sales expectations** as surgeons maintain current practices.
- **OCUL could fail to find a partner** for product commercialization outside the US.
- **Other sustained release technologies could preempt OCUL's platform**, thereby leading to a move away from hydrogel based products.

Key questions for Ocular Therapeutix

		Our view
1.	**Will ReSure Sealant be picked up as an alternative to sutures by surgeons?**	Eye surgeons are most focused on maximizing outcomes for their patients. Given that a pivotal study has already demonstrated better outcomes with ReSure Sealant, we believe adoption will pick up over time, especially as further post-approval studies are initiated and completed.
2.	**Does the change in endpoints for OTX-DP inflammation and pain signal any risk to outcomes for the ongoing pivotal trials**?	Phase II study showed OTX-DP lowering inflammation and pain compared to a placebo. The objective of a Phase II is to help determine endpoints for the Phase III. Keeping the pain endpoint at day 14 while changing the anterior chamber cell time point to day 14 reflects Phase II data and the endpoints selected for the ongoing Phase III are in line with those selected by competitor products.
3.	**Can OTX-TP's period of activity be extended to three months?**	Since OCUL has been able to improve retention over time, it is likely that a newly designed plug could have better retention at 90 days than the near 80% retention seen at over 60 days for OTX-TP in the Phase II study. Studies are ongoing to enlarge the size of the punctum plug for OTX-TP.
4.	**Will punctum plugs be taken up by physicians that are used to prescribing eye drops?**	Physicians use punctum plugs widely as a treatment or adjunct to treatment for patients with dry eye disease. Reimbursement codes are in place for installation. Sustained-release technologies based on punctum plugs could be a significant improvement in treatment for patients who need chronic administration of drugs and would not be an entirely new treatment approach. This hypothesis is also underscored by multiple companies trying to develop sustained-release formulations of drugs that target glaucoma.
5.	**Since most drugs targeting the inflammation and/or pain, allergy, and glaucoma are now generic, is there room for OCUL's products?**	Markets are likely competitive, but within each market, there are likely subsets of patients who can benefit. Surgeons are especially particular about improving outcomes for patients and minimizing the rates of complications, which is something products like ReSure and OTX-DP for inflammation and pain could aid the system. Furthermore, better compliance is the best way to lower overall costs, and OCUL's sustained-release drugs take dosing and administration out of the hands of patients and put them in the hands of physicians thereby ensuring patients stay on drug and benefit.
6.	**Is the long-acting anti-VEGF program worth paying attention to?**	Several approaches have been tried to prolong the release of proteins or antibodies in the eye, mostly without progress or success at this time. The hurdle appears to be fairly high, and the program is consistently downplayed by OCUL as a value driver. However, the market for branded anti-vascular endothelial growth factor (VEGF) drugs is more than $7B worldwide and possibly growing with patients receiving multiple intravitreal injections per year. Therefore, success in this program could be highly disruptive and affect a number of large biopharmaceutical companies, in addition to being a significant upside driver for OCUL shares.

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Portfolio manager's summary

Ocular Therapeutix (OCUL) is developing sustained-release drugs that target ophthalmic disorders by using its proprietary hydrogel technology as a platform. The approach has low clinical and regulatory risks as the drugs OCUL is encapsulating within its proprietary microspheres are either off-patent or about to go off-patent. Since OCUL is able to turn a number of already approved drugs typically administered as eye drops into sustained-release, long-acting products, the hydrogel technology also represents a leverageable platform and a lower risk approach for creating multiple product candidates. OCUL also markets ReSure Sealant, which was recently approved for sealing corneal incisions after cataract surgery. OTX-DP for the treatment of post-surgical ocular inflammation and pain is in Phase III trials. Product candidates undergoing Phase II testing include OTX-DP for allergic conjunctivitis and OTX-TP for glaucoma. 3.7MM[1] eye surgeries, 5MM[2] prescriptions for ocular steroids, 6.7MM[2] prescriptions for eye allergies, and over 16MM[2] prescriptions written for prostaglandins for glaucoma, which at branded drug pricing equate to a $3B+ market opportunity in the US alone. There is also room for upside from an earlier stage pipeline. Next up are Phase III data for OTX-DP in inflammation and pain in 1Q:15, Phase II data for OTX-DP in eye allergies in 4Q:14, and Phase II data for OTX-TP in glaucoma in 2Q:15. Assuming successful progress, OCUL could launch drugs in 2016, 2017, and 2018. OCUL owns all rights to its drugs, which are patent protected at least through 2030. This leaves OCUL free to commercialize these products itself, partner on a global or regional basis, and/or to sell the company.

Key selling points

Broadly applicable, platform technology for creating multiple drug candidates: OCUL can use its hydrogel-based, sustained-release technology to encapsulate a number of drugs that target a variety of ophthalmic indications. Currently, active development programs are using two drug candidates to target three different indications, but there are additional drug candidates that have been evaluated in earlier stage studies as well as feasibility studies ongoing with biologics.

Unique mode of treatment and sustained delivery with ReSure, OTX-DP and OTX-TP: OTX-DP appears to be the only sustained-release drug in development for the treatment of post-surgical inflammation and pain and for allergic conjunctivitis. While a number of long-acting drugs or implants are in development as a potential treatment for glaucoma, we believe OTX-TP is still unique in the way it delivers travoprost, the prostaglandin selected for development. OCUL's ReSure Sealant is the only product of its type available in the US to seal incisions after cataract surgery. The goal is to turn pulse therapies into sustained release drugs thereby improving dosing consistency, compliance, convenience, safety.

Lowered clinical and regulatory risk from using off-patent or near-off patent drugs: The drugs that OCUL has selected to encapsulate and develop for sustained-release paradigm are either off-patent or about to come off-patent. This means these are compounds that regulators have approved previously and physicians are used to using in their clinical practice. The path for drug approval for these indications is also well understood, and a lower risk.

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[1] Market Scope data and J Cataract Refract Surg. 2013 Sep;39(9):1383-9

[2] IMS Health

Phase II data for OTX-DP and OTX-TP was positive: Phase II results for OTX-DP for post-surgical inflammation and pain demonstrated absence of pain and anterior chamber cells at day eight. Phase III trials are ongoing, with the same endpoint as the ones met in Phase II so chances of success are high. Phase II data from the OTX-TP study in patients with glaucoma showed similar outcomes to timolol at 60+ days with clean safety.

ReSure sealant being commercialized: OCUL's first product, ReSure, was launched February 2014 and showed superior outcomes over sutures in patients who have undergone cataract surgery.

Large markets with limited to no sustained release competition: There are currently no sustained-release products in development for the treatment of post-surgical inflammation and pain or for allergic conjunctivitis. ReSure Sealant is also the only sealant available for closing incisions post-cataract surgery. Finally, several other companies—such as Allergan's Bimatoprost Sustained Release and ForSight Vision 5's Helios insert—are developing a number of implants and/or long-acting glaucoma drugs. However, OCUL's OTX-TP could be unique in being the only biodegradable punctum plug of its kind that targets glaucoma.

Wholly owned assets with a long patent life: The patent life for OCUL's punctum plugs extends through 2030. There is a small royalty due to the innovators, which we estimate to be in the 3–5% range accounted for in the cost of goods. Otherwise, OCUL currently owns all rights to its drugs, thereby retaining the option to commercialize them itself, to partner them on a regional or global basis, or to sell the company outright.

Earlier stage pipeline provides upside optionality: Given the high level of development risk associated with the long-term delivery of large molecules, such as biologics, investors are likely to ascribe little to no value pending further data. Since the anti-VEGF market is multi-billion dollar in size worldwide and growing, successful development could result in significant upside. Other programs, such as long-acting antibiotics, which have completed Phase I studies, could also be advanced. The label for OTX-DP could also be expanded with trials targeting uveitis and other indications.

News flow likely abundant and important from 2014 into 2018: We expect data from the OTX-DP Phase III study in post-surgery inflammation and pain in 1Q:15, Phase II OTX-DP results in patients with allergic conjunctivitis in 4Q:14, Phase IIb data from OTX-TP in patients with glaucoma in 2Q:15. Assuming progress, a Phase II/III study of OTX-DP in conjunctivitis could begin in 4Q:14, and a Phase III study of OTX-TP in glaucoma in 4Q:15. Pending progress and positive data we expect NDA filing for OTX-DP in 2015 and 2016 and for OTX-TP in 2017. These would be followed by approval in 2016-2018.

Sufficient capital through potentially two drug approvals: The capital raised should be sufficient to fund operations through mid-2016 when OTX-DP could be approved and launched. Capital also funds Phase II OTX-DP and Phase IIb OTX-TP studies all of which could be value-creating events for OCUL.

Seasoned management with sustained drug delivery experience: OCUL's management team and founders have developed sustained-release products for other indications, including DuraSeal Dural Sealant and Mynx and successfully marketed and sold companies.

Risks factors

Punctum plugs have a limited history of use and development. To date, most experience with punctum plugs has come from their use in patients with dry eye disease, which are non-medicated. Punctum plugs are in development for the treatment of other ocular indications; however, channel checks indicate that perceptions appear mixed so far.

Markets are dominated by generic drugs, which could pose a risk to reimbursement. Eye drops used for the treatment of post-surgical inflammation and pain, allergic conjunctivitis and glaucoma are largely generics. Since these drugs are fairly inexpensive for patients and payers, branded drugs may have to demonstrate an advantage in order to be accepted and reimbursed.

OTX-DP study endpoints were changed based on Phase II data. The Phase II study of OTX-DP for post-surgical inflammation and pain evaluated the pain and anterior chamber cells at day eight. The ongoing Phase III study is using day 14 as the primary endpoint. The change in endpoints was necessitated by the Phase II anterior chamber cell endpoint not being met at day eight.

OTX-TP has not yet demonstrated efficacy out to 90-days. A completed Phase II study of OTX-TP in patients with glaucoma has shown good retention of the punctum plug in patients at 60+ days. However, beyond 60 days, retention fell. In order to create a viable product that can be used by patients, OCUL must improve retention to a 90-day period and demonstrate efficacy and safety.

ReSure ramp and sales or sales of products not yet approved could lag expectations. ReSure is being commercialized, and the ramp could be slower than forecasted because this is a change in surgeon practice and how the products are reimbursed. Furthermore, OTX-DP and OTX-TP will compete in markets where generic drugs dominate, which could again lead to sales lagging expectations, if payers put up hurdles in reimbursement

Other companies are engaged in developing long-acting drugs, specifically those targeting glaucoma. There is a number of companies engaged in trying to develop sustained release glaucoma drugs. Should these companies and the market dynamics could become more competitive for OCUL.

OCUL must find partners outside the US to commercialize its pipeline. To date, OCUL has not partnered any of its products for development and/or commercialization. Sales outside the US could require finding a partner.

Timelines are rapid and delays could disappoint investors. Based on the current stages of development for OTX-DP and OTX-TP and the expected timelines for future studies, OCUL would need flawless execution to have three product candidates approved over the next three years. Slower than expected development could disappoint investors.

OCUL could need further capital to see all three drug candidates through to approval. Phase III studies for OTX-TP in glaucoma and/ or OTX-DP in conjunctivitis could require additional capital to complete. Further development of the earlier stage pipeline could also require investments beyond what the OCUL's current resources allow.

Exhibit 2: News Flow

Timing	Expected News Flow	Program
2Q:14	Initiate OTX-DP Phase IIIb Study in inflammation and pain	OTX-DP
3Q:14	IND submission for OTX-TP	OTX-TP
2H:14	Initiate Phase IIb study in glaucoma	OTX-TP
4Q:14	Initiate OTX-DP Allergy Phase II/III study	OTX-DP
4Q:14	Complete OTX-DP Phase IIIa/b follow up	OTX-DP
4Q:14	Phase II results in allergic conjunctivitis	OTX-DP
1Q:15	Complete OTX-DP Allergy Phase II/III	OTX-DP
1Q:15	Phase III results in post cataract inflammation and pain	OTX-DP
1Q/ 1H:15	Complete OTX-TP Phase IIb in glaucoma	OTX-TP
2Q:15	Data for OTX-DP Allergy Phase II/III	OTX-DP
2Q:15	Phase IIb data in glaucoma	OTX-TP
2Q:15	Submit NDA for post cataract inflammation and pain	OTX-DP
3Q:15	IND Phase IIIa/b submission	OTX-TP
3Q:15	Submit NDA for post cataract allergic conjuntivitis	OTX-DP
4Q:15	Initiate Phase III study in glaucoma	OTX-TP
2Q/ 3Q:16	Potential NDA approval for post cataract inflammation and pain	OTX-DP
3Q/ 4Q:16	Potential NDA approval for allergic conjunctivitis	OTX-DP
2H:16/ 1Q:17	Launch for post cataract inflammation and pain	OTX-DP
2H:16	Complete follow-up OTX-TP Phase IIIa	OTX-TP
YE:16	Complete follow-up OTX-TP Phase IIIb	OTX-TP
YE:16/1H:17	Launch for allergic conjunctivitis	OTX-DP
1H:17	Data for Phase III glaucoma study	OTX-TP
2H:17	OTX-TP NDA submission	OTX-TP
2H:18	Potential NDA approval for glaucoma	OTX-TP
YE:18/ 1Q:19	Potential launch for glaucoma	OTX-TP

Source: Company reports and RBC Capital Market estimates

Exhibit 3: Pipeline

Product	Mechanism	Stage	Indication
ReSure	Ocular sealant	FDA approved	Sealant post cataract surgery
OTX-DP	Dexamethasone plug	Phase III	Post-cataract surgery for inflammation and pain
OTX-DP	Dexamethasone plug	Phase II	Allergic conjunctivitis
OTX-TP	Travoprost plug	Phase II	Glaucoma
OTX-MP	Moxifloxacin plug	Phase I	Bacterial conjunctivitis
Intravitreal Hydrogel Deport	Sustained release anti-VEGF depot	Pre-clinical	Wet AMD/ RVO/ DME

Source: Company reports

Recently completed initial public offering

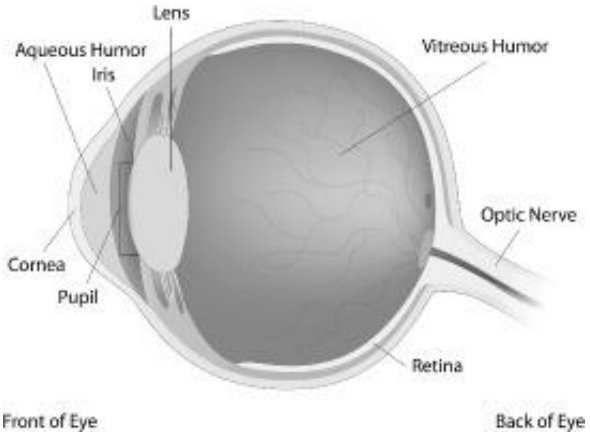
Ocular Therapeutix, Inc. completed its US initial public offering (IPO) on July 24, 2014 that raised approximately $68.4MM. OCUL offered 5MM shares and an additional 0.75MM shares as part of the overallotment at $13 per share. The company ended March 2014 with approximately $12.8MM in cash. Therefore the pro forma cash balance after the IPO is roughly $73.4MM, taking into account assumptions regarding cash used in 2Q. OCUL raised capital to fund development for OTX-DP and OTX-TP, expand manufacturing capacity, undertake sales and marketing activities, and advance preclinical products. Approximately $18MM will be used on completing Phase II clinical trials for allergic conjunctivitis, Phase III trials for ocular inflammation. Approximately $6–7MM will be used to complete the Phase IIb OTX-TP study and initiate Phase III for glaucoma. Another $24MM will be used for other clinical and preclinical R&D with the balance of nearly $20MM for working capital and general corporate purposes.

Hydrogel technology: A broadly applicable platform for sustained release drugs in ophthalmology

Hydrogel technology to create a variety of sustained-release drugs for the treatment of ophthalmic disorders that can range from days to months

Ocular Therapeutix uses its proprietary hydrogel technology to create a variety of sustained-release drugs for the treatment of ophthalmic disorders. OCUL encapsulates drugs within its hydrogel meshwork, as well as in microparticles to control both how much and how long drugs are released, which can range from days to months. The primary purpose of leveraging OCUL's hydrogel platform technology is potentially to alter the PK and PD of pharmaceuticals by turning pulse therapies, such as daily eye drops or frequent injections for acute or chronic conditions, into a sustained therapies that require single or less frequent administration. Once created, these drug depots can be inserted non-invasively through the punctum to treat ocular surface or anterior segment disorders (front of the eye) or injected intravitreally for retina or posterior segment disorders (back of the eye). Importantly, the hydrogel-based depots or plugs are bioresorbable, i.e., they gradually break down into non-toxic, water-soluble compounds that are cleared through normal biologic processes in the body. The punctum, is a natural opening in the inner portion of the eyelid close to the nose.

Exhibit 4: Cross section showing the front and back of the eye



Source: Company reports

Market opportunity is sizable individually and as a group for OCUL's target medication

Front of the eye diseases include ocular inflammation and pain, including post-surgical complications, allergic conjunctivitis, dry eye disease, glaucoma, and bacterial infections, among others. Back of the eye diseases include wet age related macular degeneration, retinal vein occlusion, and diabetic macular edema, among others. Millions of patients worldwide suffer from both front and back of the eye diseases, and incidence is often rising because a number of these conditions are associated with aging or with other diseases, such as diabetes, whose incidence is also rising. At branded-drug pricing, both the back and front of the eye ophthalmic disorders represent markets that are several billion dollars in size in the US alone.

Exhibit 5: Size of the front and back of the eye markets

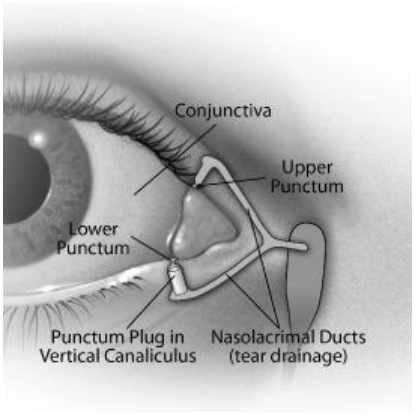
Indication	Population	Prescription	Sales
Glaucoma	2.2M	31M	$2.1B
Cataract Surgery	3.7M		
Wet AMD (Lucentis/Eylea)	1.2M		$3.2B
Ocular surgeris	5M	19M	$2.2B
Allergic conjunctivitis		6.7M	$0.8B

Source: Company reports, IMS Health, Market Scope and Current Opinion in Ophthalmology Journal

Putting drug loaded plugs in the punctum is easy and efficient

A punctum, its purpose is to collect and drain tears produced by the eye into the nasolacrimal ducts, is the natural opening located in the inner portion of the eyelid close to the nose. There is a punctum in the lower and upper eyelid of each eye for a total of four. To date, the most commercial use has been with punctum plugs, used to block tears from being drained as a treatment for dry eye disease. Since punctum plugs stay in contact with the eye's tear film, and since this tear film sweeps across the entire ocular surface, OCUL selected the punctum as the place from where to deliver its sustained-release drugs.

Exhibit 6: Punctum plugs are placed in the vertical canaliculus



Source: Company reports

Punctum plugs use PEG and microspheres to encapsulate drugs and control their release

PEG has well known uses in medicine and is generally considered safe and biocompatible

OCUL's hydrogel technology uses a proprietary formulation of polyethylene glycol (PEG), a polymer of ethylene oxide, which is soluble in water, alcohol, and benzene. It can also be coupled with hydrophobic molecules. PEG has well known uses in medicine, including use with proteins to slow their clearance from blood, and is generally considered safe and biocompatible. OCUL creates its hydrogels by cross-linking PEG molecules. These PEG molecules are branched with four to eight arms each, with each arm having a reactive site at the end. When a complementary reactive site on another branched PEG molecule is found, a network spontaneously forms and is facilitated by a linker. This network resembles a 3D mesh at the molecular level. Drugs can be placed into this meshwork and released slowly over time and further encapsulated within microspheres that release drug from within this meshwork. Once it is swollen with water, a hydrogel is formed. The advantage that covalent cross-links have over non-covalent and non-cross linked structures is greater stability and non-permeability. Drug product can be encapsulated in microspheres, which in turn is embedded into the pre-hydrogel liquid formulation. These drug-containing hydrogels are designed to degrade in the presence of water in a process known as hydrolysis. OCUL can control the rate at which hydrolysis occurs by inserting biodegradable linkages between the PEG and cross-linked molecule.

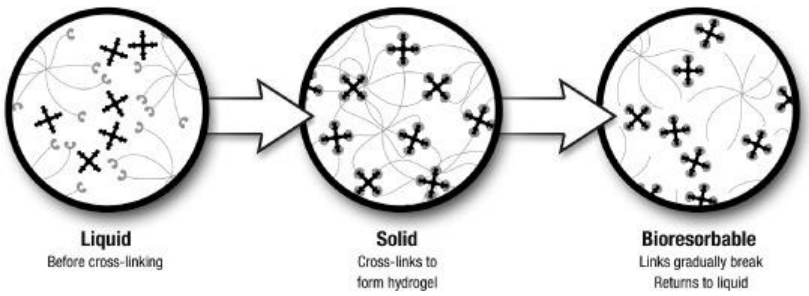
Drug-containing hydrogels are designed to degrade in the presence of water. OCUL can control the rate at which hydrolysis occurs

Hydrogel meshwork is a platform capable of encapsulating several different types of drugs used, such as corticosteroids, anti-infectives, prostaglandins, non-steroidal anti-inflammatory drugs (NSAIDs), and potentially larger molecule proteins

This hydrogel meshwork is a platform capable of encapsulating several different types of drugs used in ophthalmic disorders, such as corticosteroids, anti-infectives, prostaglandins, non-steroidal anti-inflammatory drugs (NSAIDs), and potentially larger molecule proteins or antibodies as well. These drug candidates include both products that are off patent or are about to come off patent.

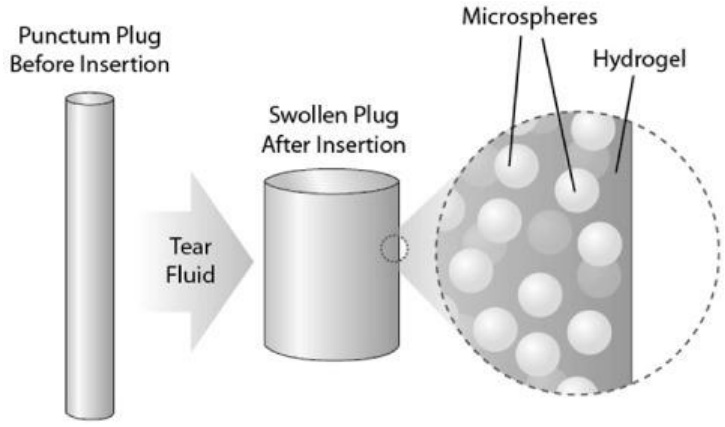
OCUL has also used its hydrogel technology to create ReSure Sealant, an FDA-approved medical device for closing incisions post-cataract surgery. ReSure is a synthetic liquid that is mixed just prior to application. When mixed, the material crosslinks to form a hydrogel. Once applied, these hydrogel-based linkages gradually hydrolyze, i.e., breakdown, in an aqueous environment, such as the eye, while giving the wound sufficient time to heal, before dissolving.

Exhibit 7: ReSure Sealant made using the hydrogel technology platform



Source: Company reports

Exhibit 8: Plugs contain drug in microspheres change shape as they hydrate



Source: Company reports

Punctum plugs are easy to install, stable, and removable

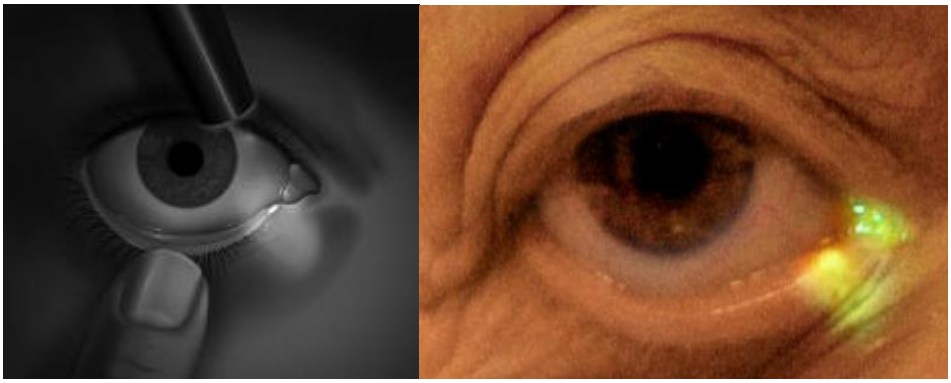
OCUL's hydrogel based punctum plugs are shaped as thin, dry rods to facilitate their insertion through the narrow punctal opening. Once inserted, the drug filled punctum plugs swell in the aqueous environment to fill the vertical canaliculus and conform to its size and shape. Their increase in size ensures they are secured in place to release the drug slowly encapsulated within over time.

Exhibit 9: Relative size of punctum plug vs. a dime

Source: Company reports

Since these plugs are bioresorbable, over time, they liquefy and can be cleared via the nasolacrimal duct without requiring removal. However, they can also be easily removed if needed, often simply by pushing the plug back through the punctum. The punctum plugs also include a fluorescent label, which helps patients and physicians visualize them with the help of a blue, hand-held light and a clear yellow filter aid to see the punctum plug in the eyelid. Again, this facilitates their removal or simply to ensure they are still in place.

Exhibit 10: Punctum plug can be visualized due to a fluorescent tag



Source: Company reports and Basset et. El. Association for Research in Vision and Ophthalmology 2014 Annual Meeting Poster.

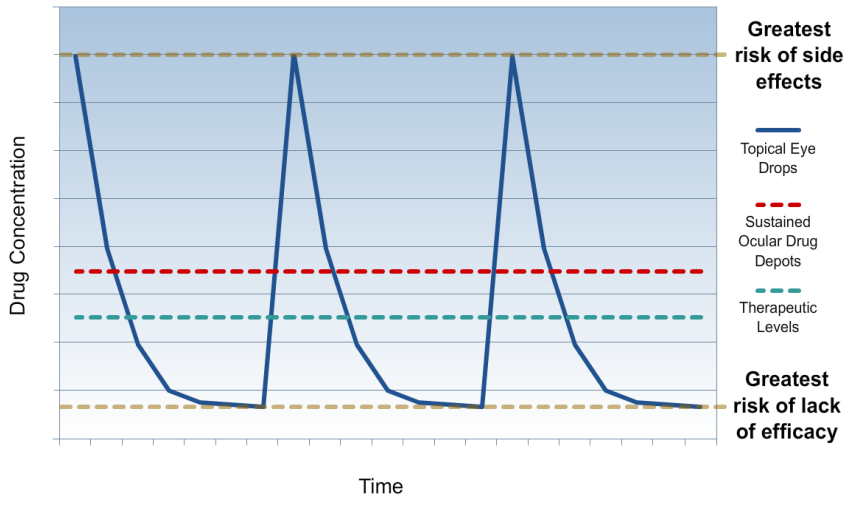
Value proposition: Multi-tiered but key is turning pulse therapies into sustained release ones

Turning pulse therapies, such as daily eye drops into sustained release therapies that require single or less frequent administration

Product, clinical, and regulatory risk are reduced. The approval pathways are also well understood for this technology

The primary purpose of leveraging OCUL's hydrogel platform technology is potentially to alter the PK and PD of pharmaceuticals by turning pulse therapies, such as daily eye drops or frequent injections for acute or chronic conditions, into a sustained release therapies that require single or less frequent administration. A pulse therapy creates a burst and then trails off over time that requires a boost at fixed intervals. A sustained therapy, on the other hand, potentially maintains a consistent, steady level of drug that provides reliable, long-term therapy for patients. Given that OCUL is using its hydrogel technology to create multiple product opportunities without undertaking new molecule risk, product, clinical, and regulatory risk are also reduced as both the FDA and clinicians have histories and experience with these product opportunities. The approval pathways are also well understood for this technology.

Exhibit 11: Pharmacokinetics a drug in eye drops vs. OCUL's sustained delivery



Source: ocutx.com/company/hydrogel-technology

Drug specific advantages

i. **Consistent dosing**: A steady-state release of a drug in the eye avoids the peaks and valleys, i.e., variances in drug concentration, seen with the use of eye drops. Delivering a large quantity of drug at one time, such as using eye drops, is not optimal and could have side effects associated with it. OCUL's technology platform allows a more consistent delivery, which can be closer to the therapeutic level needed instead of exceeding it.

ii. **Tailored drug release**: OCUL can also tailor its release to fit the profile of the disease, for instance a burst if a short release is needed initially followed by a consistent concentration over time or a more consistent release if the objective is consistency.

iii. **Improved safety**: Punctum plugs do not use preservatives, which are often associated with ocular irritation, inflammation, and/or hyperemia (eye redness). For certain conditions, OCUL could even use lower drug levels to achieve the same therapeutic effect as the reference or comparator drug. For instance, OTX-DP for post-surgical pain and inflammation uses under 10% of dexamethasone used in eye drops. Furthermore, the material used by OCUL's plug does not support bacterial growth, and size wise, it is large enough to occupy most of the canaliculus, which means there is no stagnant fluid pool that could attract debris and infection.

iv. **Bioresorbalbe material**: OCUL's punctum plugs are designed to be naturally broken down, absorbed, and cleared by the body over time. This means patients do not have to make multiple trips to the doctor's office for insertion and removal. More importantly, there is no leftover, non-therapeutic material remaining in the eye as is the case with certain other sustained-release alternatives currently in development.

Patient related improvements

i. **Improved compliance**: Punctum plugs stay in the punctum from days, weeks to months to deliver the pharmaceutical consistently to the surface of the eye. Since clinicians insert the plugs, patients no longer have to self-administer drugs, thereby eliminating the risk of missed or incomplete doses especially with eye drops. Better adherence should theoretically lead to better outcomes.

ii. **Ease of administration, i.e., reduced dosing frequency**: OCUL's punctum plugs are at times designed to deliver the entire course of therapy with a single administration. This compares especially favorably to drugs that must be dosed multiple times per day over many days. Even with chronic therapies, OCUL's punctum plugs could significantly reduce the administration burden.

iii. **Insertion and removal are short-duration, in-office procedures**: The entire procedure, including prep, dilation, and insertion, takes about one minute with the actual insertion taking a few seconds. Removal of the plugs can be done in two ways, either by flushing them out or by pushing them out, and thus, it can take a few seconds or a few minutes. These are non-surgical procedures done in the doctor's office. Subtle differences could exist, such as the use of forceps or applicator for different plugs. Generally, as particles are absorbed, removal becomes easier because the punctum plug becomes less rigid.

iv. **Prescription flow not inconvenient**: Since punctum plugs are meant to be installed by a physician, patient access is likely minimized. A physician's office could have an inventory in-house, or once a patient is diagnosed, a patient brings the drug-infused plugs from the

pharmacy, and a physician installs them. OTX-DP for post-cataract inflammation and pain is likely installed as soon as a patient has undergone cataract surgery.

Regulatory and reimbursement hurdles potentially lower

i. **Reimbursement unlikely to be a hurdle**: Since other drugs and procedures have used punctum plugs, there is a reimbursement history around this technique. Physicians currently charge a fee for installing punctum plugs, which is $140 for one eye or ~$210 for two eyes based on the pricing used for punctum plugs for dry eye. Reimbursement of OTX-DP could use two codes, a J-Code for the drug, which could pay the physician or facility the standard average sales price (ASP) plus 6% and a current procedural terminology (CPT) code for the insertion procedure. Reimbursement for ReSure would be under the global code or DRG for cataract surgery.

ii. **Approval process based on NDA/ Biologic License Application (BLA) but could be simpler**: The regulatory path for all of OCUL's puncutm plug product candidates is an NDA or a Marketing Authorization Application (MAA). ReSure, since it is classified as a device, was approved via PMA. Given that the underlying molecule is well understood, OCUL can use a 505(b)(2) versus a 505(b)(1) approach toward its regulatory filings, which could cut time off of the regulatory process and potentially reduce the size and number of studies needed for approval as long as the FDA and EMA give their sign off.

ReSure Sealant for cataract surgery: First and only sealant approved in the US

Novel, first and only sealant approved for an ophthalmic indication in the US

OCUL's ReSure Sealant, its first marketed product, is a novel, first, and only sealant approved for an ophthalmic indication in the US. ReSure received FDA approval in January 2014 as a sealant for closing incisions after cataract surgery is performed. Currently, ReSure Sealant is being marketed through an independent distributor network. However, depending on product uptake and pipeline progress, OCUL could also decide to begin marketing and selling the sealant itself in the US. OcuSeal was a product available in the EU but has not initiated trials in the US to date. The procedure is simple, takes around 15 minutes to complete (i.e. the surgeon paints ReSure over the incision) and does not require a return visit from the patient as the seal dissolves by itself over time. Once the sealant is applied, it sloughs off within two to three days or liquefies, which covers the expected healing period of one to two days.

Market is attractive and value proposition is ample

There are roughly 3.7MM cataract procedures done in the US each year and ~17MM ROW[3]. Sutures are used in approximately 14–15% of the cases while the majority of incisions are left alone to allow self-healing. However, incisions when challenged uniformly show leakage. Since data from the pivotal studies demonstrated ReSure to be superior to sutures in closing the incision and overall outcomes, the nearly 500–600,000 cases where sutures are used represent the low-hanging fruit that OCUL could initially target. At ~$75 the total market opportunity is ~$280MM in the US alone. According to OCUL, roughly 18% of cataract surgery is done in the premium, self-pay market, which means these patients could be open to using and paying for ReSure Sealant in return for improved outcomes.

[3] World Health Organization; www.who.int/blindness/causes/priority/en/index1.html (accessed August 15, 2014)

Current practice is to do nothing, ReSure could alter the treatment paradigm

The standard of care after cataract surgery is to do nothing and let the incision heal itself. At times, a technique called stromal hydration is also used as well as sutures to close the incision. The current launch strategy is to maximize the exposure to ReSure to have surgeons appreciate the potential for better visual outcomes, less risk of astigmatism, and fewer complications.

Significant potential for market expansion once physicians gain comfort.

In our view, using a post-surgery sealant appears to be the safe and convenient choice for surgeons in cataract and other eye surgery procedures, especially as ReSure shows a leak rate that is significantly lower than that seen with a suture. We expect usage to grow as long as outcomes stay favorable especially with the post-approval studies. An obvious but critical consideration for eye surgeons is to keep as high a rate of success for their procedures as possible, and ReSure could help improve outcomes. Currently, surgeons also do not use sutures because it is cumbersome, has a risk of bleeding in approximately one-third of the cases, and can lead to the distortion of the cornea.

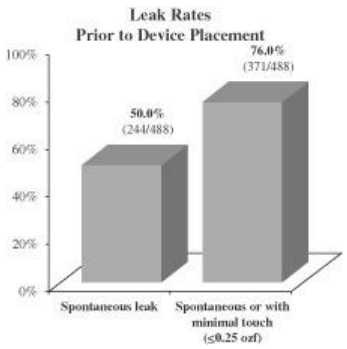
Reimbursement for ReSure: ReSure would be paid for as a device, i.e., similar to a suture, by the facility and under the global code for cataract surgery. The economic benefit of using ReSure over sutures would be measured indirectly, most likely with pharmacoeconomic studies. These could show significant time saved by using ReSure versus sutures, fewer complications, better outcomes, and no return visit for suture removal.

Pivotal study showed less leakage with ReSure vs. sutures

Primary efficacy endpoint was non-inferiority of ReSure to sutures for preventing incision leakage after cataract surgery

OCUL completed a randomized, controlled, pivotal study of ReSure Sealant in 488 patients across 24 centers in the US. The primary efficacy endpoint was non-inferiority of ReSure to sutures for preventing incision leakage after cataract surgery. The non-inferiority margin was a difference in leak rates of 5%. Incision leakage was assessed by surgeons during the operation and during follow-up visits on days one, three, seven, and 28 days after surgery. Prior to randomization, surgeons assessed whether there was any leakage based on the Seidel test, which uses force near the incision using a standard tool and technique. During this assessment close to 50% of leaks occurred spontaneously without the application of force while 76% of leaks occurred with the application of 0.25 ounces of force or less. This shows that there could be a benefit with ReSure even if surgeons take no action after surgery at the time.

Exhibit 12: Majority of incisions showed leakage after cataract surgery

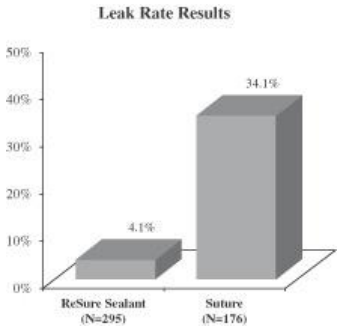


Source: Company reports

ReSure sealed incisions leaked roughly 8x less frequently than suture closed incisions

Fewer incisions receiving ReSure leaked compared to those getting sutures: Pivotal data showed that eyes that were sutured leaked more often than eyes sealed using ReSure. A leak rate of 34.1% on suture vs. 4.1% on ReSure. The difference with statistically significant with a p-value <0.0001. In short, the study demonstrated both non-inferiority and superiority compared to suture control based on the percentage of eyes with leakage in the first week after surgery.

Exhibit 13: Fewer incisions receiving ReSure leaked compared to those getting sutures



Source: Company reports

Exhibit 14: ReSure Pivotal study showed less leakage up to 7 days after surgery

ReSure Pivotal Trial Data

	ReSure	Suture	Difference in % (Suture - ReSure)
n	295	176	
Any leakage within 7 days after sugergy			
	12 (4.1%)	60 (34.1%)	30.0%
Day leakage first occurred			
Day 0	11 (91.7%)	58 (96.7%)	
Day 1	0 (0.0%)	0 (0.0%)	
Day 2	0 (0.0%)	0 (0.0%)	
Day 3	1 (8.3%)	0 (0.0%)	
Day 4	0 (0.0%)	0 (0.0%)	
Day 5	0 (0.0%)	0 (0.0%)	
Day 6	0 (0.0%)	0 (0.0%)	
Day 7	0 (0.0%)	2 (3.3%)	

Source: Company reports

Safety profile also favored ReSure over sutures: ReSure treated patients had fewer adverse events than those treated with sutures. The difference between the two arms of 1.6% for ReSure versus 30.6% for sutures was statistically significant (p <0.0001). One patient had wound healing outside the normal limit at day seven due to the presence of mild stromal edema but was within normal limits at day 28.

Post-approval studies can be used to broaden the label and expand usage.

OCUL has post-approval commitments and could also conduct further studies to broaden the label. There is potential for expanded use in settings beyond cataract surgery, including the cornea market as well as other settings. Post-approval studies and data could further broaden ReSure exposure to eye surgeons.

- **Adverse event registry in the US:** OCUL will enroll at least 598 patients treated with ReSure across 40 centers in the US. The objective is to demonstrate that ReSure can be used safely by physicians and to confirm the incidence of adverse events seen in the pivotal study.

- **Endophthalmitis registry in the US:** OCUL is expected to enroll at least 4,857 patients treated with ReSure at up to 100 centers in the US. Data will be linked to a Medicare database to ascertain if patients had to be treated for endophthalmitis within 30 days following the procedure.

OTX-DP for inflammation and pain: Only sustained release steroid in development

Phase III data expected in 1Q:15; Phase II data showed efficacy and safety and as important, the ability to dose over 2-months

OTX-DP is the only sustained-release drug in development for the treatment of inflammation and pain after cataract surgery. Phase II data showed that OTX-DP reduces inflammation, pain, and flares. If these results are replicated in the ongoing Phase III study, results from which could be available in 1Q:15, then this could be a significant improvement in convenience and compliance. There is also the potential for improved safety as high doses of intraocular steroids can cause intraocular pressure (IOP) spikes and cataract formation. The steroid dose administered in OTX-DP is only 7% of the dose that goes into eye drops. The course of treatment is one month, which is largely comparable to the course of steroid eye drops given, with the dose tapered over this period just as it is for eye drops.

There are roughly 3.7MM cataract surgeries performed in the US and more than additional 1.3M other eye surgeries for a total of 5M surgeries. IMS data show that prescriptions of corticosteroids have increased, and despite the presence of generics, even the branded segment has continued to grow. In addition, there are an additional 11M prescriptions written for NSAIDs and combination products, such as steroids and antibiotics, according to IMS data for inflammation. Though not all prescriptions may be for post-surgical inflammation and pain, they will represent a sizable market opportunity of ~500-700MM+ in the US alone at branded drug pricing. Incorporating other non-steroid prescriptions into this total could mean an ultimate market opportunity of ~$2B at branded pricing.

Exhibit 15: Branded and generic TRx growth rates for various post-cataract surgery pain and inflammation drugs

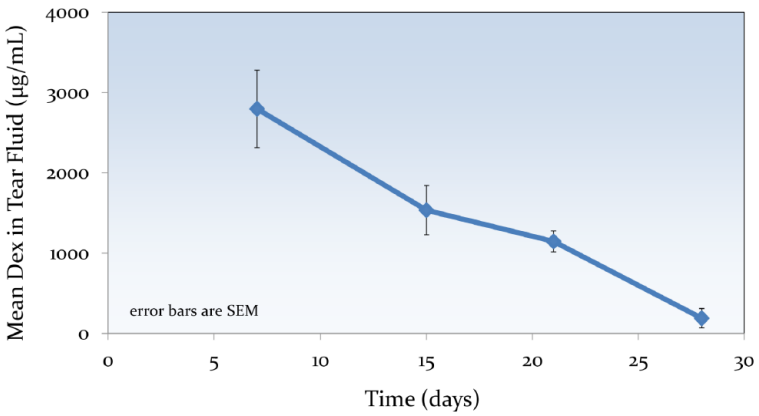
TRx	Cortico-steroids	Inflam + Anti	Anti Infect.	Other	Total	Branded Total	Generic Total
1Q:12	1,874,314	1,130,152	834,568	677,328	4,516,362	805,368	3,710,994
2Q:12	1,954,603	1,156,663	863,247	696,003	4,670,516	838,055	3,832,461
3Q:12	1,937,274	1,113,329	888,708	703,836	4,643,147	851,718	3,791,429
4Q:12	1,931,494	1,051,669	883,385	741,307	4,607,855	852,758	3,755,097
1Q:13	1,926,635	1,070,658	853,129	704,823	4,555,245	827,837	3,727,408
2Q:13	2,055,129	1,124,948	911,052	729,129	4,820,258	848,109	3,972,149
3Q:13	2,069,598	1,099,172	914,405	736,128	4,819,303	854,422	3,964,881
4Q:13	2,093,721	1,064,190	940,527	785,540	4,883,978	897,016	3,986,962
2012	7,697,685	4,451,813	3,469,908	2,818,474	18,437,880	3,347,899	15,089,981
2013	8,145,083	4,358,968	3,619,113	2,955,620	19,078,784	3,427,384	15,651,400
% Growth							
1Q:12	5.9%	8.4%	3.7%	-5.0%	4.3%	3.6%	4.5%
2Q:12	4.3%	2.3%	3.4%	2.8%	3.4%	4.1%	3.3%
3Q:12	-0.9%	-3.7%	2.9%	1.1%	-0.6%	1.6%	-1.1%
4Q:12	-0.3%	-5.5%	-0.6%	5.3%	-0.8%	0.1%	-1.0%
1Q:13	-0.3%	1.8%	-3.4%	-4.9%	-1.1%	-2.9%	-0.7%
2Q:13	6.7%	5.1%	6.8%	3.4%	5.8%	2.4%	6.6%
3Q:13	0.7%	-2.3%	0.4%	1.0%	0.0%	0.7%	-0.2%
4Q:13	1.2%	-3.2%	2.9%	6.7%	1.3%	5.0%	0.6%
2012							
2013	5.8%	-2.1%	4.3%	4.9%	3.5%	2.4%	3.7%

TRx – Total prescription
Source: IMS Health

Value is more consistent during reduced treatment burden and sustained therapy

Patients who undergo cataract surgery are given eye drops to prevent or reduce inflammation and pain. These drops can total up to 12 per day and require dosing multiple times per day. Drops include both steroids, such as prednisolone, a generic drug, and branded drugs such as Durezol (difluprednate) by Alcon/Novartis, Lotemax (Iotepredno etabonate) by Bausch & Lomb/ Valeant, or non-steroidal anti-inflammatory drugs (NSAID), such as Bromday (bromfenac) by Bausch & Lomb/ Valeant. Using a punctum plug based steroid could help avoid the kinds of dosing spikes seen with current steroid eye drops. The amount of drug OCUL needs to deliver is significantly lower than the dose patients are exposed to with eye drops on a basis. Furthermore, instead of having to administer eye drops daily, data shows that the punctum plug is able to deliver a declining dose of steroid over 30 days.

Exhibit 16: Dexamethasone PK profile in tear



Source: Basset et. El. Association for Research in Vision and Ophthalmology 2014 Annual Meeting Poster.

Exhibit 17: Current drugs can require multiple drugs over multiple days

Inflammation and pain

Product	Company	Dosing / day	Administration	Safety
Durezol	Alcon/ Novartis	4x for 2wks then 2x for 1wk	1 Eye drop	Corneal edema, ciliary and conjuntival hyperemia, eye pain, photophobia posterior capsult opacification, anterior chamber cells, anterior chamber flair, conjunctival edema, and blepharitis
Lotemax	Bausch & Lomb/ Valeant	4x for 2wks	1-2 Eye drops	Anterior chamber inflammation, eye pain, and foreign body sensation
Bromday	Bausch & Lomb/ Valeant	1x for 2wks	1 Eye drop	Abnormal sensation, conjunctival hypermia, and eye irritation

Note: Bromday is a non-steroidal anti-inflammatory drug (NSAID).
Source: Prescribing information for Durezol, Lotemax, and Bromday.

Exhibit 18: Efficacy of marketed drugs and OTX-DP for treating ophthalmic inflammation and pain

	Durezol		Vehicle		Efficacy over vehicle	
Day	8	15	8	15	8	15
Cell clearing	22%*	41%*	7%	11%	3.1	3.7
Pain free	58%*	63%*	27%	35%	2.1	1.8
	Lotemax		**Vehicle**		**Efficacy over vehicle**	
Day	8	15	8	15	8	15
Cell clearing	31%*	NA	14-16%	NA	2.1	NA
Pain free	73-76%*	NA	42-46%	NA	1.7	NA
	Bromday		**Vehicle**		**Efficacy over vehicle**	
Day	8	15	8	15	8	15
Cell clearing	NA	46-47%*	NA	25-29%	NA	1.7
Pain free	NA	83-89%*	NA	51-71%	NA	1.4
	OTX-DP		**Vehicle**		**Efficacy over vehicle**	
Day	8	14	8	14	8	14
Cell clearing	21%	35%*	10%	3%	2.1	10.5
Pain free	79%*	79%*	30%	23%	2.6	3.4

* Statistically significant
Source: Company reports and prescribing information for Durezol, Lotemax, and Bromday.

Phase III trials for post-surgical inflammation and pain initiated; Data expected in 1Q:15

Phase III endpoints are those that were met in the previously conducted Phase II study, including absence of anterior chamber cells at day 14

OCUL initiated two Phase III trials of OTX-DP for the treatment of inflammation and pain after patients undergo cataract surgery in 2014. Importantly, the primary efficacy endpoints are those that were met in the previously conducted Phase II study, including absence of anterior chamber cells at day 14.

The two ongoing Phase III trials are evaluating 240 patients each. The primary endpoint is absence of cells in the anterior chamber at day 14 and secondary endpoints also measure the absence of pain at day fourteen. Results from both Phase III studies are expected around 1Q:15. Patients would be followed up at day 30, 60 and 120 to make sure the drug worked and to ensure the plug is gone. If results are positive, we expect an NDA in 2015 and a commercial launch around early 2016. OTX-DP could be the first and only non-invasive sustained-release therapy for ocular inflammation on the market.

Exhibit 19: OTX-DP pain and inflammation Phase III trial design

OTX-DP Pain and Inflammation ongoing Phase III trials	
# of patients	480 patients (240 in each trial)
Design	Randomized 2:1, OTX-DP or placebo
Treatment arms	OTX-DP Placebo vehicle control punctum plug without active drug
Inclusion	undergoing unilateral clear corneal cataract surgery
Exclusion	intraocular inflammation or ocular pain in the study eye at screening Has glaucoma or ocular hypertension
Statistics	Statistically significant difference between treatment groups
Primary outcome	Absence of cells in the anterior chamber of the study eye at day 14 absence of pain in the study eye at day 8 following surgery
Secondary outcomes	absence of flare in the anterior chamber
Start date	1Q:14
End date	4Q:14
Locations	34 sites in the US

Source: Company reports

Phase II showed efficacy and safety good enough for a Phase III

OCUL used information on endpoints from this study to design the currently ongoing Phase III trial

The completed Phase II study demonstrated a reduction in pain at days eight and 14 and absence of anterior chamber cells at day 14. OCUL enrolled 60 patients who received OTX-DP or placebo. The primary endpoint was absence of inflammatory cells in the anterior chamber and absence of pain in the study eye at day eight. Secondary endpoints included absence of flare in the anterior chamber, and plug retention, among others. Patients were evaluated on days one, four, eight, 11, 14 and 30 days after surgery. Patients with glaucoma were excluded.

Primary efficacy endpoint for pain was met but not for inflammation

More patients treated with OTX-DP had an absence of pain at day eight versus control (79% vs. 30%; p-value <0.0001). However, patients treated with OTX-DP did not show an absence of cells in the anterior chamber versus placebo at day eight even though the trend favored OTX-DP (20.7% vs. 10%). However, at day 14, the absence of AC cells became statistically significant. Based on this outcome, OCUL's Phase III study will evaluate absence of anterior

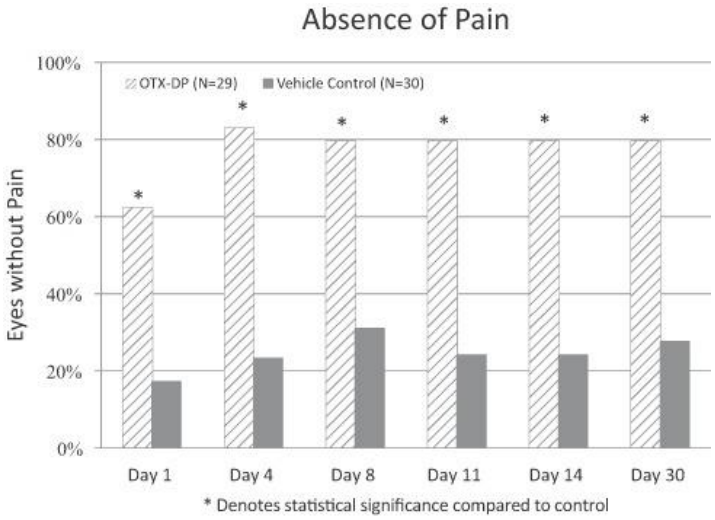
chamber cells at day 14 in the ongoing Phase III study. Patients on OTX-DP also demonstrated an absence of flare versus those treated with placebo.

Exhibit 20: OTX-DP Phase II efficacy summary at day 8 and 14

OTX-DP Phase II Study Results	OTX-DP	Placebo	p-value
n	29	30	
Results			
Absence of AC cells, Day 8	6 (20.7%)	3 (10.0%)	Not significant
Absence of AC cells, Day 14	10 (34.5%)	1 (3.3%)	0.0027
Absence of pain, Day 8	23 (79.3%)	9 (30.0%)	<0.0001
Absence of pain, Day 14	23 (79.3%)	7 (23.3%)	<0.0002

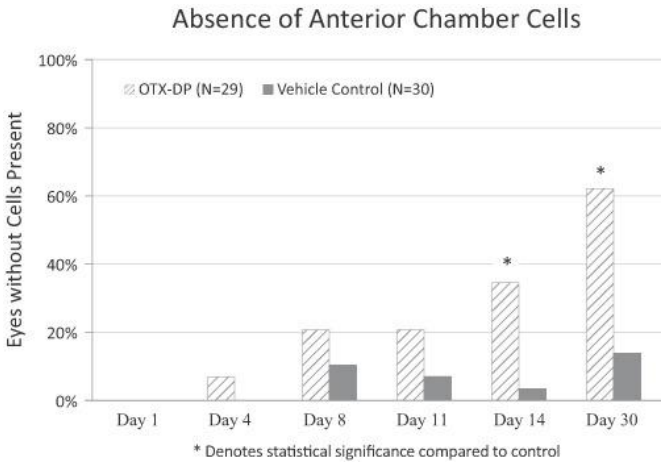
Source: Company reports

Exhibit 21: OTX-DP showed a stat sig reduction in pain at all days, including day 8



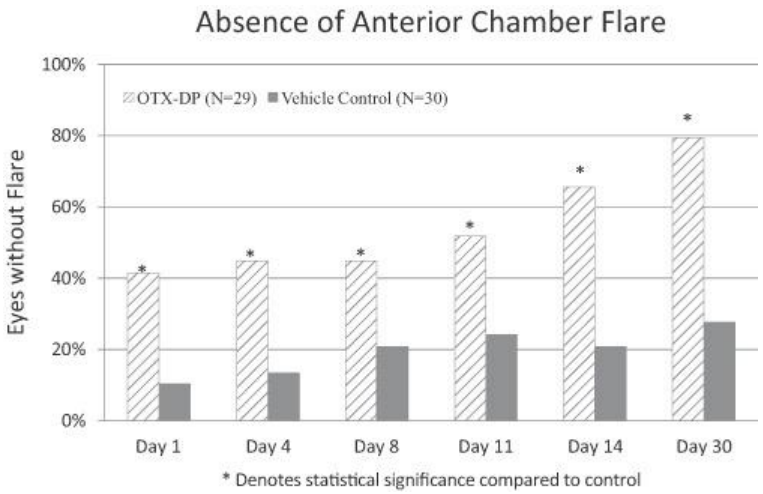
Source: Company reports

Exhibit 22: Absence of AC cells was stat sig at day 14 and 30



Source: Company reports

Exhibit 23: More patients on OTX-DP showed no flare



Source: Company reports

Reimbursement unlikely to be a hurdle, in our view

Since other drugs and procedures have used punctum plugs, there is reimbursement history around this technique. Physicians currently charge a fee for installing punctum plugs, which is $140 for one and nearly $210 for two eyes based on the pricing used for punctum plugs for dry eye, which do not include any drug in them. The OTX-DP plugs are expected to be reimbursed using two codes. First, a J-code for the drug which pays a physician or facility ASP plus 6% (ASP + 6%). Second, a CPT code for inserting the OTX-DP punctum plug.

OTX-DP for allergic conjunctivitis in Phase II; potential for a rapid path forward

Data could be used to pursue a class label for OTX-DP dosing with other studies

OTX-DP would be the only sustained-release drug developed for the treatment of allergic conjunctivitis. A Phase II trial is ongoing and data are expected in 4Q:14. Should the trial succeed, OCUL could evaluate several development pathways, including potentially rapid development and as part of a strategy to pursue a class label for its dexamethasone containing punctum plug. Although dexamethasone is clinically effective for treating inflammatory allergic reactions, the safety limitations associated with eye drop administration, including the potential to generate spikes in intraocular pressure, have limited its adoption. This leaves room for a sustained-release product that can deliver a low, consistent dose of steroid, thereby minimizing side effects and maximizing effectiveness and patient convenience. If results are positive this program could commence to Phase III in 2015.

According to OCUL, the allergy market is mostly branded despite the presence of several generic drugs and estimates 6.7MM US prescriptions in 2013. Whiles sales occur year around, there is some seasonality, with spring and fall being peak seasons. Our analysis of IMS data shows ~6.7MM US prescriptions in 2013 with only a small number accounting for by steroids. At branded pricing the US market is $500MM+ and less than 10% appears to be steroids.

Exhibit 24: Branded and generic TRx growth rates for various allergic conjunctivitis drugs

TRx	Cortico-steroids	Decong. and Antiallergics	Other	Total	Branded Total	Generic Total
1Q:12	82,303	1,461,808	34,767	1,578,878	1,219,325	359,553
2Q:12	96,437	2,030,974	35,490	2,162,901	1,611,362	551,539
3Q:12	83,679	1,488,137	36,018	1,607,834	1,229,752	378,082
4Q:12	72,929	1,264,204	35,197	1,372,330	1,047,341	324,989
1Q:13	68,569	1,262,092	34,043	1,364,704	1,019,864	344,840
2Q:13	83,566	2,173,296	36,550	2,293,412	1,634,160	659,252
3Q:13	70,070	1,548,549	36,825	1,655,444	1,198,470	456,974
4Q:13	65,066	1,305,091	37,126	1,407,283	1,020,544	386,739
2012	335,348	6,245,123	141,472	6,721,943	5,107,780	1,614,163
2013	287,271	6,289,028	144,544	6,720,843	4,873,038	1,847,805
% Growth						
1Q:12	0.0%	14.0%	2.3%	12.9%	7.6%	35.7%
2Q:12	17.2%	38.9%	2.1%	37.0%	32.2%	53.4%
3Q:12	-13.2%	-26.7%	1.5%	-25.7%	-23.7%	-31.4%
4Q:12	-12.8%	-15.0%	-2.3%	-14.6%	-14.8%	-14.0%
1Q:13	-6.0%	-0.2%	-3.3%	-0.6%	-2.6%	6.1%
2Q:13	21.9%	72.2%	7.4%	68.1%	60.2%	91.2%
3Q:13	-16.2%	-28.7%	0.8%	-27.8%	-26.7%	-30.7%
4Q:13	-7.1%	-15.7%	0.8%	-15.0%	-14.8%	-15.4%
2012						
2013	-14.3%	0.7%	2.2%	0.0%	-4.6%	14.5%

TRx – Total prescriptions
Source: IMS Health

Value again is reduced treatment burden, sustained therapy

Since most eye drops are administered from one to several times per day, a sustained-release punctum plug would be a significant advantage over daily dosing. An approval could be especially useful for the pediatric population as this population is especially difficult to dose. Typical trials for allergic conjunctivitis employ a challenge at baseline and at day 14 and assess efficacy over a short interval.

Exhibit 25: Marketed products for ophthalmic allergic conjunctivitis

Allergic conjunctivitis			
Product	Company	Dosing per day	Safety
Pataday	Alcon / Novartis	1x	Blurred vision, burning or stinging, conjunctivitis, dry eye, foreign body sensation, hyperemia, hypersensitivity, keratitis, lid edema, pain and ocular pruritus.
Alrex	Bausch & Lomb / Valeant	4x	Vision/blurring, burning on instillation, chemosis, discharge, dry eyes, epiphora, foreign body sensation, itching, injection, and photophobia

Source: Company reports

Phase II study ongoing; data expected in 4Q:14

The ongoing Phase II study in patients with allergic conjunctivitis is using the Conjunctival Allergen Challenge (CAC) model, a controlled exposure model commonly used to assess anti-allergy drugs, and enrolling approximately 60 patients. Patients will receive the OTX-DP or a placebo punctum plug. Patients will be evaluated using three allergen challenges with the two efficacy measures evaluated at days 14, 28, and 42. The primary efficacy endpoint is ocular itching as reported by the patient and conjunctival redness as reported by the

investigator. The CAC model places the allergen directly into the space between the eyelid and the surface of the eye of the patient.

Exhibit 26: OTX-DP allergic conjunctivitis Phase II trial design

OTX-DP Allergic Conjunctivitis ongoing Phase II trials	
# of patients	60 patients
Design	Randomize patients in a 1:1 ratio
Treatment arms	OTX-DP Placebo vehicle control punctum plug without active drug
Inclusion	History of ocular allergies Positive skin test reaction to a perennial and seasonal allergen
Exclusion	Active ocular infection or itching or conjunctival redness at screening
Statistics	Not disclosed
Primary outcome	Differences at least 0.5 units on the five point scale for the third challenge on day 14 for both ocular itching and conjunctival redness
Secondary outcomes	Same as primary but at day 28 and 42
Start date	1Q:14
End date	3Q:14
Locations	2 sites in the US

Source: Company reports

Regulatory path could be rapid; label could be expanded

If the ongoing Phase II trial is positive OCUL plans to conduct another controlled, randomized study, similar in design to the ongoing Phase II. Data from both these studies would be submitted to the FDA for approval. The filing would be based on the 505(b)(2) pathway. OCUL is also planning to explore approval for indications like uveitis and giant papillary conjunctivitis. The strategy it could explore is a steroid class label using Phase III trials in select indications. A class label could enable broad usage for additional inflammatory conditions for the front of the eye without the need for conducting specific studies.

Reimbursement precedence established for punctum plugs

Since other drugs and procedures have used punctum plugs, there is reimbursement precedence that OTX-DP plugs are expected to be reimbursed using a J-code for the drug which pays a physician or facility ASP plus 6% (ASP + 6%) and a CPT code, which pays physicians for inserting the OTX-DP puncutm plug.

OTX-TP for glaucoma: Competitive landscape underscores the blockbuster market opportunity

Phase II data shows efficacy and safety up to 60 days; Phase IIb is seeking 90 day activity for even greater convenience

OTX-TP is a sustained-release version of an already approved and market drug called travoprost, currently in Phase IIb studies for the treatment of glaucoma. Unlike OTX-DP, which is the only sustained-release steroid in development, the landscape in glaucoma is more competitive, with multiple companies trying to develop sustained-release products. Patients who start by taking one drop once per day frequently progress to taking multiple drops at least two times per day for the rest of their lives. A sustained-release drug would therefore be a significant improvement in convenience for patients and potentially improve compliance as well. Phase II data shows efficacy and safety, which appears comparable to timolol. Another key Phase II measure was puntum plug retention which is high up to day 60 but not yet high enough for a 90-day plug to seem viable. The reason OCUL is targeting 90 days is because it believes that interval is more in sync with patients visiting ophthalmologist

offices when a patient's old plug could be removed and replaced with a new one. For patients with glaucoma the key objective is to ensure chronic, stable therapy something a sustained release plug could reliably provid.

Glaucoma is a blockbuster potential market; Even niche penetration means high revenue

Glaucoma is the second most common cause of blindness in the US. The US market for glaucoma is large, with approximately 31MM prescriptions written every year, including 16M+ for prostaglandins (PGA) which is one of the target markets for OTX-TP. IMS data shows PGA prescriptions have been increasing as are prescriptions overall. Despite the ready availability of generics, branded drugs retain sizeable market share and dollar sales, including for Lumigan by Alcon/ Novartis and Travatan Z by Allergan. At branded drug pricing the overall US market is ~3-4B and the PGA segment alone is approximately $2B.

Exhibit 27: Profiles for select prostaglandins for the treatment of glaucoma

Glaucoma					
Product	**Company**	**Dosing per day**		**Efficacy**	**Safety**
Travatan Z	Alcon / Novartis	1x	1 drop	7-8mmHg reduction	Conjunctival hyperemia
Lumigan	Allergan	1x	1 drop	7-8mmHg reduction	Conjunctival hyperemia

Source: Ocular Product proscribing information

Exhibit 28: Branded and generic TRx growth rates for various glaucoma drugs

TRx	1st Line PGA	2nd Line Combo	2nd Line BB	2nd Line CAI	2nd Line AA	2nd Line Total	Total	Branded Total	Generic Total
1Q:12	3,736,320	1,045,408	1,177,926	628,581	921,032	3,772,947	7,509,267	2,912,865	4,596,402
2Q:12	3,859,891	1,065,108	1,190,652	640,513	937,051	3,833,324	7,693,215	2,916,126	4,777,089
3Q:12	3,948,185	1,077,145	1,190,481	642,774	942,582	3,852,982	7,801,167	2,906,002	4,895,165
4Q:12	3,976,840	1,094,804	1,196,870	644,175	954,327	3,890,176	7,867,016	2,920,587	4,946,429
1Q:13	3,851,252	1,054,911	1,152,198	639,275	924,731	3,771,115	7,622,367	2,752,568	4,869,799
2Q:13	4,001,175	1,094,123	1,167,763	655,123	945,762	3,862,771	7,863,946	2,799,628	5,064,318
3Q:13	4,084,924	1,116,856	1,167,009	659,647	945,166	3,888,678	7,973,602	2,832,893	5,140,709
4Q:13	4,167,012	1,166,462	1,165,821	672,019	962,663	3,966,965	8,133,977	2,876,231	5,257,746
2012	15,521,236	4,282,465	4,755,929	2,556,043	3,754,992	15,349,429	30,870,665	11,655,580	19,215,085
2013	16,104,363	4,432,352	4,652,791	2,626,064	3,778,322	15,489,529	31,593,892	11,261,320	20,332,572
% Growth									
1Q:12	1.0%	1.0%	5.6%	2.8%	1.4%	2.8%	1.9%	-3.8%	5.8%
2Q:12	3.3%	1.9%	1.1%	1.9%	1.7%	1.6%	2.4%	0.1%	3.9%
3Q:12	2.3%	1.1%	0.0%	0.4%	0.6%	0.5%	1.4%	-0.3%	2.5%
4Q:12	0.7%	1.6%	0.5%	0.2%	1.2%	1.0%	0.8%	0.5%	1.0%
1Q:13	-3.2%	-3.6%	-3.7%	-0.8%	-3.1%	-3.1%	-3.1%	-5.8%	-1.5%
2Q:13	3.9%	3.7%	1.4%	2.5%	2.3%	2.4%	3.2%	1.7%	4.0%
3Q:13	2.1%	2.1%	-0.1%	0.7%	-0.1%	0.7%	1.4%	1.2%	1.5%
4Q:13	2.0%	4.4%	-0.1%	1.9%	1.9%	2.0%	2.0%	1.5%	2.3%
2012									
2013	3.8%	3.5%	-2.2%	2.7%	0.6%	0.9%	2.3%	-3.4%	5.8%

TRx – Total prescriptions; PGA – Prostaglandins; BB – Beta blocker; CAI - Carbonic Anhydrase Inhibitors; AA – Alpha adrenergic agonis
Source: IMS Health

Phase IIb study initiated; positive results could lead to a Phase II in 2015

Phase IIb study will use a newly designed punctum plug with activity up to 90 days and a day release rate similar to the positive Phase IIa product

OCUL plans to conduct a Phase IIb study in nearly 80 patients with glaucoma (up to 160 eyes). Patients will be randomized to receive OTX-P and placebo versus placebo punctum plug and timolol. The OTX punctum plug is designed to deliver drug over a 90-day time period at a rate of 3.5 ug per day, the same rate as that used by OTX-TPa in the Phase IIa study which showed the best efficiency. Along with certain structural changes, the size of the plug has also been enlarged so that it can carry more drug. Prior to starting the Phase IIb study, OCUL will conduct another NSR study to evaluate the ease with which the plug can be inserted in the punctum.

Phase IIb study is powered for activity and not statistical significance

The primary efficacy endpoint will be the difference in IOP between treatment groups from baseline to day 60. This will be determined by taking an average in the change from baseline at day 60 for all three time points. The secondary endpoint will look at the difference in IOP at day 30, 60 and 90 between the two arms at each time point. Patients will be evaluated at days 4, 15, 30, 45, 60, 75 and 90 after OTX-TP is inserted as a punctum plug. Endpoints measured include change in mean IOP from baseline at 8:00 AM, and at 12:00 PM and 4:00 PM at days 30, 60 and 90. The retention rate of the punctum plug will also be evaluated on a daily basis. The trial is not powered to demonstrate a statistically significant difference.

Exhibit 29: Planned OTX-TP Phase IIb study design

Planned OTX-TP Phase IIb - Glaucoma and ocular hypertension	
# of patients	80 patients (160 eyes)
Design	Randomized 1:1, parallel arm, active controlled
Treatment arms	OTX-TP and placebo eye drops twice daily
	Placebo punctum plug and timolol eye drops twice daily
Inclusion	Ocular hypertension or open-angle glaucoma
	Baseline intraocular pressure within a specified range
	Specified minimum level of visual acuity in each eye
Exclusion	History of inadequate response to prostaglandins or beta-blockers
Statistics	Clnically meaningful. Not powered for stat. sig. for efficacy
Primary outcome	Difference in mean change in IOP from baseline at day 60
Secondary outcomes	Difference in mean change in IOP from baseline at day 30, 60, and 90
Start date	2H:14
End date	1Q/ 1H:15
Locations	15 sites in the US

Source: Company reports

Non-significant risk retention (NSR) studies. These studies are conducted on an ongoing basis to refine OCUL's punctum plugs. In the most recently completed NSR study (NSR3), retention rates of punctum plug were 100% at day 30, 85% at day 60, and 54% at day 90. OCUL is conducting another NSR study with a larger punctum plug that it plans to use in the Phase IIb OTX-TP trial.

Phase III studies will be larger and obviously designed to demonstrate statistically significant results

We believe OCUL is likely to advance OTX-TP into Phase III as long as the retention rate at 60-days is high. According to OCUL, a Phase III study would require 500 patients on the drug for almost three months, another 300 patients on the drug for up to six months, and at least 100 patients on OTX-TP for 12 months for the safety outcomes. The primary efficacy endpoint is expected to be similar to that used in the Phase IIb study, non-inferiority of daily timolol drops to a punctum plug that lasts 60-90 days.

Phase II trials showed 2-month plug could be viable

Phase II data has shown that the two-month punctum plug with travoprost had roughly similar efficacy to timolol. However, OCUL's objective is to go to three-month dosing and for that changes in plug design, the dose rate, and another Phase IIb study are needed. In addition to reducing the administration burden and potentially rates of hyperemia, OCUL also believes that rates of diurnal fluctuation and IOP spikes could be reduced. The company completed the Phase IIa study with two version of OTX-TP for glaucoma over a 60- to 90-day period.

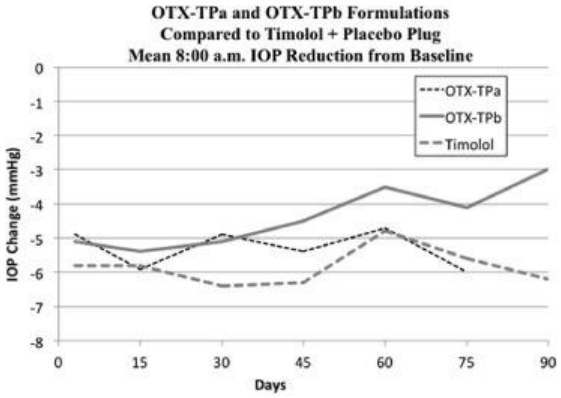
Retention, efficacy and safety were all demonstrated…but improvements could be needed. Retentions up to day 60 was high, at around 80% for OTX-TPb, the plug that was designed to last up to 90 days but fell to ~50% by day 90. OTX-TPa retention was lower. The mean reduction in IOP from baseline ranged from 3.2 mmHg to 6.4 mmHg. For the OTX-TPa group, patients who retained the plug showed a decline in mean baseline IOP from 25.8 mmHg to below 21.1 mmHg through day 75. OCUL had expected efficacy to last through day 60. For the OTX-TPb group, eyes that retained the plug showed a decrease in IOP from 26.4 mmHg to below 23.4 mmHg at all-time points. Since TPb delivered a lower daily dose of travoprost, it is not unexpected to see worse efficacy than the higher dose TPa group. OCUL plans to evaluate an improved three-month version of OTX-TP, possibly with a higher daily travoprost dose, in the planned Phase IIb study. The most common adverse event, inflammatory reaction, occurred in five patients, was transient, and resolved by study end. There were no changes in hyperemia scores from baseline through day 90.

Exhibit 30: OTX-TP lowered IOP and OTX-TPb shows good retention out to 60 days

OTX-TP Phase IIa Results	OTX-TPa*	OTX-TPb	Plug + Timolol
n	11	17	13
Results			
Baseline (mean baseline)	25.8	26.4	26.1
Mean Intraocular pressure (mmHG)	≤21.1	≤23.4	≤21.3
Reduction in mean intraocular pressure	3.2-6.0	2.0-5.4	≤21.3
Plug retention			
Day 15	91%	100%	N/A
Day 30	70%	97%	N/A
Day 45	60%	84%	N/A
Day 60	50%	77%	N/A
Day 75	40%	55%	N/A
Day 90	N/A	48%	N/A

*2 month plug exceeded two month period to 75 days
Source: Company reports

Exhibit 31: Change in mean intraocular pressure for OTX-TPa, OTX-TP, and timolol.



Source: Company reports

Phase IIa study design: This Phase IIa study was a randomized, multi-arm, active controlled, double masked study evaluating two version of OTX-TP for glaucoma: OTX-TPa and OTX-TPb. OTX-TPa was designed to release travoprost over 2 months at a rate of 3.5 ug per day and OTX-TPb was designed to release drug over 3 months at a rate of 2.8 ug per day. The primary efficacy endpoint was mean change in IOP from baseline, mean percentage change from baseline, and mean IOP on each evaluation date and at each time point. OCUL enrolled 41 patients in South Africa with 11 on OTX-TPa, 17 on OTX-TPb, and 13 on placebo and timolol eye drops. Patient IOPs were evaluated at days three, 15, 30, 45, 60, 75, and 90 with IOPs measured at 8:00 AM, 12:00 PM and 4:00 PM. Punctum plug retention was also measured. However, the trial was not powered to demonstrate efficacy and the protocol was amended to enroll more patients in the longer acting OTX-TP group. One patient was unable to get the punctum plug.

Exhibit 32: OTX-TP Phase IIa study design

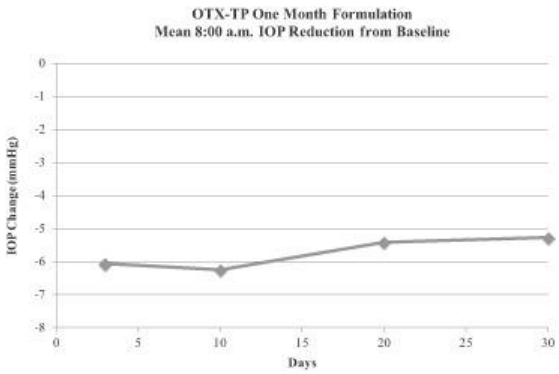
Completed OTX-TP Phase IIa - Glaucoma and ocular hypertension	
# of patients	41 patients (11 OTX-Tpa; 17 OTX-TPb; 13 plug and timolol drops)
Design	Randomized multi-arm active controlled
Treatment arms	OTX-TPa + placebo eye drops
	OTX-TPb + placebo eye drops
	Placebo punctum plug and timolol eye drops
Inclusion	Ocular hypertension or open-angle glaucoma
	Baseline intraocular pressure within a specified range
	Specified minimum level of visual acuity in each eye
Exclusion	History of inadequate response to prostaglandins or beta-blockers
Statistics	Clnically meaningful. Not powered for stat. sig. for efficacy
Primary outcome	Difference in mean change in IOP from baseline at each time point
	Mean 5 change in IOP from baseline at each time point
	mean IOP on each evaluation datae and time point
Secondary outcomes	Plug retention
End date	May 2014
Locations	4 sites in South Africa

Source: Company reports

Two pilot studies used to demonstrate proof of concept. OCUL previously conducted two pilot studies with OTX-TP in glaucoma over a 30- to 60-day period. One was called the

Singapore Pilot Study and the other the South Africa Pilot Study. The Singapore Pilot Study enrolled 17 patients (26 eyes, with a mean baseline IOP of 27.2 mmHg) demonstrated that OTX-TP achieved mean IOP at or below 22 mmHg for those eyes that retained the punctum plug. The South Africa Pilot Study enrolled 20 patients (36 eyes, with a mean baseline IOP of 28.7 mmHg) demonstrated that OTX-TP achieved mean IOP at or below 22 mmHg beginning at day 15 and at all evaluation dates for those who retained the plug. The mean reduction from baseline ranged from 5 mmHg to 7.1 mmHg. At day 30, 92% of plugs were retained, which was an improvement over the Singapore Study. At day 45, retention fell to 78% and by day 60 retention was 59%. There were two cases in which IOP remained high even though OTX-TP plugs were confirmed to be in place and these patients were prescribed a rescue medication.

Exhibit 33: OTX-TP lowered IOP from baseline up to 30 days in the South Arica study



Source: Company reports

Reimbursement precedence established for punctum plugs

Physicians currently charge a fee for installing punctum plugs ($140 for one and almost $210 for two eyes) in dry eye. The OTX-TP plugs are expected to be reimbursed using two codes. First, a J-code for the drug which pays a physician or facility ASP plus 6% (ASP + 6%). Second, a CPT code for inserting the OTX-TP punctum plug. OCUL is estimating nearly $1,500 per year for OTX-TP, which assumes $125 per plug times two for both eyes. Price could potentially be higher if OTX-TP is dosed every three months.

Earlier stage pipeline has sizeable upside potential; limited to no downside risk

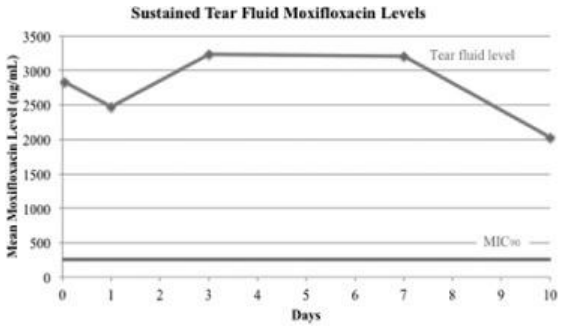
We currently do not ascribe any value to the early stage pipeline. The value proposition is the same as that outlined for OTX-DP and OTX-TP, i.e., better PK/ PD, convenience, compliance, safety, and potentially better outcomes. The key upside driver could be a project that is in feasibility studies at this time: sustained-release delivery of anti-VEGF drugs. OCUL continues to highlight the technical hurdles inherent in developing such a drug but we believe even if this project were to advance to the Phase I stage it could represent significant upside to our current expectation.

Bacterial conjunctivitis: Phase I study completed; Phase II a function of bandwidth and priority

The value proposition here is similar to that of the other punctum plug products, i.e., sustained, reliable dosing of a drug, which in this case is an antibiotic. Constant dosing, prevents the reestablishment of bacterial infection. In terms of a product design, a drug

targeting bacterial infestation would have a bust upfront followed by a stead release over time. A Phase II study if conducted likely would enroll patients with conjunctivitis. OCUL estimates that there are roughly 17M prescriptions in the US alone targeting eye infections.

Exhibit 34: OTX-MP maintained effective concentration levels of moxifloxacin



Source: Company reports

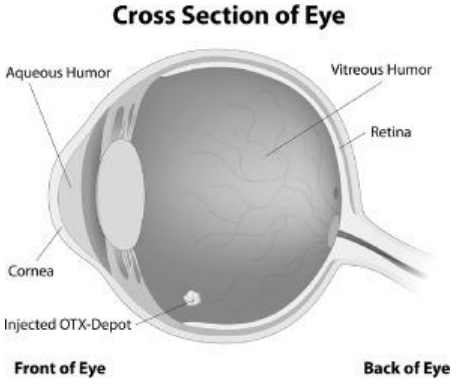
Anti-VEGF feasibility studies ongoing: Upside optionality with minimal if any downside risk

Currently, most anti-VEGF drugs including Eylea, Lucentis, and off-label Avastin are dosed with an intravitreal injection multiple times per year with the frequency of every two to three months once a patient is stabilized. The goal of OCUL's sustained delivery technology would be to decrease administration potentially to every six months, or to twice a year from 4-5 times per year. Physicians agree that outcomes are better with more frequent injections. Therefore, if OCUL's technology can deliver anti-VEGF constantly over longer periods, there is potential for improved efficacy as well along with increased convenience and safety.

If early stage proof-of-concept studies show the feasibility of OCUL's technology, the likely path forward would be with one of the major companies such as Regeneron, Roche (Genentech), Novartis, or others. However, other development paths are also open with current considerations here being IP, supply, and expenses for pivotal studies.

The focus currently is to demonstrate tolerability. Early stage data show that release of the protein is acceptable and that the protein does not degrade.

Exhibit 35: Intravitreal hydrogel depot retained in the vitreous humor



Source: Company reports

Competitor overview: Advantage could go to OCUL's platform

Though a number of compounds and companies are targeting indications similar to the ones OCUL is pursuing, including with sustained release technologies, the advantage likely could go to OCUL, especially if the platform technology's attributes seen to date hold out in clinical trials as well. Not only is OCUL able to convert pulse therapies into sustained drug releases, which work over weeks and months, it also uses a biocompatible, bioresorbable gel to encapsulate the drug candidates it is working with, which minimizes complications. Many competitors do not use material that absorbs or are implants that are delivered into the eye with an injection via placed in the pnctum. ReSure currently has no competitor in development as a surgical sealant for ophthalmic surgery, OTX-DP for post-surgical inflammation and pain and for allergic conjunctivitis also face limited competitors, OTX-TP for glaucoma faces the most potential competition with the numbers of companies and compounds targeting this approach, however, even here we believe OCUL's platform could prove advantageous.

Millions of punctum plugs for dry eye are implanted every year and fall into two broad classes: 1) Extracanalicular plugs and 2) Intracanalicular plugs.

- Extracanalicular plugs are shaped like a harpoon with a portion that extends beyond the punctual canal onto the eyelid surface. The extended portion can at times create a foreign body sensation for patients as these devices can be stretched during placement and recoil back to engage with the punctum. Physiologically, patients whose punctal openings face the cornea could also have a sensation of the plug rubbing against their cornea.

- Intracanalicular plugs reside complement below the punctum and are more comfortable as nothing projects outside the punctal canal. These plugs rely on expansion to be retained within the superior canaliculus. These include plugs like Smartplug, Snugplug, and collagen plugs, among others. However, though these plugs are more comfortable, they are largely non-absorbable and hydrophobic. As such, they can attract infection since their hydrophobic acrylic surfaces can support bacterial growth. Furthermore, these intracanalicular plugs also lie deep in the canaliculus they can be problematic to remove.

We believe OCUL's approach to punctum plugs is differentiated vs. prior attempts for a number of reasons.

Material. OCUL's punctum plugs are based on a hydrogel with the goal of making them feel as soft as the eyelid. This is different than prior silicone or plastic based approaches, which can be harder and create a foreign body sensation.

Shape. OCUL's punctum plugs fit into the punctum vs. prior approaches that were at times harpoon like and actually stuck out of the space causing a foreign body sensation on the eyelid.

Delivery. The plugs made out of plastic had the additional limitation of having drug product in the core only. This means that drug release rates are more difficult to manipulate than with OCUL's punctum plugs.

Placement. OCUL's plugs reside inside the punctum vs. others that at times stuck outside of the puncutm.

Size. OCUL has designed its punctum plugs to shrink and/ or expand in diameter. Competitor products that are made out of harder material are not able to change shape and conform to the shape of an individual punctal canal.

Visualization. Other plugs being clear were harder to visualize. This makes their presence and/ or removal more challenging. OCUL designed its plugs with a conjugated fluorescent tag to be visualized using a blue light and a filter.

Absorption. Competitor plugs/ implants can require removal, which can be a complicated process. There are instances in which they are simply left alone in the eye. OCUL's plugs, on the other hand, are both easy to remove (and install) and, more importantly, absorb naturally over time.

Sustained release landscape targeting ophthalmology: A high level overview

Several other companies are developing competing technologies for the sustained release of ophthalmic pharmaceutical agents. These include Icon with IBI-10090 for inflammation, Mati Therapeutics with PPDS for glaucoma, and Allergan with a sustained release formulation of bimatoprost for glaucoma, among others.

Icon Biosciences, Inc. is conducting a Phase III clinical trial with IBI-10090 for the treatment of inflammation associated with post cataract surgery. IBI-10090 uses Icon's proprietary technology called Verizome to deliver a biodegradable therapeutic injection of dexamethasone into the anterior chamber of the eye. Unlike current marketed products that require patients to administer up to four drops a day for two to four weeks post-cataract surgery, IBI-10090 requires just one ocular injection for the sustained release of dexamethasone. As a contrast, OCUL's OTX-DP uses dexamethasone in a punctum plug to for post-surgical ocular inflammation and pain. OTX-DP is undergoing Phase III trials.

Mati Therapeutics is developing a punctum plug with a technology known as PPDS using a punctal plug casing with the pharmaceutical agent latanoprost for glaucoma inserted into the plug. The drug then passes through a plastic like, cyanoacrylate film and is released into the eye. The plug must be removed once a course of therapy is completed. Since the plug sticks out of the canaliculus and is made out of a harder material, patients can feel an irritation sensation. OCUL's OTX-DP is composed of a biocompatible, hydrogel based formulation which is soft, fits inside the punctum, and does not cause a foreign body sensation for the patient. OCUL's punctum plug can also be reabsorbed and hence may not require removal even though both insertion and removal are fairly straightforward procedures, according to OCUL.

Allergan, Inc. recently completed a Phase II clinical trial for the sustained release bimatoprost for glaucoma. Similar to Icon Bioscience, Allergan utilizes a biodegradable polymer implant that is injected into the eye for sustained delivery. AGN plans to begin a Phase III study for bimatoprost for glaucoma by YE:14. OCUL's sustained release travoprost for glaucoma is inserted into the punctum via an in-office, non-invasive, non-surgical procedure and can be inserted or removed in the physician's office.

ForSight VISION5 is conducting Phase II clinical trial of the Helios insert, an ocular insert placed under the eyelid for sustained release to treat glaucoma. However, unlike OCUL's punctal plug, the Forsight plug is not biodegradable.

ReSure Sealant is the only approved ophthalmic sealant in the US

ReSure Sealant was recently approved by the FDA and is the first and only ophthalmic sealant approved for use in the US. There is however one commercial product approved outside the US sold by Beaver Visitec called OcuSeal. OCUL's ReSure Sealant includes a blue visualization aid to assist with ease of placement over the incision that dissipates over time.

Exhibit 36: Competitor profiles

Product	Drug	Company	Administration	Therapeutic area	Status	Notes
IBI-10090	Dexamethasone	Icon Bioscince	Injection, slow delivery	Inflammation	Phase III	Randomized; IBI-00090 vs. Placebo Study completion in 4Q:14
Bimatoprost Sustained Release	Bimatoprost	Allergan	Injection, slow delivery	Glaucoma	Phase III	Phase II complete with Phase III expected to initiate in YE:14
PPDS	Latanoprost	Mati Therapeutics	Punctal plug	Glaucoma	Phase II	Randomized; PPDS-L vs. Timolol Study completion in 4Q:14
PPDS	Olopatadine	Mati Therapeutics	Punctal plug	Allergy	Phase II	Terminated, lack of clinical results
Helios insert	Not disclosed	ForSight Vision 5	Insert under eyelid	Glaucoma	Phase II	Randomised, non-inferior; ForSight product vs. Timolol vs. Placebo

Source: Clinicaltrials.gov

Patents

OCUL has a broad patent portfolio that does not rely on any one critical patent. It's a multi-layered strategy includes a composition of matter, method of delivery, delivery via punctum plugs, administration, composite particles of bi-phasic delivery, etc.. The key patent issued on punctum plugs was issued 2013 and has in effect its whole life remaining. OCUL has pursued patents in all markets regardless of size including US, EU, Japan, Korea, China, and India, among others. For punctum plugs, the key IP is not yet issued. When issued, OCUL's punctum plug technology will have close to a 20-year patent life.

For ReSure, some patents begin expiring in three to four years, but the core technology still has 10 years left starting in 2014. Guidance is to assume roughly 20-year life for product candidates such as OTX-DP and OTX-TP.

Large market opportunity: Pulse therapies are commonplace, sustained release products could provide an edge

OTX-TP could be attractive as a first-line and second-line agent for the treatment of glaucoma with blockbuster potential

Global sales of generic and branded drugs targeting glaucoma totaled $4.5B in 2012 According to the Glaucoma Research Foundation, roughly 2.2M Americans have glaucoma. In the US, 31.6M prescriptions were written for glaucoma drugs in 2013, up 2.3% from the nearly 30.9M prescriptions written in 2012. Of these, roughly 16M prescriptions (+3.8% over

2012) are for prostaglandins, the first-line drug of choice, and the remaining 15M prescriptions (+0.9% over 2012) are for drugs largely reserved for second-line use.

We estimate OTX-TP could launch in 2018 and gain up to 20% of the total first-line market prescriptions by 2028. Assuming branded-drug prices of ~$100 per prescription, annual sales could total $2.3MM in 2018, increase to $147.6MM in 2021, the third full year on the market in the US, and rise to $306.1MM in 2023. In the EU and Japan, we forecast sales of $2.7MM in 2019, $82.6MM in 2021, and $255.2MM in 2023. Assuming a royalty of 20%, revenues to OCUL would be $0.5MM, $16.5MM, and $51.0MM, respectively. Even a small market share could result in a sizeable dollar opportunity. Our downside scenario forecasts US and ROW OTX-TP sales of $275-325MM and $300-350MM assuming peak market shares in the first-line markets of 10% and 7-8%, respectively.

Exhibit 37: OTX-TP Glaucoma US, EU, and Japan revenue build

OTX-TP Glaucoma Market - Base	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
US Market												
PGAs TRx-1st line (MM)	17.62	17.97	18.33	18.69	19.07	19.45	19.84	20.24	20.64	21.05	21.47	21.90
Patients on OTX-TP - 1st-line	0.00	0.02	0.09	0.56	1.14	1.75	2.38	3.04	3.72	3.89	4.08	4.27
% OTX-TP penetration	*0%*	*0%*	*1%*	*3%*	*6%*	*9%*	*12%*	*15%*	*18%*	*19%*	*19%*	*20%*
non-PGA TRx-2nd line (MM)	15.71	15.87	16.03	16.19	16.35	16.51	16.68	16.85	17.01	17.18	17.36	17.53
Patients on OTX-TP - 2nd-line	0.00	0.00	0.02	0.12	0.25	0.37	0.50	0.63	0.77	0.79	0.82	0.85
% OTX-TP penetration	*0%*	*0%*	*0%*	*1%*	*2%*	*2%*	*3%*	*4%*	*5%*	*5%*	*5%*	*5%*
Total OTX-TP RXs (MM)	0.00	0.02	0.11	0.68	1.39	2.12	2.88	3.67	4.48	4.69	4.90	5.13
Price per year	$106	$106	$106	$106	$106	$106	$106	$106	$106	$106	$106	$106
Total US Sales (MM)	**0.0**	**2.3**	**11.9**	**72.5**	**147.6**	**225.5**	**306.1**	**389.6**	**476.1**	**498.3**	**521.1**	**544.6**
EU Market												
PGAs TRx-1st line (MM)	28.10	28.52	28.95	29.38	29.82	30.27	30.72	31.18	31.65	32.13	32.61	33.10
Market share	0.00	0.00	0.02	0.10	0.60	1.21	1.84	2.49	3.17	3.86	4.02	4.19
% OTX-TP penetration	*0%*	*0%*	*0%*	*0%*	*2%*	*4%*	*6%*	*8%*	*10%*	*12%*	*12%*	*13%*
non-PGA TRx-2nd line (MM)	26.01	26.40	26.79	27.19	27.60	28.02	28.44	28.86	29.30	29.74	30.18	30.63
Market share	0.00	0.00	0.00	0.02	0.14	0.28	0.43	0.58	0.73	0.89	0.93	0.97
% OTX-TP penetration	*0%*	*0%*	*0%*	*0%*	*1%*	*1%*	*2%*	*2%*	*3%*	*3%*	*3%*	*3%*
Total OTX-TP RXs (MM)	0.00	0.00	0.02	0.12	0.73	1.49	2.27	3.07	3.90	4.75	4.95	5.16
Price per year	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00
Total EU Sales (MM)	**0.0**	**0.0**	**1.4**	**7.2**	**44.1**	**89.5**	**136.2**	**184.3**	**233.9**	**284.8**	**297.1**	**309.7**
Japan Market												
PGAs TRx-1st line Rx (MM)	9.46	9.60	9.75	9.89	10.04	10.19	10.34	10.50	10.66	10.82	10.98	11.14
Market share	0.00	0.00	0.01	0.04	0.24	0.49	0.74	1.01	1.28	1.56	1.62	1.69
% OTX-TP penetration	*0%*	*0%*	*0%*	*0%*	*2%*	*5%*	*7%*	*10%*	*12%*	*14%*	*15%*	*15%*
non-PGA TRx-2nd line (MM)	5.55	5.64	5.72	5.81	5.90	5.98	6.07	6.17	6.26	6.35	6.45	6.54
Market share	0.00	0.00	0.00	0.01	0.04	0.09	0.14	0.18	0.23	0.29	0.30	0.31
% OTX-TP penetration	*0%*	*0%*	*0%*	*0%*	*1%*	*2%*	*2%*	*3%*	*4%*	*5%*	*5%*	*5%*
Total OTX-TP RXs (MM)	0.00	0.00	0.01	0.05	0.29	0.58	0.88	1.19	1.51	1.84	1.92	2.00
Price per year	$135.00	$135.00	$135.00	$135.00	$135.00	$135.00	$135.00	$135.00	$135.00	$135.00	$135.00	$135.00
Total Japan Sales (MM)	**0.0**	**0.0**	**1.2**	**6.3**	**38.5**	**78.2**	**119.0**	**161.0**	**204.3**	**248.9**	**259.6**	**270.6**
Total OTX-TP Glaucoma Sales (MM)	**$0.0**	**$2.3**	**$14.5**	**$86.0**	**$230.2**	**$393.1**	**$561.3**	**$735.0**	**$914.3**	**$1,031.9**	**$1,077.8**	**$1,125.0**
US Sales												
OTX-TP Sales	0.0	2.3	11.9	72.5	147.6	225.5	306.1	389.6	476.1	498.3	521.1	544.6
ROW Sales												
OTX-TP Sales	0.0	0.0	2.7	13.6	82.6	167.6	255.2	345.4	438.2	533.7	556.7	580.4
Total Royalty Revenue	0.0	0.0	0.5	2.7	16.5	33.5	51.0	69.1	87.6	106.7	111.3	116.1
% of ROW sales	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
Total Revenue	**0.0**	**2.3**	**12.4**	**75.2**	**164.1**	**259.0**	**357.1**	**458.7**	**563.7**	**605.0**	**632.4**	**660.7**

Source: IMS Health and RBC Capital Markets estimates

OTX-DP could be an ideal sustained therapy for inflammation and pain post ocular surgery

According to an article in the Journal of Cataract & Refractive Surgery, the incidence of cataract surgery in the US is approximately 1,100 per 100,000. This incidence rate predicts that roughly 3.7MM cataract surgeries would be performed in the US. Typically, physicians will also prescribe anti-inflammatory drugs, such as corticosteroids, after performing ocular surgery. In addition to corticosteroids, physicians will prescribe anti-inflammatory drugs (NSAIDS), as inflammation may result in further complications, including scarring and even vision loss. According to IMS Health, the number of generic and branded prescriptions filled out for anti-inflammation eye drops for 2012 was approximately 18.4M. In 2013 this figure increased by 3.5% to 19.1M of which 4.4M were for anti-inflammatory and anti-infective drops.

The key for OTX-DP would be better compliance over the current standard of care—eye drops. We assume OTX-DP in cataract surgery market to ramp up and eventually capture 22% in the US and 14-17% ROW. Assuming a price of $94 per year, annual sales could be $1.5MM in 2016, $46.5MM in 2019, and $80.6MM in 2021 in the US. We forecast sales of $0.9MM ROW in 2017, $18.8MM in 2019 and $39.1MM in 2021, with prices in the EU at $50 per year and $125 per year in Japan. Assuming a royalty rate of 20%, revenues to OCUL would be $0.2MM, $2.2MM, and $7.8MM respectively.

Exhibit 38: OTX-DP post ophthalmic surgery anti-inflammation and anti-pain US, EU, and Japan revenue build

OTX-DP Inflammation Market - Base	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
US Market												
Ophthalmic Surgery	5,000,000	5,100,000	5,202,000	5,306,040	5,412,161	5,520,404	5,630,812	5,743,428	5,858,297	5,975,463	6,094,972	6,216,872
Market share	0	0	15,606	191,017	324,730	496,836	675,697	861,514	1,025,202	1,195,093	1,234,232	1,274,459
% OTX-DP penetration	*0%*	*0%*	*0%*	*4%*	*6%*	*9%*	*12%*	*15%*	*18%*	*20%*	*20%*	*21%*
Price per year	$94	$94	$94	$94	$94	$94	$94	$94	$94	$94	$94	$94
Total US Sales (MM)	**0.0**	**0.0**	**1.5**	**17.9**	**30.4**	**46.5**	**63.2**	**80.6**	**95.9**	**111.7**	**115.4**	**119.2**
EU Market												
Ophthalmic Surgery	4,000,000	4,080,000	4,161,600	4,244,832	4,329,729	4,416,323	4,504,650	4,594,743	4,686,638	4,780,370	4,875,978	4,973,497
Market share	0	0	0	8,490	103,913	176,653	270,279	367,579	468,664	557,710	650,130	671,422
% OTX-DP penetration	*0%*	*0%*	*0%*	*0%*	*2%*	*4%*	*6%*	*8%*	*10%*	*12%*	*13%*	*14%*
Price per year	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50
Total EU Sales (MM)	**0.0**	**0.0**	**0.0**	**0.4**	**5.2**	**8.8**	**13.5**	**18.4**	**23.4**	**27.9**	**32.5**	**33.6**
Japan Market												
Ophthalmic Surgery	1,500,000	1,530,000	1,560,600	1,591,812	1,623,648	1,656,121	1,689,244	1,723,029	1,757,489	1,792,639	1,828,492	1,865,061
Market share	0	0	0	3,820	46,761	79,494	121,626	165,411	210,899	250,969	292,559	302,140
% OTX-DP penetration	*0%*	*0%*	*0%*	*0%*	*3%*	*5%*	*7%*	*10%*	*12%*	*14%*	*16%*	*16%*
Price per year	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125
Total Japan Sales (MM)	**0.0**	**0.0**	**0.0**	**0.5**	**5.8**	**9.9**	**15.2**	**20.7**	**26.4**	**31.4**	**36.6**	**37.8**
Total OTX-DP Inflammation Sales (MM)	**$0.0**	**$0.0**	**$1.5**	**$18.8**	**$41.4**	**$65.2**	**$91.9**	**$119.6**	**$145.7**	**$171.0**	**$184.5**	**$190.5**
US Sales												
OTX-DP Sales	0.0	0.0	1.5	17.9	30.4	46.5	63.2	80.6	95.9	111.7	115.4	119.2
ROW Sales												
OTX-DP Sales	0.0	0.0	0.0	0.9	11.0	18.8	28.7	39.1	49.8	59.3	69.1	71.3
Total Royalty Revenue	0.0	0.0	0.0	0.2	2.2	3.8	5.7	7.8	10.0	11.9	13.8	14.3
% of ROW sales	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
Total Revenue	**0.0**	**0.0**	**1.5**	**18.0**	**32.6**	**50.2**	**68.9**	**88.4**	**105.8**	**123.6**	**129.2**	**133.4**

Source: IMS Health and RBC Capital Markets estimates

OTX-DP could be a significant improvement for patients with severe eye allergies

The IMS health prescription numbers for anti-allergy eye drops for 2013 was 6.7M. Combined, the total prescription market for OTX-DP is 11.1M. For allergic conjunctivitis, we assume OTX-DP to slowly ramp up and capture approximately 13% in the US and 9-10% ROW. Assuming the same price as the post surgery anti-inflammatory and pain market, the annual sales could be $1.9MM in 2017, $26.6MM in 2020, and $54.3MM in 2022 in the US. We forecast sale of $0.9MM ROW in 2018, $7.5MM in 2020, and $19.9MM in 2022. With a 20% royalty rate, revenues to OCUL would be $0.2MM, $1.5MM, and $4.0MM respectively.

Exhibit 39: OTX-DP allergic conjunctivitis US, EU, and Japan revenue build

OTX-DP Allergy Market - Base	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
US Market												
Allergy	6,700,000	6,767,000	6,834,670	6,903,017	6,972,047	7,041,767	7,112,185	7,183,307	7,255,140	7,327,691	7,400,968	7,474,978
Market share	0	0	0	20,709	104,581	176,044	284,487	466,915	580,411	732,769	888,116	911,947
% OTX-DP penetration	*0%*	*0%*	*0%*	*0%*	*2%*	*3%*	*4%*	*7%*	*8%*	*10%*	*12%*	*12%*
Price per year	$94	$94	$94	$94	$94	$94	$94	$94	$94	$94	$94	$94
Total US Sales (MM)	**0.0**	**0.0**	**0.0**	**1.9**	**9.8**	**16.5**	**26.6**	**43.7**	**54.3**	**68.5**	**83.0**	**85.3**
EU Market												
Allergy	4,000,000	4,040,000	4,080,400	4,121,204	4,162,416	4,204,040	4,246,081	4,288,541	4,331,427	4,374,741	4,418,489	4,462,673
Market share	0	0	0	0	8,325	42,040	70,768	114,361	187,695	233,320	294,566	357,014
% OTX-DP penetration	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*2%*	*3%*	*4%*	*5%*	*7%*	*8%*
Price per year	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50	$50
Total EU Sales (MM)	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**2.1**	**3.5**	**5.7**	**9.4**	**11.7**	**14.7**	**17.9**
Japan Market												
Allergy	1,500,000	1,515,000	1,530,150	1,545,452	1,560,906	1,576,515	1,592,280	1,608,203	1,624,285	1,640,528	1,656,933	1,673,503
Market share	0	0	0	0	3,746	18,918	31,846	51,462	84,463	104,994	132,555	160,656
% OTX-DP ure penetration	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*2%*	*3%*	*5%*	*6%*	*8%*	*10%*
Price per year	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125
Total Japan Sales (MM)	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**	**2.4**	**4.0**	**6.4**	**10.6**	**13.1**	**16.6**	**20.1**
Total OTX-DP Allergy Sales (MM)	**$0.0**	**$0.0**	**$0.0**	**$1.9**	**$10.7**	**$20.9**	**$34.1**	**$55.8**	**$74.2**	**$93.3**	**$114.3**	**$123.2**
US Sales												
OTX-DP Sales	0.0	0.0	0.0	1.9	9.8	16.5	26.6	43.7	54.3	68.5	83.0	85.3
ROW Sales												
OTX-DP Sales	0.0	0.0	0.0	0.0	0.9	4.5	7.5	12.2	19.9	24.8	31.3	37.9
Total Royalty Revenue	0.0	0.0	0.0	0.0	0.2	0.9	1.5	2.4	4.0	5.0	6.3	7.6
% of ROW sales	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
Total Revenue	**0.0**	**0.0**	**0.0**	**1.9**	**10.0**	**17.4**	**28.1**	**46.1**	**58.3**	**73.5**	**89.3**	**92.9**

Source: IMS Health and RBC Capital Markets estimates

ReSure Sealant is the first and only ophthalmic sealant approved in the US

The key for ReSure Sealant is better efficacy in reducing ocular leaks after surgeries and ease of use over sutures. We assume ReSure in cataract procedures to ramp up and eventually take 35% of the market in the US, 14% in the EU, and 22% in Japan. Assuming a $75 price, annual sales could be $1.5MM in 2014, $26.5MM in 2017, and $61.3MM in 2019 in the US. We estimate prices in the EU will be $60 and $90 in Japan with first sales in 2017. Our ROW sales estimate for 2017 is $1.5MM and $15.9MM in 2019. With a royalty rate of 20%, revenues to OCUL would be $0.3MM and $3.2MM respectively. With recent FDA approval in early 2014, adoption rates could be higher than expected if ease of use is shown to be dramatic.

Exhibit 40: ReSure Sealant US, EU, and Japan revenue build

ReSure Market - Base	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
US Market												
Cataract Procedures	3,700,000	3,774,000	3,849,480	3,926,470	4,004,999	4,085,099	4,166,801	4,250,137	4,335,140	4,421,843	4,510,279	4,600,485
ReSure share	20,350	113,220	211,721	353,382	560,700	817,020	937,530	1,062,534	1,192,163	1,326,553	1,465,841	1,610,170
% ReSure penetration	*1%*	*3%*	*6%*	*9%*	*14%*	*20%*	*23%*	*25%*	*28%*	*30%*	*33%*	*35%*
Price per procedure	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00
Total US Sales (MM)	**1.5**	**8.5**	**15.9**	**26.5**	**42.1**	**61.3**	**70.3**	**79.7**	**89.4**	**99.5**	**109.9**	**120.8**
EU Market												
Cataract Procedures	5,200,000	5,304,000	5,410,080	5,518,282	5,628,647	5,741,220	5,856,045	5,973,165	6,092,629	6,214,481	6,338,771	6,465,546
Market share	0	0	0	15,175	84,430	157,884	263,522	418,122	609,263	699,129	792,346	889,013
% ReSure penetration	*0%*	*0%*	*0%*	*0%*	*2%*	*3%*	*5%*	*7%*	*10%*	*11%*	*13%*	*14%*
Price per procedure	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00	$60.00
Total EU Sales (MM)	**0.0**	**0.0**	**0.0**	**0.9**	**5.1**	**9.5**	**15.8**	**25.1**	**36.6**	**41.9**	**47.5**	**53.3**
Japan Market												
Cataract Procedures	1,504,046	1,526,607	1,549,506	1,572,748	1,596,339	1,620,285	1,644,589	1,669,258	1,694,297	1,719,711	1,745,507	1,771,689
Market share	0	0	0	6,920	38,312	71,293	118,410	186,957	271,087	309,548	349,101	389,772
% ReSure penetration	*0%*	*0%*	*0%*	*0%*	*2%*	*4%*	*7%*	*11%*	*16%*	*18%*	*20%*	*22%*
Price per procedure	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00
Total Japan Sales (MM)	**0.0**	**0.0**	**0.0**	**0.6**	**3.4**	**6.4**	**10.7**	**16.8**	**24.4**	**27.9**	**31.4**	**35.1**
Total ReSure Sales (MM)	**$1.5**	**$8.5**	**$15.9**	**$28.0**	**$50.6**	**$77.2**	**$96.8**	**$121.6**	**$150.4**	**$169.3**	**$188.9**	**$209.2**
US Sales												
ReSure Sales	1.5	8.5	15.9	26.5	42.1	61.3	70.3	79.7	89.4	99.5	109.9	120.8
ROW Sales												
ReSure Sales	0.0	0.0	0.0	1.5	8.5	15.9	26.5	41.9	61.0	69.8	79.0	88.4
Total Royalty Revenue	0.0	0.0	0.0	0.3	1.7	3.2	5.3	8.4	12.2	14.0	15.8	17.7
% of ROW sales	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
Total Revenue	**1.5**	**8.5**	**15.9**	**26.8**	**43.8**	**64.5**	**75.6**	**88.1**	**101.6**	**113.5**	**125.7**	**138.4**

Source: IMS Health and RBC Capital Markets estimates

OCUL plans to market the drugs itself in the US

We estimates that OCUL would need 150 sales reps to target high-prescribing ophthalmologists in the US. The company intends to partner in Europe, Japan and rest of the world. The message for punctum plug technology is likely to be convenience, compliance, and more convenient dosing while the ReSure Sealant is likely to be convenience and efficacy.

Financial projections and model assumptions

Currently we assume OCUL's revenues will come from four products, ReSure sealant, OTX-DP for post surgery, OTX-DP conjunctivitis, and OTX-TP glaucoma. ReSure is currently marketed as a first-of-a-kind ocular sealant in the US while the other products are in clinical development at this time. There are additional earlier stage pipeline products that we have not included in our projections. We expect OTX-DP to be approved and be on the market for post-surgical inflammation in 2016, and for allergic conjunctivitis in 2017. OTX-TP is being developed to treat glaucoma and could be on the market in 2018. Since OCUL has a marketed product and clinical development efforts are focused around ophthalmology, we expect leverage in the model for SG&A. We forecast sustained profitability, starting as early as 2019.

OCUL could market and sell ReSure, OTX-DP, and OTX-TP several different ways as the company's has in-licensed all of the patent rights and a significant portion of the technology. Currently we assume OCUL would market them itself in the US via a proprietary sales force

and partner outside the US in return for royalties. However, other commercialization structure are also possible.

Revenues: We forecast first ReSure sales in 2014, OTX-DP post-surgical in 2016, OTX-DP conjunctivitis in 2017, and OTX-TP glaucoma in 2018. We currently expect ReSure sealant to be the primary contributor for revenue. OTX-DP will be the largest revenue generator, once approved for glaucoma. We forecast revenues of $1.5MM in 2014. However, we project $144.4MM in 2019 when OCUL achieves profitability and $524.7MM three years after OCUL becomes sustainably profitable. Our estimates could prove conservative, if the sustained release paradigm succeeds in showing improved management for eye disorders. Upside could also come from revenues related to upfront and milestone payments on partnering products outside the US.

Royalty revenues: We forecast the EU approvals and launch to lag roughly one year behind US timelines. We forecast a royalty rate of 20%, and royalties of $0.5MM in 2017, $8.4MM in 2019 when OCUL becomes profitable, and $59.7MM three years after OCUL achieves sustained profitability. Sales and royalties outside the US and EU would be upside to our current forecasts. We currently assume a partner would take over all manufacturing, marketing, selling and distribution efforts outside the US and pay OCUL a flat royalty. However, OCUL could also supply drug in return for a transfer price.

COGS and gross margin: Royalties due are included in the COGS line and overall margins would reflect this perpetual royalty. We assume a COGS of 15% which includes the royalty expense rate of 4%.

R&D expenses: We expect R&D expenses to increase from $20MM in 2014 to $31MM in 2016 and $42.5MM in 2020. Our estimates are based both on OCUL's guidance in its use of proceeds as well and how we expect clinical trials to enroll and progress.

SG&A expenses likely to ramp up starting in 2014: Commissions paid to the ReSure distribution network are included in the SG&A line. Should OCUL decide to launch OTX-DP on its own, we believe initially 40-50 sales reps could be hired, but eventually the sales force could expand to 100-150 sales reps, especially if the OTX-TP program succeeds. Since ReSure has been approved, we ramp SG&A trend starting in 2014, followed by larger increases in 2015 and 2017 in preparation for the launch of OTX-DP. We estimate SG&A is almost 20% of product sales starting 2022 and going forward.

Income tax rate: We forecast a tax rate of 35%. As of December 31, 2013, OCUL had net operating loss carryforwards $23.7MM which begin to expire in 2026.

Net income: OCUL could be profitable in 2019 depending on how quickly product sales ramp and how they plan to further invest in their pipeline assets. We forecast an EPS of $0.14 in 2019, which increases to $3.37 in 2021 and $4.84 in 2022.

Shares outstanding: OCUL has approximately 20.6MM shares outstanding after the recently closed initial public offering. Additionally, nearly 1.6MM options warrants are outstanding for a diluted share count of close to 22.1MM shares. We currently assume a secondary offering around mid-2016, after the company receives FDA approval for OCUL OTX-DP in post-surgical inflammation. In addition to its US sales ramp, depending on whether or not OCUL partners outside the US, the terms of that partnership could determine how much, if any, capital OCUL needs before achieving sustained profitability.

Debt: OCUL has debt outstanding of approximately $15M. No principal payments are due until March 2015. The debt could be repaid over a three-year period at an interest rate of 8.25%.

Cash includes ~$60.45M from the IPO in July 2014: OCUL reported cash of nearly $13MM at the end of 1Q:14 and received an additional $13MM in net proceeds from a debt financing in April 2014. The net proceeds from the IPO were almost $60.5MM and therefore, pro forma cash is approximately $80-90MM which is sufficient to see OCUL into 2016. The balance is sufficient to see OCUL through Phase III trials, NDA filing, and commercial launch of OTX-DP for post-surgical pain and inflammation. There could be sufficient capital to finish Phase IIb OTX-TP glaucoma and OTX-DP allergic conjunctivitis studies and to start the OTX-TP Phase III program. The pro forma cash is sufficient to last OCUL into 2016.

Valuation: Base, upside, and downside case

We arrive at our $21 per share price target using a sum-of-the parts analysis for OCUL shares. The primary components of our valuation include OCUL's ReSure sealant, OTX-DP for inflammation, OTX-DP for allergy, and OTX-TP for glaucoma product sales in the US and royalty revenues from sales in ROW. Our base, upside and downside scenarios use a discount rate of 15% to reflect potential clinical and commercial risk and assign a probability of success of the clinical and commercial roll out of ReSure, OTX-DP for inflammation, OTX-DP for allergic conjunctivitis, and OTX-TP for glaucoma.

Although not our primary method of valuation, we provide a company level DCF analysis that supports a value of nearly $20 per share and a P/E multiple based methodology that supports a valuation of almost $24 per share.

While we believe clinical and regulatory risks are low, commercial risk is higher as the punctum plug technology is new and the availability of generic drugs could create reimbursement challenges and/ or payer established hurdles.

Upside would come from positive Phase III data for OTX-DP for inflammation, positive Phase II data for OTX-TP for glaucoma and positive Phase II data for OTX-DP for allergic conjunctivitis. All three could cause us to increase the probabilities of success assumed, and possibly make adjustments to market share assumptions, especially if OTX-TP for glaucoma studies are positive with a 3-month sustained release profile. A partnership with a pharmaceutical or biotechnology company for the development of the pre-clinical anti-VEGF hydrogel depot and after punctum plug technology based products could also lead us to include milestones for clinical, regulatory and commercial success as well as to lower the discount rate as OCUL could benefit from the capabilities of a potentially larger partner with greater resources.

Base case: $21 per share

We value OCUL at $21 per share, which includes US sales and royalties on ROW sales of ReSure, OTX-DP inflammation, OTX-DP allergy, and OTX-TP glaucoma. We assign a probability of success of 85% to ReSure, 75% to OTX-DP inflammation, 60% to OTX-DP allergy, and 60% to OTX-TP glaucoma. The probability-adjusted value for ReSure is close to $5 per share, OTX-DP inflammation is almost $2 per share, OTX-DP allergy is nearly $2 per share, and OTX-TP glaucoma is close to $12 per share. ReSure sealant was recently launched in the US. We assume an EU and Japan launch of the ReSure sealant in 2017. We assume a US and EU launch of OTX-DP inflammation in 2016 and 2017, OTX-DP allergy in 2017 and 2018, and OTX-TP glaucoma in 2018 and 2019. The Japanese launch is expected in the same year as the EU launch. Currently, we assume that OCUL will sell its products in the US and a

partner will market these compounds outside the US. We forecast peak ReSure sales of $115-125MM in the US and $80-90MM ex-US, OTX-DP inflammation sales of $135-145MM in the US and $80-90MM ex-US, OTX-DP allergy sales of $90-100MM in the US and $40-50MM ex-US, and OTX-TP glaucoma sales of $575-625MM in the US and $600-650M ex-US. We currently assign no additional value to the earlier stage pipeline. Finally, we assume product sales extend through 2030 and include a terminal value based on a terminal growth rate of -50% and a discount rate of 15%. Value per share based on the estimated fully diluted share count in 2015.

Upside case: $29 per share

Our upside scenario assumes the same commercial launch as the base case but with increase sales from a higher market penetration. Valuation includes nearly $6 per share for the ReSure sealant, almost $5 per share for the OTX-DP inflammation, approximately $3 per share for OTX-DP allergy, and close to $15 per share for OTX-TP glaucoma. We forecast peak ReSure sales of $170-190MM in the US and $125-135MM ex-US, OTX-DP inflammation sales of $200-220MM in the US and $120-130MM ex-US, OTX-DP allergy sales of $140-150MM in the US and $60-70MM ex-US, and OTX-TP glaucoma sales of $850-950MM in the US and $925-975MM ex-US. We assign a probability of success of 75% to ReSure, 65% to OTX-DP inflammation, 50% to OTX-DP allergy, and 45% to OTX-TP glaucoma. Value per share based on the estimated fully diluted share count in 2015.

Downside case: $5 per share

Our downside scenario at $5 per share includes $2 for ReSure sealant, -$2 for OTX-DP inflammation, ~$0 for OTX-DP allergy, and ~$5 for OTX-TP glaucoma. We forecast peak ReSure sales of $55-65MM in the US and $40-50MM ex-US, OTX-DP inflammation sales of $60-80MM in the US and $40-50MM ex-US, OTX-DP allergy sales of $40-50MM in the US and $20-30MM ex-US, and OTX-TP glaucoma sales of $275-325MM in the US and $300-350MM ex-US. Our probability of success assumptions are 85% for ReSure, 80% for OTX-DP inflammation, 70% for OTX-DP allergy, and 70% for OTX-TP glaucoma. The value of the OTX-DP inflammation is negative and OTX-DP allergic conjunctivitis nearly zero because these products are launched first and it is assumed that their sales ramps are not high enough to support the R&D and SG&A infrastructure profitably. However, the inclusion of ReSure and OTX-TP drives the overall franchise to profitability. Value per share based on the estimated fully diluted share count in 2015.

Exhibit 41: OCUL sum of the parts scenario analysis and valuation summary

Sum of the Parts ($ in MM; except per share)	ReSure	OTX-DP Inflam.	OTX-DP Allergy	OTX-TP Glaucom	Total
Base Case	**$5**	**$2**	**$2**	**$12**	**$21**
Probability of Success	85%	75%	60%	60%	
Peak US Sales	$121	$140	$97	$594	
Peak ex-US Sales	$88	$84	$43	$629	
Upside Case	**$6**	**$5**	**$3**	**$15**	**$29**
Probability of Success	75%	65%	50%	45%	
Peak US Sales	$181	$209	$145	$891	
Peak ex-US Sales	$133	$125	$65	$944	
Downside Case	**$2**	**($2)**	**$0**	**$5**	**$5**
Probability of Success	85%	80%	70%	70%	
Peak US Sales	$60	$70	$48	$297	
Peak ex-US Sales	$44	$42	$22	$315	
			P/ E	**Periods**	
P/E Based			15	5	$24
			NPV	**Net Cash**	
Company DCF			$426	$37	$20

Source: RBC Capital Markets estimates

OCUL discounted cash flow analysis

A company level DCF analysis is not our primary method of valuation but supports the sum of parts valuation of nearly $20 per share with the following assumptions: a discount rate of 15%, -50% terminal growth rate, a 35% tax rate, and net cash per share of $1.62. Our revenues include sales of ReSure sealant, OTX-DP inflammation, OTX-DP allergy, and OTX-TP glaucoma in the US and royalties on product sales outside the US. We also assume a growth rate of 10% per year beyond 2024 and an operating margin of 35%.

Exhibit 42: OCUL discounted cash flow analysis

Dicounted Cash Flow Analysis	
Discount Period	2015
Terminal Growth	-50.0%
Discount Rate	15.0%
Tax Rate	35.0%
NPV Sum	426.5
2015 Cash	37.4
Net cash / share	$1.62
2015 Shares outstanding	23.1
Price / Share	$20

Estimated shares outstanding for 2015
Source: RBC Capital Markets estimates

OCUL P/E multiple based valuation

Although not the primary method of valuation, the P/E based valuation used a P/E multiple of 15x our 2021 fully taxed GAAP EPS estimate of $3.37 and a discount rate of 15% for four years to arrive at a value of $24/share. This P/E multiple could be conservative given that the median P/E for a group of large and profitable biotechnology companies is 22x and 26x, respectively.

Exhibit 43: OCUL P/E multiple based valuation analysis

		PE Multiple						
	$24.3	9.0	11.0	13.0	15.0	17.0	19.0	21.0
	7.5%	$20.78	$25.39	$30.01	$34.63	$39.24	$43.86	$48.48
	10.0%	$18.41	$22.51	$26.60	$30.69	$34.78	$38.87	$42.97
Discount	12.5%	$16.36	$20.00	$23.64	$27.27	$30.91	$34.55	$38.18
Rate	15.0%	$14.58	$17.82	$21.06	$24.30	$27.54	$30.78	$34.02
	17.5%	$13.02	$15.92	$18.81	$21.71	$24.60	$27.50	$30.39
	20.0%	$11.66	$14.25	$16.84	$19.44	$22.03	$24.62	$27.21
	22.5%	$10.47	$12.79	$15.12	$17.44	$19.77	$22.09	$24.42

Source: RBC Capital Markets estimates

Price target impediments

Our price target is dependent on the clinical, regulatory and commercial success of the ReSure sealant, OTX-DP inflammation, OTX-DP allergy, and OTX-TP glaucoma. A Phase IIIb study for OTX-DP inflammation has been initiated and data is expected in 1Q:15. The phase II clinical trial for OTX-DP allergic conjunctivitis has been initiated and data is expected to report in 4Q:14 The phase IIa clinical trial for OTX-TP has been completed and a Phase IIb clinical trial in OTX-TP is expected in 2H:14. Failure to demonstrate efficacy or safety in any of these studies would be a significant setback. Furthermore, any setbacks in regulatory approvals in the US or EU, delay in launch, failure to secure a partnership outside the US, increased competition or other limitations to the market potential of these products either due to better efficacy and/or safety outcomes or pricing pressure due to the availability of generic drugs for glaucoma, could negatively affect our valuation.

Seasoned management team is a veteran of the ophthalmic space

OCUL's CEO, COO, founder, and management team have experience in developing and commercializing medical products for other companies using bioresorbable hydrogel technology, including FDA approved and currently marketed medical products. These products include, DuraSeal Dural Sealant a sealant for cranial and spine surgery and Mynx a femoral artery punctures sealant. This experience could prove important for the development of OTX-DP, OTX-TP, OTX-MP and the intarvitreal hydrogel depot.

Amarpreet Sawhney, Ph.D., President and CEO: Dr. Sawhney has served as President and CEO and as a board of directors member since 2006 and Chairman of the board of directors since June 2014. Prior experience: CEO of Augmenix, Inc.; General partner of Incept, LLC; President and CEO of Confluent Surgical, Inc.; Member of the board of directors of AccessClosure, Inc.; and Technical founder of Focal, Inc.

Bradford Smith, CFO: Mr. Smith has served as CFO since March 2014. Prior experience: CFO of OmniGuide, Inc.; CFO of NeuroMetrix, Inc.; CFO of Synarc, Inc.; CFO PatientKeeper, Inc.; CFO of Focal, Inc.; and CFO of CytoTherapeutics, Inc.

James Fortune, COO: Mr. Fortune has served as COO since 2008. Prior experience: COO of Augmenix, Inc.; COO of AccessClosure, Inc.; COO of Intrinsic Therapeutics, Inc.; COO of Confluent Surgical, Inc.; Senior management roles with Johnson & Johnson.

($ in millions, except per share) Fiscal Year Ends December	2012A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenue																
ReSure	-	-	-	0.1	0.5	1.0	1.5	8.5	15.9	26.5	42.1	61.3	70.3	79.7	89.4	99.5
OTX-DP Inflammation	-	-	-	-	-	-	-	-	1.5	17.9	30.4	46.5	63.2	80.6	95.9	111.7
OTX-DP allergy	-	-	-	-	-	-	-	-	-	1.9	9.8	16.5	26.6	43.7	54.3	68.5
OTX-TP glaucoma	-	-	-	-	-	-	-	-	-	-	2.3	11.9	72.5	147.6	225.5	306.1
ROW Royalties	-	-	-	-	-	-	-	-	-	0.5	4.1	8.4	15.3	35.1	59.7	81.8
Total Revenue	**0.0**	**-**	**0.0**	**0.1**	**0.5**	**1.0**	**1.6**	**8.5**	**17.3**	**46.8**	**88.6**	**144.4**	**247.8**	**386.7**	**524.7**	**667.7**
Operating expenses																
Royalty expense	-	-	-	0.0	0.0	0.0	0.1	0.3	0.7	1.9	3.4	5.4	9.3	14.1	18.6	23.4
COGS	0.0	-	0.0	0.0	0.1	0.1	0.2	1.3	2.6	6.9	12.7	20.4	34.9	52.7	69.8	87.9
R&D	11.5	10.5	5.0	4.8	5.0	5.2	20.0	24.8	31.0	35.0	37.5	40.0	42.5	45.0	47.5	50.0
SG&A	2.1	2.4	1.9	2.0	2.0	2.1	8.0	14.4	38.0	52.5	65.0	70.0	75.0	80.0	104.9	133.5
Total operating expenses	**13.7**	**12.9**	**6.9**	**6.8**	**7.1**	**7.5**	**28.3**	**40.8**	**72.3**	**96.3**	**118.6**	**135.9**	**161.7**	**191.8**	**240.8**	**294.8**
Operating Income (Loss)	**(13.7)**	**(12.9)**	**(6.8)**	**(6.7)**	**(6.6)**	**(6.6)**	**(26.7)**	**(32.3)**	**(55.0)**	**(49.5)**	**(29.9)**	**8.6**	**86.1**	**194.9**	**283.9**	**372.8**
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Interest expense	(0.4)	(0.4)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other income (expense)	(0.0)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Total other income	**(0.4)**	**(0.4)**	**(0.2)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.6)**	**(0.6)**	**(0.5)**	**(0.8)**	**(0.8)**	**(0.8)**	**(0.8)**	**(0.7)**	**(0.7)**	**(0.7)**
Pretax Income	**(14.1)**	**(13.3)**	**(7.0)**	**(6.9)**	**(6.8)**	**(6.7)**	**(27.4)**	**(32.8)**	**(55.5)**	**(50.3)**	**(30.7)**	**7.8**	**85.4**	**194.1**	**283.2**	**372.1**
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	2.7	29.9	67.9	99.1	130.2
Net income (loss)	**(14.1)**	**(13.3)**	**(7.0)**	**(6.9)**	**(6.8)**	**(6.7)**	**(27.4)**	**(32.8)**	**(55.5)**	**(50.3)**	**(30.7)**	**5.1**	**55.5**	**126.2**	**184.1**	**241.9**
EPS - Basic (GAAP)	**($5.59)**	**($5.10)**	**($2.45)**	**($2.20)**	**($0.33)**	**($0.32)**	**($2.31)**	**($1.54)**	**($2.08)**	**($1.53)**	**($0.92)**	**$0.15**	**$1.63**	**$3.68**	**$5.31**	**$6.91**
EPS - Diluted (GAAP)	**($5.59)**	**($5.10)**	**($2.45)**	**($2.20)**	**($0.33)**	**($0.32)**	**($2.31)**	**($1.54)**	**($2.08)**	**($1.53)**	**($0.92)**	**$0.14**	**$1.51**	**$3.37**	**$4.84**	**$6.25**
Shares (basic)	2.5	2.6	**2.9**	3.1	20.6	20.8	11.8	21.3	26.7	33.0	33.3	33.6	34.0	34.3	34.7	35.0
Shares (diluted)	13.5	14.6	**15.3**	15.6	22.1	22.4	13.4	23.1	28.7	35.1	35.6	36.2	36.8	37.4	38.0	38.7
Operations Ratios	2012A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Margin Analysis																
COGS		-	-	15%	15%	15%	16%	15%	15%	15%	15%	15%	15%	15%	15%	15%
R&D		-	-	6000%	1087%	532%	1288%	291%	179%	75%	42%	28%	17%	12%	9%	7%
SG&A		-	6981%	2500%	435%	214%	515%	170%	219%	112%	73%	48%	30%	21%	20%	20%
Operating Margin		-	NM	NM	NM	NM	NM	NM	NM	NM	NM	6%	35%	50%	54%	56%
Income Tax rate		-	NM	NM	NM	NM	NM	NM	NM	NM	NM	35%	35%	35%	35%	35%
Net Margin		-	NM	NM	NM	NM	NM	NM	NM	NM	NM	4%	22%	33%	35%	36%
Balance Sheet	2012A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Assets:																
Total current assets	24.3	18.0	13.8	20.4	74.5	68.4	68.4	39.4	78.2	132.8	105.6	113.7	173.0	303.4	493.4	741.8
Net Property, Plant & Equip	0.8	0.9	1.0	1.3	1.5	1.6	1.6	2.1	3.0	4.0	4.9	5.9	6.8	7.8	8.7	9.7
Total	**25.3**	**19.1**	**15.1**	**21.9**	**76.2**	**70.2**	**70.2**	**41.7**	**81.5**	**137.1**	**110.8**	**119.8**	**180.1**	**311.5**	**502.4**	**751.7**
Current liabilities:																
Total current liabilities	3.5	3.3	2.1	2.2	2.3	2.5	2.5	4.8	10.3	18.5	20.9	22.9	25.7	28.8	33.7	39.1
Total liabilities	6.1	4.3	4.3	4.4	4.6	4.8	4.8	7.1	12.6	20.8	23.2	25.2	28.0	31.1	36.0	41.3
Total stockholders' deficit	19.2	14.9	10.8	17.5	71.6	65.4	65.4	34.6	68.9	116.3	87.6	94.7	152.2	280.4	466.5	710.4
Total	**25.3**	**19.1**	**15.1**	**21.9**	**76.2**	**70.2**	**70.2**	**41.7**	**81.5**	**137.1**	**110.8**	**119.9**	**180.1**	**311.5**	**502.5**	**751.7**
Cash Flow Statement	2012A	2013A	1Q:14A	2Q:14E	3Q:14E	4Q:14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net cash used in operating act.	(12.6)	(12.6)	(4.0)	(6.2)	(6.0)	(5.9)	(22.1)	(29.0)	(48.9)	(44.9)	(32.0)	1.3	45.5	111.4	171.1	228.7
Net cash used in investing activities	3.8	(0.4)	(0.3)	(0.3)	(0.4)	(0.2)	(1.2)	(0.9)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Proceeds from common stock	-	-	-	-	60.5	-	60.5	-	87.8	96.6	-	-	-	-	-	-
Net cash provided by financing activities	27.3	6.7	(0.4)	13.1	60.5	-	73.1	-	87.8	96.6	-	-	-	-	-	-
Net increase (decrease) in cash	**18.5**	**(6.3)**	**(4.8)**	**6.6**	**54.1**	**(6.1)**	**49.8**	**(29.9)**	**37.5**	**50.3**	**(33.4)**	**(0.1)**	**44.2**	**110.0**	**169.8**	**227.3**
Cash , beginning of period	**5.3**	**23.9**	**17.5**	**12.8**	**19.3**	**73.4**	**17.5**	**67.3**	**37.4**	**74.9**	**125.2**	**91.8**	**91.7**	**135.9**	**245.9**	**415.7**
Cash, end of period	**23.9**	**17.5**	**12.8**	**19.3**	**73.4**	**67.3**	**67.3**	**37.4**	**74.9**	**125.2**	**91.8**	**91.7**	**135.9**	**245.9**	**415.7**	**643.0**

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			Investment Banking Serv./Past 12 Mos.	
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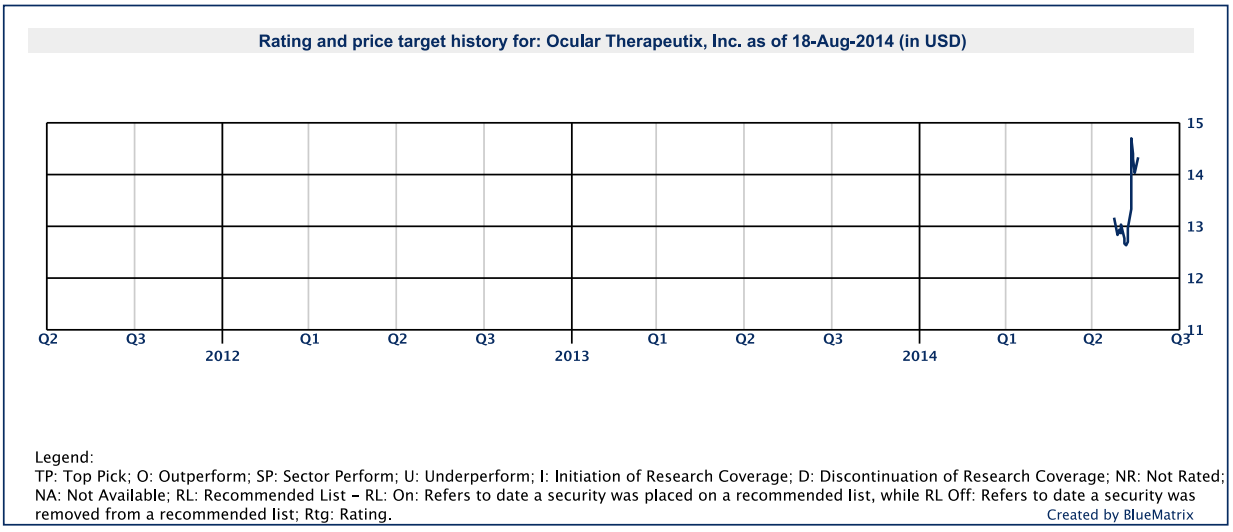

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