

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission File No. 001-36672

EYEGATE PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

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

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

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

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

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

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

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

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	EYEG	The Nasdaq Capital Market

At May 6, 2019, there were 45,575,737 shares of the registrant's common stock outstanding.

EYEGATE PHARMACEUTICALS, INC.
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QUARTERLY REPORT ON FORM 10-Q
For the Period Ended March 31, 2019

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that are not statements of historical fact and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The forward-looking statements are principally, but not exclusively, contained in “Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about management’s confidence or expectations, and our plans, objectives, expectations and intentions that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “goals,” “sees,” “estimates,” “projects,” “predicts,” “intends,” “think,” “potential,” “objectives,” “optimistic,” “strategy,” and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in detail under the heading “Item 1A. Risk Factors” beginning on page 22 of our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, or the SEC, on March 1, 2019, or the Annual Report. You should carefully review all of these factors, as well as other risks described in our public filings, and you should be aware that there may be other factors, including factors of which we are not currently aware, that could cause these differences. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. We may not update these forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information.

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2019 (unaudited)	December 31, 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,855,966	\$ 8,004,237
Prepaid Expenses and Other Current Assets	698,840	455,760
Right-of-Use Assets	97,354	-
Current Portion of Refundable Tax Credit Receivable	6,665	18,436
Total Current Assets	6,658,825	8,478,433
Property and Equipment, Net	36,850	43,518
Restricted Cash	45,000	45,000
Goodwill	1,525,896	1,525,896
Intangible Assets and In-Process R&D, Net	4,149,814	4,156,064
Other Assets	23,011	31,706
Total Assets	\$ 12,439,396	\$ 14,280,617
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 244,188	\$ 63,654
Accrued Expenses	578,037	1,114,728
Lease Liabilities	97,719	-
Deferred Revenue	-	2,686,000
Total Current Liabilities	919,944	3,864,382
Non-Current Liabilities:		
Contingent Consideration	1,210,000	1,210,000
Deferred Tax Liability	269,968	269,968
Total Non-Current Liabilities	1,479,968	1,479,968
Total Liabilities	2,399,912	5,344,350
Commitments and Contingencies (Note 10)		
Stockholders' Equity:		
Preferred Stock, \$0.01 Par Value: 9,994,184 shares authorized; 3,750 designated Series A, 0 shares issued and outstanding at March 31, 2019 and December 31, 2018; 10,000 designated Series B, 0 shares issued and outstanding at March 31, 2019 and December 31, 2018; 10,000 shares designated Series C, 4,092 shares issued and outstanding at March 31, 2019 and December 31, 2018	41	41
Common Stock, \$0.01 Par Value: 120,000,000 shares authorized; 45,575,737 and 45,578,878 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	455,758	437,939
Additional Paid-In Capital	101,729,241	101,514,154
Accumulated Deficit	(92,279,389)	(93,150,198)
Accumulated Other Comprehensive Income	133,833	134,331
Total Stockholders' Equity	10,039,484	8,936,267
Total Liabilities and Stockholders' Equity	\$ 12,439,396	\$ 14,280,617

See Accompanying Notes to the Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	March 31, 2019	March 31, 2018
Collaboration Revenue	\$ 2,686,000	\$ 1,096,008
Operating Expenses:		
Research and Development	721,477	2,521,009
General and Administrative	1,135,883	954,048
Total Operating Expenses	<u>1,857,360</u>	<u>3,475,057</u>
Operating Income (Loss) Before Other Expense	<u>828,640</u>	<u>(2,379,049)</u>
Other Income (Expense), Net:		
Interest Income	42,277	26
Interest Expense	<u>(108)</u>	<u>(304)</u>
Total Other Income (Expense), Net	<u>42,169</u>	<u>(278)</u>
Net Income (Loss)	<u>\$ 870,809</u>	<u>\$ (2,379,327)</u>
Net Income (Loss) Per Common Share - Basic	<u>\$ 0.02</u>	<u>\$ (0.14)</u>
Net Income (Loss) Per Common Share - Diluted	<u>\$ 0.01</u>	<u>\$ (0.14)</u>
Weighted-Average Shares Outstanding - Basic	43,762,539	17,257,255
Weighted-Average Shares Outstanding - Diluted	67,435,960	17,257,255
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	<u>(498)</u>	<u>1,234</u>
Comprehensive Income (Loss)	<u>\$ 870,311</u>	<u>\$ (2,378,093)</u>

See Accompanying Notes to the Condensed Consolidated Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
(unaudited)

	Series C Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2018	4,092	\$ 41	45,578,878	\$ 437,939	\$ 101,514,154	\$ 134,331	\$ (93,150,198)	\$ 8,936,267
Stock-Based Compensation					232,906			232,906
Cancellation and Correction of Restricted Stock Par Value			(3,141)	17,819	(17,819)			-
Foreign Currency Translation Adjustment						(498)		(498)
Net Income							870,809	870,809
Balance at March 31, 2019	4,092	\$ 41	45,575,737	\$ 455,758	\$ 101,729,241	\$ 133,833	\$ (92,279,389)	\$ 10,039,484

	Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at December 31, 2017, as filed	600	\$ 6	17,257,255	\$ 172,573	\$ 89,589,681	\$ 127,473	\$ (91,816,655)	\$ (1,926,922)
Cumulative effect of change in accounting principle (note 2)							9,477,880	9,477,880
Balance at January 1, 2018	600	\$ 6	17,257,255	\$ 172,573	\$ 89,589,681	\$ 127,473	\$ (82,338,775)	\$ 7,550,958
Stock-Based Compensation					145,547			145,547
Stock Issuance Costs					(40,394)			(40,394)
Foreign Currency Translation Adjustment						1,234		1,234
Net Loss							(2,379,327)	(2,379,327)
Balance at March 31, 2018	600	\$ 6	17,257,255	\$ 172,573	\$ 89,694,834	\$ 128,707	\$ (84,718,102)	\$ 5,278,018

See Accompanying Notes to the Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	2018
Operating Activities:		
Net Income (Loss)	\$ 870,809	\$ (2,379,327)
Adjustments to Reconcile Net Income (Loss) to Net Cash Used in Operating Activities:		
Depreciation and Amortization of Intangibles Assets	12,918	7,966
Amortization of Lease Assets	39,321	-
Stock-Based Compensation	232,906	145,547
Changes in Operating Assets and Liabilities:		
Prepaid Expenses and Other Current Assets	(243,081)	(102,058)
Refundable Tax Credit Receivable	11,406	(1,524)
Other Assets	8,695	-
Accounts Payable	180,534	(484,209)
Lease Liabilities	(38,956)	-
Deferred Revenue	(2,686,000)	(92,000)
Unbilled Revenue	-	(806,208)
Accrued Expenses	(535,119)	(402,910)
Net Cash Used in Operating Activities	(2,146,567)	(4,114,723)
Financing Activities:		
Stock Issuance Costs	-	(40,394)
Equipment Financing Payments	(1,572)	(3,161)
Net Cash Used in Financing Activities	(1,572)	(43,555)
Effect of Exchange Rate Changes on Cash	(132)	557
Net Decrease in Cash	(2,148,271)	(4,157,721)
Cash, Including Restricted Cash, Beginning of Period	8,049,237	7,851,029
Cash, Including Restricted Cash, End of Period	\$ 5,900,966	\$ 3,693,308
Supplemental Disclosures of Noncash Operating and Financing Activities		
Creation of Right-of-Use Assets	\$ 136,675	\$ -
Cancellation and Correction of Restricted Stock Par Value	\$ 17,819	\$ -

See Accompanying Notes to the Condensed Consolidated Financial Statements.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

1. Organization, Business

EyeGate Pharmaceuticals, Inc. (“EyeGate” or the “Company”), a Delaware corporation, began operations in December 2004 and is a clinical-stage specialty pharmaceutical company that is focused on developing and commercializing products for treating diseases and disorders of the eye. The Company accomplishes this by leveraging its two proprietary platform technologies, crosslinked thiolated carboxymethyl hyaluronic acid (“CMHA-S”) and the iontophoresis drug delivery system. The Company’s first platform is for the development of products using CMHA-S, a modified form of the natural polymer hyaluronic acid, which is a gel that possesses unique physical and chemical properties such as hydrating and healing properties when applied to the ocular surface. The ability of CMHA-S to adhere longer to the ocular surface, resist degradation and protect the ocular surface makes it well-suited for treating various ocular surface injuries. Secondly, the Company has been developing EGP-437, which incorporates a reformulated topically active corticosteroid, Dexamethasone Phosphate, that is delivered into the ocular tissues through the Company’s proprietary innovative drug delivery system, the EyeGate® II Delivery System (“EGP-437 Combination Product”).

As of March 31, 2019, there were 45,575,737 shares of Common Stock outstanding, no shares of Series A Preferred Stock outstanding, no shares of Series B Preferred Stock outstanding, and 4,092 shares of Series C Preferred Stock outstanding.

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

The accompanying Condensed Consolidated Financial Statements have been prepared assuming that EyeGate will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At March 31, 2019, EyeGate had Cash and Cash Equivalents of \$5,855,966, and an Accumulated Deficit of \$92,279,389. EyeGate has incurred losses and negative cash flows since inception, and future losses are anticipated. The Company anticipates having sufficient cash to fund planned operations through October 31, 2019, however, the acceleration or reduction of cash outflows by Company management can significantly impact the timing for raising additional capital to complete development of its products. To continue development, EyeGate will need to raise additional capital through equity financing, license agreements, and/or additional U.S. government grants. Although historically the Company has been successful at raising capital, additional capital may not be available on terms favorable to EyeGate, if at all. On May 3, 2019, the Company filed a registration statement on Form S-3 to register a total of \$50,000,000 of its securities for sale to the public from time to time in what is known as a “shelf offering”. This filing is under review by the SEC and has not yet been declared effective. The Company does not know if any future offerings, including offerings pursuant to its shelf registration statement, will succeed. Accordingly, no assurances can be given that Company management will succeed in these endeavors. The Company’s recurring losses from operations have caused management to determine there is substantial doubt about the Company’s ability to continue as a going concern. The Condensed Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries, EyeGate Pharma S.A.S. and Jade Therapeutics, Inc. (“Jade”), collectively referred to as “the Company”. All inter-company balances and transactions have been eliminated in consolidation. These Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Certain information and disclosures normally included in Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP have been condensed or eliminated. Accordingly, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the annual financial statements of the Company as of and for the year ended December 31, 2018.

Unaudited Interim Financial Information

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

Use of Estimates

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

Research and Development Expenses

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

In-process Research and Development

The Company records in-process R&D projects acquired in asset acquisitions that have not reached technological feasibility and which have no alternative future use. For in-process R&D projects acquired in business combinations, the Company capitalizes the in-process R&D project and periodically evaluates this asset for impairment until the R&D process has been completed. Once the R&D process is complete, the Company amortizes the R&D asset over its remaining useful life. At March 31, 2019 and December 31, 2018, there is \$3,912,314 of in-process R&D, as part of intangible assets and in-process R&D on the Condensed Consolidated Balance Sheet.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

2. Summary of Significant Accounting Policies - (continued)

Intangible Assets

The Company records intangible assets acquired in asset acquisitions of proprietary technology. The Company capitalizes intangible assets, amortizes them over the estimated useful life, and periodically evaluates the assets for impairment. At March 31, 2019 and December 31, 2018, there is \$237,500 and \$243,750 of net intangible assets, respectively, as part of intangible assets and in-process R&D on the Condensed Consolidated Balance Sheet.

Accrued Clinical Expenses

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

Related Party Transactions

The Company has entered into certain related-party transactions, making payments for services to one vendor, eight consultants and two public universities for the three months ending March 31, 2019, all of whom also are stockholders of the Company. These transactions generally are ones that involve a stockholder or option holder of the Company to whom we also make payments during the year, typically as a consultant or a service provider. The amounts recorded or paid are not material to the accompanying Condensed Consolidated Financial Statements.

Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period plus potential dilutive common equivalent shares.

Dilutive common equivalent shares consist of stock options, warrants, and preferred stock and are calculated using the treasury stock method, which assumes the repurchase of common shares at the average market price during the period. Under the treasury stock method, options and warrants will have a dilutive effect when the average price of common stock during the period exceeds the exercise price of options or warrants. Stock options in the amount of 2,777,416 and warrants in the amount of 31,772,340 were excluded from the calculation of diluted net income per share since they did not have a dilutive effect. Common equivalent shares do not qualify as participating securities. In periods where the Company records a net loss, potential common stock equivalents are not included in the calculation of diluted net loss per share as their effect would be anti-dilutive.

	March 31, 2019 (unaudited)	March 31, 2018 (unaudited)
Common Stock Warrants	40,844,086	9,455,961
Employee Stock Options	2,777,416	2,167,003
Preferred Stock	12,787,500	-
Total Shares of Common Stock Issuable	<u>56,409,002</u>	<u>11,622,964</u>

Fair Value of Financial Instruments

The carrying amounts of all current assets and current liabilities approximate their fair values due to the short-term nature of these items. As of March 31, 2019 and December 31, 2018, the fair value of the Company's contingent consideration was \$1,210,000 and \$1,210,000, respectively.

At March 31, 2019 and December 31, 2018, the Company had no other assets or liabilities that are subject to fair value methodology and estimation in accordance with U.S. GAAP.

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

2. Summary of Significant Accounting Policies - (continued)

Revenue Recognition

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

On July 9, 2015, the Company entered into an exclusive, worldwide licensing agreement with a subsidiary of Bausch Health Companies, Inc. ("BHC"), through which the Company granted to BHC an exclusive, worldwide commercial and manufacturing right to the Company's EGP-437 Combination Product in the field of anterior uveitis, as well as a right of last negotiation to license its EGP-437 Combination Product for indications other than anterior uveitis (the "BHC Agreement"). Under the BHC Agreement, BHC paid to the Company an initial upfront payment of \$1.0 million and the Company was eligible to receive milestone payments totaling up to \$32.5 million, upon and subject to the achievement of certain specified development and commercial progress of the EGP-437 Combination Product for the treatment of anterior uveitis. The Company received milestone payments totaling \$5.4 million through March 31, 2019. The Company received payments both when it crossed certain thresholds on the way to each milestone, as well as once it achieved each milestone. The Company is entitled to retain all of these payments. Effective March 14, 2019, this license agreement was voluntarily terminated by BHC reinstating to the Company all of the rights and privileges of the EGP-437 platform. Upon termination of this agreement, all amounts remaining in deferred revenue were recognized as revenue, as the Company no longer had any remaining performance obligations.

On February 21, 2017, the Company entered into another exclusive, worldwide licensing agreement with a subsidiary of BHC (the "New BHC Agreement"), through which the Company granted BHC exclusive, worldwide commercial and manufacturing rights to its EGP-437 Combination Product in the field of ocular iontophoretic treatment for post-operative ocular inflammation and pain in ocular surgery patients (the "New Field"). Under the New BHC Agreement, BHC paid the Company an initial upfront payment of \$4.0 million, and the Company was eligible to receive milestone payments totaling up to approximately \$99.0 million, upon and subject to the achievement of certain specified developmental and commercial progress of the EGP-437 Combination Product for the New Field. The Company received milestone payments totaling \$3.4 million through March 31, 2019. The Company received payments both when it crossed certain thresholds on the way to each milestone, as well as once it achieved each milestone. The Company is entitled to retain all of these payments. Effective March 14, 2019, this license agreement was voluntarily terminated by BHC reinstating to the Company all of the rights and privileges of the EGP-437 platform. Upon termination of this agreement, all amounts remaining in deferred revenue were recognized as revenue, as the Company no longer had any remaining performance obligations.

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

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

EYEGATE PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

2. Summary of Significant Accounting Policies - (continued)

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

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

	March 31, 2019	December 31, 2018
Contract Liabilities:		
Deferred Revenue	\$ -	\$ 2,686,000
	Three Months Ended March 31, 2019	
Revenue recognized in the period from:		
Amounts included in contract liability at the beginning of the period	\$ 2,686,000	

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. Under ASU No. 2016-02, lessees are required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and the right-to-use assets, which are asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The Company adopted the new standard effective January 1, 2019 using the modified retrospective method and recorded right-of-use leased assets and corresponding liabilities of approximately \$0.137 million in the first quarter of 2019.

On January 26, 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other*, which simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The new standard is effective for the Company on January 1, 2020. The new standard is required to be applied prospectively. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company did not early adopt ASU No. 2017-04 prior to its December 2018 impairment evaluation and is evaluating the effect that ASU No. 2017-04 will have on its Consolidated Financial Statements and related disclosures.

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3. Property and Equipment

Property and equipment at March 31, 2019 and December 31, 2018 consists of the following:

	Estimated Useful Life (Years)	March 31, 2019 (unaudited)	December 31, 2018
Laboratory Equipment	3	\$ 62,576	\$ 62,576
Office Furniture	5	14,430	14,430
Leasehold Improvements	2	22,569	22,569
Total Property and Equipment, Gross		99,575	99,575
Less: Accumulated Depreciation		62,725	56,057
Total Property and Equipment, Net		<u>\$ 36,850</u>	<u>\$ 43,518</u>

Depreciation expense was \$6,668 and \$7,966 for the three-month periods ended March 31, 2019 and 2018, respectively.

4. Accrued Expenses

Accrued expenses at March 31, 2019 and December 31, 2018 consist of the following:

	March 31, 2019 (unaudited)	December 31, 2018
Payroll and Benefits	\$ 345,423	\$ 722,178
Professional Fees	112,284	165,894
Clinical Trials	111,631	212,540
Consulting	5,556	9,401
Short-Term Portion of Capital Financing Obligation	3,143	4,715
Total Accrued Expenses	<u>\$ 578,037</u>	<u>\$ 1,114,728</u>

5. Debt

The Company has no indebtedness other than trade and accounts payable and capital financing obligations in the ordinary course of business at March 31, 2019 and December 31, 2018.

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6. Intangible Assets and In-Process R&D

Intangible assets at March 31, 2019 consist of the rights to trade-secrets and know-how related to the manufacturing of the EyeGate Ocular Bandage Gel (“OBG”). During the third quarter of 2018, the Company entered into an intellectual property license agreement with SentrX Animal Care, Inc. (“SentrX”) with respect to certain rights relating to the manufacturing of the EyeGate OBG product. The intangible assets were recorded at \$250,000, representing the upfront payment paid to SentrX. Additionally, SentrX is eligible to receive milestone payments totaling up to \$4.75 million, upon and subject to the achievement of certain specified development and commercial milestones. These future milestone payments to SentrX will increase the carrying value of the intangible assets. The Company’s intangible assets are amortized on a straight-line basis over the estimated useful lives. Additionally, in-process R&D at March 31, 2019 and December 31, 2018 consists of projects acquired from the acquisition of Jade that have not reached technological feasibility and which have no alternative future use. Once the R&D process is complete, the Company will amortize the R&D asset over its remaining useful life. The Company periodically evaluates these assets for impairment.

Intangible assets and in-process R&D at March 31, 2019 and December 31, 2018 consists of the following:

	Estimated Useful Life (Years)	March 31, 2019 (unaudited)	December 31, 2018
Trade Secrets	10	\$ 250,000	\$ 250,000
Less: Accumulated Amortization		(12,500)	(6,250)
Intangible Assets, Net		237,500	243,750
In-Process R&D		3,912,314	3,912,314
Total Intangible Assets and In-Process R&D, Net		\$ 4,149,814	\$ 4,156,064

Amortization expense on intangible assets was \$6,250 and \$0 for the three-month periods ended March 31, 2019 and 2018, respectively.

7. Capital Stock

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

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

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7. Capital Stock - (continued)

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

At March 31, 2019, the Company had 120,000,000 authorized shares of Common Stock, \$0.01 par value, of which 45,575,737 shares were outstanding. Included in the outstanding shares number at March 31, 2019 and December 31, 2018 is 1,785,000 restricted shares that were granted, but not yet formally issued. At March 31, 2019, the Company had 9,994,184 authorized shares of Preferred Stock, \$0.01 par value, of which 3,750 shares were designated as Series A Preferred Stock and 0 shares are issued and outstanding, 10,000 shares were designated as Series B Preferred Stock and 0 shares are issued and outstanding, and 10,000 shares were designated as Series C Preferred Stock and 4,092 shares are issued and outstanding. At March 31, 2019, there were 0 shares of Common Stock underlying the outstanding shares of Series A Preferred Stock, 0 shares of Common Stock underlying the outstanding shares of Series B Preferred Stock, and 12,787,500 shares of Common Stock underlying the outstanding shares of Series C Preferred Stock.

8. Warrants

The following is a summary of warrant activity for the three months ended March 31, 2019 and 2018:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term in Years
Outstanding at December 31, 2018	40,844,086	\$ 1.00	4.05
Outstanding at March 31, 2019	40,844,086	1.00	3.80
Outstanding at December 31, 2017	9,455,961	3.26	4.23
Outstanding at March 31, 2018	9,455,961	\$ 3.26	3.98

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

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9. Equity Incentive Plan

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

The Company’s Board adopted the 2014 Plan and the Employee Stock Purchase Plan (the “ESPP”) and the Company’s Stockholders approved the 2014 Plan and the ESPP Plan in February 2015. As of March 31, 2019, the maximum number of shares of Common Stock that may be issued pursuant to the 2014 Plan and the ESPP was 8,390,123 and 170,567 shares, respectively.

In January 2019, the number of shares of common stock issuable under the 2014 Plan automatically increased by 350,000 shares pursuant to the terms of the 2014 Plan. These additional shares are included in the total of 8,390,123 shares issuable under the 2014 Plan.

The following is a summary of stock option activity for the three months ended March 31, 2019 and 2018:

	Number of Options	Weighted- Average Exercise Price	Weighted-Average Contractual Life (In Years)
Outstanding at December 31, 2018	2,076,153	\$ 2.28	6.51
Granted	750,000	0.48	
Expired	(48,737)	1.08	
Outstanding at March 31, 2019	<u>2,777,416</u>	<u>\$ 1.81</u>	<u>7.34</u>
Exercisable at March 31, 2019	<u>1,593,224</u>	<u>\$ 2.70</u>	<u>5.78</u>
Vested and Expected to Vest at March 31, 2019	<u>2,777,416</u>	<u>\$ 1.81</u>	<u>7.34</u>
Outstanding at December 31, 2017	1,893,003	\$ 2.49	5.40
Granted	275,500	0.57	
Forfeited	(1,500)	0.83	
Outstanding at March 31, 2018	<u>2,167,003</u>	<u>\$ 2.24</u>	<u>5.49</u>
Exercisable at March 31, 2018	<u>1,272,677</u>	<u>\$ 2.72</u>	<u>3.90</u>
Vested and Expected to Vest at March 31, 2018	<u>2,167,003</u>	<u>\$ 2.24</u>	<u>5.49</u>

During the three months ended March 31, 2019 and March 31, 2018, the Board approved the grant of options to purchase 750,000 and 275,500 shares of its Common Stock, respectively. All option grants were pursuant to the 2014 Plan. In general, options granted under the 2014 Plan vest with respect to one-third of the underlying shares on the one-year anniversary of the grant date and the remainder ratably over a 24-month period.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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9. Equity Incentive Plan - (continued)

For the three months ended March 31, 2019 and 2018, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted-average assumptions:

	<u>2019</u>	<u>2018</u>
Risk-Free Interest Rate	1.82%	1.82%
Expected Life	5.00 years	7.00 years
Expected Volatility	152%	159%
Expected Dividend Yield	0%	0%

Using the Black-Scholes Option Pricing Model, the estimated weighted average fair value of an option to purchase one share of common stock granted during the three months ended March 31, 2019 and 2018 was \$0.47 and \$0.55, respectively.

The following is a summary of restricted stock activity for the three months ended March 31, 2019 and March 31, 2018:

	<u>Number of Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>	<u>Weighted- Average Remaining Recognition Period</u>
Nonvested Outstanding at December 31, 2018	1,822,132	\$ 0.59	
Released/Vested	(7,957)	1.52	
Nonvested Outstanding at March 31, 2019	<u>1,814,175</u>	<u>\$ 0.59</u>	<u>2.01</u>
Nonvested Outstanding at December 31, 2017	103,000	1.52	
Released/Vested	(37,190)	1.52	
Nonvested Outstanding at March 31, 2018	<u>65,810</u>	<u>\$ 1.52</u>	<u>1.85</u>

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

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Research and Development	\$ 64,539	\$ 57,078
General and Administrative	168,367	88,469
Total Stock-Based Compensation Expense	<u>\$ 232,906</u>	<u>\$ 145,547</u>

The fair value of options granted for the three months ended March 31, 2019 and March 31, 2018 was approximately \$355,300 and \$151,200, respectively. As of March 31, 2019 and March 31, 2018, there was approximately \$1,358,000 and \$945,000 of total unrecognized compensation expense related to unvested stock-based compensation arrangements granted, which cost is expected to be recognized over a weighted-average period of 2.19 and 1.57 years, respectively. The aggregate intrinsic value of stock options outstanding and exercisable at March 31, 2019 and March 31, 2018 was approximately \$0 and \$0, respectively.

At March 31, 2019, there were 4,033,056 shares available under the 2014 Plan and 117,090 shares available under the Company's ESPP.

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10. Commitments and Contingencies

Leases

The Company is a party to a real property operating lease for the rental of office space in Waltham, Massachusetts of up to 4,516 square feet, that is used for its corporate headquarters. This lease terminates in December 2019. On July 6, 2016, the Company entered into a real property operating lease for office and laboratory space of approximately 2,300 square feet in Salt Lake City, Utah. This lease terminates in June 2019.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the Company's right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments. To determine the present value of lease payments not yet paid, the Company estimated incremental secured borrowing rates corresponding to the maturities of the leases. The Company estimated a rate of 10% based on prevailing financial market conditions, comparable company and credit analysis, and management judgment. The Company recognizes expense for its leases on a straight-line basis over the lease term.

Maturities of lease liabilities were as follows as of March 31, 2019:

	Operating Leases
Remainder of 2019	\$ 101,500
Less: Imputed Interest	3,781
Present Value of Lease Liabilities	<u>\$ 97,719</u>

License Agreements

The Company is a party to five license agreements as described below. These license agreements require the Company to pay royalties or fees to the licensor based on revenue or milestones related to the licensed technology.

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

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

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

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10. Commitments and Contingencies - (continued)

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

On September 26, 2018, the Company entered into an intellectual property licensing agreement (the "SentrX Agreement") with SentrX, a veterinary medical device company that develops and manufactures veterinary wound care products. Under the SentrX Agreement, the Company will in-license the rights to trade-secrets and know-how related to the manufacturing of its EyeGate OBG. The SentrX Agreement will enable the Company to pursue a different vendor with a larger capacity for manufacturing and an FDA-inspected facility for commercialization of a product for human use. Under the SentrX Agreement, the Company paid SentrX an upfront payment of \$250,000 recorded as intangible assets on the Condensed Consolidated Balance Sheet. SentrX is eligible to receive milestone payments totaling up to \$4.75 million, upon and subject to the achievement of certain specified developmental and commercial milestones. These future milestone payments to SentrX will increase the carrying value of the intangible assets.

11. Employee Benefit Plans

The Company has an employee benefit plan for its United States-based employees under Section 401(k) of the Internal Revenue Code. The Plan allows all eligible employees to make contributions up to a specified percentage of their compensation. Under the Plan, the Company may, but is not obligated to, match a portion of the employee contribution up to a defined maximum. As a result of the 401(k) plan compliance review for the year ended December 31, 2018, the Company will contribute approximately \$29,700 to eligible employees. The Company made no matching contribution for the three months ended March 31, 2019 and 2018.

12. Weighted-Average Shares

The Company calculated weighted-average shares as follows:

	Three Months Ended	
	March 31,	
	2019	2018
Weighted-Average Shares Outstanding- Basic	43,762,539	17,257,255
Warrants (in the money)	9,071,746	-
Preferred Stock (common equivalent)	12,787,500	-
Restricted Stock Awards (nonvested)	1,814,175	-
Weighted-Average Shares Outstanding- Diluted	67,435,960	17,257,255

For the three months ended March 31, 2018, no effect has been given to the shares of common stock issuable upon the conversion or exercise of dilutive securities, as the Company's net loss would make the effect anti-dilutive.

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

The following section of this Quarterly Report on Form 10-Q entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains statements that are not statements of historical fact and are forward-looking statements within the meaning of federal securities laws. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Factors that may cause our actual results to differ materially from those in the forward-looking statements include those factors described in "Item 1A. Risk Factors" beginning on page 22 of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 1, 2019. You should carefully review all of these factors, as well as the comprehensive discussion of forward-looking statements on page 1 of this Quarterly Report on Form 10-Q.

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

Business Overview

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

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

Our first CMHA-S-based product candidate, EyeGate Ocular Bandage Gel ("OBG"), is a topically applied 0.75% CMHA-S eye drop formulation that has completed three in-man clinical trials. We announced positive topline data from the initial trial and follow-on trial evaluating the ability of EyeGate OBG to manage ocular surface re-epithelialization following photorefractive keratectomy ("PRK") surgery. We also announced positive topline data from our first clinical trial focused on treating patients with punctate epitheliopathies ("PE"). The EyeGate OBG eye drop creates a thin, durable and protective coating to the damaged surface of the eye, serving to facilitate and manage corneal re-epithelization. The EyeGate OBG is intended for the protection of the ocular surface and the management of corneal epithelial wounds, defects, and epitheliopathies.

Preclinical studies suggest that the specific CMHA-S chemical modification comprising the EyeGate OBG creates a favorable set of attributes, including prolonged retention time on the ocular surface, and a smooth continuous clear barrier without blur that can minimize mechanical lid friction, reduce repeat injury, and mechanically protect the ocular surface, allowing for the management of corneal re-epithelization. The gel is presently available commercially as a veterinary device indicated for use in the management of superficial corneal ulcers. Manufactured by SentrX Animal Care and sold in the U.S. by Bayer Animal Health as Remend® Corneal Repair, the product has been used successfully for more than five years in dogs, cats and horses, without adverse effects. The composition of the veterinary product is identical to that of the EyeGate OBG. We have obtained a license from BioTime, Inc. for the exclusive worldwide right to commercialize CMHA-S for ophthalmic treatments in humans. We paid BioTime \$50,000 and are required to pay an annual fee of \$30,000 and royalties to BioTime based on revenue relating to any product incorporating the CMHA-S technology. Our license agreement expires when patent protection for the CMHA-S technology lapses, which is expected to occur in the U.S. in 2028. We do not have the rights to the CMHA-S platform for animal health or veterinary medicine.

EyeGate OBG is being developed pursuant to a *de novo* 510(k) regulatory pathway for devices submitted for marketing clearance to the U.S. Food and Drug Administration ("FDA"). We plan to develop EyeGate OBG for two indications, management of corneal re-epithelization post PRK surgery and for evaluating the potential to help clinicians better manage patients with PE due to pathologies such as dry eye. We believe that EyeGate OBG is the first and only eye drop being developed in the U.S. to target the management of corneal re-epithelization.

In addition, we have been developing EGP-437, which incorporates a reformulated topically active corticosteroid, Dexamethasone Phosphate, that is delivered into the ocular tissues through our proprietary innovative drug delivery system, the EyeGate® II Delivery System (“EGP-437 Combination Product”). EGP-437 is being developed under the 505(b)(2) New Drug Application (“NDA”) regulatory pathway for drugs submitted for approval to the U.S. Food and Drug Administration, or FDA, which enables an applicant to rely, in part, on the FDA’s findings of safety and efficacy for an existing product, or published literature, in support of its NDA.

We have been developing EGP-437 for the treatment of various inflammatory conditions of the eye, including the treatment of ocular inflammation and pain in post-surgical cataract patients and anterior uveitis, a debilitating form of intraocular inflammation of the anterior portion of the uvea, such as the iris and/or ciliary body. We announced topline data for the Phase 2b cataract surgery trial in the first quarter of 2018 and although EGP-437 demonstrated a higher rate of success compared to vehicle at all time points, the co-primary endpoints of proportion of subjects with an anterior chamber cell (“ACC”) count of zero at Day 7 and the proportion of subjects with a pain score of zero at Day 1 did not show statistical significance. Additionally, we announced topline data for the confirmatory Phase 3 uveitis trial in the third quarter of 2018 and although EGP-437 showed clinical efficacy, defined as a reduction in ACC score throughout the study, it did not demonstrate non-inferiority to the prednisolone acetate ophthalmic solution control group. We will continue to review the data and will be assessing our strategic options for EGP-437 going forward.

We entered into two exclusive global license agreements with a subsidiary of Bausch Health Companies, Inc. (“BHC”) for our EGP-437 Combination Product in the fields of anterior uveitis and for the treatment of post-operative ocular inflammation and pain in ocular surgery patients. Effective March 14, 2019, BHC voluntarily terminated these license agreements reinstating to us all of the rights and privileges of the EGP-437 platform.

On March 20, 2018, we received a written notification (the “Notice Letter”) from Nasdaq indicating that we were not in compliance with Nasdaq Listing Rule 5550(a)(2), as the closing bid price for our Common Stock was below the \$1.00 per share requirement for the last 30 consecutive business days. The Notice Letter stated that we have 180 calendar days, or until September 17, 2018 (the “Initial Compliance Period”), to regain compliance with the minimum bid price requirement. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we can regain compliance if the closing bid price of our Common Stock is at least \$1.00 for a minimum of 10 consecutive business days. We did not achieve compliance with the minimum bid price requirement by the end of the Initial Compliance Period, however, in accordance with Nasdaq Listing Rule 5810(c)(3)(A), on the last day of the Initial Compliance Period we filed for extension and were granted a second 180-day compliance period, or until March 18, 2019, to regain compliance.

On March 19, 2019, we received written notification from Nasdaq indicating that based upon our continued non-compliance with the bid price rule as of March 18, 2019, our common stock would be subject to delisting from The Nasdaq Capital Market on March 28, 2019, unless we timely request a hearing before the Nasdaq Hearings Panel (the “Panel”). We timely requested a hearing and presented our plan to evidence future compliance with the bid price rule before the Panel on May 2, 2019. The Panel is reviewing our request and will issue a written decision generally within 30 days of the hearing date.

Throughout our history, we have not generated significant revenue. We have generally not been profitable and from inception through March 31, 2019, our losses from operations have aggregated \$92.3 million. Our net income was approximately \$0.871 million for the three months ended March 31, 2019 and our net loss was approximately \$2.4 million for the three months ended March 31, 2018. We expect to incur significant expenses and increasing operating losses for the foreseeable future as we continue the development and clinical trials of and seek regulatory approval for our EyeGate OBG, our lead product candidate for corneal epithelial defects, and any other product candidates we advance to clinical development. If we obtain regulatory approval for EyeGate OBG, we expect to incur significant expenses in order to create an infrastructure to support the commercialization of EyeGate OBG including sales, marketing and distribution functions.

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

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

Financial Overview

Revenues

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

Research and Development Expenses

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

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

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

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

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

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

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

General and Administrative Expenses

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

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

Total Other Income (Expense)

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

Critical Accounting Policies and Significant Judgments and Estimates

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

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

Accrued Research and Development Expenses

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

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

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

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

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

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

Stock-Based Compensation

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

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

Revenue Recognition

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

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

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

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

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. Under ASU No. 2016-02, lessees are required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and the right-to-use assets, which are asset that represents the lessee's right to use or control the use of a specified asset for the lease term. We did not early adopt this standard and have leases (*see* Note 10) in place at the effective date. We evaluated the effect of the new guidance and adopted the new standard effective January 1, 2019 using the modified retrospective method. As a result, we recorded right-of-use leased assets and corresponding liabilities of approximately \$0.137 million on January 1, 2019.

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

Other Information

JOBS Act

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

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

Results of Operations

Comparison of Three Months ended March 31, 2019 and 2018

The following table summarizes the results of our operations for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,		Change
	2019	2018	
Collaboration Revenue	\$ 2,686,000	\$ 1,096,008	\$ 1,589,992
Operating Expenses:			
Research and Development	721,477	2,521,009	(1,799,532)
General and Administrative	1,135,883	954,048	181,835
Total Operating Expenses	1,857,360	3,475,057	(1,617,697)
Other Income (Expense), Net	42,169	(278)	42,447
Net Income (Loss)	\$ 870,809	\$ (2,379,327)	\$ 3,250,136

Collaboration Revenue. Collaboration Revenue was \$2.686 million for the three months ended March 31, 2019, compared to \$1.096 million for the three months ended March 31, 2018. The revenue generated in both the first quarter of 2019 and 2018 related to BHC milestone payments earned. The revenue recognized for the three months ended March 31, 2019 was a result of the termination of the license agreements with BHC and no further revenue will be recognized related to these agreements.

Research and Development Expenses. Research and Development Expenses were \$0.721 million for the three months ended March 31, 2019, compared to \$2.521 million for the three months ended March 31, 2018. The decrease of \$1.8 million was primarily due to decreases in clinical activity for the EGP-437 trials for anterior uveitis and the treatment of post cataract surgery inflammation and pain; chemistry, manufacturing and controls work related to EGP-437, as well as personnel related costs.

General and Administrative Expenses. General and Administrative Expenses were \$1.136 million for the three months ended March 31, 2019, compared to \$0.954 million for the three months ended March 31, 2018. The increase of \$0.182 million was primarily due to increases in personnel related and corporate costs, partially offset by decreases in professional fees for legal and other public company costs.

Other Income (Expense), Net. Other Income (Expense), Net was \$0.042 million for the three months ended March 31, 2019, compared to \$0 million for the three months ended March 31, 2018 due to more favorable interest rates on our cash balances.

Liquidity and Capital Resources

Since becoming a public company in 2015, we have financed our operations from four registered offerings of our Common Stock and Convertible Preferred Stock, payments from the BHC License Agreements and the U.S. Government Grants, and sales through our At The Market Offering Agreement. From inception through March 31, 2019, we have raised a total of approximately \$94.6 million from such sales of our equity and debt securities, both as a public company and prior to our IPO, as well as approximately \$14.9 million in payments received under our license agreements and U.S. Government Grants.

Through March 31, 2019, we have received cash payments of \$13.8 million under the BHC Agreements, which are presented as Collaboration Revenue on our Condensed Consolidated Statement of Operations and Comprehensive Income (Loss), or Deferred or Unbilled Revenue on our Condensed Consolidated Balance Sheet. Additionally, on January 1, 2018, \$9.5 million was recorded as a reduction to our opening accumulated deficit balance on our Condensed Consolidated Balance Sheet.

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

On June 14, 2017, we completed a public offering of 5,336,667 shares of Common Stock and 1,995 shares of Series B Preferred Stock (convertible into 1,330,000 shares of Common Stock), along with warrants to purchase 6,666,667 shares of Common Stock. The offering was priced at \$1.50 per share of Common Stock (or share of Common Stock issuable upon conversion of a share of Series B Convertible Preferred Stock) and warrant. The total net proceeds to us from this offering, after deducting the placement agent fees and offering expenses, were approximately \$8.8 million. Additionally, the investors received, for each share of Common Stock, or for each share of Common Stock issuable upon conversion of a share of Series B Preferred Stock purchased in the public offering, warrants to purchase one share of Common Stock at an exercise price of \$1.50 per share, which totaled warrants to purchase an aggregate of 6,666,667 shares of Common Stock. The warrants issued to investors became initially exercisable immediately upon issuance and terminate on June 14, 2022, five years following the date of issuance. As of March 31, 2019, holders of the Series B Preferred Stock had converted all 1,995 shares of Series B Preferred Stock into an aggregate of 1,330,000 shares of Common Stock.

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

At March 31, 2019, we had cash and cash equivalents totaling \$5,855,966.

The following table sets forth the primary uses of cash for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Net Cash Used in Operating Activities	\$ (2,146,567)	\$ (4,114,723)
Net Cash Used in Financing Activities	\$ (1,572)	\$ (43,555)

Comparison of Three Months Ended March 31, 2019 and 2018

Operating Activities. Net cash used in operating activities was \$2.147 million for the three months ended March 31, 2019, compared to \$4.115 million for the three months ended March 31, 2018. During the first three months of 2019, we recorded decreases in deferred revenue of \$2.686 million, accounts payable and accrued expenses of \$0.355 million, and prepaid expenses of \$0.243 million; partially offset by net income of \$0.871 million and stock-based compensation expense of \$0.233 million. During the first three months of 2018, we recorded a net loss of \$2.379 million, as well as decreases in deferred and unbilled revenue of \$0.898 million, accounts payable and accrued expenses of \$0.887 million, and prepaid expenses of \$0.102 million; partially offset by stock-based compensation of \$0.146 million.

Financing Activities. Net cash used in financing activities was \$0.002 million for the three months ended March 31, 2019, compared to \$0.044 million for the three months ended March 31, 2018. During the three months ended March 31, 2018, we incurred \$0.040 million in stock issuance costs.

Funding Requirements and Other Liquidity Matters

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

- seek marketing approval for our CMHA-S-based products or any other products that we successfully develop;
- establish a sales and marketing infrastructure to commercialize our CMHA-S-based products in the United States, if approved; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and future commercialization efforts.

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

Based on our cash on hand at March 31, 2019, we believe we will have sufficient cash to fund planned operations through October 31, 2019. However, the acceleration or reduction of cash outflows by management can significantly impact the timing for raising additional capital to complete development of its products. To continue development, we will need to raise additional capital through debt and/or equity financing, or access additional funding through grants. Although we successfully completed our IPO, a follow-on offering, a registered direct offering, two public offerings, and sales under our at-the-market equity offering, additional capital may not be available on terms favorable to us, if at all. On May 3, 2019, we filed a registration statement on Form S-3 to register a total of \$50,000,000 of our securities for sale to the public from time to time in what is known as a “shelf offering”. This filing is under review by the SEC and has not yet been declared effective. We do not know if our future offerings, including offerings pursuant to any shelf registration statement, will succeed. Accordingly, no assurances can be given that management will be successful in these endeavors. Our recurring losses from operations have caused management to determine there is substantial doubt about our ability to continue as a going concern. Our Condensed Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as of March 31, 2019.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of March 31, 2019:

	Total	Less than 1 year	1-3 years	More than 3 years
Leases (1)	\$ 101,500	\$ 101,500	\$ -	\$ -
Licensing Agreement (2)	347,500	52,500	90,000	205,000
Total (3)	\$ 449,000	\$ 154,000	\$ 90,000	\$ 205,000

- (1) Lease obligations reflect our obligation to make payments in connection with operating leases for our office space.
- (2) Licensing Agreement obligations represent our commitments under license agreements, including those made by us under our license agreements with the University of Miami School of Medicine, the University of Utah Research Foundation and BioTime.
- (3) This table does not include (a) anticipated expenditures under supply agreements for periods for which we are not yet bound under binding purchase orders, and (b) contracts that are entered into in the ordinary course of business that are not material in the aggregate in any period presented above.

In addition, in the course of normal business operations, we have agreements with contract service providers to assist in the performance of our research and development and manufacturing activities. Expenditures to contract research organizations vary based on the study and phases during the clinical development stages. Subject to required notice periods and our obligations under binding purchase orders, we can elect to discontinue the work under these agreements at any time. We could also enter into additional collaborative research, contract research, manufacturing, and supplier agreements in the future, which may require upfront payments and even long-term commitments of cash.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

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

Evaluation of Disclosure Controls and Procedures

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

In connection with the preparation of this Quarterly Report on the Form 10-Q, the Company's Management, under the supervision of, and with the participation of, our President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2019. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and our management necessarily was required to apply its judgment in evaluating and implementing our disclosure controls and procedures. Based upon the evaluation described above, our President and Chief Executive Officer and our Chief Financial Officer have concluded that they believe that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Accounting and Reporting

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated whether any change in our internal control over financial accounting and reporting occurred during the quarter ended March 31, 2019. Management concluded that no changes to our internal control over financial accounting and reporting occurred during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial accounting and reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 1, 2019 contains risk factors identified by the Company. There have been no material changes to the risk factors we previously disclosed. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business.

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

Unregistered Sales of Equity Securities

None.

Purchase of Equity Securities

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

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

SIGNATURES

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

Date: May 8, 2019

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

Date: May 8, 2019

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

EXHIBIT INDEX

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

Exhibit Number	Description of Exhibit
<u>31.1**</u>	<u>Certification of principal executive officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2**</u>	<u>Certification of principal financial and accounting officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1**</u>	<u>Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2**</u>	<u>Certification of principal financial and accounting officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

** This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act.

Certification

I, Stephen From, certify that:

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

Date: May 8, 2019

/s/ Stephen From

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

Certification

I, Sarah Romano, certify that:

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

Date: May 8, 2019

/s/ Sarah Romano

Sarah Romano

Chief Financial Officer

(Principal financial and accounting officer)

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

The undersigned officer of EyeGate Pharmaceuticals, Inc. (the "Company") hereby certifies to his knowledge that the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (the "Report") to which this certification is being furnished as an exhibit, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: May 8, 2019

/s/ Stephen From

Stephen From

President and Chief Executive Officer

(Principal executive officer)

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

The undersigned officer of EyeGate Pharmaceuticals, Inc. (the "Company") hereby certifies to her knowledge that the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (the "Report") to which this certification is being furnished as an exhibit, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: May 8, 2019

/s/ Sarah Romano

Sarah Romano

Chief Financial Officer

(Principal financial and accounting officer)
