

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended **June 30, 2017**

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

For the transition period from _____ to _____

Commission File Number: **001-35814**

Imprimis Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-0567010

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

**12264 El Camino Real, Suite 350
San Diego, CA**

(Address of principal executive offices)

92130

(Zip code)

(858) 704-4040

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of August 9, 2017, 20,065,415 shares of the registrant's common stock, \$0.001 par value, were outstanding.

IMPRIMIS PHARMACEUTICALS, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,165	\$ 8,853
Restricted cash and short-term investments	200	200
Accounts receivable, net	2,856	2,921
Inventories	1,832	1,841
Assets held for sale	520	-
Prepaid expenses and other current assets	786	938
Total current assets	10,359	14,753
Property, plant and equipment, net	6,567	7,295
Intangible assets, net	2,934	2,972
Investment in Eton Pharmaceuticals, Inc.	5,509	-
Goodwill	2,227	2,227
TOTAL ASSETS	\$ 27,596	\$ 27,247
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,344	\$ 3,538
Accrued payroll and related liabilities	1,481	1,638
Deferred revenue and customer deposits	8	91
Current portion of deferred acquisition obligation and accrued interest	158	207
Current portion of note payable, net of unamortized debt discount	-	3,973
Current portion of capital lease obligations, net of unamortized discount	526	458
Total current liabilities	5,517	9,905
Capital lease obligations, net of current portion and unamortized discount	1,038	1,318
Deferred acquisition obligation, net of current portion	-	52
Accrued expenses, net of current portion	667	667
Deferred tax liability	880	936
Note payable and paid-in-kind interest, net of unamortized debt discount and current portion	11,848	7,937
TOTAL LIABILITIES	19,950	20,815
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 90,000,000 shares authorized, 20,065,415 and 18,627,915 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	20	19
Additional paid-in capital	87,999	83,264
Accumulated deficit	(80,373)	(76,851)
TOTAL STOCKHOLDERS' EQUITY	7,646	6,432
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 27,596	\$ 27,247

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

IMPRIMIS PHARMACEUTICALS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for share and per share data)

	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Revenues:				
Sales, net	\$ 6,849	\$ 4,902	\$ 12,938	\$ 9,283
License revenues	8	5	16	5
Total revenues	6,857	4,907	12,954	9,288
Cost of sales	(3,288)	(2,172)	(6,645)	(4,421)
Gross profit	3,569	2,735	6,309	4,867
Operating expenses:				
Selling and marketing	1,999	2,270	4,439	4,170
General and administrative	4,486	4,397	8,857	8,337
Research and development	101	76	261	122
Total operating expenses	6,586	6,743	13,557	12,629
Loss from operations	(3,017)	(4,008)	(7,248)	(7,762)
Other income (expense):				
Interest expense, net	(767)	(631)	(1,555)	(1,260)
Change in fair value of derivative liabilities	-	-	-	(113)
Equity in loss of Eton Pharmaceuticals	(216)	-	(216)	-
Gain on deconsolidation of Eton Pharmaceuticals	5,725	-	5,725	-
Loss on sale of assets	(269)	-	(284)	-
Total other income (expense), net	4,473	(631)	3,670	(1,373)
Income (loss) before income taxes	1,456	(4,639)	(3,578)	(9,135)
Income tax benefit, net	28	-	56	-
Net income (loss)	\$ 1,484	\$ (4,639)	\$ (3,522)	\$ (9,135)
Basic net income (loss) per share of common stock	\$ 0.07	\$ (0.35)	\$ (0.18)	\$ (0.77)
Diluted net income (loss) per share of common stock	\$ 0.06	\$ (0.35)	\$ (0.18)	\$ (0.77)
Weighted average number of shares of common stock outstanding, basic	20,209,821	13,332,645	19,572,051	11,870,037
Weighted average number of shares of common stock outstanding, diluted	23,177,881	13,332,645	19,572,051	11,870,037

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

IMPRIMIS PHARMACEUTICALS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (3,522)	\$ (9,135)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of furniture and equipment	659	351
Amortization of intangible assets	181	183
Non-cash gain on contingent acquisition obligation	-	(81)
Deferred income taxes	(56)	-
Amortization of debt issuance costs and discount	632	526
Paid-in-kind interest added to principal of note payable	-	101
Gain from the deconsolidation of Eton Pharmaceuticals, Inc.	(5,725)	-
Investment loss from Eton Pharmaceuticals, Inc.	216	-
Loss on write down of assets held for sale	111	-
Loss on sale of assets	173	-
Change in fair value of derivative liabilities	-	113
Stock-based compensation	1,617	2,225
Changes in assets and liabilities, net asset sales:		
Accounts receivable	65	(1,082)
Inventories	(404)	(29)
Prepaid expenses and other current assets	202	297
Accounts payable and accrued expenses	(194)	1,570
Accrued payroll and related liabilities	(157)	(68)
Deferred revenue and customer deposits	(83)	(39)
NET CASH USED IN OPERATING ACTIVITIES	(6,285)	(5,068)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Pharmacy Creations contingent acquisition obligation	-	(100)
Investment in patent and trademark assets	(143)	(135)
Investment in license assets	(50)	-
Purchases of property, plant and equipment	(322)	(5,745)
NET CASH USED IN INVESTING ACTIVITIES	(515)	(5,980)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(305)	(14)
Net proceeds from public equity offering	2,940	11,088
Payments on Park deferred acquisition obligation	(101)	(97)
Principal payments on note payable	(601)	-
Proceeds from convertible note payable, net of issuance costs	-	2,772
Net proceeds from exercise of warrants and stock options, net of taxes remitted for RSU's	179	55
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,112	13,804
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,688)	2,756
CASH AND CASH EQUIVALENTS, beginning of period	8,853	2,685
CASH AND CASH EQUIVALENTS, end of period	\$ 4,165	\$ 5,441
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ -	\$ 9
Cash paid for interest	\$ 901	\$ 616
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Fair value of embedded conversion feature recorded as debt discount and derivative liability	\$ -	\$ 2,322
Reclassification of the fair value of the embedded conversion feature derivative liability to additional paid-in capital upon closing of the public equity offering	\$ -	\$ 2,646
Reclassification of the fair value of the LSAF warrant from additional paid-in capital to derivative liability	\$ -	\$ 675
Reclassification of the fair value of the LSAF warrant derivative liability to additional paid-in capital upon closing of the public equity offering	\$ -	\$ 464
Issuance of common stock and to settle contingent acquisition obligation related to the purchase of PC	\$ -	\$ 302
Issuance of stock options for consulting services included in accounts payable and accrued expenses	\$ -	\$ 23
Purchase of property, plant and equipment included in accounts payable and accrued expenses	\$ -	\$ 277

IMPRIMIS PHARMACEUTICALS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2017 and 2016
(Dollar amounts in thousands, except share and per share data)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Company and Background

Imprimis Pharmaceuticals, Inc. (together with its subsidiaries, unless the context indicates or otherwise requires, the “Company” or “Imprimis”) is a pharmaceutical company dedicated to producing and dispensing high quality innovative medications in all 50 states. The Company’s unique business model increases patient access and affordability to many critical medicines. Headquartered in San Diego, California, Imprimis owns and operates production and dispensing facilities located in California and New Jersey.

Basis of Presentation

Imprimis has prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for audited financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 or for any other period. For further information, refer to the Company’s audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following represents an update for the three and six months ended June 30, 2017 to the significant accounting policies described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Liquidity

The Company has incurred significant operating losses and negative cash flows from operations since its inception. The Company incurred net losses of \$3,522 and \$9,135 for the six months ended June 30, 2017 and 2016, respectively, and had an accumulated deficit of \$80,373 and \$76,851 as of June 30, 2017 and December 31, 2016, respectively. In addition, the Company used cash in operating activities of \$6,285 and \$5,068 for the six months ended June 30, 2017 and 2016, respectively.

While there is no assurance, the Company believes its existing cash resources and restricted cash of approximately \$4,365 at June 30, 2017, along with proceeds from the SWK Loan (see Notes 10 and 15), will be sufficient to sustain the Company’s planned level of operations for at least the next twelve months. However, estimates of operating expenses and working capital requirements could be incorrect, and the Company could use its cash resources faster than anticipated. Further, some or all of the ongoing or planned activities may not be successful and could result in further losses.

The Company may seek to increase liquidity and capital resources by one or more measures, to the extent necessary. These measures may include, but are not limited to, the following: the sale of assets and/or businesses, obtaining financing through the issuance of equity, debt, or convertible securities; and working to increase revenue growth through pharmacy sales. There is no guarantee that the Company will be able to obtain capital when needed on terms it deems as acceptable, or at all.

Revenue Recognition and Deferred Revenue

The Company recognizes revenues when all of the following criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. The Company's revenues consist of sales of certain of the Company's proprietary compounded drug formulations and non-proprietary formulations and products.

Product Revenues

Determination of criteria (3) and (4) is based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Estimated returns and allowances and other adjustments are provided for in the same period during which the related sales are recorded. The Company will defer any revenues received for a product that has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered and no refund will be required.

License Revenues

License arrangements may consist of non-refundable upfront license fees, data transfer fees, research reimbursement payments, exclusive license rights to patented or patent pending compounds, technology access fees, and various performance or sales milestones. These arrangements can be multiple element arrangements.

Non-refundable fees that are not contingent on any future performance by the Company and require no consequential continuing involvement on the part of the Company are recognized as revenue when the license term commences and the licensed data, technology, compounded drug preparation and/or other deliverable is delivered. Such deliverables may include physical quantities of compounded drug preparations, design of the compounded drug preparations and structure-activity relationships, the conceptual framework and mechanism of action, and rights to the patents or patent applications for such compounded drug preparations. The Company defers recognition of non-refundable fees if it has continuing performance obligations without which the technology, right, product or service conveyed in conjunction with the non-refundable fee has no utility to the licensee and that are separate and independent of the Company's performance under the other elements of the arrangement. In addition, if the Company's continued involvement is required, through research and development services that are related to its proprietary know-how and expertise of the delivered technology or can only be performed by the Company, then such non-refundable fees are deferred and recognized over the period of continuing involvement. Guaranteed minimum annual royalties are recognized on a straight-line basis over the applicable term.

Investment in Eton Pharmaceuticals, Inc.

In April 2017, the Company formed Eton Pharmaceuticals, Inc. ("Eton") as a wholly owned subsidiary. In June 2017, Eton entered into and closed on definitive stock purchase agreements with accredited investors for the purchase of Eton's Series A Preferred Stock that resulted in net proceeds to Eton, after deducting placement agent fees and other expenses, of approximately \$18,000. At the time of closing, the Company lost voting and ownership control of Eton and it ceased consolidating Eton's financial statements. At the time of deconsolidation, the Company recorded a gain of \$5,725 and adjusted the carrying value in Eton to reflect the increased valuation of Eton and the Company's new ownership percent in accordance with Accounting Standard Codification ("ASC") 810-10-40-4(c), *Consolidation*.

The Company owns 3,500,000 common shares (approximately 27% equity interest as of June 30, 2017) of Eton and, uses the equity method of accounting for this investment, as management has determined that the Company has the ability to exercise significant influence over the operating and financial decisions of Eton. Under this method, the Company recognizes earnings and losses of Eton in its financial statements and adjusts the carrying amount of its investment in Eton accordingly. The Company's share of earnings and losses are based on the shares of common stock and in-substance common stock of Eton held by the Company. Any intra-entity profits and losses are eliminated. During the three and six months ended June 30, 2017, the Company recorded equity in net loss of Eton of \$216. As of June 30, 2017, the carrying value of the Company's investment in Eton was \$5,509.

Basic and Diluted Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing income (loss) attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is computed by dividing the income (loss) attributable to common stockholders for the period by the weighted average number of common and common equivalent shares, such as stock options and warrants, outstanding during the period.

Basic and diluted net income (loss) per share is computed using the weighted average number of shares of common stock outstanding during the period. Common stock equivalents (using the treasury stock or "if converted" method) from deferred acquisition obligations, convertible note payable, stock options, unvested restricted stock units ("RSUs") and warrants were 9,404,755 and 4,341,044 at June 30, 2017 and 2016, respectively, and, except for the three months ended June 30, 2017, are excluded from the calculation of diluted net (loss) per share for the periods presented, because the effect is anti-dilutive. Included in the basic and diluted net income (loss) per share calculation were RSUs awarded to directors that had vested, but the issuance and delivery of the shares are deferred until the director resigns. The number of shares underlying vested RSUs at June 30, 2017 and 2016 was 105,621 and 266,621, respectively.

The following table shows the computation of basic net income (loss) per share of common stock for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Numerator – net income (loss)	\$ 1,484	\$ (4,639)	\$ (3,522)	\$ (9,135)
Denominator – weighted average number of shares outstanding, basic	20,209,821	13,332,645	19,572,051	11,870,037
Net income (loss) per share, basic	\$ 0.07	\$ (0.35)	\$ (0.18)	\$ (0.77)

For the three months ended June 30, 2017, the Company had net income. As a result, the Company computed diluted net income per share using the weighted-average number of common shares and dilutive common equivalent shares outstanding during those periods. Diluted common equivalent shares for the three months ended June 30, 2017, consisted of the following:

	Shares
Diluted shares related to:	
Warrants	2,912,374
Stock options	55,686
Dilutive common equivalent shares	2,968,060

The following table shows the computation of diluted net income (loss) per share of common stock for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Numerator – net income (loss)	\$ 1,484	\$ (4,639)	\$ (3,522)	\$ (9,135)
Denominator – weighted average number of shares outstanding, basic	23,177,881	13,332,645	19,572,051	11,870,037
Dilutive common equivalents	2,968,860	-	-	-
Number of shares used for diluted earnings per share computation	23,177,881	13,332,645	19,572,051	11,870,037
Net income (loss) per share, diluted	\$ 0.06	\$ (0.35)	\$ (0.18)	\$ (0.77)

Recently Adopted Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which addresses certain aspects of accounting for share-based payment award transactions. The Company adopted this standard on January 1, 2017. The adoption did not have a material impact on the Company’s financial position, results of operations and cash flows. Prior periods were not recast.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*, which requires entities to measure most inventory “at the lower of cost and net realizable value (“NRV”),” thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. Under the new guidance, inventory is “measured at the lower of cost and net realizable value,” which eliminates the need to determine replacement cost and evaluate whether it is above the ceiling (NRV) or below the floor (NRV less a normal profit margin). The guidance defines NRV as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” The Company adopted this standard on January 1, 2017. The adoption did not have a material impact on the Company’s financial position, results of operations and cash flows. Prior periods were not recast.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This updated guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The updated guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updated guidance is effective for interim and annual periods beginning after December 15, 2016, and early adoption is not permitted. In July 2015, the FASB decided to delay the effective date of ASU 2014-09 until December 15, 2017. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. The Company is currently evaluating which transition method it will adopt and the expected impact of the updated guidance, but does not believe the adoption of the updated guidance will have a significant impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, with terms more than 12 months to be recognized as assets and liabilities on the balance sheet. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures about leasing arrangements. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018 with early adoption permitted. While the Company is still evaluating ASU 2016-02, the Company expects the adoption of ASU 2016-02 to have a material effect on the Company’s consolidated financial condition due to the recognition of the lease rights and obligations as assets and liabilities. The Company does not expect ASU 2016-02 to have a material effect on the Company’s results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations, Clarifying the Definition of a Business*, which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. ASU 2017-01 is effective for reporting periods beginning after December 15, 2017 with early adoption permitted. The Company does not expect the ASU 2017-01 to have a material impact on the Company’s financial position, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other*. This guidance simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in the current two-step impairment test under ASC 350. The updated standard eliminates the requirement to calculate a goodwill impairment charge using Step 2. If a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for reporting periods beginning after December 31, 2019 on a prospective basis, and early adoption is permitted. The Company does not expect ASU 2017-04 to have a material effect on the Company's financial position, results of operations and cash flows.

NOTE 3. INVESTMENT IN ETON PHARMACEUTICALS, INC. AND AGREEMENTS - RELATED PARTY TRANSACTIONS

In May 2017, the Company entered into two asset purchase and license agreements (the "Eton License Agreements") with its previously wholly owned subsidiary, Eton. Pursuant to the terms of the Eton License Agreements, the Company assigned and licensed to Eton certain intellectual property and related rights to develop, formulate, make, sell, and sub-license formulations of synthetic corticotropin and injectable pentoxifylline (collectively, the "Eton Products"). Eton is required to make royalty payments to the Company of six percent (6%) of net sales of the Eton Products while any patent rights remain outstanding and then three percent (3%) of net sales thereafter. In addition, Eton is required to make certain milestone payments to the Company including payments of \$50,000 upon initial patent issuances for each Eton Product. The Eton License Agreements were conditioned upon Eton receiving net proceeds of the sale of its equity securities of not less than \$10,000, which occurred in June 2017. See also Note 2, under the subheading *Investment in Eton Pharmaceuticals, Inc.*

On May 1, 2017, the Company and Eton entered into a Management Services Agreement (the "MSA"), whereby the Company will provide to Eton certain administrative services and support, including bookkeeping, web services and human resources related activities, and Eton will pay the Company a monthly amount of \$10. The MSA is terminable by either party upon written notice.

During the three and six months ended June 30, 2017, the Company incurred expenses that are reimbursable by Eton totaling \$47, and no payments were made by Eton to the Company. As of June 30, 2017, the Company was due \$67 from Eton for reimbursable expenses and amounts due under the MSA and included in prepaid expenses and other current assets on the accompanying condensed consolidated balance sheets.

The Company owns approximately 27% of Eton. The Company's Chief Executive Officer, Mark L. Baum, is a director of Eton, and several employees of the Company (including Mr. Baum and the Company's Chief Financial Officer, Andrew R. Boll) have entered into consulting agreements with Eton.

The unaudited condensed results of operations information of Eton is summarized below (in thousands):

	From the period beginning April 27, 2017 (inception) to June 30, 2017
Revenues, net	\$ -
Loss from operations	477
Net loss	\$ (477)

The unaudited condensed balance sheet information of Eton is summarized below (in thousands):

	At June 30, 2017
Current assets	\$ 18,134
Total assets	18,134
Current liabilities	147
Stockholders' equity	17,987
Total liabilities and stockholders' equity	\$ 18,134

NOTE 4. RESTRICTED CASH

The restricted cash at June 30, 2017 and December 31, 2016 consisted of funds held in a money market account. At June 30, 2017 and December 31, 2016, the restricted cash was recorded at amortized cost, which approximates fair value.

At June 30, 2017 and December 31, 2016, the funds held in a money market account of \$200 were classified as a current asset. The money market account funds are required as collateral as additional security for the Company's New Jersey facility lease.

NOTE 5. INVENTORIES

Inventories are comprised of finished compounded formulations, over-the-counter and prescription retail pharmacy products, commercial pharmaceutical products, related laboratory supplies and active pharmaceutical ingredients. The composition of inventories as of June 30, 2017 and December 31, 2016 was as follows:

	June 30, 2017	December 31, 2016
Raw materials	\$ 494	\$ 669
Finished goods	1,338	1,172
Total inventories	<u>\$ 1,832</u>	<u>\$ 1,841</u>

NOTE 6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	June 30, 2017	December 31, 2016
Prepaid insurance	\$ 535	\$ 315
Other prepaid expenses	49	517
Deposits and other current assets	202	106
Total prepaid expenses and other current assets	<u>\$ 786</u>	<u>\$ 938</u>

NOTE 7. ASSET SALES AND HELD FOR SALE

On June 27, 2017, the Company entered into an Asset Purchase Agreement (the "PA Agreement") with Creative Pharmacy Solutions Central, LLC (the "Buyers"). Under the terms of the PA Agreement, the Company sold substantially all its assets associated with its sinus related business, including but not limited to, certain intellectual property rights, trademarks, copyrights, inventories, equipment, customer lists, databases, permits, licenses, and assignment of the Company's lease obligation for its Pennsylvania based pharmacy (the "PA Assets"), for a total purchase price of approximately \$450.

Under the terms of the PA Agreement, the Buyers, upon closing, paid to the Company an aggregate cash amount of \$40. In addition, the Buyers are obligated to pay the remaining \$410 in the form of a note that will bear interest at 6% per annum (the "Sellers Note"). The Buyers will make forty-eight monthly cash payments to the Company of \$10 each month over the four years following the closing, totaling \$462; provided however, that the Buyer will have the option to make a one-time payment of \$365 any time prior to December 31, 2017, and the Company will waive any remaining amounts due on the Sellers Note. The principal amount of the Sellers Note may also be reduced by \$125, if after a period of 60 days following the closing, certain revenues associated with the PA Assets are less than 60% of the revenues associated with the PA Assets during the 60 days prior to the close of the transaction. The closing of this transaction occurred on July 14, 2017.

At June 30, 2017, the Company has listed the PA Assets on its condensed consolidated balance sheet as held for sale, and during the three and six months ended June 30, 2017, recorded a loss related to the PA Assets of \$69.

In June 2017, in a separate transaction, the Company entered into an agreement to sell certain equipment to a third party for amount of \$70. The Company has listed this equipment on its condensed consolidated balance sheet as held for sale, and during the three and six months ended June 30, 2017, recorded a loss related to equipment of \$42.

Assets held for sale consisted of the following:

	June 30, 2017
Inventories	\$ 413
Furniture and equipment	218
	<u>631</u>
Loss on asset sale	(111)
Assets available for sale	<u>\$ 520</u>

In February 2017, the Company entered into a stock purchase agreement (the “SPA”) with Livernois & London, LLC (“Livernois”). Pursuant to the terms of the SPA, the Company sold to Livernois 100% of the issued and outstanding shares of common stock of its Texas based subsidiary, ImprimisRx TX, Inc. dba ImprimisRx (“Imprimis TX”). The SPA did not transfer to Livernois any of the Company’s rights to intellectual property, products, clients, nor any of its existing business operations. As consideration for the purchase of Imprimis TX, Livernois paid the Company \$10 and the Company assigned, and Livernois assumed, the remaining lease obligation totaling \$113 for the Texas based facility. The Company recorded a loss of \$158 and \$173 from the sale of Imprimis TX for the three and six months ended June 30, 2017, respectively, which is included in the accompanying condensed consolidated statements of operations.

NOTE 8. INTANGIBLE ASSETS AND GOODWILL

The Company’s intangible assets at June 30, 2017 consisted of the following:

	Amortization periods (in years)	Cost	Accumulated amortization	Impairment	Net Carrying value
Patents	17-19 years	\$ 287	\$ (14)	-	\$ 273
Licenses	20 years	50	-	-	50
Trademarks	Indefinite	244	-	-	244
Customer relationships	3-15 years	2,998	(683)	(15)	2,299
Trade name	5 years	16	(8)	(1)	7
Non-competition clause	3-4 years	294	(228)	(20)	45
State pharmacy licenses	25 years	45	(3)	(28)	14
		<u>\$ 3,934</u>	<u>\$ (936)</u>	<u>\$ (64)</u>	<u>\$ 2,934</u>

Amortization expense for intangible assets for the three and six months ended June 30 was as follows:

	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Patents	\$ 6		\$ 7	\$ 1
Licenses	-	-	-	-
Customer relationships	63	\$ 66	127	260
Trade name	1	1	2	3
Non-competition clause	22	23	44	90
State pharmacy licenses	-	1	1	1
	<u>\$ 92</u>	<u>\$ 91</u>	<u>\$ 181</u>	<u>\$ 355</u>

Estimated future amortization expense for the Company's intangible assets at June 30, 2017 is as follows:

Remainder of 2017	\$ 182
2018	222
2019	218
2020	216
2021	216
Thereafter	1,880
	<u>\$ 2,934</u>

There have been no changes in the carrying value of the Company's goodwill during the six months ended June 30, 2017.

NOTE 9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	June 30, 2017	December 31, 2016
Accounts payable	\$ 2,833	\$ 2,999
Deferred rent	380	412
Accrued interest	131	116
Accrued exit fee for note payable	667	667
Building lease liability	-	11
Total accounts payable and accrued expenses	<u>4,011</u>	<u>4,205</u>
Less: current portion	<u>(3,344)</u>	<u>(3,538)</u>
Non-current total accrued expenses	<u>\$ 667</u>	<u>\$ 667</u>

NOTE 10. DEBT

The Company and Life Sciences Alternative Funding, LLC (“LSAF”) originally entered into a loan and security agreement (the “LSAF Loan”) on May, 11, 2015, which was most recently amended on December 27, 2016. At June 30, 2017, the outstanding principal balance was \$12,732 and the related unamortized discount was \$884. The discount is being amortized to interest expense over the term of the note using the effective interest method. During the three and six months ended June 30, 2017, debt discount amortization related to notes payable were \$251 and \$539, respectively, and \$264 and \$526 during the three and six months ended June 30, 2016, respectively.

In July 2017, the Company entered into a term loan and security agreement in the principal amount of \$16,000 (the “SWK Loan Agreement” or “SWK Loan”) with SWK Funding LLC and its partners (the “SWK”), as lender and collateral agent. The SWK Loan Agreement was fully funded at closing with a five year term, however, such term may be reduced to four years if certain revenue requirements are not achieved. Concurrently with the funding, the Company utilized a portion of the SWK Loan funds as full payment to an affiliate of LSAF to terminate all amounts due to LSAF in connection with the LSAF Loan, which loan had a principal balance of \$12,120 at the time of final payment. As a result of entering into the SWK Loan Agreement and concurrent retirement of the LSAF Loan, at June 30, 2017, the Company has classified the amounts due as long term on its condensed consolidated balance sheet as of June 30, 2017.

The SWK Loan bears interest at a variable rate equal to the three-month London Inter-Bank Offered Rate (subject to a minimum of 1.50% and maximum of 3.00%), plus an applicable margin of 10.50%. The SWK Loan Agreement permits the Company to pay interest only on the principal amount loaned thereunder for the first six payments (payments are due on a quarterly basis), which interest-only period may be reduced to four payments if the Company does not meet certain minimum revenue requirements. Following the interest-only period, the Company will be required to pay interest, plus repayments of the principal amount loaned under the SWK Loan Agreement, in quarterly payments, which shall not exceed \$750 per quarter. All amounts owed under the SWK Loan Agreement, including a final fee equal to 5% of the aggregate principal amount loaned thereunder, will be due and payable on July 19, 2022, or if certain revenue requirements are not met, July 19, 2021. The Company may elect to prepay all, but not less than all, of the amounts owed under the SWK Loan Agreement prior to the maturity date at any time after July 19, 2019. If certain revenue requirements are not met, the Company may be allowed to prepay the loan from July 19, 2018 to July 19, 2019, provided that a prepayment fee equal to 6% of the principal amount of the loan will also be due. The Company is also obligated under the SWK Loan Agreement to pay for certain expenses incurred by the SWK Lender through and after the date of the SWK Loan Agreement, including certain fees and expenses relating to the preparation and administration of the SWK Loan Agreement.

In connection with the SWK Loan Agreement, the Company issued to the SWK Lender warrants to purchase up to 415,586 shares of the Company’s common stock (the “Lender Warrants”). The Lender Warrants are exercisable immediately, have an exercise price of \$3.08 per share and a term of 7 years. The SWK Lender Warrants are subject to a cashless exercise feature, with the exercise price and number of shares issuable upon exercise subject to change in connection with stock splits, dividends, reclassifications and other conditions.

NOTE 11. CAPITAL LEASE OBLIGATION

At June 30, 2017, future payments under the Company’s capital leases were as follows:

	Amount
Remainder of 2017	\$ 387
2018	773
2019	751
Total minimum lease payments	1,911
Less: amount representing interest payments	(163)
Present value of future minimum lease payment	1,748
Less: unamortized discount	(184)
	1,564
Less: current portion, net of unamortized discount	(526)
Capital lease obligation net of current portion and unamortized discount	<u>\$ 1,038</u>

For the three and six months ended June 30, 2017, debt discount amortization related to the capital lease obligation was \$44 and \$93, respectively.

NOTE 12. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Common Stock

In March 2017, we entered into securities purchase agreements with two accredited investors, which provided for the sale by the Company of 1,312,500 shares of its common stock, at a price of \$2.40 per share (the "Registered Offering"). We received net proceeds of \$2,940 after deducting the underwriter discount of 6% of the gross proceeds from the Registered Offering and other related expenses.

In March 2017, the Company issued 25,000 shares of its restricted common stock, with a fair value of \$60, as payment for investor relations related services.

In April 2017, the Company issued 100,000 shares of common stock as a result of warrant exercises. The Company received cash proceeds of \$179 upon the exercise of the warrants with an exercise price of \$1.79.

In November 2015, the Company entered into a Controlled Equity OfferingSM sales agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., as agent ("Cantor Fitzgerald"), pursuant to which the Company may offer and sell, from time to time through Cantor Fitzgerald, shares of our common stock having an aggregate offering price as set forth in the Sales Agreement and a related prospectus supplement filed with the Securities and Exchange Commission. The Company agreed to pay Cantor Fitzgerald a cash commission of 3.0% of the aggregate gross proceeds from each sale of shares under the Sales Agreement. The Company did not sell any shares of common stock under the Sales Agreement during the six months ended June 30, 2017.

During the six months ended June 30, 2017, 25,376 shares of the Company's common stock underlying RSUs issued to directors vested, but the issuance and delivery of these shares are deferred until the director resigns.

Stock Option Plan

On September 17, 2007, the Company's Board of Directors and stockholders adopted the Company's 2007 Incentive Stock and Awards Plan, which was subsequently amended on November 5, 2008, February 26, 2012, July 18, 2012, May 2, 2013 and September 27, 2013 (as amended, the "2007 Plan"). On June 13, 2017, the Company's Board of Directors and stockholders adopted the Company's 2017 Incentive Stock and Awards Plan (the "2017 Plan" together with the 2007 Plan, the "Plans"). As of June 30, 2017, the 2007 Plan and 2017 Plan provide for the issuance of a maximum of 5,000,000 and 2,000,000 shares of the Company's common stock, respectively. The purpose of the Plans is to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in the Company's development and financial success. Under the Plans, the Company is authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code, non-qualified stock options, restricted stock units and restricted stock. The Plans are administered by the Compensation Committee of the Company's Board of Directors.

Stock Options

A summary of stock option activity under the Plans for the six months ended June 30, 2017 is as follows:

	Number of shares	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding - January 1, 2017	2,013,313	\$ 6.20		
Options granted	397,500	\$ 2.58		
Options exercised	-	\$ -		
Options cancelled/forfeit	(111,147)	\$ 4.98		
Options outstanding - June 30, 2017	2,299,666	\$ 5.63	6.68	\$ 412,810
Options exercisable	854,582	\$ 6.06	6.40	\$ 129,100
Options vested and expected to vest	2,155,157	\$ 5.65	6.52	\$ 384,439

The aggregate intrinsic value in the table above represents the total pre-tax amount of the proceeds, net of exercise price, which would have been received by option holders if all option holders had exercised and immediately sold all options with an exercise price lower than the market price on June 30, 2017, based on the closing price of the Company's common stock of \$3.20 on that date.

During the six months ended June 30, 2017, the Company granted stock options to certain employees. The stock options were granted with an exercise price equal to the current market price of the Company's common stock, as reported by the securities exchange on which the common stock was then listed, at the grant date and have contractual terms of 10 years. Vesting terms for options granted to employees and consultants during the six months ended June 30, 2017 typically included one of the following vesting schedules: 25% of the shares subject to the option vest and become exercisable on the first anniversary of the grant date and the remaining 75% of the shares subject to the option vest and become exercisable quarterly in equal installments thereafter over three years; or 100% vesting associated with the provision or completion of services provided under contracts with consultants. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plan) and in the event of certain modifications to the option award agreement.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The expected volatility is based on the historical volatilities of the common stock of the Company and comparable publicly traded companies based on the Company's belief that it currently has limited relevant historical data regarding the volatility of its stock price on which to base a meaningful estimate of expected volatility. The expected term of options granted to employees and directors was determined in accordance with the "simplified approach," as the Company has limited, relevant, historical data on employee exercises and post-vesting employment termination behavior. The expected risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates. For option grants to employees and directors, the Company assigns a forfeiture factor of 10%. These factors could change in the future, which would affect the determination of stock-based compensation expense in future periods. Utilizing these assumptions, the fair value is determined at the date of grant.

The table below illustrates the fair value per share determined by the Black-Scholes-Merton option pricing model with the following assumptions used for valuing options granted to employees:

	2017	
Weighted-average fair value of options granted	\$	2.21
Expected terms (in years)		5.81 - 6.11
Expected volatility		117 - 112%
Risk-free interest rate		1.82 - 2.01%
Dividend yield		-

The following table summarizes information about stock options outstanding and exercisable at June 30, 2017:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 2.23 - \$2.60	462,000	8.23	\$ 2.31	147,499	\$ 2.37
\$ 3.53 - \$4.50	683,623	8.40	\$ 3.98	222,164	\$ 4.05
\$ 5.49 - \$6.36	110,100	6.18	\$ 5.97	102,282	\$ 5.97
\$ 6.64 - \$8.99	1,038,913	4.60	\$ 7.98	377,607	\$ 8.21
\$ 42.80	5,030	3.12	\$ 42.80	5,030	\$ 42.80
\$ 2.23 - \$42.80	<u>2,299,666</u>	6.68	\$ 5.63	<u>854,582</u>	\$ 6.06

As of June 30, 2017, there was approximately \$3,132 of total unrecognized compensation expense related to unvested stock options granted under the Plan. That expense is expected to be recognized over the weighted-average remaining vesting period of 2.8 years. The stock-based compensation expense for all stock options was \$500 and \$950 during the three and six months ended June 30, 2017, respectively.

Restricted Stock Units

RSU awards are granted subject to certain vesting requirements and other restrictions, including performance and market-based vesting criteria. The grant date fair value of the RSUs, which has been determined based upon the market value of the Company's common stock on the grant date, is expensed over the vesting period of the RSUs. Unvested portions of RSUs issued to consultants are remeasured on an interim basis until vesting criteria is met.

A summary of the Company's RSU activity and related information for the six months ended June 30, 2017 is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
RSUs unvested - January 1, 2017	1,292,876	\$ 2.43
RSUs granted	62,892	\$ 3.18
RSUs vested	(25,376)	\$ 3.94
RSUs cancelled/forfeit	-	\$
RSUs unvested at June 30, 2017	<u>1,330,392</u>	<u>\$ 2.44</u>

As of June 30, 2017, the total unrecognized compensation expense related to unvested RSUs was approximately \$1,932, which is expected to be recognized over a weighted-average period of 1.3 years, based on estimated and actual vesting schedules of the applicable RSUs. The stock-based compensation for RSUs during the three and six months ended June 30, 2017 was \$169 and \$607.

Warrants

From time to time, the Company issues warrants to purchase shares of the Company's common stock to investors, lenders, underwriters, settlement agreements and other non-employees for services rendered or to be rendered in the future.

A summary of warrant activity for the six months ended June 30, 2017 is as follows:

	Number of Shares Subject to Warrants Outstanding	Weighted Avg. Exercise Price
Warrants outstanding - January 1, 2017	5,748,829	\$ 1.91
Granted	-	
Exercised	(100,000)	1.79
Expired	-	
Warrants outstanding and exercisable - June 30, 2017	<u>5,648,829</u>	<u>\$ 1.91</u>
Weighted average remaining contractual life of the outstanding warrants in years - June 30, 2017	<u>2.59</u>	

A list of the warrants outstanding as of June 30, 2017 is included in the following table:

Warrant Series	Warrants Outstanding			Warrants Exercisable	
	Issue Date	Warrants Outstanding	Exercise Price	Warrants Exercisable	Expiration Date
Lender warrants	5/11/2015	125,000	\$ 1.79	125,000	5/11/2025
Underwriter warrants	2/7/2013	55,688	\$ 5.25	55,688	2/7/2018
Settlement warrants	8/16/2016	40,000	\$ 3.75	40,000	8/16/2021
Warrants issued to investor relations consultant	7/19/2013	60,000	\$ 8.50	60,000	7/19/2018
Placement Agent Warrants	12/27/2016	210,313	\$ 1.79	210,313	12/27/2019
PIPE Investor Warrants	12/27/2016	5,157,828	\$ 1.79	5,157,828	12/27/2019
		<u>5,648,829</u>	\$ 1.91	<u>5,648,829</u>	

The Company recorded stock-based compensation related to equity instruments granted to employees, directors and consultants as follows:

	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Employees - selling and marketing	\$ 107	\$ 126	\$ 242	\$ 246
Employees - general and administrative	510	980	1,210	1,865
Directors - general and administrative	50	55	105	114
Consultants - selling and marketing	-	-	60	-
Total	<u>\$ 667</u>	<u>\$ 1,161</u>	<u>\$ 1,617</u>	<u>\$ 2,225</u>

NOTE 13. COMMITMENTS AND CONTINGENCIES

Legal

General and Other

In the ordinary course of business, the Company may face various claims brought by third parties and the Company may, from time to time, make claims or take legal actions to assert the Company's rights, including intellectual property disputes, contractual disputes and other commercial disputes. Any of these claims could subject the Company to litigation. Management believes the outcomes of currently pending claims are not likely to have a material effect on the Company's consolidated financial position and results of operations.

Indemnities

In addition to the indemnification provisions contained in the Company's charter documents, the Company generally enters into separate indemnification agreements with each of the Company's directors and officers. These agreements require the Company, among other things, to indemnify the director or officer against specified expenses and liabilities, such as attorneys' fees, judgments, fines and settlements, paid by the individual in connection with any action, suit or proceeding arising out of the individual's status or service as the Company's director or officer, other than liabilities arising from willful misconduct or conduct that is knowingly fraudulent or deliberately dishonest, and to advance expenses incurred by the individual in connection with any proceeding against the individual with respect to which the individual may be entitled to indemnification by the Company. The Company also indemnifies its lessors in connection with its facility leases for certain claims arising from the use of the facilities. These indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities in the accompanying condensed consolidated balance sheets.

Asset Purchase, License and Commission Agreements

The Company has acquired intellectual property rights related to certain proprietary innovations from certain inventors (the “Inventors”) through multiple asset purchase, license and commission agreements. In consideration for the acquisition of the intellectual property rights, the Company is obligated to make certain milestone payments related to patent and regulatory filings to the Inventors and also make payments, in one instance a minimum annual amount, based on certain percentages of revenues and net sales amounts, as defined within the respective agreements. During the six months ended June 30, 2017 and 2016, the Company recognized \$21 and \$361, respectively, in expense amounts related to these agreements. Such amounts are included in cost of sales and sales and marketing expenses in the accompanying condensed consolidated statements of operations.

Klarity License Agreement – Related Party

In April 2017, the Company entered into a license agreement (the “Klarity License Agreement”) with Richard L. Lindstrom, M.D., a member of its Board of Directors. Pursuant to the terms of the Klarity License Agreement, the Company licensed certain intellectual property and related rights from Dr. Lindstrom to develop, formulate, make, sell, and sub-license the topical ophthalmic solution Klarity used to protect and rehabilitate the ocular surface (the “Klarity Product”).

Under the terms of the Klarity License Agreement, the Company is required to make royalty payments to Dr. Lindstrom ranging from 3% to 6% of net sales, dependent upon the final formulation of the Klarity Product sold. In addition, the Company is required to make certain milestone payments to Dr. Lindstrom including: (i) an initial payment of \$50 upon execution of the Klarity License Agreement, (ii) a second payment of \$50 following the first \$50 in net sales of the Klarity Product; and (iii) a final payment of \$50 following the first \$100 in net sales of the Klarity Product. All of the above referenced milestone payments are payable at the Company’s election in cash or shares of the Company’s restricted common stock. Dr. Lindstrom was paid \$50 during the three and six months ended June 30, 2017. Dr. Lindstrom is a member of the Company’s Board of Directors, chairman of its Compensation Committee and a member of its Nomination and Corporate Governance Committee.

Sales and Marketing Agreement – Precision Lens

In April 2017, the Company entered into a Strategic Sales & Marketing Agreement (the “Plens Agreement”) with Cameron Ehlen Group, Inc. dba Precision Lens (“Precision Lens”). Pursuant to the terms of the Plens Agreement, Precision Lens will provide exclusive sales and marketing representation services to Imprimis in select geographies in the U.S. Midwest, in connection with the our ophthalmic compounded formulation portfolio including our Dropless Therapy®, LessDrops® combination eye drops, Simple Drops™ preservative-free glaucoma drops, MKO Melt™ conscious sedation and other ocular-related formulations typically used for dilation, general inflammation and infection (the “Products”).

Under the terms of the Plens Agreement, the Company is required to make commission payments to Precision Lens equal to 10% of each calendar year’s annual net sales for Products above and beyond the Company’s initial \$1,500 in annual net sales for Products for each calendar year. In addition, the Company is required to make periodic milestone payments to Precision Lens in shares of the Company’s restricted common stock including: (i) 10,000 shares if net sales for Products reach \$5,000 prior to December 31, 2017; (ii) 15,000 shares if net sales for Products reach \$5,000; (iii) 15,000 shares if net sales for Products reach \$10,000; (iv) 15,000 shares if net sales for Products reach \$15,000; and (v) 15,000 shares if net sales for Products reach \$20,000. No payments have been made in relation to this agreement as of June 30, 2017.

Sales and Marketing Agreement – SightLife

In April 2017, the Company entered into a Strategic Sales & Marketing Agreement (the “SightLife Agreement”) with SightLife Surgical, Inc. (“SightLife”). Pursuant to the terms of the SightLife Agreement, SightLife will provide exclusive United States sales and marketing representation services to the Company in connection with the Company’s Serum Tears™ autologous serum tears formulation (the “ASED Products”) for dry eye disease.

Under the terms of the SightLife Agreement, the Company is required to make commission payments to SightLife equal to 10% of each calendar year’s annual net sales for ASED Products. In addition, the Company is required to make periodic milestone payments to SightLife in shares of the Company’s restricted common stock including: (i) 5,000 shares if net sales for ASED Products reach \$2,000 prior to December 31, 2017; (ii) 7,500 shares if net sales for ASED Products reach \$2,500; (iii) 7,500 shares if net sales for ASED Products reach \$5,000; (iv) 7,500 shares if net sales for ASED Products reach \$7,500; and (v) 7,500 shares if net sales for ASED Products reach \$10,000. No payments have been made in relation to this agreement as of June 30, 2017.

NOTE 14. SEGMENT INFORMATION AND CONCENTRATIONS

The Company operates its business on the basis of a single reportable segment, which is the business of developing proprietary drug therapies and providing such therapies through sterile and non-sterile pharmaceutical compounding services. The Company’s chief operating decision-maker is the Chief Executive Officer, who evaluates the Company as a single operating segment.

The Company categorizes revenues by geographic area based on selling location. All operations are currently located in the U.S.; therefore, total revenues for 2017 and 2016 are attributed to the U.S. All long-lived assets at June 30, 2017 and December 31, 2016 are located in the U.S.

The Company sells its compounded formulations to a large number of customers. Less than 10% of the Company’s total pharmacy sales were derived from a single customer for the three and six months ended June 30, 2017 and 2016.

The Company receives its active pharmaceutical ingredients from three main suppliers. These suppliers collectively accounted for 72% and 77% during the three and six months ended June 30, 2017, respectively, and 86% and 71% during the three and six months ended June 30, 2016, respectively, of active pharmaceutical ingredient purchases.

NOTE 15. SUBSEQUENT EVENTS

The Company has performed an evaluation of events occurring subsequent to June 30, 2017 through the filing date of this Quarterly Report. Based on its evaluation, nothing other than the events described below needs to be disclosed.

Loan Agreement

In July 2017, the Company entered into a term loan and security agreement with SWK Funding LLC and its partners, and terminated all amounts due to LSAF in connection with the exiting term loan and security agreements as described in Note 10.

Sale of PA and Sinus Assets

In July 2017, the Company completed the disposition of substantially all its assets associated with its sinus related business as described in Note 7.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto contained in Part I, Item 1 of this Quarterly Report on Form 10-Q (this “Quarterly Report”). Our condensed consolidated financial statements have been prepared and, unless otherwise stated, the information derived therefrom as presented in this discussion and analysis is presented, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The information contained in this Quarterly Report is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Quarterly Report and in our other reports filed with the U.S. Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and subsequent reports on Form 8-K, which discuss our business in greater detail. As used in this discussion and analysis, unless the context indicates otherwise, the terms the “Company”, “Imprimis” “we”, “us” and “our” refer to Imprimis Pharmaceuticals, Inc. and its consolidated subsidiaries, consisting of ImprimisRx CA, Inc. dba ImprimisRx, Imprimis Rx NJ, LLC dba ImprimisRx and Imprimis NJOF, LLC. In this discussion and analysis, we refer to our consolidated subsidiaries collectively as our “ImprimisRx compounding pharmacies.”

In addition to historical information, the following discussion contains forward-looking statements regarding future events and our future performance. In some cases, you can identify forward-looking statements by terminology such as “will”, “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “forecasts”, “potential” or “continue” or the negative of these terms or other comparable terminology. All statements made in this Quarterly Report other than statements of historical fact are forward-looking statements. These forward-looking statements involve risks and uncertainties and reflect only our current views, expectations and assumptions with respect to future events and our future performance. If risks or uncertainties materialize or assumptions prove incorrect, actual results or events could differ materially from those expressed or implied by such forward-looking statements. Risks that could cause actual results to differ from those expressed or implied by the forward-looking statements we make include, among others, risks related to: our ability to successfully implement our business plan, develop and commercialize our proprietary formulations in a timely manner or at all, identify and acquire additional proprietary formulations, manage our pharmacy operations, service our debt, obtain financing necessary to operate our business, recruit and retain qualified personnel, manage any growth we may experience and successfully realize the benefits of our previous acquisitions and any other acquisitions and collaborative arrangements we may pursue; competition from pharmaceutical companies, outsourcing facilities and pharmacies; general economic and business conditions; regulatory and legal risks and uncertainties related to our pharmacy operations and the pharmacy and pharmaceutical business in general; physician interest in and market acceptance of our current and any future formulations and compounding pharmacies generally; our limited operating history; and the other risks and uncertainties described under the heading “Risk Factors” in Part II, Item 1A of this Quarterly Report. You should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made and, except as required by law, we undertake no obligation to revise or publicly update any forward-looking statement for any reason.

Except as otherwise noted, all dollar amounts in this discussion and analysis are expressed in thousands.

Overview

We are an ophthalmology-focused pharmaceutical company specializing in the development, production and sale of innovative medications that offer unique competitive advantages and serve unmet needs in the marketplace. We are committed to our mission, vision and values to deliver high-quality novel medications to physicians and patients at affordable prices.

Our ophthalmology offerings address three of the largest markets in the space, cataract surgery, glaucoma and dry eye disease. Our objective is to partner with ophthalmic professionals to address their patients’ pharmaceutical needs. The cornerstone of our ophthalmology program consists of our proprietary Dropless Therapy[®] injectable and LessDrops[®] topical formulations that compete in the multi-billion dollar U.S. eye drop market. These formulations have been uniquely designed to address patient compliance issues and provide other compelling medical and economic benefits. We also offer a conscious sedation medication, the IV Free MKO Melt[®], a proprietary alternative to intravenous sedation. The MKO Melt is administered sublingually to sedate patients undergoing ocular and other surgeries. During 2017, we launched programs with innovative medications used for glaucoma and chronic dry eye disease (DED). Our Simple Drops[™] campaign includes a series of preservative-free eye drops and combination eye drops for glaucoma patients. Within our DED platform, we have a portfolio of formulations that we began to roll out in the second half of 2017, including a patent-pending nutraceutical-antibiotic oral capsule formulation, Serum Tears[™], and Klarity[™] based eye drop formulations. Our integrative medicine business includes medications used in several therapeutic areas including oncology, autoimmunity, chronic infectious diseases, and endocrine and metabolic diseases. Our urology business includes a series of injectable erectile dysfunction formulations for patients that are refractory to or are otherwise unable to take phosphodiesterase type 5 inhibitors such as sildenafil (Viagra[®]), tadalafil (Cialis[®]) and vardenafil (Levitra[®]). We also make and sell low-cost therapeutic alternatives to Daraprim[®], Thiola[®], Elmiron[®], and Calcium Disodium Versenate, all FDA-approved drugs that have experienced significant price increases.

Approximately 90 percent of our revenue is derived from buy-and-bill customers as a cash pay business and as such, the majority of our commercial transactions do not involve distributors, wholesalers, insurance companies, pharmacy benefit managers or other middle parties. We do not operate using and are not dependent on discount cards, rebates, or other methods and programs that typically eliminate transparency to the consumer. By making ourselves generally independent of third party payments, we are not subject to insurance company formulary inclusion and pharmacy benefit manager payment clawbacks. In this regard, our transactions are simple, involving a patient-in-need, a physician's diagnosis and a fair price and great service for a quality pharmaceutical product. The efficiency of our business model allows us to quickly innovate and safely deliver novel and clinically relevant products to the market with fewer complications and at lower costs for our customers than traditional pharmaceutical company competitors.

Our proprietary drug formulations are born from the clinical experience of a network of inventors, including physician prescribers, clinical researchers and pharmacist formulators, who develop and prescribe personalized medicines for individual patient needs. We work collaboratively with these inventors to identify and evaluate intellectual property related to potential candidates, assess relevant markets, and seek to validate the clinical experience with the objective of investing in commercialization activities. Although our business is focused on a pharmaceutical compounding commercialization strategy, we may also consider other commercialization pathways, including pursuing FDA approval to market and sell a drug formulation or technology.

We have incurred recurring operating losses and have had negative operating cash flows since July 24, 1998 (inception). In addition, we have an accumulated deficit of approximately \$80,373 at June 30, 2017. Beginning on April 1, 2014, when we acquired our first ImprimisRx compounding pharmacy, we began generating revenue from sales of certain of our proprietary drug formulations and other non-proprietary formulations; however, we expect to incur further losses as we integrate and develop our pharmacy operations, evaluate other programs and continue the development of our formulations.

Operations

We currently produce and dispense our medications directly to customers through our ImprimisRx facilities located in Ledgewood, New Jersey, and Irvine, California. Our New Jersey facility is comprised of two separate facilities, with one facility registered with the FDA as an outsourcing facility ("NJOF") under Section 503B of the Federal Food, Drug & Cosmetic Act (FDCA). The other New Jersey facility ("NJRX"), and our California facility, are licensed pharmacies operating under Sections 503A of the FDCA. All products that we produce and sell are made in the United States of America.

Below are descriptions of our current programs. We also continue to evaluate and assess intellectual property and other assets we have developed or acquired, including provisional patent applications, in order to support our development and potential commercialization of additional medications focused in the ophthalmology market and in other therapeutic areas.

Ophthalmology

In 2013, we acquired intellectual property trademarked as SSP Technology[®], which allows for combination and administration of anti-inflammatory and anti-bacterial agents after the completion of ocular surgery. SSP Technology allows for increased solubility of active pharmaceutical ingredients and the creation of tunable, uniform particle sizes which enable these combined medications to be used as an intraoperative injectable or as a topical eye drop. Since our acquisition of this technology we have continued its development to include additional active pharmaceutical ingredients, such as NSAIDs. These combination medications have begun to impact the growing cataract surgery eye drop and refractive surgery eye drop markets. Based on our success and standing in the ophthalmology market, we have expanded further into additional ocular surgery and other markets where there is a risk of inflammation and infection and into other markets including glaucoma and dry eye disease. We plan to expand into additional ocular markets as well including wet age-related macular degeneration (wet AMD) and diabetic macular edema (DME).

Our proprietary ophthalmic medications provide physicians with the ability to address primary complications associated with ocular surgery including infection risk and post-operative inflammation due to patient non-compliance associated with traditional multiple bottle eye drop regimens. This is achieved by reducing the complexity of and in many cases altogether avoiding the need for post-operative eye drop regimens. We market these ophthalmic formulations as Droplless Therapy and LessDrops combination eye drops. We also package multiple ophthalmic medications, which may include our proprietary Droplless Therapy or LessDrops formulations, and other non-proprietary formulations as kits and dispensed to patients with needs for multiple ocular therapies.

Droplless Therapy

The cataract surgery market continues to experience significant growth. According to a 2013 Market Scope report, 3.8 million cataract surgeries are performed annually in the U.S. and nearly 22 million cataract surgeries were performed globally, with expected annual market growth of approximately 3%. The National Eye Institute estimates that over 24 million Americans currently have cataracts and that this number will grow to 38 million by 2030 and reach more than 50 million by 2050. Transparency Market Research estimates that the ophthalmology drug market will reach an estimated \$21.6 billion by 2018.

Typically, the treatment regimen for the prevention of post-cataract and other intraocular surgery complications is a pre-operative and post-operative self-administered eye drop regimen, which requires strict patient compliance and careful adherence to a prescribed dosing schedule. Physicians have reported, and studies have shown, that eye drop regimens can be confusing to patients, which can cause non-compliance and incorrect dosing. Numerous published studies conducted in the U.S. and Europe have demonstrated that antibiotics administered into the eye at the time of cataract surgery significantly reduced the risk of developing post-surgery inflammation and infection.

Our Droplless Therapy medications are single, injectable intraocular doses that are administered during cataract surgery. Ophthalmologists have reported that Droplless Therapy has substantially reduced or eliminated the need for patient-administered eye drops following ocular surgery, thereby largely eliminating patient non-compliance and dosing errors associated with post-operative self-administered eye drop care regimens. Since launching Droplless Therapy in April 2014, multiple investigator initiated studies have been completed and their positive findings published in trade and peer-reviewed publications. A recently published study comparing Droplless Cataract Surgery to post-surgical topical drops found that 92 percent of the patients preferred Droplless Therapy over eye drops, and regarding post-operative visual outcome, 88 percent of patients preferred Droplless over topical drops. In a large peer-reviewed retrospective study of 1,541 patients receiving Droplless Therapy during cataract surgery, researchers reported that nearly 92 percent of the cases required no supplemental medication following surgery. A 2015 economic study with Cataract Surgeons for Improved Eyecare and conducted by Andrew Chang & Co, LLC, demonstrated that, assuming a cost of \$100 per dose (dollar amount not expressed in thousands), Droplless Therapy could provide collective savings to Medicare, Medicaid and patients of up to \$13 billion, with a most likely savings estimate of \$8.7 billion, over a 10-year period (dollar amounts not expressed in thousands). In July 2017, we announced that our Droplless formulations had surpassed 500,000 units sold.

LessDrops Combination Eye Drops

In addition to the 3.8 million cataract surgeries performed annually in the U.S., the American Academy of Ophthalmology (AAO) estimates that over one-half of Americans require some form of vision correction and 43 million of these individuals are candidates for refractive surgery. Nearly 96 percent of the refractive surgery procedures performed are LASIK (laser in situ keratomileusis) surgeries, an outpatient surgical procedure used to treat nearsightedness, farsightedness, and astigmatism. According to Statista, an estimated 600,000 LASIK procedures were performed in the U.S. in 2015.

Our LessDrops[®] topical formulations, introduced during first quarter 2015, include combination steroid, antibiotic and non-steroidal anti-inflammatory topical eye drops for patient administration following cataract, refractive and other ocular surgeries. We estimate that our LessDrops combination eye drops may require the administration by patients of up to 50 percent fewer drops post-surgery and cost up to 75 percent less than other currently available post-surgery eye drop regimens. We plan to expand our LessDrops portfolio to provide additional eye drop choices for our ophthalmologist customers.

We believe we are capturing an estimated 10 percent of the U.S. post-surgery cataract eye drop market. Over 1,700 ophthalmologist customers have adopted Droplless and LessDrops medications and we have serviced over 600,000 cataract and refractive surgeries since April 2014. A growing number of high-volume cataract surgery practices, hospitals and ambulatory surgery centers throughout the U.S. have become customers.

Glaucoma Eye Drops

In May 2017, we launched a series of preservative-free eye drops and combination eye drops for glaucoma patients. According to the Glaucoma Research Foundation, there are over 3 million Americans with glaucoma but only half are aware they have it. Glaucoma is incurable, and if not managed can lead to blindness. Generally, the first line of treatment consists of a prostaglandin-analogue (PGA) eye drop regimen. As the disease progresses, non-PGA products are generally added as a second line treatment. Topical agents, other than PGAs, include beta blockers, alpha agonists, miotics and steroids. Up to 50 percent of glaucoma patients require more than one drug following a few months of initial treatment, however the FDA has yet to approve a PGA combination product despite combination products including a PGA (Xalacom[®], DuoTrav[®] and Ganfort[®]) available outside of the U.S. Our glaucoma topical medications will include combinations of active pharmaceutical ingredients (APIs) that are similar to those formulations marketed and available in countries outside of the U.S. Our combination eye drops may require the administration of fewer drops by patients and cost significantly less than currently available glaucoma drop regimens.

We believe the use of combination products is rising because of two major advantages; improved patient compliance by avoiding separate administration of drops and prevention of washout effect by eliminating the need for consecutive dosing intervals.

Dry Eye Disease Program

In April 2017, we acquired exclusive worldwide rights to Klarity, an innovative and patented ophthalmic topical solution and gel technology for patients with dry eye disease (DED). Klarity is designed to protect and rehabilitate the ocular surface following ophthalmic surgery, contact lens wear, or in patients with moderate to severe DED. The Klarity formulations are preservative-free and can be formulated to any viscosity, ranging from a topical drop or gel to a dispersive viscosurgical device. We expect the Klarity formulations will be the cornerstone of our new DED program, which we have launched in the second half of 2017.

In May 2017, we announced the upcoming launch of our compounded Serum Tears[™] autologous serum eye drops and signing of an exclusive strategic sales and marketing agreement with SightLife Surgical, Inc. (“SightLife”). Under the agreement, SightLife Surgical will deploy a dedicated sales team to sell our Serum Tears[™] compounded formulations to physicians, large practice groups, surgery centers, hospitals and healthcare organizations nationwide. Imprimis’ Serum Tears[™] autologous serum compounded eye drops (ASEDs) are prescribed for chronic dry eye patients who do not respond to traditional dry eye treatments. Patients with dry eye severity typically do not respond to conventional therapy and may be considered candidates for autologous serum eye drops as a treatment option. Published data have demonstrated the benefits of using an individual’s serum, which contain antibodies and growth factors, as an eye drop therapy for chronic dry eye. Under the planned Imprimis ASEDs program, Serum Tears[™] will be available in varying ranges of saline dilution combinations.

Dry eye is among the most common conditions seen by eye care professionals. Dry eye occurs when the eye does not produce enough tears, or when the tears are not of the correct consistency and evaporate too quickly. Inflammation of the surface of the eye may also occur. According to AARP (2015), it is reported that 20 to 30 million people suffer from mild dry eye, and nine to 12 million have moderate to severe dry eye. Although dry eye can impact people of any age, elderly people are frequently affected with a reported five million afflicted with DED.

MKO Melt[®] Conscious Sedation

In May 2016, we launched our patent-pending IV Free MKO Melt[®] conscious sedation formulation. Traditionally, sedation medications for ocular surgery are administered intravenously, which require IV medications and supplies, and the need for additional staff to assist in preparation, administration and monitoring related to this process. Our MKO Melt is administered sublingually and is an option to IV anesthetic to sedate patients undergoing ocular surgeries. The MKO Melt may have use in numerous other surgical procedures outside of ophthalmology including MRI procedures, dental procedures, colonoscopies, vasectomies, biopsies and women’s health.

Integrative Medicine

Our integrative medicine business includes personalized medications used in several integrative areas including oncology, autoimmunity, chronic infectious diseases, and endocrine and metabolic diseases. The portfolio includes ascorbic acid (non-corn source), patent-pending curcumin emulsion, lyophilized artesunate and other medications used for various integrative therapies. In the past, we have sponsored the Integrative Therapies Institute (ITI) conferences that cover a multitude of integrative topics and feature speakers considered thought leaders in their respective fields.

Urology

We offer injectable medications for the treatment of erectile dysfunction (ED). According to the American Urological Association (AUA) there are 20 to 30 million men in the U.S. with ED. The AUA indicates that intracavernous vasoactive injections, including Tri-Mix (phentolamine, papaverine and prostaglandin), are considered the most effective non-surgical treatment for ED. We are also developing additional formulations associated with ED, including a sublingual formulation. We currently have one managed care provider that consists of the majority of our Tri-Mix sales. We are currently marketing this large healthcare provider additional formulations, including our ophthalmic medications, and hope to grow our existing sales footprint and expand the relationship into other therapeutic areas.

In May 2016, we introduced our patent-pending customizable delayed-release tiopronin medications that may be prescribed by physicians as a lower-cost alternative to FDA-approved Thiola[®] for cystinuria patients. Cystinuria is a chronic genetic disease that causes stones made of the amino acid cystine to form in the kidneys, bladder and/or urethra. In addition to the significantly lower cost, our tiopronin medications may allow for a reduction in the number of pills patients are required to consume daily.

We also produce and dispense PPS-DR (pentosan polysulfate sodium) oral medications as a lower-cost option to an off-patent oral drug, Elmiron[®], for the treatment of symptoms associated with interstitial cystitis (IC). IC, also referred to as painful bladder syndrome and chronic pelvic pain, is a chronic bladder condition. According to the Interstitial Cystitis Association, IC affects an estimated 4 to 12 million men and women in the U.S. There is no known cure for IC and a combination of therapies is recommended for most patients including medication, physical therapy and dietary changes. Our low-cost PPS-DR oral medications feature delayed-released capsules that may allow for reduced daily dosing requirements.

Other Businesses, Assets and Development Programs

Eton Pharmaceuticals, Inc.

In May 2017, we entered into two asset purchase and license agreements (the “Eton License Agreements”) with our previously wholly owned subsidiary, Eton Pharmaceuticals, Inc. (“Eton”). Pursuant to the terms of the Eton License Agreements, we assigned and licensed to Eton certain intellectual property and related rights to develop, formulate, make, sell, and sub-license our proprietary formulations of synthetic corticotropin and injectable pentoxifylline (collectively, the “Eton Products”). Eton intends to seek FDA approval for the commercialization of its drug candidates through the Section 505(b)(2) regulatory pathway under the Federal Food, Drug, and Cosmetic Act of 1938 (the “FDCA”), as amended, and in corresponding regulatory paths in other foreign jurisdictions. If approved, Eton is required to make royalty payments to us in the amount of six percent (6%) of net sales of the Eton Products while any patent rights remain outstanding and then three percent (3%) of net sales thereafter. In addition, Eton is required to make certain milestone payments to us including payments of \$50 upon initial patent issuances for each Eton Product. Eton also has acquired two additional sterile injectable drug candidates that qualify under the Drug Efficacy Study Implementation (DESI) program which it plans to develop and commercialize through the 505(b)(2) pathway.

The Eton License Agreements became effective in June 2017, when Eton closed an offering of its Series A Preferred Stock for gross proceeds of approximately \$20,000 (the “Series A Round”). At the time of closing we lost our controlling interest, and deconsolidated Eton from our consolidated financial statements. We own three million five hundred thousand (3,500,000) shares of Eton common stock, which is approximately 27% of the equity and voting interests of Eton following the close of the Series A Round.

Mark L. Baum, our CEO is a member of the Eton board of directors, and Andrew R. Boll, our CFO, was a member of the Eton board of directors until his resignation in July 2017. Mr. Boll and Mr. Baum, along with other Imprimis employees have entered into consulting agreements with Eton.

We own patented and patent-pending topical and oral formulations that have been used to treat symptoms associated with DED and meibomian gland dysfunction (MGD), and we believe these formulations may be candidates to be developed under the 505(b)(2) new drug application FDA approval pathway. Similar to the transactions completed with Eton, we are currently pursuing an opportunity to separately finance and develop these formulations through a wholly owned subsidiary, called Surface Pharmaceuticals, Inc. (“Surface”). We have established Surface, are transferring the assets to it and are negotiating for a senior management team to lead the company. Initially, we believe, Surface will develop topical and oral drug candidates for DED, targeting the high percentage of patients who do not respond to current FDA-approved topical prescription DED products. The arrangements to establish Surface will be contingent a successful initial round of equity financing. If we are successful in financing Surface, Imprimis would retain an equity position in Surface and a royalty on commercial sales of certain Surface products.

Other Markets

In October 2015, we introduced our compounded pyrimethamine and leucovorin formulations, lower-cost therapeutic alternatives to FDA-approved Daraprim[®] for the treatment of toxoplasmosis. Toxoplasmosis can be of major concern for patients with weakened immune systems such as patients with HIV/AIDS, pregnant women and children. Our combination pyrimethamine and leucovorin formulations are now offered by Express Scripts, the largest pharmacy benefit manager in the U.S., and by many other hospitals and healthcare organizations.

In September 2016, we announced the availability of our EDTA calcium disodium injectable formulation, a lower-cost alternative to FDA-approved Calcium Disodium Versenate, commonly used to stabilize and treat patients exposed to lead poisoning.

We offer hormone replacement therapy, weight loss, dermatologic, and other personalized medications, which we believe may provide differentiating and potentially beneficial factors as compared to competing therapies.

We also own assets that we may continue to develop into a platform to serve institutional purchasers of FDA approved drugs.

Customer Relationships

We produce and dispense our innovative medications to a growing number of patients, physicians, hospitals, ambulatory surgery centers and pharmacy benefits managers (PBMs). In September 2016, we entered into a purchase and supply agreement with AmSurg Holdings, Inc. a leading national provider of multi-specialty outsourced physician services to more than 245 U.S. hospitals, ambulatory surgery centers and other healthcare facilities. Pursuant to the terms of the agreement, we will provide AmSurg with our core ophthalmic medications including our Dropleess Therapy and LessDrops combination eye drops.

In October 2016, we entered into a purchase and supply agreement with the specialty pharmacy division of a leading PBM covering more than 65 million Americans. Pursuant to the terms of the agreement, we will supply the network of specialty pharmacies with our complete formulary of medications. We believe the agreement represents a new approach to efficiently deliver medications from the manufacturer directly to the consumer, thereby eliminating several layers of inefficiencies for the millions of patients covered by this renowned PBM. We expect this agreement will help accelerate the adoption of several of our products we currently offer and others we expect to launch in 2017.

In December 2016, we announced the launch of Correct Compound[™] program with FocusScript, LLC (FocusScript), the largest compounding claims management company in the U.S. Through the program, we will jointly offer FocusScript’s proprietary CDF-Logic program of a customizable compound formulary and our portfolio to PBMs, managed care organizations and other healthcare payors. FocusScript will manage and process Correct Compound claims across FocusScript’s preferred network of over 200 compounding pharmacies which are accredited and credentialed through the UCAP program, and administered in an exclusive partnership with the National Association of Boards of Pharmacy (NABP). FocusScript will also provide its custom, proprietary system for pre-processing claims for optimal pricing, broad analytics and real-time oversight of fraud, waste and abuse. We believe this partnership allows us to leverage the value we have built in our brand and maintain our focus and resources on our rapidly-growing ophthalmology business. FocusScript’s pharmacy network, relationships with payors and comprehensive prescription drug adjudication tools should help us increase our reach and lower costs that are typically associated with the billing and adjudication process of prescription medications.

In July 2017, we entered into a supply agreement with a large, nationwide provider of LASIK and PRK surgeries for our LessDrops formulations. This group has over 50 surgery centers nationwide. We have already made our first shipments to this customer and have had to increase our production capabilities to allow for the expected increase in orders that may be forthcoming.

Compounding Facilities

One of our key strategies is the use of compounding pharmacies to formulate our proprietary compounded drug formulations and distribute them directly to physicians and patients. Generally, compounding pharmacies combine different APIs, all of which are FDA-approved, to create specialized preparations prescribed by a physician to treat an individually identified patient. Physicians prescribe our products because a standard medication approved by the FDA is not appropriate for a patient's needs. Examples of compounded formulations include medications with alternative dosage strengths or unique dosage forms, such as topical creams or gels, suspensions, or solutions with more tolerable drug delivery vehicles. A compounding pharmacy is only permitted to compound or prepare a patient-specific formulation upon receipt of a physician prescription for an individual patient. Our ImprimisRx compounding pharmacies make, dispense and sell our proprietary and non-proprietary compounded formulations and are collectively licensed to distribute to 50 states.

In October 2016, we registered NJOF with the FDA as a Section 503B outsourcing facility. An outsourcing facility is an entity permitted to compound large quantities of certain drug formulations without a prescription and distribute them out of state without limitation. An outsourcing facility is required to comply with certain additional requirements that do not apply to compounding pharmacies, including adherence to current good manufacturing practices (cGMP). We estimate that our capital expenditures to build and equip the New Jersey facility were approximately \$5,770. We have also finalized improvements to our California based pharmacy. We have invested approximately \$530 and completed the improvement efforts at our California pharmacy in January 2017.

In June 2016, our Texas facility was damaged related to a faulty sprinkler head. Although we started restoration of the facility, in September 2016, after consideration of the totality of circumstances of our collective facility infrastructure, including estimated production capacity and capabilities of NJOF, and the damage to our Texas facility, we decided to cease operations in Texas. In February 2017, we entered into a stock purchase agreement to sell our Texas entity for \$10 and transfer the lease agreement to the new owners.

In June 2017, we announced the sale of our Folcroft, Pennsylvania pharmacy and sinus related assets for \$450, the transaction closed on July 17, 2017.

Factors Affecting Our Performance

We believe the primary factors affecting our performance are our ability to increase revenues of our proprietary compounded formulations and certain non-proprietary products, grow and gain operating efficiencies in our pharmacy operations, optimize pricing and obtain reimbursement options for our proprietary compounded formulations, and continue to pursue development and commercialization opportunities for certain of our ophthalmology, urology and other assets that we have not yet made commercially available as compounded formulations. We believe we have built a tangible and intangible infrastructure that will allow us to scale revenues efficiently in the long-term. All of these activities will require significant costs and other resources, which we may not have or be able to obtain from operations or other sources. See “—Liquidity and Capital Resources” below.

Selection and Development of Formulations

We plan to pursue the development of new proprietary compounded formulations in the ophthalmology and/or other therapeutic areas, which may include continued activities to develop and commercialize current assets or, if and as opportunities arise, potential acquisitions of new intellectual property rights and assets. We also intend to seek opportunities to introduce new lower-cost compounded formulation alternatives to higher-priced FDA-approved drugs, as part of our Imprimis Cares initiative. Our product development strategy is to focus on a select few therapeutic areas in which we believe there is broad market potential, large unmet needs and/or unique value to physicians and patients and to develop and offer formulations within these therapeutic areas that could afford us with gross margins. However, our expectations and assumptions about market potential and patient needs may prove to be wrong and we may invest capital and other resources on formulations that do not generate sufficient revenues for us to recoup our investment. Additionally, we will need to rely on relationships with third parties, including pharmacists, physicians and other inventors, to assist in the identification, research, development and assessment of such formulations, which exposes us to risks. Moreover, we may be unable to identify attractive acquisition opportunities and negotiate agreements with their owners that are acceptable to us, particularly if such assets involve competition among several purchasers, and we have limited resources to invest in or acquire additional potential product development assets and integrate them into our business.

Compounding Strategy

We currently make, dispense and sell our commercially available proprietary compounded formulations and certain other non-proprietary products through our compounding pharmacies pursuant to a prescription for an individually identified patient. Additionally, in November 2016, we registered part of our New Jersey facility as an outsourcing facility. We are working to further develop our facilities into a unified compounding network. For instance, during 2016 we developed “ImprimisRx” as a uniform brand for our compounding facilities and have renamed all of our compounding facilities under this or a similar name. These efforts may also entail seeking to acquire new pharmacies or outsourcing facilities to add to our existing infrastructure, as opportunities arise. However, we have limited experience acquiring, building or operating compounding pharmacies or other prescription dispensing facilities or commercializing our formulations through ownership of or licensing arrangements with pharmacies. As a result, we may experience difficulties expanding our compounding pharmacy network strategy, including difficulties that arise as a result of our lack of experience, and we may be unsuccessful. Alternatively, we may seek to sell certain assets and businesses (such as the sale of our PA based pharmacy and sinus assets) as we grow and focus our business within ophthalmology.

Reimbursement Options and Pricing Optimization

Our proprietary ophthalmic compounded formulations are currently primarily available on a cash-pay basis. As part of our Imprimis Cares initiative, we work with third-party insurers, pharmacy benefit managers and buying groups to offer patient-specific customizable compounded formulations at accessible prices. We plan to continue to devote time and other resources to seek reimbursement and patient pay opportunities for these and other compounded formulations and we have hired pharmacy billers to process certain existing reimbursement opportunities for certain formulations. However, we may be unsuccessful in achieving these goals, as many third-party payors have imposed significant restrictions on reimbursement for compounded formulations in recent years. Moreover, third-party payors, including Medicare, are increasingly attempting to contain health care costs by limiting coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. Further, the Health Reform Law may have a considerable impact on the existing U.S. system for the delivery and financing of health care and could conceivably have a material effect on our business. As a result, reimbursement from Medicare, Medicaid and other third-party payors may never be available for any of our products or, if available, may not be sufficient to allow us to sell the products on a competitive basis and at desirable price points. If government and other third-party payors do not provide adequate coverage and reimbursement levels for our formulations, the market acceptance for our formulations may be limited.

Additionally, we are making efforts to normalize the pricing for our currently available proprietary compounded ophthalmic formulations. An economic study conducted in 2015 by researchers at Andrew Chang & Co, LLC and co-sponsored by us demonstrated that, assuming the cost of Dropless Therapy is \$100 per dose (dollar amount not expressed in thousands), our Dropless Therapy formulations could provide collective savings to Medicare, Medicaid and patients of up to \$13 billion, with a most likely savings estimate of \$8.7 billion, over a 10-year period. Based on this research, we believe optimized pricing for our Dropless Therapy formulations could be nearly \$100 per dose (dollar amount not expressed in thousands). Any efforts to attain optimized pricing for our Dropless Therapy or any of our other proprietary formulations could fail, which could make our products less attractive or unavailable to some patients or could reduce our margins.

Sales and Marketing Efforts

Although we believe that our proprietary drug formulations could have commercial appeal in international markets and we have engaged distributors and entered into out-licensing arrangements for certain of our proprietary formulations in certain non-U.S. markets, including Canada, we expect to continue to focus our sales and marketing efforts on our U.S. commercial opportunities during 2017. Our sales and marketing efforts are currently organized into two teams, the larger of which focuses on our ophthalmology business and the other on our non-ophthalmology business. In 2017, we entered into two sales and marketing agreements (described further below) that we believe will help expand the presence of our sales and marketing activities within ophthalmology. We believe these sales and marketing agreements will accelerate launches of our new ophthalmology programs in glaucoma and DED and limit our initial capital requirements commonly associated with new product launches and increased sizes of sales forces. Our sales and marketing activities consist primarily of efforts to educate doctors, ambulatory surgery centers, healthcare systems, hospitals and other users throughout the U.S. about our formulations. We expect that we may experience growth in the sales of our proprietary compounded formulations in future periods, particularly in light of our current and planned launches of new formulations and commercialization campaigns. However, we may not be successful in doing so, whether due to the safety, quality or availability of our proprietary compounded formulations, the size of the markets for such formulations, which could be smaller than we expect, the timing of market entry relative to competitive products, the availability of alternative compounded formulations or FDA-approved drugs, the price of our compounded formulations relative to alternative products or the success of our sales and marketing efforts, which is dependent on our ability to build and grow a qualified and adequate internal sales function. Further, we are dependent upon market acceptance of compounded formulations generally, and some physicians may be hesitant to prescribe, and some patients may be hesitant to purchase and use, these non-FDA approved formulations, particularly when an FDA-approved alternative is available.

Recent Developments

The following describes certain developments in 2017 to date that are important to understand our financial condition and results of operations. See the notes to our condensed consolidated financial statements included in this report for additional information about each of these developments. Dollar amounts are expressed in thousands.

Texas Subsidiary Sale

On February 13, 2017, we entered into a stock purchase agreement (the “SPA”) with Livernois & London, LLC (“Livernois”). Pursuant to the terms of the SPA, we sold to Livernois one hundred percent (100%) of the issued and outstanding shares of common stock of our Texas based subsidiary, ImprimisRx TX, Inc. dba ImprimisRx (“Imprimis TX”). The SPA did not transfer to Livernois any of our rights to intellectual property, products, clients, nor any of our existing business operations. As consideration for the purchase of Imprimis TX, Livernois paid the us \$10 and the we assigned, and Livernois assumed, the remaining lease obligation totaling \$113 for our Texas based facility.

Registered Direct Offering

On March 21, 2017, we entered into securities purchase agreements (the “Purchase Agreement”) with two accredited investors (the “Investors”), which provided for the sale by the Company of 1,312,500 shares of our common stock, at a price of \$2.40 per share (the “Offering”). We received net proceeds of \$2,941 after deducting the underwriter discount and other offering expenses.

Klarity License

On April 1, 2017, we entered into a license agreement (the “Klarity License Agreement”) with Richard L. Lindstrom, M.D., a member of our Board of Directors. Pursuant to the terms of the Klarity License Agreement, we licensed certain intellectual property and related rights from Dr. Lindstrom to develop, formulate, make, sell, and sub-license the topical ophthalmic solution Klarity used to protect and rehabilitate the ocular surface (the “Klarity Product”). Under the terms of the Klarity License Agreement, we are required to make royalty payments to Dr. Lindstrom ranging from three percent (3%) to six percent (6%) of net sales, dependent upon the final formulation of the Klarity Product sold. In addition, we are required to make certain milestone payments to Dr. Lindstrom including: (i) an initial payment of \$50 upon execution of the Klarity License Agreement, (ii) a second payment of \$50 following the first \$50 in net sales of the Klarity Product; and (iii) a final payment of \$50 following the first \$100 in net sales of the Klarity Product. All of the above referenced milestone payments are payable at the Company’s election in cash or shares of our restricted common stock.

Dr. Lindstrom is a member of the Company’s Board of Directors, and chairman of its Compensation Committee and a member of its Nomination and Corporate Governance Committee. Our Board has reviewed the agreement and financials terms thereof, and does not expect total payments to Dr. Lindstrom will be in excess of \$120,000 during the next twelve months. Furthermore, the Board has determined that entering into the Klarity License Agreement would not impair Dr. Lindstrom’s independence nor his ability to provide independent oversight of the Company.

Precision Lens Marketing Agreement

On April 13, 2017, we entered into a Strategic Sales & Marketing Agreement (the “Marketing Agreement”) with Cameron Ehlen Group, Inc. dba Precision Lens (“Precision Lens”). Pursuant to the terms of the Agreement, Precision Lens will provide exclusive sales and marketing representation services to Imprimis in select geographies in the U.S. Midwest, in connection with the our ophthalmic compounded formulation portfolio including our Droplless Therapy®, LessDrops® combination eye drops, Simple Drops™ preservative-free glaucoma drops, MKO Melt® conscious sedation and other ocular-related formulations typically used for dilation, general inflammation and infection (the “Products”).

Under the terms of the Marketing Agreement, we are required to make commission payments to Precision Lens equal to ten percent (10%) of each calendar year’s annual net sales for Products above and beyond the Company’s initial \$1,500 in annual net sales for Products for each calendar year. In addition, we are required to make periodic milestone payments to Precision Lens in shares of the Company’s restricted common stock including: (i) 10,000 shares if net sales for Products reach \$5,000 prior to December 31, 2017; (ii) 15,000 shares if net sales for Products reach \$5,000; (iii) 15,000 shares if net sales for Products reach \$10,000; (iv) 15,000 shares if net sales for Products reach \$15,000; and (v) 15,000 shares if net sales for Products reach \$20,000.

SightLife Surgical Marketing Agreement

On April 28, 2017, we entered into a Strategic Sales & Marketing Agreement (the “SightLife Agreement”) with SightLife Surgical, Inc. (“SightLife”). Pursuant to the terms of the SightLife Agreement, SightLife will provide exclusive U.S. sales and marketing representation services to us in connection with the our Serum Tears™ autologous serum tears formulation (the “ASED Products”) for dry eye disease.

Under the terms of the SightLife Agreement, we are required to make commission payments to SightLife equal to ten percent (10%) of each calendar year’s annual net sales for ASED Products. In addition, we are required to make periodic milestone payments to SightLife in shares of the our restricted common stock including: (i) 5,000 shares if net sales for ASED Products reach \$2,000 prior to December 31, 2017; (ii) 7,500 shares if net sales for ASED Products reach \$2,500; (iii) 7,500 shares if net sales for ASED Products reach \$5,000; (iv) 7,500 shares if net sales for ASED Products reach \$7,500; and (v) 7,500 shares if net sales for ASED Products reach \$10,000.

Eton License Agreements

As described more fully above under the sub-heading “*Eton Pharmaceuticals, Inc.*”, in May 2017, we entered the Eton License Agreements with our previously wholly owned subsidiary, Eton. The Eton License Agreements were made effective in June 2017. Pursuant to the terms of the Eton License Agreements, we assigned and licensed to Eton certain intellectual property and related rights to develop, formulate, make, sell, and sub-license the Eton Products.

Sinus Assets Sale

In July 2017, we completed the disposition of substantially all its assets associated with our sinus related business, including but not limited to, certain intellectual property rights, trademarks, copyrights, inventories, equipment, customer lists, databases, permits, licenses, and assignment of our lease obligation for our Pennsylvania based pharmacy (the “PA Assets”) pursuant to an Asset Purchase Agreement (the “PA Purchase Agreement”), dated June 27, 2017, by and among us and our wholly owned subsidiaries ImprimisRx PA, Inc. and ImprimisRx CA, Inc. (collectively the “Sellers”) and Creative Pharmacy Solutions Central, LLC (the “Buyer”), for a total sales price of approximately \$450. In connection with the closing of the PA Purchase Agreement (the “PA Closing”), the Buyer paid to us an aggregate initial cash payment of \$40. In addition, the Buyer is obligated to pay the remaining \$410 in the form of a note that will bear interest at 6% per annum (the “Sellers Note”). The Buyer will make forty-eight (48) monthly cash payments to the Company of \$10 each over the four years following the PA Closing, totaling \$462; provided however, that the Buyer will have the option to make a one-time payment of \$365 any time prior to December 31, 2017, and we will waive any remaining amounts due of the Seller Note. The principal amount of the Sellers Note may also be reduced by \$125, if after a period of 60 days following the closing, certain revenues associated with the PA Assets are less than 60% of the revenues associated with the PA Assets 60 days prior to the close of the transaction.

Loan Agreement

In July 2017, we entered into a term loan and security agreement in the principal amount of \$16,000 (the “SWK Loan Agreement” or “SWK Loan”) with SWK Funding LLC and its partners (the “SWK Lender”), as lender and collateral agent. The SWK Loan Agreement was fully funded at closing with a five year term, however, such term may be reduced to four years if certain revenue requirements are not achieved. Concurrently with the funding, we utilized a portion of the SWK Loan funds as full payment to an affiliate of Life Sciences Alternative Funding, LLC (“LSAF”) to terminate all amounts due to LSAF in connection with the existing term loan and security agreements, as amended, originally entered into between us and LSAF on May 11, 2015 (the “LSAF Loan”), which loan had a principal balance of \$12,120 at the time of final payment.

The SWK Loan bears interest at a variable rate equal to the three-month London Inter-Bank Offered Rate (subject to a minimum of 1.50% and maximum of 3.00%), plus an applicable margin of 10.50%. The SWK Loan Agreement permits us to pay interest only on the principal amount loaned thereunder for the first six payments (payments are due on a quarterly basis), which interest-only period may be reduced to four payments if we do not meet certain minimum revenue requirements. Following the interest-only period, we will be required to pay interest, plus repayments of the principal amount loaned under the SWK Loan Agreement, in quarterly payments, which shall not exceed \$750 per quarter. All amounts owed under the SWK Loan Agreement, including a final fee equal to 5% of the aggregate principal amount loaned thereunder, will be due and payable on July 19, 2022, or if certain revenue requirements are not met, July 19, 2021. We may elect to prepay all, but not less than all, of the amounts owed under the SWK Loan Agreement prior to the maturity date at any time after July 19, 2019. If certain revenue requirements are not met, we may be allowed to prepay the loan from July 19, 2018 to July 19, 2019, provided that a prepayment fee equal to 6% of the principal amount of the loan will also be due.

Our obligations under the Loan Agreement are guaranteed on a secured basis by our wholly owned subsidiaries, ImprimisRx NJ, LLC, Imprimis NJOF, LLC and ImprimisRx CA, Inc. Each of the Company and its subsidiaries has granted the SWK Lender a security interest in substantially all of its personal property, rights and assets, including intellectual property rights and equity ownership, to secure the payment of all amounts owed under the SWK Loan Agreement.

In connection with the SWK Loan Agreement, we issued to the SWK Lender warrants to purchase up to 415,586 shares of the Company’s common stock (the “Lender Warrants”). The Lender Warrants are exercisable immediately, have an exercise price of \$3.08 per share and maintain a term of 7 years. The Lender Warrants are subject to a cashless exercise feature, with the exercise price and number of shares issuable upon exercise subject to change in connection with stock splits, dividends, reclassifications and other conditions.

Curcumin Emulsion Statement

In August 2017, FDA issued a MedWatch notification regarding our curcumin emulsion and two adverse events that had been associated with it. We issued a press release on August 7, 2017, clarifying certain facts regarding the notice which outlined our belief the adverse events associated with the two patients occurred due to an allergic reaction, the products had been inappropriately administered and obtained by the overseeing medical professional, no drugs or poisons including diethylene glycol [DEG] at a level greater than 0.1% by volume were identified in the IV bag contents administered to one of the patients, and our use of curcumin and excipients in our curcumin emulsion formulation met certain regulatory standards required for dispensing of the curcumin emulsion. As of the date of this report, the Company has not incurred a material change in its business, statement of operations, and financial position as a result of the MedWatch notification. Sales of our curcumin emulsion totaled less than 5% of total revenues for the three and six months ended June 30, 2017.

Results of Operations

The following period-to-period comparisons of our financial results are not necessarily indicative of results for the current period or any future period. As a result of our acquisitions of our ImprimisRx compounding pharmacies, and any additional pharmacy acquisitions or other such transactions we may pursue, we may experience large expenditures specific to the transactions that are not incident to our operations. Dollar amounts are expressed in thousands (except share and per share data).

Comparison of the three and six months ended June 30, 2017 and 2016

Revenues

Our revenues include amounts recorded from sales of proprietary compounded formulations and revenues received from royalty payments owed to us pursuant to out-license arrangements.

The following presents our revenues for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,			\$ Variance	For the Six Months Ended June 30,			\$ Variance
	2017	2016			2017	2016		
Sales, net	\$ 6,849	\$ 4,902	\$ 1,947	\$ 12,938	\$ 9,283	\$ 3,655		
License revenues	8	5	3	16	5	11		
Total revenues	<u>\$ 6,857</u>	<u>\$ 4,907</u>	<u>\$ 1,950</u>	<u>\$ 12,954</u>	<u>\$ 9,288</u>	<u>\$ 3,666</u>		

The increase in revenue between periods was largely attributable to increased sales of our proprietary formulations and furtherance of our ophthalmology related compounded formulations, including our LessDrops formulations. Our gross ophthalmology related sales were approximately \$4,760 and \$8,418 for the three and six months ended June 30, 2017, compared to \$2,617 and \$4,405 during the same period last year.

Cost of Sales

Our cost of sales includes direct and indirect costs to manufacture formulations and sell products, including active pharmaceutical ingredients, personnel costs, packaging, storage, royalties, shipping and handling costs, manufacturing equipment and tenant improvements depreciation, the write-off of obsolete inventory and other related expenses.

The following presents our cost of sales for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,			\$ Variance	For the Six Months Ended June 30,			\$ Variance
	2017	2016			2017	2016		
Cost of sales	\$ 3,288	\$ 2,172	\$ 1,116	\$ 6,645	\$ 4,421	\$ 2,224		

The increase in our cost of sales between periods was largely attributable to an increase in the volume of unit sales of our formulations and products and our associated costs of such sales. We also incurred some inefficiencies in our overall production processes during the six months ended June 30, 2017 as we shifted certain production efforts and requirements to new processes and systems, including cGMP requirements at our NJ based outsourcing facility which effected our overall gross margin percent.

Selling and Marketing Expenses

Our selling and marketing expenses consist of costs associated with our marketing activities and sales of our proprietary compounded formulations and other non-proprietary pharmacy products and formulations, which include associated personnel costs, including wages and stock-based compensation.

The following presents our selling and marketing expenses for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30,			\$ Variance	For the Six Months Ended June 30,			\$ Variance
	2017	2016			2017	2016		
Selling and marketing	\$ 1,999	\$ 2,270	\$ (271)	\$ 4,439	\$ 4,170	\$ 269		

The increase in selling and marketing expenses during the six months ended June 30, 2017 compared to the same period last year, was primarily attributable to the expansion of our sales and marketing efforts which included additional commercialization personnel, increased presence at trade conferences and implementation of other various marketing activities, all related to our commercialization efforts for our proprietary and certain non-proprietary compounded formulations.

General and Administrative Expenses

Our general and administrative expenses include personnel costs, including wages and stock-based compensation, corporate facility expenses, and investor relations, consulting, insurance, filing, legal and accounting fees and expenses.

The following presents our general and administrative expenses for the three and six months ended June 30, 2017 and 2016:

	For the Three Months ended			For the Six Months Ended		
	June 30,		\$	June 30,		\$
	2017	2016		2017	2016	
General and administrative	\$ 4,486	\$ 4,397	\$ 89	\$ 8,857	\$ 8,337	\$ 520

The increase in general and administrative expenses between periods was largely attributable to the general increase of our operations to support the launch of our NJ based outsourcing facility, growth in sales, including hiring additional personnel, obtaining and maintaining state pharmacy licenses, increased professional fees and other related activities.

Research and Development Expenses

Our research and development expenses primarily include expenses related to the development of acquired intellectual property, investigator-initiated research and evaluations and other costs related to the clinical development of our assets.

The following presents our research and development expenses for the three and six months ended June 30, 2017 and 2016:

	For the Three Months ended			For the Six Months Ended		
	June 30,		\$	June 30,		\$
	2017	2016		2017	2016	
Research and development	\$ 101	\$ 76	\$ 25	\$ 261	\$ 122	\$ 139

The increase in research and development expenses between periods was primarily attributable to several formulation development studies we conducted on our core formulations during the six months ended June 30, 2017.

Interest Income

Interest income was \$2 and \$5 for the three and six months ended June 30, 2017, respectively, compared to \$6 and \$8 for the same periods in the prior year.

Interest Expense

Interest expense was \$769 and \$1,560 for the three and six months ended June 30, 2017, compared to \$637 and \$1,268 during the same period last year, respectively. The increase was primarily due to interest expense recognition related to the LSAF Loan, as well as capital leases and deferred acquisition obligations related to our acquisition of Park.

Equity Loss from Eton

During the three and six months ended June 30, 2017, we recorded a loss of \$216, for our share of losses based on our ownership of Eton. We began using equity method accounting for our investment in Eton beginning on June 16, 2017, the date we no longer had a controlling interest, prior to that date, their losses were consolidated within our statement of operations.

Gain on Deconsolidation of Eton

During the three and six months ended June 30, 2017, we recorded a gain of \$5,725, on the deconsolidation of Eton, see Note 2 and Note 3 in the Notes to the condensed consolidated financial statements for a more detailed explanation of this transaction.

Loss on Sale of Assets

During the three and six months ended June 30, 2017, we recorded a loss of \$269 and \$284, respectively, related to assets associated with the sale of Imprimis TX and our sinus business.

Income Tax Benefit

Income tax benefit was \$28 and \$56 for the three and six months ended June 30, 2017, respectively, which was related to the net change in our deferred tax liabilities and assets, specifically those related to the Park acquisition and its identifiable intangible assets.

Net Income (Loss)

The following table presents our net income (loss) for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Net income (loss)	\$ 1,484	\$ (4,639)	\$ (3,522)	\$ (9,135)
Basic net income (loss) per share of common stock	\$ 0.07	\$ (0.35)	\$ (0.18)	\$ (0.77)
Diluted net income (loss) per share of common stock	\$ 0.06	\$ (0.35)	\$ (0.18)	\$ (0.77)

Liquidity and Capital Resources

Liquidity

Our cash on hand (including restricted cash) at June 30, 2017 was \$4,365, compared to \$9,053 at December 31, 2016. Since inception through June 30, 2017 we have incurred aggregate losses to common stockholders of \$(80,373). These losses are primarily due to selling, general and administrative and research and development expenses incurred in connection with developing and seeking regulatory approval for a former drug candidate, which activities we have now discontinued, the development and commercialization of novel compounded formulations and the development of our pharmacy operations.

As of the date of this Quarterly Report, we believe that cash and cash equivalents and restricted investments of approximately \$4,365 at June 30, 2017, along with net proceeds from the SWK Loan entered into in July 2017 and proceeds from the sale of certain assets, will be sufficient to sustain our planned level of operations and capital expenditures for at least the next 12 months. However, our plans for this period may change, our estimates of our operating expenses, capital expenditures and working capital requirements could be inaccurate, we may pursue acquisitions of pharmacies or other strategic transactions that involve large expenditures or we may experience growth more quickly or on a larger scale than we expect, any of which could result in the depletion of capital resources more rapidly than anticipated and could require us to seek additional financing earlier than we expect to support our operations.

We expect to use our current cash position and funds generated from our operations and any financing to pursue our business plan, which includes developing and commercializing compounded formulations and technologies, integrating and developing our compounding operations, pursuing potential future strategic transactions as opportunities arise, including potential acquisitions of additional pharmacy, outsourcing facilities, drug company and manufacturers, and/or assets or technologies, and otherwise fund our operations. We may also use our resources to conduct clinical trials or other studies in support of our formulations or any product candidate for which we pursue FDA approval, to pursue additional development programs or to explore other development opportunities.

Net Cash Flow

The following provides detailed information about our net cash flows for the three and six months ended June 30, 2017 and 2016:

	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Net cash used in operating activities	\$ (6,285)	\$ (5,068)
Net cash used in investing activities	(515)	(5,980)
Net cash provided by financing activities	2,112	13,804
Net change in cash and cash equivalents	(4,688)	2,756
Cash and cash equivalents at beginning of the period	8,853	2,685
Cash and cash equivalents at end of the year	<u>\$ 4,165</u>	<u>\$ 5,441</u>

Operating Activities

Net cash used in operating activities was \$(6,285) in 2017, as compared to \$(5,068) used in operating activities during the same period in the prior year. The net cash used in operating activities was mainly attributed to expanding our operations, including hiring additional personnel, commercialization and marketing activities related to our proprietary formulations, prescription fulfillment activities and other related undertakings.

Investing Activities

Net cash used in investing activities in 2017 and 2016 was \$(515) and \$(5,980), respectively. Cash used in investing activities in 2017, were primarily associated with equipment purchases and upgrades and investments in our intellectual property portfolio. Cash used in investing activities in 2016 was primarily related to construction efforts and equipment purchases for our New Jersey, California and Texas facilities.

Financing Activities

Net cash provided by financing activities in 2017 and 2016 was \$2,112 and \$13,804, respectively. The cash provided by financing activities during 2017 is primarily attributable to proceeds from the registered direct offering and sale of shares of common stock in March 2017. Cash provided by financing activities in 2016 was primarily attributable to proceeds received in January 2016 from the LSAF Convertible Note, proceeds received from the underwritten public offering and sale of shares of common stock in March 2016 and proceeds received from the private placement of common stock and warrants in December 2016.

Sources of Capital

Our principal sources of cash consist of cash provided by financing activities, including \$2,940 in net proceeds related to a registered direct offering of our common stock in March 2017, proceeds related to \$16,000 SWK Loan in July 2017 (less the concurrent retirement of our then existing term loan), and from ongoing product and formulation sales. We do not currently receive sufficient revenues to support our operations.

We may need significant additional capital to support our business plan and fund our proposed business operations. We are eligible to receive additional proceeds from future sales of our common stock under our Controlled Equity OfferingSM sales agreement with Cantor Fitzgerald & Co. We may also seek additional financing from a variety of sources, including other equity or debt financings, funding from corporate partnerships or licensing arrangements, sales of assets or any other financing transaction. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience substantial dilution, and the newly issued equity or debt securities may have more favorable terms or rights, preferences and privileges senior to those of our existing stockholders. If we raise additional funds through collaboration or licensing arrangements or sales of assets, we may be required to relinquish potentially valuable rights to our product candidates or proprietary technologies or formulations, or grant licenses on terms that are not favorable to us. If we raise funds by incurring additional debt, we may be required to pay significant interest expenses and our leverage relative to our earnings or to our equity capitalization may increase. Obtaining commercial loans, assuming they would be available, would increase our liabilities and future cash commitments and may impose restrictions on our activities, such as the financial and operating covenants included in the agreements governing the SWK Loan. Further, we may incur substantial costs in pursuing future capital and/or financing transactions, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which would adversely impact our financial results.

We may be unable to obtain financing when necessary as a result of, among other things, our performance, general economic conditions, conditions in the pharmaceuticals and pharmacy industries, or our operating history, including our past bankruptcy proceedings. In addition, the fact that we are not and have never been profitable could further impact the availability or cost to us of future financings. As a result, sufficient funds may not be available when needed from any source or, if available, such funds may not be available on terms that are acceptable to us. If we are unable to raise funds to satisfy our capital needs when needed, then we may need to forego pursuit of potentially valuable development or acquisition opportunities, we may not be able to continue to operate our business pursuant to our business plan, which would require us to modify our operations to reduce spending to a sustainable level by, among other things, delaying, scaling back or eliminating some or all of our ongoing or planned investments in corporate infrastructure, business development, sales and marketing and other activities, or we may be forced to discontinue our operations entirely.

Recently Issued and Adopted Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements included in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended, (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"), and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, as they existed on June 30, 2017. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective to achieve their stated purpose as of June 30, 2017, the end of the period covered by this report.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during our quarter ended June 30, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are not aware of any pending legal proceedings to which we are a party or of which any of our property is subject the adverse outcome of which, individually or in the aggregate, is likely to have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors

You should carefully consider the following risk factors in addition to the other information contained in this Quarterly Report. Our business, financial condition, results of operations and stock price could be materially adversely affected by any of these risks. Dollar amounts are express in thousands.

Risks Related to Our Business

We have incurred losses in every year of our operations, and we may never become profitable.

We have incurred losses in every year of our operations, including net losses of \$(19,087) and \$(15,899) for the years ended December 31, 2016 and 2015, respectively, and net income (losses) of \$1,484 and \$(3,522) for the three and six months ended June 30, 2017 and \$(4,639) and \$(9,135) for the three and six months ended June 30, 2016, respectively. As of June 30, 2017, our accumulated deficit was \$(80,373). We expect to decrease our operating losses during 2017, however, our projections may not be correct and our plans could change and we could incur increasing operating losses in the foreseeable future for our commercialization activities, research and development and our pharmacy operations. Although we have been generating some revenue from our pharmacy operations, our ability to generate significant revenues and achieve profitability will depend on many factors, including those discussed in this “Risk Factors” section. Our business plan and strategies involve costly activities that are susceptible to failure, and, therefore, we may never be able to generate sufficient revenue to support our business or reach the level of sales and revenues necessary to achieve and sustain profitability.

We may not receive sufficient revenue to fund our operations and recover our development costs.

Our business involves the preparation and sale of our proprietary formulations through our compounding pharmacies and outsourcing facilities. We have limited experience operating pharmacies and commercializing compounded formulations, and we may be unable to successfully manage this business or generate sufficient revenue to recover our development costs and operational expenses. We may have only limited success in marketing and selling our proprietary formulations. Although we have established and plan to grow our internal sales teams and use external sales companies to market and sell our proprietary formulations and other non-proprietary products, we have limited experience with such activities and may not be able to generate sufficient physician and patient interest in our formulations to generate significant revenue from sales of these products. In addition, we are substantially dependent on our ImprimisRx compounding pharmacies and outsourcing facilities, along with any pharmacy partners with which we may contract to compound and sell our formulations using our quality standards and specifications, in a timely manner and sufficient volumes to accommodate the number of prescriptions they receive. Our pharmacies may be unable to compound our formulations successfully and we may be unable to acquire, build or enter into arrangements with pharmacies or outsourcing facilities of sufficient size, reputation and quality to implement our business plan, which would cause our business to suffer.

We sell certain of our proprietary formulations primarily through a unified network of compounding pharmacies, but we may not be successful in our efforts to establish such a network or integrate these businesses into our operations.

Our business strategy includes establishing a unified compounding pharmacy network, whether through acquisitions, establishing new pharmacies or entering into licensing arrangements with third-party pharmacies, to market and sell our proprietary formulations and other non-proprietary products in all 50 states.

We currently operate from compounding facilities in New Jersey and California. We have limited experience acquiring, building or operating compounding pharmacies or other prescription dispensing facilities or commercializing our formulations through ownership of or licensing arrangements with pharmacies. As a result, we may experience difficulties implementing our compounding pharmacy network strategy, including difficulties that arise as a result of our lack of experience, and we may be unsuccessful. For instance,

- we may not be successful in our efforts to integrate, manage or otherwise realize the benefits we expect from acquisitions of our ImprimisRx compounding pharmacies or any additional pharmacy businesses or outsourcing facilities we to acquire or build in the future;
- we may not be able to satisfy applicable federal and state licensing and other requirements for any of our pharmacy businesses in a timely manner or at all;
- changes to federal and state pharmacy regulations may restrict compounding operations or make them more costly;
- we may be unable to achieve a sufficient physician and patient customer base to sustain our pharmacy operations;
- market acceptance of compounding pharmacies generally may be curtailed or delayed; and
- we may not be able to enter into licensing or other arrangements with third-party pharmacies or outsourcing facilities when desired, on acceptable terms or at all.

Our efforts to expand pharmacy operations and establish a unified pharmacy network will involve significant costs and other resources, which we may not be able to afford and may disrupt our other operations and distract management and employees from the other aspects of our business. As a result, our business could materially suffer if we are unable to further develop this unified pharmacy network and, even if we are successful, we may be unable to generate sufficient revenue to recover our costs.

We are dependent on market acceptance of compounding pharmacies and compounded formulations, and physicians may be unwilling to prescribe, and patients may be unwilling to use, our proprietary customizable compounded formulations.

We currently distribute our proprietary formulations through compounding pharmacies. Formulations prepared and dispensed by compounding pharmacies contain FDA-approved ingredients, but are not themselves approved by the FDA. Thus, our formulations have not undergone the FDA approval process and only limited data, if any, may be available about the safety and efficacy of our formulations for any particular indication. Certain compounding pharmacies have been subject to widespread negative media coverage in recent years, and the actions of these pharmacies have resulted in increased scrutiny of compounding pharmacy activities from the FDA and state governmental agencies. As a result, some physicians may be hesitant to prescribe and some patients may be hesitant to purchase and use non-FDA approved compounded formulations, particularly when an FDA-approved alternative is available. For other reasons physicians may be unwilling to prescribe or patients may be unwilling to use our proprietary compounded formulations, including the following: legal proscriptions on our ability to discuss the efficacy or safety of our formulations with potential users to the extent applicable data is available; our pharmacy operations are primarily operating on a cash-pay basis and reimbursement may or may not be available from third-party payors, including the government Medicare and Medicaid programs; and the formulations by our compounding facilities are not required to be prepared and are not presently being prepared in a manufacturing facility governed by cGMP requirements. Any failure by physicians, patients and/or third-party payors to accept and embrace compounded formulations could substantially limit our market and cause our operations to suffer.

Our business is significantly impacted by state and federal statutes and regulations.

Our proprietary formulations are comprised of active pharmaceutical ingredients that are components of drugs that have received marketing approval from the FDA, although our proprietary compounded formulations have not themselves received FDA approval. FDA approval is not required in order to market and sell our compounded formulations. In the future we may choose to pursue FDA approval to market and sell certain potential product candidates. The marketing and sale of compounded formulations is subject to and must comply with extensive state and federal statutes and regulations governing compounding pharmacies. These statutes and regulations include, among other things, restrictions on compounding for office use or in advance of receiving a patient-specific prescription or, for outsourcing facilities, requirements regarding preparation, such as regular FDA inspections and cGMP requirements, prohibitions on compounding drugs that are essentially copies of FDA-approved drugs, limitations on the volume of compounded formulations that may be sold across state lines, and prohibitions on wholesaling or reselling. These and other restrictions on the activities of compounding pharmacies and outsourcing facilities may significantly limit the market available for compounded formulations, as compared to the market available for FDA-approved drugs.

Our pharmacy business is impacted by federal and state laws and regulations governing the following: the purchase, distribution, management, compounding, dispensing, reimbursement, marketing and labeling of prescription drugs and related services; FDA and/or state regulation affecting the pharmacy and pharmaceutical industries, including state pharmacy licensure and registration or permit standards; rules and regulations issued pursuant to HIPAA and other state and federal laws related to the use, disclosure and transmission of health information; and state and federal controlled substance laws. Our failure to comply with any of these laws and regulations could severely limit or curtail our pharmacy operations, which would materially harm our business and prospects. Further, our business could be adversely affected by changes in these or any newly enacted laws and regulations, and federal and state agency interpretations of the statutes and regulations. Statutory or regulatory changes could require us to make changes to our business model and operations and/or could require us to incur significantly increased costs to comply with such regulations.

If we or our partner facilities fail to comply with the Controlled Substances Act, FDCA, or similar state statutes and regulations, the pharmacy facilities could be required to cease operations or become subject to restrictions that could adversely affect our business.

State pharmacy laws require pharmacy locations in those states to be licensed as an in-state pharmacy to dispense pharmaceuticals. In addition, state controlled substance laws require registration and compliance with state pharmacy licensure, registration or permit standards promulgated by the state's pharmacy licensing authority. Pharmacy and controlled substance laws often address the qualification of an applicant's personnel, the adequacy of its prescription fulfillment and inventory control practices and the adequacy of its facilities. These laws also subject pharmacies to oversight by state boards of pharmacy and other regulators that could impose burdensome requirements or restrictions on operations if a pharmacy is found not in compliance with these laws. We believe that our ImprimisRx compounding pharmacies are in material compliance with applicable regulatory requirements. If any of our ImprimisRx compounding pharmacies fail to comply with such requirements, they could be forced to permanently or temporarily cease or limit their sterile compounding operations, which would severely limit our ability to market and sell our proprietary formulations and would materially harm our operations and prospects. Any noncompliance could also result in complaints or adverse actions by other state boards of pharmacy. FDA inspection of a facility to determine compliance with the FDCA, if not successful, may result in the loss of FDCA exemptions provided under Section 503A, warning letters, injunctions, prosecution, fines and loss of required government licenses, certifications and approvals, any of which could involve significant costs and could cause us to be unable to realize the expected benefits of these pharmacies' operations.

Further, under federal law, Section 503A of the FDCA seeks to limit the amount of compounded products that a pharmacy can dispense interstate. The interpretation and enforcement of this provision is dependent on the FDA entering into a standard Memorandum of Understanding (MOU) with each state setting forth limits on interstate compounding. The current draft standard MOU presented by the FDA in February 2015 would limit interstate shipments of compounded drug units to 30% of all compounded and non-compounded units dispensed or distributed by the pharmacy per month. The FDA has stated in guidance issued in February 2015 that it will not enforce interstate restrictions until after it publishes a final standard MOU and has made it available to states for signature for some designated period of time. If the final standard MOU is not signed by a particular state, then interstate shipments of compounded preparations from a pharmacy located in that state would be limited to quantities not greater than 5% of total prescription orders dispensed or distributed by the pharmacy (the 5% rule); however, we are not aware that the FDA currently enforces or has in the past enforced the 5% rule and, under current draft guidance, the FDA has stated that it will not enforce the 5% rule until a standard MOU has been made available to states for signature. The FDA has proposed a 180-day period for states to agree to the standard MOU after the final version is presented, after which it would begin to enforce the 5% rule. Until a final MOU is issued and presented to states to consider, the extent of interstate dispensing restrictions imposed by Section 503A is unknown. However, if the final standard MOU contains a 30% limit on interstate distribution or if the FDA begins to enforce the 5% rule, our pharmacy operations could be materially limited.

There are many competitive risks related to marketing and selling our proprietary formulations and operating our compounding pharmacy business.

The pharmaceutical and pharmacy industries are highly competitive. We compete against branded drug companies, generic drug companies, outsourcing facilities and other compounding pharmacies. We are significantly smaller than some of our competitors. Currently we lack some of the financial and other resources needed to develop, produce, distribute and market our proprietary formulations at a level to capture a significant market share in these sectors. The drug products available through branded and generic drug companies with which our formulations compete have been approved for marketing and sale by the FDA and are required to be manufactured in facilities compliant with cGMP standards. Although we prepare our compounded formulations in accordance with the standards provided by the United States Pharmacopeia (“USP”) <795> and USP <797> and applicable state and federal law, our proprietary compounded formulations are not required to be, and have not been, approved for marketing and sale by the FDA. As a result, some physicians may be unwilling to prescribe, and some patients may be unwilling to use, our formulations. Additionally, under federal and state laws applicable to our current compounding pharmacy operations, we are not permitted to prepare significant amounts of a specific formulation in advance of a prescription, compound quantities for office use or utilize a wholesaler for distribution of our formulations; instead, our compounded formulations must be prepared and dispensed in connection with a physician prescription for an individually identified patient. Pharmaceutical companies, on the other hand, are able to sell their FDA-approved products to large pharmaceutical wholesalers, which can in turn sell to and supply hospitals and retail pharmacies. Even if we are successful in registering certain of our facilities as outsourcing facilities, our business may not be scalable on the scope available to our competitors that produce FDA-approved drugs, which may limit our potential for profitable operations. These facets of our operations may subject our business to limitations our competitors with FDA-approved drugs may not face.

Our future success depends in large part on our ability to maintain a competitive position with respect to biotechnology and related pharmaceutical technologies.

Biotechnology and related pharmaceutical technologies have undergone and continue to be subject to rapid and significant change. Our future success will depend in large part on our ability to maintain a competitive position with respect to these technologies. Products developed by our competitors, including FDA-approved drugs and compounded formulations created by other pharmacies, could render our products and technologies obsolete or unable to compete. Any products that we develop may become obsolete before we recover expenses incurred in their development, which may require us to raise additional funds that may or may not be available. The competitive environment requires an ongoing, extensive search for medical and technological innovations and the ability to develop and market these innovations effectively, and we may not be competitive with respect to these factors. Other competitive factors include the safety and efficacy of a product, the size of the market for a product, the timing of market entry relative to competitive products, the availability of alternative compounded formulations or approved drugs, the price of a product relative to alternative products, the availability of third-party reimbursement, the success of sales and marketing efforts, brand recognition and the availability of scientific and technical information about a product. Although we believe we are positioned to compete favorably with respect to many of these factors, if our proprietary formulations are unable to compete with the products of our competitors, we may never gain market share or achieve profitability.

If a compounded drug formulation provided through our compounding services leads to patient injury or death or results in a product recall, we may be exposed to significant liabilities and reputational harm.

The success of our business, including our proprietary formulations and pharmacy operations, is highly dependent upon medical and patient perceptions of us and the actual safety and quality of our products. We could be adversely affected if we, any other compounding pharmacies or our formulations and technologies are subject to negative publicity. We could also be adversely affected if any of our formulations or other products we sell, any similar products sold by other companies, or any products sold by other compounding pharmacies prove to be, or are asserted to be, harmful to patients. For instance, if any of the components of approved drugs or other ingredients used to produce our compounded formulations have quality or other problems that adversely affect the finished compounded preparations, our sales could be adversely affected. Because of our dependence upon medical and patient perceptions, adverse publicity associated with illness or other adverse effects resulting from the use or misuse of our products, any similar products sold by other companies, or any other compounded formulations could have a material adverse impact on our business.

To assure compliance with USP guidelines, we have a policy whereby 100% of all sterile compound batches produced by our ImprimisRx compounding pharmacies are tested prior to their delivery to patients and physicians both in-house and externally by an independent, FDA-registered laboratory that has represented to us that it operates in compliance with current good laboratory practices. However, we could still become subject to product recalls and termination or suspension of our state pharmacy licenses if we fail to fully implement this policy, if the laboratory testing does not identify all contaminated products, or if our products otherwise cause or appear to have caused injury or harm to patients. In addition, laboratory testing may produce false positives, which could harm our business and impact our pharmacy operations and licensure even if the impacted formulations are ultimately found to be sterile and no patients are harmed by them. If adverse events or deaths or a product recall, either voluntarily or as required by the FDA or a state board of pharmacy, were associated with one of our proprietary formulations or any compounds prepared by our ImprimisRx compounding pharmacies or any pharmacy partner, our reputation could suffer, physicians may be unwilling to prescribe our proprietary formulations or order any prescriptions from such pharmacies, we could become subject to product and professional liability lawsuits, and our state pharmacy licenses could be terminated or restricted. If any of these events were to occur, we may be subject to significant litigation or other costs and loss of revenue, and we may be unable to continue our pharmacy operations and further develop and commercialize our proprietary formulations.

We carry product and professional liability insurance which may be inadequate.

Although we have secured product and professional liability insurance for our pharmacy operations and the marketing and sale of our formulations, our current or future insurance coverage may prove insufficient to cover any liability claims brought against us. Because of the increasing costs of insurance coverage, we may not be able to maintain insurance coverage at a reasonable cost or at a level adequate to satisfy liabilities that may arise.

Our ability to generate revenues will be diminished if we fail to obtain acceptable prices or an adequate level of reimbursement from third-party payors.

Currently, our ImprimisRx compounding pharmacies operate on mostly a cash-pay basis and do not submit large amounts of claims for reimbursement through Medicare, Medicaid or other third-party payors. As part of our Imprimis Cares initiative, we work with third-party insurers, pharmacy benefit managers and buying groups to offer patient-specific customizable compounded formulations at accessible prices. We plan to continue to devote time and other resources to seek reimbursement and patient pay opportunities for these and other compounded formulations. We have hired pharmacy billers to process certain existing reimbursement opportunities for certain formulations. However, we may be unsuccessful in achieving these goals, as many third-party payors have imposed significant restrictions on reimbursement for compounded formulations in recent years. Moreover, third-party payors, including Medicare, are attempting to contain health care costs by limiting coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. Further, the Health Reform Law may have a considerable impact on the existing U.S. system for the delivery and financing of health care and could conceivably have a material effect on our business. As a result, reimbursement from Medicare, Medicaid and other third-party payors may never be available for any of our products or, if available, may not be sufficient to allow us to sell the products on a competitive basis and at desirable price points. If government and other third-party payors do not provide adequate coverage and reimbursement levels for our formulations, the market acceptance for our formulations may be limited.

Additionally, we are making efforts to normalize the pricing for our currently available proprietary compounded formulations. Any efforts to attain optimized pricing for our Dropless Therapy or any of our other proprietary formulations could fail, which could make our products less attractive or unavailable to some patients or could reduce our margins.

We may not be able to correctly estimate our future operating expenses, which could lead to cash shortfalls.

The estimates of our future operating and capital expenditures are based upon our current business plan, our current operations and our current expectations regarding the commercialization of our proprietary formulations. Our projections have varied significantly in the past as a result of changes to our business model and strategy, our termination of efforts to pursue FDA approval of a product candidate in November 2013, our acquisitions of the ImprimisRx compounding pharmacies and various product development opportunities in 2014 and 2015, and the expenses in developing our pharmacy facilities into outsourcing facilities and registering them as such with the FDA. We may not accurately estimate the potential revenues and expenses of our operations. If we are unable to correctly estimate the amount of cash necessary to fund our business, we could spend our available financial resources much faster than we expect. If we do not have sufficient funds to continue to operate and develop our business, we could be required to seek additional financing earlier than we expect, which may not be available when needed or at all, or be forced to delay, scale back or eliminate some or all of our proposed operations.

If we do not successfully identify and acquire rights to potential formulations and successfully integrate them into our operations, our growth opportunities may be limited.

We plan to pursue the development of new proprietary compounded formulations in the ophthalmology, urology, otolaryngology and/or other therapeutic areas, which may include continued activities to develop and commercialize current assets or, if and as opportunities arise, potential acquisitions of new intellectual property rights and assets. We also intend to seek opportunities to introduce new lower-cost compounded formulation alternatives to higher-priced FDA-approved drugs, as part of our Imprimis Cares initiative. However, we expect acquisitions of compounding pharmacies to provide us with only limited research and development support and access to additional novel compounded formulations. We have historically relied, and we expect to continue to rely, primarily upon third parties to provide us with additional development opportunities. We may seek to enter into acquisition agreements or licensing arrangements to obtain rights to develop new formulations in the future, but only if we are able to identify attractive formulations and negotiate acquisition or license agreements on terms acceptable to us, which we may not be able to do. Moreover, we have limited resources to acquire additional potential product development assets and integrate them into our business. Acquisition opportunities may involve competition among several potential purchasers, which could include large multi-national pharmaceutical companies and other competitors that have access to greater financial resources than we do. If we are unable to obtain rights to development opportunities from third parties and we are unable to rely upon our ImprimisRx compounding pharmacies and current and future relationships with pharmacists, physicians and other inventors to provide us with additional development opportunities, our growth and prospects could be limited.

Our product development strategy is to focus on a select few therapeutic areas in which we believe there is broad market potential, large unmet needs and/or unique value to physicians and patients and to develop and offer formulations within these therapeutic areas that could afford us with gross margins. However, our expectations and assumptions about market potential and patient needs may prove to be wrong and we may invest capital and other resources on formulations that do not generate sufficient revenues for us to recoup our investment.

We may be unable to successfully develop and commercialize our proprietary formulations or any other assets we may acquire.

We have acquired assets related to compoundable formulations and we have entered into one license agreement for rights to commercialize a compounding formulation. We are currently pursuing development and commercialization opportunities with respect to certain of these formulations, and we are in the process of assessing certain of our other assets in order to determine whether to pursue their development or commercialization. In addition, we expect to consider the acquisition of additional intellectual property rights or other assets in the future. Once we determine to pursue a potential product candidate, we develop a commercialization strategy for it, which may include marketing and selling the formulation in compounded form through compounding pharmacies or outsourcing facilities, or pursuing FDA approval of the product candidate. We may incorrectly assess the risks and benefits of the commercialization options or we may not pursue a commercialization strategy that proves to be successful. If we are unable to successfully commercialize one or more of our proprietary formulations, our operating results would be adversely affected. Even if we are able to successfully sell one or more proprietary formulations, we may never recoup our investment in acquiring or developing the formulations. Our failure to identify and expend our resources on formulations and technologies with commercial potential and execute an effective commercialization strategy for each of our formulations would negatively impact the long-term profitability of our business.

We have incurred significant indebtedness, which will require substantial cash to service and which subjects us to certain financial requirements and business restrictions.

On July 19, 2017, we incurred \$16,000 of indebtedness under a loan agreement with SWK Funding, LLC and its partners (SWK) and concurrent with the funding, we utilized a portion of the SWK Loan funds as full payment to an affiliate of Life Sciences Alternative Funding, LLC (LSAF) to terminate all amounts due to LSAF in connection with the existing term loan and security agreements, as amended, originally entered into between the Company and LSAF on May 11, 2015 (the "LSAF Loan"), which loan had a principal balance of \$12,120 at the time of final payment.

Our ability to make scheduled payments on our indebtedness depends on our future performance and ability to raise additional capital, which is subject to economic, financial, competitive and other factors, some of which are beyond our control. If we are unable to generate sufficient cash to service our debt, we may be required to adopt one or more alternatives, such as selling assets, restructuring our debt or obtaining additional capital through equity sales or incurrence of additional debt on terms that may be onerous or highly dilutive to our stockholders. Our ability to engage in any of these activities would depend on the capital markets and our financial condition at such time, and we may not be able to do so when needed, on desirable terms or at all, which could result in a default on our debt obligations. Additionally, our SWK debt instrument contain various restrictive covenants, including, among others, our obligation to deliver to SWK certain financial and other information, our obligation to comply with certain notice and insurance requirements, and our inability, without SWK's prior consent, to dispose of certain of our assets, incur certain additional indebtedness, enter into certain merger, acquisition or change of control transactions, pay certain dividends or distributions on or repurchase any of our capital stock or incur any lien or other encumbrance on our assets, subject to certain permitted exceptions. Any failure by us to comply with any of these covenants, subject to certain cure periods, or to make all payments under the debt instruments when due, would cause us to be in default under the applicable debt instrument. In the event of any such default, SWK may be able to foreclose on our assets that secure the debt or declare all borrowed funds, together with accrued and unpaid interest, immediately due and payable, thereby potentially causing all of our available cash to be used to pay our indebtedness or forcing us into bankruptcy or liquidation if we do not then have sufficient cash available. Any such event or occurrence could severely and negatively impact our operations and prospects.

We may need additional capital in order to continue operating our business, and such additional funds may not be available when needed, on acceptable terms, or at all.

We only recently started generating cash from operations, but we do not currently receive sufficient revenues to support our operations. We may need significant additional capital to execute our business plan and fund our proposed business operations. Additionally, our plans may change or the estimates of our operating expenses and working capital requirements could be inaccurate, we may pursue acquisitions of pharmacies or other strategic transactions that involve large expenditures, or we may experience growth more quickly or on a larger scale than we expect, any of which may result in the depletion of capital resources more rapidly than anticipated and could require us to seek additional financing earlier than we expect to support our operations.

We have raised over \$55,000 in funds through equity and debt financings since January 2015. We may seek to obtain additional capital through equity or debt financings, funding from corporate partnerships or licensing arrangements, sales of assets or other financing transactions. If we issue additional equity or convertible debt securities to raise funds, our existing stockholders may experience substantial dilution, and the newly issued equity or debt securities may have more favorable terms or rights, preferences and privileges senior to those of our existing stockholders. If we raise additional funds through collaboration and licensing arrangements or sales of assets, we may have to relinquish potentially valuable rights to our product candidates or proprietary technologies, or grant licenses on terms that are not favorable to us. If we raise funds by incurring additional debt, we may be required to pay significant interest expenses and our leverage relative to our earnings or to our equity capitalization may increase. Obtaining commercial loans, assuming those loans would be available, would increase our liabilities and future cash commitments and may impose restrictions on our activities, such as the financial and operating covenants included in our loan agreement with SWK. Further, we may incur substantial costs in pursuing future capital and/or financing transactions, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as options, convertible notes and warrants, which would adversely impact our financial results.

We have in the past and may in the future participate in strategic transactions that could impact our liquidity, increase our expenses and distract our management.

From time to time we consider engaging in strategic transactions, such as out-licensing or in-licensing of compounds or technologies, acquisitions of companies, and asset purchases. We may also consider a variety of different business arrangements in the future, including strategic partnerships, joint ventures, spin-offs, restructurings, divestitures, business combinations and investments. In addition, another entity may pursue us or certain of our assets or aspects of our operations as an acquisition target. Any such transactions may require us to incur expenses specific to the transaction and not incident to our operations, may increase our near- and long-term expenditures, may pose significant integration challenges, may require us to hire or otherwise engage personnel with additional expertise, or may result in our selling or licensing of our assets or technologies under terms that may not prove profitable, any of which could harm our operations and financial results. Such transactions may also entail numerous other operational and financial risks, including, among others, exposure to unknown liabilities, disruption of our business and diversion of our management's time and attention in order to develop acquired products, product candidates, technologies or businesses.

As part of our efforts to complete any significant transaction, we would need to expend significant resources to conduct business, legal and financial due diligence, with the goal of identifying and evaluating material risks involved in the transaction. We may be unsuccessful in ascertaining or evaluating all the risks and, as a result, we may not realize the expected benefits of the transaction, whether due to unidentified risks, integration difficulties, regulatory setbacks or other events. We may incur material liabilities for the past activities of any businesses we partner with or acquire. If any of these events occur, we could be subject to significant costs and damage to our reputation, business, results of operations and financial condition.

If we are unable to establish, train and maintain an effective sales and marketing infrastructure, we will not be able to commercialize our product candidates successfully.

We have started to build an internal sales and marketing infrastructure to implement our business plan by developing internal sales teams and education campaigns to market our proprietary formulations. We will need to expend significant resources to further establish and grow this internal infrastructure and properly train sales personnel with respect to regulatory compliance matters. We may also choose to engage or enter into other arrangements with third parties to provide sales and marketing services for us in place of or to supplement our internal commercialization infrastructure. We may not be able to secure sales personnel or relationships with third-party sales organizations that are adequate in number or expertise to successfully market and sell our proprietary formulations and pharmacy services. Further, any third-party organizations we may seek to partner with or engage may not be able to provide sales and marketing services in accordance with our expectations and standards, may be more expensive than we can afford or may not be available on otherwise acceptable terms or at all. If we are unable to establish and maintain compliant and adequate sales and marketing capabilities, through our own internal infrastructure or third-party services or other arrangements, we may be unable to sell our formulations or services or generate meaningful revenue.

Our business and operations would suffer in the event of cybersecurity or other system failures.

Despite the implementation of security measures, our internal computer systems and those of any third parties with which we partner are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any cybersecurity or system failure, accident or breach to date, if an event were to occur, it could result in a material disruption of our operations, substantial costs to rectify or correct the failure, if possible, and potentially violation of HIPAA and other privacy laws applicable to our operations. If any disruption or security breach resulted in a loss of or damage to our data or applications or inappropriate disclosure of confidential or protected information, we could incur liability, further development of our proprietary formulations could be delayed, and our pharmacy operations could be disrupted, subject to restriction or forced to terminate their operations, any of which could severely harm our business and prospects.

We depend upon consultants, outside contractors and other third-party service providers for key aspects of our business.

We are substantially dependent on consultants and other outside contractors and service providers for key aspects of our business. For instance, we rely upon pharmacist, physician and research consultants and advisors to provide us with significant assistance in the evaluation of product development opportunities, and we have engaged or supported, and expect to continue to engage or support, consultants, advisors, clinical research organizations (CROs) and others to design, conduct, analyze and interpret the results of any clinical or non-clinical trials or other studies in connection with the research and development of our products. If any of our consultants or other service providers terminates its engagement with us, or if we are unable to engage highly qualified replacements as needed on commercially reasonable terms, we may be unable to successfully execute our business plan. We must effectively manage these third-party service providers to ensure that they successfully carry out their contractual obligations and meet expected deadlines. However, these third parties often engage in other business activities and may not devote sufficient time and attention to our activities and we may have only limited contractual rights in connection with the conduct of the activities we have engaged the service providers to perform. If we are unable to effectively manage our outsourced activities or if the quality, timeliness or accuracy of the services provided by third-party service providers is compromised for any reason, our development activities may be extended, delayed or terminated, and we may not be able to commercialize our formulations or advance our business.

If we seek FDA approval to market and sell any of our proprietary formulations, we may be unable to demonstrate the necessary safety and efficacy to obtain such FDA approval.

Our current business strategy is focused on developing and commercializing product opportunities as compounded formulations. In the future we, alone or with project partners, may seek FDA regulatory approval to market and sell one or more of our assets as a FDA-approved drug. Obtaining FDA approval to market and sell pharmaceutical products is costly, time consuming, uncertain and subject to unanticipated delays. The FDA or other regulatory agencies may not approve a product candidate on a timely basis or at all. Before we obtain FDA approval for the sale of any potential product candidates, we will be required to demonstrate through preclinical studies and clinical trials that it is safe and effective for each intended use, which we may not be able to do. A failure to demonstrate safety and efficacy of a product candidate to the FDA's satisfaction would result in our failure to obtain FDA approval. Moreover, even if the FDA were to grant regulatory approval of a product candidate, the approval may be limited to specific therapeutic areas or limited as to its distribution, which could reduce revenue potential, and we will be subject to extensive and costly post-approval requirements and oversight with respect to commercialization of the product candidate.

Delays in the completion of, or the termination of, any clinical or non-clinical trials for any product candidates for which we may seek FDA approval could adversely affect our business.

Clinical trials are very expensive, time consuming, unpredictable and difficult to design and implement. The results of clinical trials may be unfavorable, they may continue for several years, and they may take significantly longer to complete and involve significantly more costs than expected. Delays in the commencement or completion of clinical testing could significantly affect product development costs and plans with respect to any product candidate for which we seek FDA approval. The commencement and completion of clinical trials can be delayed and experience difficulties for a number of reasons, including delays and difficulties caused by circumstances over which we may have no control. For instance, approvals of the scope, design or trial site may not be obtained from the FDA and other required bodies in a timely manner or at all, agreements with acceptable terms may not be reached in a timely manner or at all with CROs to conduct the trials, a sufficient number of subjects may not be recruited and enrolled in the trials, and third-party manufacturers of the materials for use in the trials may encounter delays and problems in the manufacturing process, including failure to produce materials in sufficient quantities or of an acceptable quality to complete the trials. If we were to experience delays in the commencement or completion of, or if we were to terminate, any clinical or non-clinical trials we pursue in the future, the commercial prospects for the applicable product candidates may be limited or eliminated, which may prevent us from recouping our investment in research and development efforts for the product candidate and would have a material adverse effect on our business, results of operations, financial condition and prospects.

Even if we successfully develop any product candidate into an FDA-approved drug, failure to comply with continuing federal and state regulations could result in the loss of approvals to market the drug.

Even if we successfully develop any product candidate into an FDA-approved drug, we will be subject to extensive continuing regulatory requirements and review, including review of adverse drug experiences and clinical results from any post-marketing tests or continued actions required as a condition of approval. The manufacturer and manufacturing facilities we use to produce any drug preparations will be subject to periodic review and inspection by the FDA. We will be reliant on third parties to maintain their manufacturing processes in compliance with FDA and all other applicable regulatory requirements. Any changes to a product that has been approved, including the way it is manufactured or promoted, will often require FDA approval again before the product, as modified, may be marketed and sold. In addition, we and the manufacturers of the drug will be subject to ongoing FDA requirements for submission of safety and other post-market information. If we or the manufacturers of the drug failed to comply with these or any other applicable regulatory requirements, a regulatory agency may, among other things, issue warning letters, impose civil or criminal penalties, suspend or withdraw regulatory approval, impose restrictions on our operations, close the facilities of the manufacturers, seize or detain products or require a product recall.

Regulatory review also covers a company's activities in the promotion of its FDA-approved drugs, with significant potential penalties and restrictions for promotion of a drug for an unapproved use. Sales and marketing programs are under scrutiny for compliance with various mandated requirements, such as illegal promotions to health care professionals. Failure to comply with these requirements could expose us to negative publicity, fines and penalties that could harm our business.

If we are unable to protect our proprietary rights, we may not be able to prevent others from using our intellectual property, which may reduce the competitiveness and value of the related assets.

Our success will depend in part on our ability to obtain and maintain patent protection for our formulations and technologies and to prevent third parties from infringing upon our proprietary rights. We must also operate without infringing upon patents and proprietary rights of others, including by obtaining appropriate licenses to patents or other proprietary rights held by third parties, if necessary. The primary means by which we will be able to protect our formulations and technologies from unauthorized use by third parties is to obtain valid and enforceable patents that cover them. Currently, we own and/or license 26 U.S. patents or patent applications and we own seven international patent applications filed under the Patent Cooperation Treaty and 19 foreign patent applications. However, the applications we have filed or may file in the future may never yield patents that protect our inventions and intellectual property assets. Failure to obtain patents that sufficiently cover our formulations and technologies would limit our protection against other compounding pharmacies and outsourcing facilities, generic drug manufacturers, pharmaceutical companies and other parties who may seek to copy our products, produce products substantially similar to ours or use technologies substantially similar to those we own. We have made, and expect to continue to make, significant investments in certain of our proprietary formulations prior to the grant of any patents covering these formulations, and we may not receive a sufficient return on these investments if patent coverage or other appropriate intellectual property protection is not obtained and their competitiveness and value decreases.

The patent and intellectual property positions of pharmacies and pharmaceutical companies, including ours, are uncertain and involve complex legal and factual questions. There is no guarantee that we have developed or obtained or will in the future develop or obtain the rights to products or processes that are patentable, that patents will issue from any pending applications or that claims allowed will be sufficient to protect the technology we have developed or may in the future develop or to which we have acquired or may in the future acquire development rights. In addition, we cannot be certain that patents issued to us will not be challenged, invalidated, infringed or circumvented, including by our competitors, or that the rights granted thereunder will provide competitive advantages to us.

We also rely on unpatented trade secrets and know-how and continuing technological innovation in order to develop our formulations, which we seek to protect, in part, by confidentiality agreements with our employees, consultants, collaborators and others, including certain service providers. We also have invention or patent assignment agreements with our current employees and certain consultants. Nonetheless, our employees and consultants may breach these agreements, and we may not have adequate remedies for the breach. Our trade secrets may otherwise become known or be independently discovered by competitors or could be developed by a person not bound by an invention assignment agreement with us, in which case we may have no rights to use the applicable invention.

We may face additional competition outside of the U.S. as a result of a lack of patent coverage in some territories and differences in patent prosecution and enforcement laws in foreign countries.

Filing, prosecuting, defending and enforcing patents on our proprietary formulations throughout the world is extremely expensive. We do not currently have patent protection outside of the U.S. that covers any of our proprietary formulations or other assets that we are currently pursuing. Competitors may use our technologies to develop their own products in jurisdictions where we have not obtained patent protection.

Even if the international patent applications we have filed or may in the future file are issued or approved, it is likely that the scope of protection provided by such patents would be different from, and possibly less than, the scope provided by corresponding U.S. patents. As a result, patent rights we are able to obtain may not be sufficient to prevent generic competition. Further, the extent of our international market opportunity may be dependent upon the enforcement of patent rights in various other countries. A number of countries in which we could file patent applications have a history of weak enforcement and/or compulsory licensing of intellectual property rights. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the aggressive enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or pharmaceuticals, which would make it difficult for us to stop a third party from infringing any of our intellectual property rights. Moreover, attempting to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business.

Our proprietary formulations and technologies could potentially conflict with the rights of others.

The preparation or sale of our proprietary formulations and use of our technologies may infringe on the patent or other intellectual property rights of others. If our products infringe or conflict with the patent or other intellectual property rights of others, third parties could bring legal actions against us claiming damages and seeking to enjoin our manufacturing and marketing of our affected products. Patent litigation is costly and time consuming and may divert management's attention and our resources. We may not have sufficient resources to bring any actions to a successful conclusion. If we are not successful in defending against these legal actions should they arise, we may be subject to monetary liability or be forced to alter our products, cease some or all of our operations relating to the affected products, or seek to obtain a license in order to continue manufacturing and marketing the affected products, which may not be available on acceptable terms or at all.

If we are unable to attract and retain key personnel and consultants, we may be unable to maintain or expand our business.

We have been focusing on building our management, pharmacy, research and development, sales and marketing and other personnel to pursue our current business model. To achieve our planned growth, we may have significant difficulty attracting and retaining necessary employees. Because of the specialized nature of our business, the ability to develop products and to compete will remain highly dependent upon our ability to attract and retain qualified pharmacy, scientific, technical and commercial employees and consultants. There is intense competition for qualified personnel in our industry, and we may be unable to continue to attract and retain the qualified personnel necessary for the development of our business. The loss of key employees or consultants or the failure to recruit or engage new employees and consultants could have a material adverse effect on our business.

Changes in the healthcare industry that are beyond our control may have an adverse impact on our business.

The healthcare industry is changing rapidly as consumers, governments, medical professionals and the pharmaceutical industry examine ways to broaden medical coverage while controlling the increase in healthcare costs. Such changes could include changes to make the government's Medicare and Medicaid reimbursement programs more restrictive, which could limit or curtail the potential for our proprietary formulations to obtain eligibility for reimbursement from such payors, or changes to expand the reach of HIPAA or other health privacy laws, which could make compliance with these laws more costly and burdensome. Further, the Health Reform Law may have a considerable impact on the existing U.S. system for the delivery and financing of health care and conceivably could have a material effect on our business. Any changes to laws and regulations affecting the healthcare industry could impose significant additional costs on our operations in order to maintain compliance or could otherwise negatively affect our business, operations or financial performance.

Risks Related to Our Common Stock

Because of their significant stock ownership, some of our existing stockholders are able to exert control over us and our significant corporate decisions.

Our executive officers and directors collectively own, or have the right to acquire within 60 days after August 9, 2017, approximately 13% of our common stock that would be outstanding following such issuances. These persons, acting together, have the ability to exercise significant influence over or control the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any significant transaction involving us, and to control our management and affairs. Additionally, since our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws permit our stockholders to act by written consent, a limited number of stockholders may approve stockholder actions without holding a meeting of stockholders. This concentration of ownership may harm the market price of our common stock by, among other things: delaying, deferring, or preventing a change in control of our Company or changes to our board of directors; impeding a merger, consolidation, takeover or other business combination involving our Company; causing us to enter into transactions or agreements that are not in the best interests of all stockholders; or discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of our Company.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results, which could cause our stock price to fall.

Effective internal controls are necessary for us to provide reliable financial results. If we cannot provide reliable financial results, our financial statements could be misstated, our reputation may be harmed and the trading price of our common stock could decline. As we discussed in Item 9A of our 2016 Annual Report, our management concluded that our internal controls over financial reporting were effective as of December 31, 2016. However, our controls over financial processes and reporting may not continue to be effective or we may identify material weaknesses or significant deficiencies in our internal controls in the future. Any failure to remediate any future material weaknesses or successfully implement required new or improved controls, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements or other public disclosures. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

A consistently active trading market for shares of our common stock may not be sustained.

Historically, trading in our common stock has been sporadic and volatile and our common stock has been “thinly-traded.” There have been, and may in the future be, extended periods when trading activity in our shares is minimal, as compared to a seasoned issuer with a large and steady volume of trading activity. The market for our common stock is also characterized by significant price volatility compared to seasoned issuers, and we expect that such volatility may continue. As a result, the trading of relatively small quantities of shares may disproportionately influence the market price of our common stock. A consistently active and liquid trading market in our securities may never develop or be sustained.

Our stock price may be volatile.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in response to various factors, many of which are beyond our control, including the following: our ability to execute our business plan; operating results that fall below expectations; industry or regulatory developments; investor perception of our industry or our prospects; economic and other external factors; and the other risk factors discussed in this “Risk Factors” section.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have the right to issue shares of preferred stock without obtaining stockholder approval. If we were to issue preferred stock, it may have rights, preferences and privileges superior to those of our common stock.

We are authorized to issue 5,000,000 shares of “blank check” preferred stock, with such rights, preferences and privileges as may be determined from time to time by our board of directors. Although we have no shares of preferred stock issued and outstanding and we have no immediate plans to issue shares of preferred stock, our board of directors is empowered, without stockholder approval, to issue preferred stock at any time in one or more series and to fix the dividend rights, dissolution or liquidation preferences, redemption prices, conversion rights, voting rights and other rights, preferences and privileges for any series of our preferred stock that may be issued. The issuance of shares of preferred stock, depending on the rights, preferences and privileges attributable to the preferred stock, could reduce the voting rights and powers of our common stockholders and the portion of our assets allocated for distribution to our common stockholders in a liquidation event, and could also result in dilution to the book value per share of our common stock. The preferred stock could also be utilized, under certain circumstances, as a method for raising additional capital or discouraging, delaying or preventing a change in control of our Company.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on an investment will be limited to any appreciation in the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. Any payment of dividends on our common stock would depend on contractual restrictions, such as those contained in our SWK loan agreement and convertible note, as well as our earnings, financial condition and other business and economic factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

The sale of substantial amounts of our common stock in the public market, or the perception that sales could occur, may cause the market price of our common stock to fall. Sales could occur upon the expiration of any statutory holding period, such as under Rule 144 under the Securities Act of 1933, as amended, applicable to outstanding shares, upon expiration of any lock-up periods applicable to outstanding shares, upon our issuance of shares upon the exercise of outstanding options or warrants, or upon our issuance of shares pursuant offerings of our equity securities. The availability for sale of a substantial number of shares of our common stock, whether or not sales have occurred or are occurring, also could make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future when needed, on acceptable terms or at all.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
10.1	License Agreement dated April 1, 2017 between Imprimis Pharmaceuticals, Inc. and Richard L. Lindstrom, M.D. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Imprimis Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on April 6, 2017)
10.2	Strategic Sales & Marketing Agreement dated April 13, 2017 between Imprimis Pharmaceuticals, Inc. and Cameron Ehlen Group, Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Imprimis Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on April 17, 2017)
10.3	Strategic Sales & Marketing Agreement dated April 28, 2017 between Imprimis Pharmaceuticals, Inc. and SightLife Surgical, Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Imprimis Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on May 2, 2017)
10.4	Asset Purchase and License Agreement (pentoxifylline) dated May 9, 2017 between Imprimis Pharmaceuticals, Inc. and Eton Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Imprimis Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on June 20, 2017)
10.5	Asset Purchase and License Agreement (corticotropin) dated May 9, 2017 between Imprimis Pharmaceuticals, Inc. and Eton Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of Imprimis Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on June 20, 2017)
10.6	Management Services Agreement dated May 1, 2017 between Imprimis Pharmaceuticals, Inc. and Eton Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K of Imprimis Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on June 20, 2017)
10.7*	Asset Purchase Agreement dated June 27, 2017 between Imprimis Pharmaceuticals, Inc. and its wholly owned subsidiaries ImprimisRx PA, Inc. and ImprimisRx CA, Inc. and Creative Pharmacy Solutions Central, LLC
10.8*	Consulting Agreement dated May 1, 2017 between Eton Pharmaceuticals, Inc. and Mark L. Baum

- 10.9*** Consulting Agreement dated May 1, 2017 between Eton Pharmaceuticals, Inc. and Andrew R. Boll
- 10.10*** Consulting Agreement dated May 1, 2017 between Eton Pharmaceuticals, Inc. and John P. Saharek
- 10.11*** Consulting Agreement dated May 1, 2017 between Eton Pharmaceuticals, Inc. and Clayton Edwards
- 31.1*** Certification of Mark L. Baum, principal executive officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
- 31.2*** Certification of Andrew R. Boll, principal financial and accounting officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
- 32.1**** Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Mark L. Baum, principal executive officer, and Andrew R. Boll, principal financial and accounting officer.
- 101.INS*** XBRL Instance Document
- 101.SCH*** XBRL Taxonomy Extension Schema
- 101.CAL*** XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF*** XBRL Taxonomy Extension Definition Linkbase
- 101.LAB*** XBRL Taxonomy Extension Label Linkbase
- 101.PRE*** XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Imprimis Pharmaceuticals, Inc.

Dated: August 10, 2017

By: /s/ Mark L. Baum

Mark L. Baum
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Andrew R. Boll

Andrew R. Boll
Chief Financial Officer
(Principal Financial and Accounting Officer)

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (the "Agreement"), is made as of June 27, 2017, (the "Effective Date") by and among Imprimis Pharmaceuticals, Inc., a Delaware corporation ("Company"), ImprimisRx CA, Inc., a California corporation ("RxCA"), ImprimisRx PA, Inc., a Delaware corporation ("RxPA" and together with RxCA, collectively, "Subsidiaries" and each a "Subsidiary"; and together with Company, RxPA and RxCA, collectively, "Sellers" and each, individually, a "Seller"), and Creative Pharmacy Solutions Central, LLC, a Delaware limited liability company doing business as Pharmacy Innovations ("Buyer").

RECITALS

WHEREAS, the Company is the owner of ImprimisRx CA, Inc., a California corporation and licensed pharmacy doing business as ImprimisRx located at 9257 Research Drive, Irvine, CA 92618 (the "RxCA Premises") and ImprimisRx PA, Inc., a Delaware corporation and licensed pharmacy doing business as ImprimisRx located at 780 Primos Ave., Unit E, Folcroft, PA 19032 (the "RxPA Premises").

WHEREAS, upon the terms and subject to the conditions set forth herein, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, certain Assets (as defined below) of the Company and Subsidiaries in exchange for the consideration set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations, and warranties contained herein, the parties hereto agree as follows:

1. **Sale and Transfer of the Assets.** Subject to the terms and conditions of this Agreement, on the Closing Date (as defined in Section 8.1), Seller will sell, convey, assign, transfer, and deliver to Buyer, and Buyer will purchase, accept and take from Seller, the Assets (as defined in Section 13.1), free and clear of any Encumbrances (as defined in Section 13.1). As further outlined in Section 13.7, Seller shall have no obligation in the physical transfer of any of the Assets to another location, other than to reasonably assist any subcontractors of Buyer with the packing of the same.

2. **Purchase Price.** The purchase price (the "Purchase Price") for the Assets shall be the aggregate of the consideration set forth in Section 2.1 and Section 2.1.4 below.

2.1 **Cash Consideration.** As consideration for the sale, conveyance, assignment, transfer and delivery to Buyer of the Assets, Buyer shall pay to Company, by wire transfer of funds to an account or accounts designated by Company, the sum of Four Hundred Fifty Thousand Dollars (\$450,000.00) payable as follows:

2.1.1 **Initial Cash Payment.** Forty Thousand Dollars (\$40,000.00 and the "Initial Cash Payment") within five (5) days of the Closing Date; and

2.1.2 Balance Cash Payment. Four Hundred Ten Thousand Dollars (\$410,000.00 and the “Balance Cash Payment”, which shall bear an interest rate of 6% and together with the Initial Cash Payment the “Purchase Price”) payable in forty-eight (48) equal monthly installment payments of Nine Thousand Six Hundred Twenty Eight Dollars and Eighty Six Cents (\$9,628.86 and each a “Monthly Payment”), with each Monthly Payment due by the 5th day of each subsequent month. The first Monthly Payment will be due by August 5, 2017.

2.1.3 Discount to Balance Cash Payment. In the event the Buyer elects to make advanced payments such that Buyer delivers to Seller a total of Three Hundred Sixty Five Thousand Dollars (\$365,000.00) of the Balance Cash Payment prior to December 31, 2017, Seller shall waive the additional remaining amounts due of the Balance Cash Payment. After December 31, 2017, in the event the Buyer elects to make an advanced payment in full of the Balance Cash Payment the amount paid by the Seller shall be made according to the amortization table provided in Exhibit D and with no prepayment penalty.

2.1.4 Post-Closing Adjustment(s). Sixty (60) days after Closing, Buyer will account for all sales associated with the Assets and with the Business (as defined in Section 13.1) located at or about Unit E, 780 Primos Avenue, Folcroft Borough, Pennsylvania (“PA Location”). In the event said sales are less than Sixty Percent (60.00%) of Seller’s sales associated with the Assets and the Business of the PA Location in the sixty (60) days preceding the Effective Date, the Balance Cash Payment will be reduced by \$125,000, and the amortization of the balance Cash Payment described in 2.1.2 will be adjusted accordingly for all remaining payments; *provided, however*, Buyer shall use reasonable diligence, efforts and care to continue to operate the Business of the PA Location following the Closing Date as it was operated by the Seller prior to the Effective Date. In the event Buyer claims that the post-Closing Date sales are less than Sixty Percent (60.00%) of Seller’s pre-Effective Date sales as outlined in the previous sentence, Buyer shall permit Seller to have full access during normal business hours to such records of Buyer as may be reasonably necessary to verify the proper operations and sales of the Business.

2.2 Assumption of Liabilities.

2.2.1 As additional consideration for the sale, conveyance, assignment, transfer and delivery to Buyer of the Assets, Buyer, as of the Closing Date, shall assume the lease of real property entered into by Company with respect to the RxPA Premises (the “Lease” or “Assumed Liabilities”), provided that, in connection with the assumption of the Lease, at Closing Buyer shall reimburse Company for, and thereafter Buyer shall be entitled to all benefits of and any right to receive a return of, the Twelve Thousand Five Hundred Twenty Nine Dollars and Ninety Eight Cents (\$12,529.98) deposit held in connection with and pursuant to the terms of the Lease (the “Lease Deposit Reimbursement”).

2.2.2 Notwithstanding any provision in any Transaction Agreements (as defined in Section 13.1) to the contrary, except for assumption of the Assumed Liabilities, Buyer shall not assume or be deemed to have assumed any liabilities of Seller or any Subsidiaries or affiliates of Seller (or any predecessor owner of all or part of Seller’s respective businesses or assets), whether as transferee or successor, by contract or otherwise, and Seller shall remain liable for, any and all liabilities of Seller of any kind whatsoever, whether known, unknown, liquidated or contingent, whether presently in existence or arising or asserted hereafter, including, without limitation, any accounts payable of Seller (collectively, the “Excluded Liabilities”).

2.3 **Purchase Price Allocation.** Within thirty (30) days after Closing, Buyer shall deliver to Seller an allocation of the sum of the Purchase Price and Assumed Liabilities (and any adjustments thereof) among the Assets as of the Closing (the "Allocation") in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. Seller shall have an opportunity to review the Allocation for a period of not more than ten (10) days after receipt of the Allocation (the "Review Period"). If Seller delivers notice to Buyer prior to the expiration of the Review Period that Seller's calculation of any item in the Allocation varies by twenty percent (20%) or more from the amount for such item set forth in the Allocation delivered by Buyer, Buyer and Seller shall attempt in good faith to agree on an adjustment to the Allocation that is mutually agreeable to Buyer and Seller for a period not to exceed ten (10) days and the Allocation as adjusted by the parties mutual agreement shall be binding on both Buyer and Seller. If Seller does not provide notice of any dispute prior to the expiration of the Review Period, the Allocation shall be deemed to be final and binding on both Buyer and Seller. Buyer and Seller shall cooperate in connection with the preparation of Internal Revenue Service Form 8594 for its timely filing. Except as otherwise required by applicable law, Buyer and Seller shall report for all tax purposes all transactions contemplated by this Agreement in a manner consistent with the Allocation and shall not take any position inconsistent therewith in any tax return, in any refund claim, in any litigation, or otherwise. If Buyer and Seller are unable to agree on the Allocation, Buyer and Seller shall each be permitted to file any returns reflecting an allocation of the purchase price as each shall independently determine.

2.4 **Assets Acquired on "As Is," "Where Is" Basis.** Notwithstanding anything contained herein to the contrary, it is understood and agreed that, except as expressly set forth in this Agreement, including without limitation, the representations and warranties set forth in Section 4 of this Agreement, Seller disclaim all warranties or representations of any kind or character, expressed or implied. Buyer is acquiring the Assets and will accept the Assets in an "as is," "where is" condition with all faults, provided, however, all Assets will be delivered to Buyer at Seller's existing location at or about Unit E, 780 Primos Avenue, Folcroft Borough, Pennsylvania. Buyer agrees that Buyer has not relied upon, and will not rely upon, either directly or indirectly, any representation or warranty of Seller, or any representation or warranty of any agent or employee of Seller, except such representations and warranties as expressly set forth in this Agreement.

3. **Representations and Warranties of Seller.** As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, except as set forth in the corresponding sections or subsections of the disclosure schedule attached hereto (the "Disclosure Schedule"), Seller represents and warrants to Buyer as of the Closing Date as follows:

3.1 **Organization.** The Company is a corporation, duly formed, validly existing, and in good standing under the laws of the State of Delaware. RxCA is a corporation, duly formed, validly existing, and in good standing under the laws of the State of California. RxPA is a corporation, duly formed, validly existing, and in good standing under the laws of the State of Delaware.

3.2 **Authority.** Buyer has full power and authority to enter into and consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the board of directors or managers, as applicable, of the Buyer and no other corporate, limited liability company, or other proceedings on the part of any Seller are/e necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by , and, assuming that this Agreement constitutes a valid and binding agreement of Buyer, constitutes the legal, valid and binding agreement and obligation of , enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy laws, laws affecting creditors' rights generally, and equitable principles. No relationship or contract, order, or any other document or relationship prohibits or limits the transfers contemplated by this Agreement. Other than for compliance with the provisions of applicable statutes and regulations, no notice to, filing with, or authorization, consent, or approval of any domestic or foreign public body or authority is necessary for the consummation of the transactions contemplated by this Agreement.

3.3 **No Violation to Result.** The execution, delivery and performance by Seller of this Agreement and the other documents contemplated hereby and the consummation by Seller of the transactions contemplated hereby and thereby and the fulfillment by Seller of the terms hereof and thereof, do not and will not (i) violate, breach or constitute a default under the respective organizational documents of Seller, any contract of any Seller, or any law applicable to Seller, (ii) give any governmental authority or any other person the right to prohibit any of the transactions contemplated by this Agreement, or (iii) result in the creation or imposition of any Encumbrance upon the Assets. Except as set forth on Section 3.3 of the Disclosure Schedule, no notice to, filing with, or consent of, any person is necessary in connection with the authorization, approval, execution, delivery or performance by Seller of this Agreement and the other documents contemplated hereby or the consummation by any Seller of the transactions contemplated hereby or thereby.

3.4 **Title to Subject Assets.** Seller has good and marketable title to, are the exclusive legal and equitable owners of, and have the unrestricted power and right to sell, assign and deliver the Assets. At the Closing Date, Seller will deliver the Assets free and clear of all Encumbrances of any kind or nature other than Permitted Encumbrances. Upon Closing, Buyer will acquire exclusive, good and marketable title to the Assets or a valid leasehold interest in the RxPA Premises and no restrictions arising out of Seller's ownership of the Assets or rental of the RxPA Premises will exist with respect to Buyer's right to resell, license, or sublicense any of the Assets or Assumed Liabilities or engage in the Business in compliance with all laws.

3.5 **Compliance with Laws.** Seller have complied in all material respects with, and are not in material violation of, and have not received any written or oral notices of violation with respect to, any laws applicable to Seller, the Assets or the Business.

3.6 **No Intent.** Seller is not entering into this Agreement with the intent to hinder, delay, or defraud any person to which any Seller is, or may become, indebted. The Purchase Price is not less than the reasonably equivalent value of the Assets.

3.7 **Licenses and Permits.** All licenses held by RxPA are listed in Section 3.7 of the Disclosure Schedule and there currently are no criminal, administrative, disciplinary proceedings, or other suits or proceedings pending or threatened against RxPA nor does Seller have any knowledge of any such proceedings.

3.8 **No Other Agreements.** Neither Seller nor any Representatives (as defined in Section 13.1) of Seller have entered into any other agreements or arrangements with respect to the sale or other disposition of the Assets (except for non-binding letters of intent or similar such instruments that would in no way affect the transferability of the Assets pursuant to this Agreement) other than with respect to sales of assets in the ordinary course of business consistent with past practice.

4. **Representations and Warranties of Buyer.** Buyer represents and warrants to Seller as follows, the truth and accuracy of each of which shall constitute a condition precedent to the obligations of Seller:

4.1 **Organization.** Buyer is a corporation, duly formed, validly existing, and in good standing under the laws of the State of Delaware.

4.2 **Authority.** Buyer has full power and authority to execute and deliver this Agreement and consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the board of directors of Buyer and no other corporate or other proceedings on the part of Buyer are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer, and, assuming that this Agreement constitutes a valid and binding agreement of Seller, constitutes the legal, valid, and binding agreement and obligation of Buyer, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy laws, laws affecting creditors' rights generally, and equitable principles. No relationship of Buyer or contract, order, or any other agreement to which Buyer is a party prohibits or limits the transactions contemplated by this Agreement. Other than for compliance with the provisions of applicable statutes and regulations, Buyer is not required to provide any notice to, make any filing with, or obtain the authorization, consent or approval of, any domestic or foreign governmental authority in order to consummate the transactions contemplated by this Agreement.

4.3 **No Violation to Result.** The execution, delivery and performance by Buyer of this Agreement and the other documents contemplated hereby and the consummation by Buyer of the transactions contemplated hereby and thereby and the fulfillment by Buyer of the terms hereof and thereof, do not and will not (i) violate, breach or constitute a default under the organizational documents of Buyer, any contract of Buyer, or any law applicable to Buyer or (ii) give any governmental authority or any other person the right to prohibit any of the transactions contemplated by this Agreement. No notice to, filing with, or consent of, any person is necessary in connection with the authorization, approval, execution, delivery or performance by Buyer of this Agreement and the other documents contemplated hereby or the consummation by Buyer of the transactions contemplated hereby or thereby.

5. Buyer Covenants.

5.1 **Buyer Filing of Change of Ownership Paperwork.** After the Closing Date, Buyer will cause to be timely filed all notices and applications necessary for Buyer to acquire or, to the extent permissible under applicable law, transfer to Buyer any permits or contracts held by RxPA in connection with the operation of the pharmacy and shall change the name of the pharmacy with the Pennsylvania Board of Pharmacy and all other non-resident Boards of Pharmacy RxPA hold licenses with. In addition, Buyer shall notify all other necessary third parties of the change in name and ownership including, where applicable, all insurance providers and pharmacy benefit managers (“PBM”). Following the Closing Date, Buyer shall not use the name ImprimisRx PA, Inc., ImprimisRx, Imprimis or any other trademark or tradename currently owned by, used by or associated with Seller.

5.2 **Buyer Response to PBM and Other Audits.** After the Closing Date and for a period of six (6) months, Buyer shall timely respond to any PBM or similar audits with respect to RxPA that are received by Buyer, and shall promptly give written notice to Seller of any such audits.

5.3 **Maintenance of Pharmacy Records.** After the Closing Date and receipt from Seller of all prescription files and records relating to RxPA (the “Pharmacy Records”), Buyer, at Buyer’s expense, will transfer the Pharmacy Records to Buyer’s central repository of records. Buyer agrees to preserve all Pharmacy Records, to respond to any inquires received with reference thereto, to provide Seller with reasonable access thereto and permit Seller to make copies thereof during normal business hours for a period of seven (7) years following the Closing Date.

5.4 Employer Identification Number (EIN); Provider Numbers; License Applications.

5.4.1 From and after the Closing Date, for income tax reporting purposes all activities with respect to RxPA shall be reportable under Buyer’s EIN, and Buyer will have no responsibility for filing tax returns under the Seller’ EINs for RxPA nor for any tax, interest, penalty or other assessment arising therefrom.

5.4.2 Within fifteen (15) days after Closing, Buyer will submit all change of ownership notices, applications, fees, and other documentation necessary to obtain any required licenses from the Pennsylvania Board of Pharmacy and other Boards of Pharmacy with respect to Buyer’s ownership of RxPA (the “RxPA Licensure”).

5.4.3 Buyer will obtain new NPI and NCPDP numbers to be used in connection with Buyer’s pharmacy and shall activate such new NPI and NCPDP numbers within fifteen (15) days after Buyers receipt of RxPA Licensure.

5.4.4 Within ninety (90) days after Closing, Buyer will submit (i) all change of ownership notices, applications, fees, and other documentation necessary to obtain required licenses in any jurisdiction other than Pennsylvania with respect to Buyer's ownership of RxPA ("Other Licensure"); and (ii) all change of ownership and other documentation necessary in connection with all PBM and payer contracts (together with Other Licensure, collectively "Required Approvals").

5.5 **Actions Under Power of Attorney.** All powers granted to Buyer pursuant to the power of attorney (as outlined herein) delivered to Buyer pursuant to Section 8.2.4(d) of this Agreement shall expire upon the earliest to occur of (i) Buyer's receipt of all Required Approvals; and (ii) ninety (90) days after Closing (the "POA Term"); *provided, however*, that the POA Term may be extended for one or more additional sixty (60) day periods with the written consent of Seller. Upon expiration of the POA Term, Buyer (i) shall not exercise any powers granted to Buyer pursuant to such power of attorney; and (ii) shall either deliver the original of such power of attorney to Seller or provide written confirmation to Seller that the original of such power of attorney has been destroyed.

5.6 **Security Agreement.** To secure all of Buyer's liabilities to Seller and its affiliates pursuant to this Agreement, including the Purchase Price and Balance Cash Payments or otherwise (collectively, the "Obligations"), Buyer grants to Seller a security interest in all Assets (to the extent allowed by applicable law) and a lien upon and security interest in all its personal property and any and all additions, substitutions, and proceeds thereto or thereof, wherever located and now owned or hereafter acquired or arising, relating to the Assets (collectively, the "Collateral"). All capitalized terms used herein and not defined have the meaning set forth in the Uniform Commercial Code as in effect in any jurisdiction in which any of the Collateral may at the time be located (the "UCC"). Seller reserves the right, in its sole discretion, and Buyer authorizes Seller, upon such election, to file a UCC financing statement describing the Collateral as "all assets." Buyer also ratifies its authorization for Seller to have filed, in its sole discretion, any UCC financing statement or amendment thereto describing the Collateral as "all assets" in effect in any jurisdiction if filed prior to the date hereof. Upon full and final payment by Buyer to Seller of the Balance Cash Payment, Seller will, within five (5) calendar days of receipt of such full and final payment, file at Seller's expense such document(s) as are necessary to terminate any such UCC financing statement(s). Buyer will cooperate with Seller or any successor secured party in obtaining control with respect to the Collateral. Buyer hereby grants to Seller an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Seller at law and in equity, including such rights and remedies available to Seller pursuant to this Agreement. Seller may at any time enforce its rights against Buyer.

6. **Transfer Provisions.**

6.1 **Purchased Assets.** In the event that, at any time or from time to time following the Closing, any party identifies any asset that is included within the definition of "Assets" that was not transferred as of Closing, then Seller shall promptly transfer, or cause to be transferred, such asset to Buyer for no additional consideration. Prior to any such transfer, Seller shall hold such asset in trust for Buyer.

6.2 **Interim Medication and Devices Inventory and Reconciliation.** On the Closing Date, Seller shall deliver to Buyer an inventory of all Assets on hand at the RxPA Premises and RxCA Premises as of the Closing Date (“Closing Inventory”) as outlined in *Exhibit C*.

6.3 **Limited Power of Attorney.** Effective upon the Closing, the Seller hereby irrevocably appoint Buyer and its successors, agents and assigns as its true and lawful attorney, in its name, place and stead, with power of substitution, to take any action and to execute any instrument which Buyer may deem necessary or advisable for the purposes of: (i) demanding and receiving any and all Assets not held by Seller and to make endorsements and give receipts and releases for and in respect of the same; (ii) to institute, prosecute, defend, compromise, or settle any and all proceedings with respect to the Assets and the Lease; (iii) to receive and open all mail, packages and other communications addressed to RxPA relating to the Business; and (iv) conveying to Buyer the right to use, among other required numbers, but not limited to, RxPA’s state licenses, Board of Pharmacy registrations, DEA registrations, Medicaid Provider Numbers, Medicare Provider Numbers, and NCPDP and NPI numbers.

7. **Survival of Representations and Warranties.** Except for the representations and warranties of Seller set forth in Sections 3.1, 3.2, and 3.4 and the representations and warranties of Buyer set forth in Section 4.1 and 4.2, which warranties shall survive indefinitely, all representations and warranties made under this Agreement will survive the Closing for a period of one (1) year.

8. **Conditions to Closing.**

8.1 **Closing.** The transactions contemplated by this Agreement shall close by electronic exchange of documents (the “Closing”) as soon as practicable after the date on which the document deliveries and actions referenced in this Section 8 are completed, in no case later than July 17, 2017 (the “Closing Date”).

8.2 **Conditions to Buyer’s Obligations.** The obligations of Buyer to consummate the transactions contemplated under this Agreement and the other Transaction Agreements are subject to the fulfillment and satisfaction, prior to or at the time of the Closing, of each of the following conditions precedent (the “Buyer Conditions”), any one or more of which may be waived, in part or in full, by Buyer in writing:

8.2.1 The representations and warranties of contained in this Agreement (and in any other Transaction Agreement delivered by any Seller pursuant hereto) shall be true, correct, and complete in all material respects on and as of the Closing.

8.2.2 All of the terms, covenants, agreements and obligations of this Agreement to be complied with, performed, or satisfied by any Seller on or before the Closing Date shall have been duly complied with, performed, or satisfied in all material respects on or before such date.

8.2.3 Any lenders to Seller who are required to approve or consent to the sale of the Assets to Buyer pursuant to this Agreement shall have delivered an approval or consent, including assurance that Buyer will not be liable for any claims such lenders may have against Seller or the Assets.

8.2.4 On or prior to the Closing, Seller shall have delivered or made available to Buyer the following:

- (a) the Pharmacy Records.
- (b) a Bill of Sale duly executed by in the form attached hereto as **Exhibit A**;
- (c) an unconditional consent to assignment of the Lease to Buyer from the landlord set forth in the Lease;
- (d) a Power of Attorney duly executed by RxPA in the form attached hereto as **Exhibit B**;
- (e) duly executed counterparts to this Agreement and all other Transaction Agreements to which is a party; and

(f) such other bills of sale, assignments, certificates of title and other documents of transfer as may be reasonably requested by Buyer in order to convey to Buyer good and marketable title to all of the Assets, free and clear of all Encumbrances other than Permitted Encumbrances, and in order to carry out the intentions and purposes of this Agreement and the other Transaction Agreements and the transactions contemplated hereby and thereby.

8.2.5 Buyer shall have secured to Buyer's reasonable satisfaction such assurance(s) and agreement(s) for as sought by Buyer with the current licensed pharmacist in charge ("PIC") employed at Seller's existing location at or about Unit E, 780 Primos Avenue, Folcroft Borough, Pennsylvania for said PIC's employment with Buyer following the Closing; *provided, however*, Buyer shall offer PIC, within five (5) business days of the execution of this Agreement and made effective upon Closing, a compensation package (including salary and benefits).

8.3 **Conditions to Seller's Obligations.** The obligations of the Seller to consummate the transactions contemplated under this Agreement and the Transaction Agreements are subject to the fulfillment and satisfaction, prior to or at the time of the Closing, of each of the following conditions precedent, any one or more of which may be waived, in part or in full, by the Company in writing:

8.3.1 The representations and warranties of Buyer contained in this Agreement (and in any other Transaction Agreement delivered by Buyer pursuant hereto) shall be true, correct and complete in all material respects on and as of the Closing.

8.3.2 All of the terms, covenants, agreements and obligations of this Agreement to be complied with, performed or satisfied by Buyer on or before the Closing Date shall have been duly complied with, performed or satisfied in all material respects on or before such date.

8.3.3 Buyers shall have delivered to Seller, directly or through an intermediary, to Company:

- (a) the Initial Cash Payment, the Lease Deposit Reimbursement, and, if any, the Apportioned Obligations Reimbursement (as defined in Section 13.5);
- (b) any document or instrument reasonably requested by Seller to evidence Buyer's assumption of all obligations under the Lease;
- (c) duly executed counterparts to this Agreement and all other Transaction Agreements to which such Buyer is a party; and
- (d) such other bills of sale, assignments, certificates of title and other documents of transfer as may be reasonably requested by Seller in order to convey to Buyer good and marketable title to all of the Assets and in order to carry out the intentions and purposes of this Agreement and the other Transaction Agreements and the transactions contemplated hereby and thereby all as duly executed by Buyer.

9. Liability and Indemnification.

9.1 Each of Buyer, on one hand, and Seller, jointly and severally, but in each case subject to Section 9.5 of this Agreement, on the other hand, hereby covenant and agree to indemnify, defend, protect and hold harmless the other party and such party's affiliated parties, agents, successors, and assigns from, against and in respect of all Damages (defined below) suffered, sustained, incurred or paid by the other party, in each case in connection with, resulting from or arising out of (whether or not involved in a third party claim): (i) the breach of any representation or warranty made by such party; (ii) the breach of any covenant or agreement on the part of such party; and (iii) enforcing the indemnification rights of the Indemnified Party (as defined below).

9.2 Subject to Section 9.5 of this Agreement, Buyer shall indemnify, defend, protect and hold harmless Seller and Seller's respective agents, successors, and assigns, from and against any and all Damages arising, resulting from, or relating to the ownership of the Assets and the operation of the Business, in each instance arising after the Closing Date.

9.3 Seller, subject to Section 9.5 of this Agreement, shall indemnify, defend, protect and hold harmless Buyer, and Buyer's agents, successors, and assigns, from and against any and all Damages arising, resulting from or relating to the ownership of the Assets and operation of the Business, in each instance arising on or prior to the Closing Date.

9.4 In the event any claim for indemnification hereunder arises, including, without limitation, on account of a claim or action made or instituted by a third party, the party to this Agreement seeking indemnification (the "Indemnified Party") hereunder shall notify in writing the party hereto from which it seeks indemnification (the "Indemnifying Party") as soon as reasonably practicable, but in no event later than fifteen (15) days, after the Indemnified Party has actual knowledge of any claim that it has under this Section 9.

9.5 Notwithstanding any provisions of this Agreement to the contrary, each party expressly agrees that (i) in no event shall any indemnifying party's aggregate liability for any Damages payable to the indemnified parties pursuant to the indemnification provisions of this Section 9 exceed an amount equal to Purchase Price; (ii) in the absence of fraud, gross negligence, or intentional misconduct (a) recourse for any Damages payable to the indemnified parties pursuant to the indemnification provisions of this Section 9 shall be limited to assets then held by the applicable indemnifying party; and (b) no party shall seek to recover Damages from any employee, officer, director, manager, stockholder, member, any affiliate (or any employee, officer, director, manager, stockholder, or member of any affiliate) of the indemnifying party.

10. **Seller's Accounts Receivable.** All accounts receivable of RxPA, including third-party receivables, which accrue prior to the Closing Date shall remain the property of Seller. For a period of ninety (90) days from and after the Closing Date, Buyer agrees to accept payment of accounts receivable for and on behalf of Seller, and shall make an accounting of and transmit such collected receivables to the Company on Friday of each week, whether received during such 90-day period or thereafter ("A/R Payments"). On the 91st day after the Closing Date, Buyer shall return all records of A/R Payments to the Company. A/R Payments received, unless otherwise specified by any payer, shall be allocated on a first in first out basis. Notwithstanding any of the above, Buyer shall have no duty actively to attempt to collect such receivables, but will cooperate with Seller in such collection.

11. **Publicity and Disclosure.**

11.1 Buyer and the Company shall mutually determine the form and substance of any press release, publicity or other public communication related to this Agreement or the transactions contemplated hereby. Each party shall use commercially reasonable efforts to provide the other with the opportunity to comment on the initial press release announcing this Agreement and the transactions contemplated hereby prior to its release. No party shall make any disclosure of this Agreement or the existence, terms and conditions hereof (whether or not in response to an inquiry about the existence or subject matter of this Agreement), unless previously approved by Buyer and the Company. Notwithstanding the foregoing, nothing contained herein shall prohibit any party from making any disclosure which the party in good faith believes is required by, or advisable according to, applicable laws, regulations or stock market rules.

11.2 Buyer hereby agree that each shall hold, and shall use its commercially reasonable efforts to cause its Representatives to hold, in strict confidence from any Person (other than such Representatives), and shall not (and shall use commercially reasonable efforts to cause its Representatives not to) disclose, transfer, transmit or use, any and all Buyer Confidential Information (defined below), except to the extent: (i) compelled to disclosure by judicial or administrative process or by other requirements of law upon the advice of counsel and following prompt notice to Buyer of any related proceeding thereby allowing Buyer reasonable opportunity to seek an appropriate protective order or other assurance that Buyer Confidential Information shall be afforded confidential treatment, (ii) previously known by the Person receiving such Buyer Confidential Information or (iii) in the public domain through no fault of the receiving person. After the Closing, shall, and shall use commercially reasonable efforts to cause their Representatives to, at the request and option of Buyer, deliver all tangible embodiments (and all copies) of Buyer Confidential Information that are in such party's possession or under such party's control.

12. Non-Competition.

12.1 **Covenant Not to Compete.** For the period commencing with the Closing and ending on the second anniversary of the Closing, each of Seller and their respective directors, officers, managers, affiliates, agents, successors and assigns (except, in each instance, for any stockholder of the Company or any directors, officers, managers, affiliates (other than the Subsidiaries), agents, successors, and assigns of any stockholder of the Company), shall not, for any reason whatsoever, directly or indirectly, for themselves, as a principal, or for another's account, on behalf of or in conjunction with any other person or through any form of ownership in any person, anywhere in the continental United States:

12.1.1 engage in participate, sponsor, organize, encourage, lend to, or invest in any activity competitive with any aspect of the Business,;

12.1.2 cause, induce, solicit or encourage any contractor, vendor, service provider, strategic partner or actual or prospective customer of the Business (the "Covered Persons") to terminate such status or advise any person against entering into such status;

12.1.3 otherwise intentionally disrupt or interfere with, or attempt to disrupt or interfere with, the relations of Buyer with any Covered Person as such relations relate to the Assets or Business; or

12.1.4 disparage or make any false or inaccurate statements (whether in oral, written, electronic or other form) to any media source, industry member, company, or group, financial institution or Covered Person regarding Buyer as they relate to the Assets or Business;

provided, that the foregoing shall not prohibit any such persons from, collectively, owning as a passive investment ten percent (10%) or less of the equity of any publicly-traded or privately held entity. For purposes of the foregoing, a person who is not a customer of the Business shall be considered a "prospective customer" if any Subsidiaries made a presentation or written proposal to such person during the twenty-four (24) month period preceding the date hereof or was preparing to make such a presentation or proposal on the date hereof.

13. General Provisions.

13.1 Certain Definitions.

13.1.1 "Assets" means all of Seller's respective right, title and, interest in and to all assets properties, interests, and other rights of Seller directly related to the Business other than Excluded Assets, including without limitation: (i) all intellectual property rights directly relating to the Business (including, without limitation, all patent rights, trademarks, copyrights, inventions, trade secrets, and other intellectual property and proprietary rights owned by Seller relating to the Business) of Seller and all rights thereunder or in respect thereof; (ii) all training materials, presentation materials, and sales or promotional materials of each Seller relating to the Business; (iii) all tangible and intangible assets relating to the Business, including the Closing Inventory and all other inventory, equipment, and fixed assets; (iv) copies of all Pharmacy Records, customer lists, books, files, papers, ledgers, correspondence, databases, information systems, programs, materials, documents and records of each Seller relating to the Business as physically maintained or maintained on any other medium; (v) to the extent transferable, all permits of RxPA; and (vi) all claims, causes of action, rights to tender claims, or other rights against any person related to the Assets, including, without limitation, those assets set forth on the asset schedule, dated as of the Effective Date, delivered by Buyer to Seller, but excluding, in all instances, the Excluded Assets.

13.1.2 “Business” means and is specifically limited to the Seller’s topical sinusitis line of business.

13.1.3 “Buyer Confidential Information” means all: (i) documents and information concerning Buyer or any of its respective Representatives furnished in connection with this Agreement, any of the other Transaction Agreements or the transactions contemplated hereby or thereby (including, without limitation, any claim or dispute arising out of or related to this Agreement or the transactions contemplated hereby, or the interpretation, making, performance, breach or termination thereof); and (ii) all information concerning the Agreement, the Business and the Assets that is not generally available to the public and including, without limitation, any information provided or made available to the Company following the Closing pursuant to the Agreement.

13.1.4 “Company Confidential Information” means all documents and information concerning Seller or any of their respective Representatives or affiliates furnished in connection with this Agreement or the transactions contemplated hereby; *provided, however*, that Company Confidential Information shall not include the Assets.

13.1.5 “Damages” means all liabilities, losses, claims, damages, causes of actions, lawsuits, administrative proceedings (including informal proceedings), investigations, audits, demands, assessments, adjustments, judgments, settlement payments, deficiencies, penalties, fines, taxes, and costs and expenses (including, without limitation, reasonable and documented attorneys’ fees).

13.1.6 “Encumbrance” means any claim, lien, pledge, assignment, option, charge, easement, license, restraint, security interest, right-of-way, encumbrance, mortgage or other right or obligation (including, without limitation, with respect to any securities, any preemptive right, right of first refusal, put, call or other restriction on transfer, and, with respect to intellectual property rights, any license, covenant, release or immunity), other than encumbrances created by or through Buyer.

13.1.7 “Excluded Assets” means, with respect to each Seller, any cash on hand, cash in banks, accounts receivable, any contracts and contract rights with respect to all contracts, anticipated or actual tax refunds, any and all refunds payable to Seller, and rights under insurance policies, including any refunds of prepaid insurance or refunds upon termination.

13.1.8 “Permitted Encumbrance” means (a) liens imposed by law for taxes that are not yet due; (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like liens imposed by law, securing obligations that are not overdue; (c) rights reserved to or vested in any governmental authority to control or regulate, or obligations or duties to any governmental authority with respect to, any right, power, franchise, grant, license, permit or use of any property; and (d) any extension, renewal or replacement of the foregoing.

13.1.9 “Representatives”, with respect to any person (which shall include any person, limited liability company, partnership, trust, unincorporated organization, corporation, association, joint stock company, business, governmental authority or other entity), means the directors, officers, employees, consultants, agents or other representatives thereof (including legal counsel, accountants, financial advisors, investment bankers and brokers).

13.1.10 “Transaction Agreements” means this Agreement, the Bill of Sale delivered pursuant to Section 8.2.4(b) and any other documents or instruments delivered pursuant to Section 8.2.4(f).

13.2 **Further Assurances.** After the Closing Date, Seller shall execute and deliver all such further instruments, documents, deeds, bills of sale, assignments and assurances and shall take and perform all other acts which the other may reasonably request in order to further effect or perfect the sale and transfer of the Assets to Buyer as contemplated in this Agreement. Following the Closing: (i) Buyer shall promptly deliver to the Company any mail or other communications received by Buyer relating to the Excluded Assets or the Excluded Liabilities; (ii) each Seller, as applicable, shall promptly forward to Buyer any payments received by such Seller on account of any Purchased Assets; and (iii) each Seller shall promptly deliver to Buyer any mail or other communications received by such Seller relating to the Assets or the Lease.

13.3 **Termination.** This Agreement may be terminated be terminated and abandoned at any time prior to the Closing Date by (i) mutual written agreement of Seller and Buyer, (ii) by written notice from Seller to Buyer or Buyer to Seller if the Closing shall not have occurred on or before August 30, 2017; *provided, however,* that the party seeking to terminate this Agreement shall not seek to terminate because of its breach or violation of any representation, warranty, or covenant contained herein having caused or resulted in a failure of the Closing to occur by such date, (iii) by Seller’s written notice to Buyer in the event of a material breach by Buyer, provided, Seller are not then in material breach of any of the provisions of this Agreement, (iv) by Buyer’s written notice to Seller in the event of a material breach by any Seller, provided Buyer is not then in material breach of any of the provisions of this Agreement, or (v) by the Buyer if a third party initiates a claim or proceeding which has or is reasonably likely to have a material adverse effect on the Assets or the Business.

13.4 **Time.** Time is of the essence to the performance of the parties under this Agreement.

13.5 **Sales Tax; Property Taxes.**

13.5.1 Buyer and Company shall each pay one-half of all sales and use taxes arising out of transfer of the Assets, if any.

13.5.2 Liability for all personal property taxes and any real property taxes payable in connection with the Lease, and similar ad valorem obligations levied with respect to the Assets or the Lease for a taxable period that includes (but does not end on) the Closing Date (the “Apportioned Obligations”) shall be apportioned between Seller and Buyer based on the number of days of such taxable period included in the period ending on the Closing Date (the “Pre-Closing Tax Period”) and the number of days of such taxable period included in the period after the Pre-Closing Tax Period (the “Post-Closing Tax Period”). Seller shall be liable for the proportionate amount of such Apportioned Obligations that is attributable to the Pre-Closing Tax Period and Buyer shall be liable for the proportionate amount of such Apportioned Obligations that is attributable to the Post-Closing Tax Period. At the Closing, the amount of any unpaid Apportioned Obligations payable by Seller with respect to the Pre-Closing Period, if any, shall be set off against the Purchase Price payable by Buyer and if any portion of the Apportioned Obligations payable with respect to the Post-Closing Period were paid by Seller, Buyer shall reimburse Seller for such amount (the “Apportioned Obligations Reimbursement”).

13.6 **License and Permit Transfer; Fees and Costs.** Buyer will be responsible for any and all fees and costs associated with the assumption or transfer to Buyer, or any company owned by Buyer, of any licenses or permits held by RxPA. Seller shall provide reasonable cooperation and support to Buyer in the transfer of any licenses or permits held by RxPA into Buyer's name; *provided, however*, such additional cooperation and support shall not exceed a total of ten (10) hours.

13.7 **Transfer/Shipping/Delivery Fees and Costs.** Any and all shipping costs related to the delivery of the Assets to be acquired from RxPA Premises and RxCA Premises shall be at Buyer's sole cost and expense and Buyer shall remove all such Assets from any premises of Seller on or before July 31, 2017.

13.8 **Notices.** All notices, statements or demands shall be in writing and shall be served in person, by facsimile, by e-mail, by express mail, by certified mail or by private overnight delivery. Service shall be deemed conclusively made: (i) at the time of service, if personally served; (ii) at the time of receipt, if served by facsimile or e-mail; (iii) twenty four (24) hours after deposit in the United States mail, properly addressed and postage prepaid, if served by express mail; (iv) five (5) days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; and (v) twenty four (24) hours after delivery by the party giving the notice, statement or demand to the private overnight deliverer, if served by private overnight delivery.

Notices to Seller shall be given to:

Imprimis Pharmaceuticals
Attn:
12264 El Camino Real, Suite 350
San Diego, CA 92130
Phone:
Fax:
E-mail:

Notices to Buyer shall be given to:

Creative Pharmacy Solutions Central, LLC
Attn:
2535 Johns Place
Jamestown, NY 14738
Phone:
Fax:
E-mail:

With a copy to:

Lundberg Price P.C.
Attn:
202 West Fourth Street
Jamestown, NY 14701
Phone:
Fax:
E-mail:

Either party may, by virtue of written notice in compliance with this paragraph, alter or change the address or the identity of the person to whom any notice, or copy thereof, is to be sent.

13.9 **Waivers**. A waiver by any party of any of the terms and conditions of this Agreement in any one instance shall not be deemed or construed to be a waiver of such term or condition for the future, or of any subsequent breach thereof, nor shall it be deemed a waiver of performance of any other obligation hereunder.

13.10 **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the successors and assignees of the parties.

13.11 **Headings**. The subject headings of the paragraphs and subparagraphs of this Agreement are for convenience only and shall not in any way affect the construction or interpretation of any provision of this Agreement.

13.12 **Entire Agreement**. This Agreement contains the entire understanding of the parties hereto relating to the subject matter hereof and supersedes all prior and collateral agreements, understandings, statements and negotiations of the parties. Each party acknowledges that no representations, inducements, promises, or agreements, oral or written, with reference to the subject matter hereof have been made other than as expressly set forth herein.

13.13 **Severability**. If any provision of this Agreement, as applied to any party or to any circumstance, shall be found by a court of competent jurisdiction to be void, invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstance, or the validity or enforceability of this Agreement.

13.14 **Governing Law/Interpretation**. This Agreement shall be governed by, construed in accordance with and enforced under the internal laws of the State of Delaware. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

13.15 **Disputes**. In the event a dispute should arise between the Sellers, on the one hand, and Buyer, on the other, whether based on contract, tort, statute, or other legal theory, arising out of this Agreement, such dispute shall be resolved by binding arbitration to take place in the State of California.

13.16 **Assignment**. The respective rights and obligations of the parties to this Agreement may not be assigned by any party without the prior written consent of the other, which consent may not be unreasonably withheld or delayed.

13.17 **Successors and Assigns**. The terms and provisions of this Agreement shall be binding on and inure to the benefit of the successors and assigns of the parties.

13.18 **Modification and Waiver**. This Agreement may not be amended, modified, or supplemented except by written agreement signed by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision.

13.19 **Counterparts**. This Agreement may be executed in two or more counterparts, which when taken together, whether or not including any transmitted by email or facsimile, shall constitute a single, signed, final, original edition of this Agreement.

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SELLERS:

Imprimis Pharmaceuticals, Inc.
a Delaware corporation

By: */s/ Mark L. Baum*

Mark L. Baum

Its: Chief Executive Officer

ImprimisRx CA, Inc.

a California corporation

By: */s/ Mark L. Baum*

Mark L. Baum

Its: Chief Executive Officer

ImprimisRx PA, Inc.

a Delaware corporation

By: */s/ Mark L. Baum*

Mark L. Baum

Its: Chief Executive Officer

BUYER:

Creative Pharmacy Solutions Central, LLC
a Delaware limited liability company

By: */s/ Richard Moon*

Richard Moon

Its: President

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is effective as the last date provided for on the signature page and is entered into by and between Mark L. Baum, an individual ("Consultant") and Eton Pharmaceuticals, Inc., a Delaware corporation with its principal address located at 12264 El Camino Real, Suite 350, San Diego, CA 92130 (the "Company").

WHEREAS, the Company wishes to retain Consultant as an advisor to the Company; and

WHEREAS, Consultant wishes to provide advisory services to the Company as set forth below.

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Consultant and the Company agree, intending to be legally bound, as follows:

1. Consulting Services.

1.1. Consultant will provide consulting services to the Company during the Term (as further defined below) of this Agreement. The consulting services ("Services") are set forth in the Statement of Work ("SOW") that is attached hereto as **Appendix A** and made a part hereof, as it may be amended from time to time by the parties hereto. Consultant shall perform all Services in compliance with all applicable laws.

2. Effective Date; Term and Termination.

2.1. This Agreement shall be effective on the later of the dates that it is executed by the Company and Consultant (the "Effective Date") and shall terminate as of the date Services are completed (the "Term" as further defined and outlined in **Appendix A**) unless: (i) this Agreement is sooner terminated as provided in Section 2.2 below; or (ii) the parties agree in writing to extend the Term for a mutually agreed upon period.

2.2. The Agreement and the Services provided by Consultant may be terminated by either Consultant or the Company, at any time and for any reason, upon five (5) days prior written notice of termination.

3. Consulting Fees.

3.1. In consideration of the Services provided hereunder, the Company shall provide Consultant the compensation as set forth in the applicable SOW ("Consulting Fee").

3.2. Consultant shall be responsible for all expenses incurred in association with performance of the Services, unless pre-approved by the Company in writing in advance.

4. Confidentiality. Consultant acknowledges that Consultant will receive confidential and proprietary information from, on behalf of, or at the direction of, the Company in connection with, and during the course of providing, the Services, including but not limited to technical, clinical, marketing, commercial and/or legal information, data, reports, drawings, models, designs, prototypes, biological material, specimens, chemical compounds, formulas, manufacturing or other processes, software, specifications, patent applications, marketing strategies, customer information and customer lists ("Confidential Information"). All Confidential Information is and shall at all times remain the exclusive property of the Company. Consultant agrees:

4.1. to hold the Confidential Information in strict confidence and not to disclose or make available any Confidential Information to any third party whatsoever, without the prior written consent of the Company;

4.2. to use the Confidential Information only for the benefit of the Company and only for the purpose of providing the Services;

4.3. to take at least the same degree of care to prevent disclosure of Confidential Information as Consultant takes to preserve and safeguard Consultant's own confidential and proprietary information, but in any event, no less than a reasonable degree of care;

4.4. not to make copies of the Confidential Information except to the extent that the copies are reasonably necessary for providing the Services;

4.5. to return or destroy (as the Company may direct) any Confidential Information held by Consultant immediately upon termination of the Term of this Agreement pursuant to Section 2 above and provide the Company with a letter certifying that all such Confidential Information has been returned or destroyed as directed;

4.6. that Confidential Information excludes information that:

(a) as evidenced by Consultant's written records, was lawfully known to Consultant prior to its communication by, on behalf of, or at the direction of the Company and was not communicated to Consultant subject to any restrictions on disclosure or use; or

(b) as evidenced by Consultant's written records, is independently developed by Consultant without use or knowledge of the Confidential Information; or

(c) is or becomes a part of the public domain other than by a breach of this Agreement by Consultant;

(d) becomes known to Consultant by the action of a third party not in breach of any obligation of confidence; or

(e) is required to be disclosed or made available by Consultant to a third party pursuant to any applicable law, governmental regulation, or decision of any court or tribunal of competent jurisdiction, so long as Consultant takes reasonable steps, in light of the circumstances, to give the Company sufficient prior notice in order to contest such law, governmental regulation, or decision;

- 4.7. that no representation or warranty, express or implied, is made by the Company as to the accuracy, completeness or reasonableness of any Confidential Information and that neither the Company will have any liability to Consultant as a result of Consultant's possession or use of the Confidential information; and
- 4.8. that money damages may not be sufficient remedy for any breach of this Section and that the Company will be entitled to seek specific performance and injunctive or equitable relief as a remedy for any such breach.
- 4.9. Nothing in this Section is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act (California Civil Code Section 3426), or otherwise available under law.
- 4.10. Notwithstanding the other provisions of this Agreement, pursuant to 18 U.S.C. Section 1833(b), Consultant shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.
5. Independent Contractor. The relationship of Consultant to the Company shall be that of an independent contractor rendering professional services. Consultant is not an employee of the Company. Nothing contained in this Agreement shall be deemed to create a relationship of employer and employee or principal and agent between the Company and Consultant. In no circumstance shall Consultant look to the Company as Consultant's employer, partner, agent or principal. Consultant is not entitled to and will be excluded from participating in any of Company's fringe benefit plans or programs as a result of the performance of the Services under this Agreement, including, but not limited to, health, sickness, accident or dental coverage, life insurance, disability benefits, accidental death and dismemberment coverage, unemployment insurance coverage, workers' compensation coverage, and pension or 401(k) benefit(s) provided by Company to its employees (and Consultant waives the right to receive any such benefits). Consultant agrees, as an independent contractor, that Consultant is not entitled to unemployment benefits in the event this Agreement terminates, or workers' compensation benefits in the event that Consultant is injured in any manner or becomes ill while performing the work under this Agreement. Consultant is solely responsible for all tax returns, payments, or reports required to be filed with or made to any federal, state or local tax authority with respect to Consultant's performance of Services and receipt of consideration (including Consulting Fees) under this Agreement. Consultant is not authorized to make any representation, contract or commitment on behalf of the Company unless specifically requested or authorized in writing to do so by an executive officer or Board member of the Company.
6. Waiver. No waiver of this Agreement or any of its provisions shall be binding upon a party unless in writing and signed by each party. The waiver by either party of a breach or violation of any provision of this Agreement shall not constitute or be construed as a waiver of any subsequent breach or violation of that provision or as a waiver of any breach or violation of any other provision.

7. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable provision, which, being valid, legal and enforceable, comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.
8. Survival. The provisions of Sections 2.2, 3, 4, 6-11 and any other obligation under this Agreement which is to survive or be performed after termination of this Agreement, regardless of the cause therefor, shall survive any termination or expiration of this Agreement.
9. Notices. Any notice or other communication required or permitted to be made or given under this Agreement to either party shall be in writing and shall be sufficiently given if (i) hand delivered, (ii) sent by overnight guaranteed delivery service, such as Federal Express or UPS; or (iii) sent by facsimile transmission or electronic mail during addressee's normal business hours, with a duplicate copy sent by overnight delivery or certified or registered mail, addressed as either party may from time to time designate to the other by written notice. Any such notice or other communication shall be deemed to be given as of the date it is received by the addressee.
10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding the choice of law rules, and the parties hereby agree to submit to the jurisdiction and venue of the State and Federal courts of the State of California, and agree that the State and Federal courts of the State of California shall be the exclusive forum for the resolution of all disputes related to or arising out of this Agreement.
11. Entire Agreement; Amendments. This Agreement, including any applicable SOW, represents the entire agreement between the parties in relation to the subject matter contained herein and supersedes all previous other agreements and representations, whether oral or written. This Agreement may be modified only if such modification is in writing and signed by a duly authorized representative of each party.

SIGNATURE PAGE FOLLOWS

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Consulting Agreement as of the date first above written.

CONSULTANT:

MARK L. BAUM

By: /s/ Mark L. Baum

Name: Mark L. Baum
An individual

Date: May 1, 2017

COMPANY:

ETON PHARMACEUTICALS, INC.

By: /s/ Andrew R. Boll

Name: Andrew R. Boll

Title: Executive Director

Date: May 1, 2017

5

Appendix A

**Statement of Work
under Consulting Agreement
by and between
Mark L. Baum and Eton Pharmaceuticals, Inc.**

Services:

Consultant shall provide senior management advisory services to the Company relating to its establishment, financing activities, patent applications and other related services as may be requested from time to time by the Company.

Compensation:

Upon or shortly following commencement of Consultant's Services to the Company, the Company shall grant to Consultant 730,000 shares (the "Shares") of the Company's restricted common stock, par value \$0.001 ("Common Stock") under the terms of the Company's 2017 Equity Incentive Plan (the "Plan") and a Restricted Stock Award Grant Notice and Agreement thereunder to be provided to Consultant by the Company (collectively with the Plan, the "Restricted Stock Documents").

The Shares shall vest upon the earlier of:

- (1) a Change in Control (as defined in the Plan);
- (2) the date of any underwriting agreement between the Company and the underwriter(s) managing an initial public offering of the Company's common stock, pursuant to which the common stock is priced for initial public offering (the "IPO");
- (3) the date of closing of any Company financing in excess of \$10,000,000 ("Subsequent Financing"); or
- (4) immediately prior to the one year anniversary of the date of grant of the Shares (as indicated in the Restricted Stock Documents) (the "Grant Date").

and in any case of (1), (2), (3) and (4), which occurs following the Bridge Financing (as defined below), subject to Consultant's Continuous Service (as defined in the Plan) through such vesting date; *provided, however*, in the event the Consultant's Continuous Service is terminated by the Company (other than for Cause (as defined in the Plan)) prior to the completion of the Term (as outlined below), the Shares shall vest immediately upon such termination. The "Bridge Financing" shall mean closing of a bona-fide equity financing with third party investors resulting in cash gross proceeds to the Company of at least \$10,000,000 which occurs within one year of the Grant Date.

Consultant understands that that the receipt of the Shares hereunder will trigger tax consequences to Consultant for which Consultant will be solely responsible and that the Shares have not been registered under the Securities Act of 1933, as amended, or any applicable state securities law. Consultant must execute the Restricted Stock Documents as a condition to receipt of the Shares hereunder.

Term:

Consultant commenced providing Services to the Company on April 26, 2017 and shall provide the Services through the earlier of (i) one year from the Grant Date, (ii) a Change in Control, (iii) the IPO, (iv) a Subsequent Financing or (v) such earlier date as the Services are terminated by the Company or Consultant in accordance with this Agreement (the "Term").

6

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is effective as the last date provided for on the signature page and is entered into by and between Andrew R. Boll, an individual ("Consultant") and Eton Pharmaceuticals, Inc., a Delaware corporation with its principal address located at 12264 El Camino Real, Suite 350, San Diego, CA 92130 (the "Company").

WHEREAS, the Company wishes to retain Consultant as an advisor to the Company; and

WHEREAS, Consultant wishes to provide advisory services to the Company as set forth below.

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Consultant and the Company agree, intending to be legally bound, as follows:

1. Consulting Services.

1.1. Consultant will provide consulting services to the Company during the Term (as further defined below) of this Agreement. The consulting services ("Services") are set forth in the Statement of Work ("SOW") that is attached hereto as **Appendix A** and made a part hereof, as it may be amended from time to time by the parties hereto. Consultant shall perform all Services in compliance with all applicable laws.

2. Effective Date; Term and Termination.

2.1. This Agreement shall be effective on the later of the dates that it is executed by the Company and Consultant (the "Effective Date") and shall terminate as of the date Services are completed (the "Term" as further defined and outlined in **Appendix A**) unless: (i) this Agreement is sooner terminated as provided in Section 2.2 below; or (ii) the parties agree in writing to extend the Term for a mutually agreed upon period.

2.2. The Agreement and the Services provided by Consultant may be terminated by either Consultant or the Company, at any time and for any reason, upon five (5) days prior written notice of termination.

3. Consulting Fees.

3.1. In consideration of the Services provided hereunder, the Company shall provide Consultant the compensation as set forth in the applicable SOW ("Consulting Fee").

3.2. Consultant shall be responsible for all expenses incurred in association with performance of the Services, unless pre-approved by the Company in writing in advance.

4. Confidentiality. Consultant acknowledges that Consultant will receive confidential and proprietary information from, on behalf of, or at the direction of, the Company in connection with, and during the course of providing, the Services, including but not limited to technical, clinical, marketing, commercial and/or legal information, data, reports, drawings, models, designs, prototypes, biological material, specimens, chemical compounds, formulas, manufacturing or other processes, software, specifications, patent applications, marketing strategies, customer information and customer lists (“Confidential Information”). All Confidential Information is and shall at all times remain the exclusive property of the Company. Consultant agrees:
- 4.1. to hold the Confidential Information in strict confidence and not to disclose or make available any Confidential Information to any third party whatsoever, without the prior written consent of the Company;
 - 4.2. to use the Confidential Information only for the benefit of the Company and only for the purpose of providing the Services;
 - 4.3. to take at least the same degree of care to prevent disclosure of Confidential Information as Consultant takes to preserve and safeguard Consultant’s own confidential and proprietary information, but in any event, no less than a reasonable degree of care;
 - 4.4. not to make copies of the Confidential Information except to the extent that the copies are reasonably necessary for providing the Services;
 - 4.5. to return or destroy (as the Company may direct) any Confidential Information held by Consultant immediately upon termination of the Term of this Agreement pursuant to Section 2 above and provide the Company with a letter certifying that all such Confidential Information has been returned or destroyed as directed;
 - 4.6. that Confidential Information excludes information that:
 - (a) as evidenced by Consultant’s written records, was lawfully known to Consultant prior to its communication by, on behalf of, or at the direction of the Company and was not communicated to Consultant subject to any restrictions on disclosure or use; or
 - (b) as evidenced by Consultant’s written records, is independently developed by Consultant without use or knowledge of the Confidential Information; or
 - (c) is or becomes a part of the public domain other than by a breach of this Agreement by Consultant;
 - (d) becomes known to Consultant by the action of a third party not in breach of any obligation of confidence; or
 - (e) is required to be disclosed or made available by Consultant to a third party pursuant to any applicable law, governmental regulation, or decision of any court or tribunal of competent jurisdiction, so long as Consultant takes reasonable steps, in light of the circumstances, to give the Company sufficient prior notice in order to contest such law, governmental regulation, or decision;
-

- 4.7. that no representation or warranty, express or implied, is made by the Company as to the accuracy, completeness or reasonableness of any Confidential Information and that neither the Company will have any liability to Consultant as a result of Consultant's possession or use of the Confidential information; and
- 4.8. that money damages may not be sufficient remedy for any breach of this Section and that the Company will be entitled to seek specific performance and injunctive or equitable relief as a remedy for any such breach.
- 4.9. Nothing in this Section is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act (California Civil Code Section 3426), or otherwise available under law.
- 4.10. Notwithstanding the other provisions of this Agreement, pursuant to 18 U.S.C. Section 1833(b), Consultant shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.
5. Independent Contractor. The relationship of Consultant to the Company shall be that of an independent contractor rendering professional services. Consultant is not an employee of the Company. Nothing contained in this Agreement shall be deemed to create a relationship of employer and employee or principal and agent between the Company and Consultant. In no circumstance shall Consultant look to the Company as Consultant's employer, partner, agent or principal. Consultant is not entitled to and will be excluded from participating in any of Company's fringe benefit plans or programs as a result of the performance of the Services under this Agreement, including, but not limited to, health, sickness, accident or dental coverage, life insurance, disability benefits, accidental death and dismemberment coverage, unemployment insurance coverage, workers' compensation coverage, and pension or 401(k) benefit(s) provided by Company to its employees (and Consultant waives the right to receive any such benefits). Consultant agrees, as an independent contractor, that Consultant is not entitled to unemployment benefits in the event this Agreement terminates, or workers' compensation benefits in the event that Consultant is injured in any manner or becomes ill while performing the work under this Agreement. Consultant is solely responsible for all tax returns, payments, or reports required to be filed with or made to any federal, state or local tax authority with respect to Consultant's performance of Services and receipt of consideration (including Consulting Fees) under this Agreement. Consultant is not authorized to make any representation, contract or commitment on behalf of the Company unless specifically requested or authorized in writing to do so by an executive officer or Board member of the Company.
6. Waiver. No waiver of this Agreement or any of its provisions shall be binding upon a party unless in writing and signed by each party. The waiver by either party of a breach or violation of any provision of this Agreement shall not constitute or be construed as a waiver of any subsequent breach or violation of that provision or as a waiver of any breach or violation of any other provision.

7. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable provision, which, being valid, legal and enforceable, comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.
8. Survival. The provisions of Sections 2.2, 3, 4, 6-11 and any other obligation under this Agreement which is to survive or be performed after termination of this Agreement, regardless of the cause therefor, shall survive any termination or expiration of this Agreement.
9. Notices. Any notice or other communication required or permitted to be made or given under this Agreement to either party shall be in writing and shall be sufficiently given if (i) hand delivered, (ii) sent by overnight guaranteed delivery service, such as Federal Express or UPS; or (iii) sent by facsimile transmission or electronic mail during addressee's normal business hours, with a duplicate copy sent by overnight delivery or certified or registered mail, addressed as either party may from time to time designate to the other by written notice. Any such notice or other communication shall be deemed to be given as of the date it is received by the addressee.
10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding the choice of law rules, and the parties hereby agree to submit to the jurisdiction and venue of the State and Federal courts of the State of California, and agree that the State and Federal courts of the State of California shall be the exclusive forum for the resolution of all disputes related to or arising out of this Agreement.
11. Entire Agreement; Amendments. This Agreement, including any applicable SOW, represents the entire agreement between the parties in relation to the subject matter contained herein and supersedes all previous other agreements and representations, whether oral or written. This Agreement may be modified only if such modification is in writing and signed by a duly authorized representative of each party.

*****SIGNATURE PAGE FOLLOWS*****

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Consulting Agreement as of the date first above written.

CONSULTANT:

ANDREW R. BOLL

By: Andrew R. Boll

Name: Andrew R. Boll
An individual

Date: May 1, 2017

COMPANY:

ETON PHARMACEUTICALS, INC.

By: /s/ Mark L. Baum

Name: Mark L. Baum
Title: Executive Director

Date: May 1, 2017

Appendix A

Statement of Work under Consulting Agreement by and between Andrew R. Boll and Eton Pharmaceuticals, Inc.

Services:

Consultant shall provide senior management advisory services to the Company relating to its establishment, financing activities, patent applications and other related services as may be requested from time to time by the Company.

Compensation:

Upon or shortly following commencement of Consultant's Services to the Company, the Company shall grant to Consultant 365,000 shares (the "Shares") of the Company's restricted common stock, par value \$0.001 ("Common Stock") under the terms of the Company's 2017 Equity Incentive Plan (the "Plan") and a Restricted Stock Award Grant Notice and Agreement thereunder to be provided to Consultant by the Company (collectively with the Plan, the "Restricted Stock Documents").

The Shares shall vest upon the earlier of:

- (1) a Change in Control (as defined in the Plan);
- (2) the date of any underwriting agreement between the Company and the underwriter(s) managing an initial public offering of the Company's common stock, pursuant to which the common stock is priced for initial public offering (the "IPO");
- (3) the date of closing of any Company financing in excess of \$10,000,000 ("Subsequent Financing"); or
- (4) immediately prior to the one year anniversary of the date of grant of the Shares (as indicated in the Restricted Stock Documents) (the "Grant Date").

and in any case of (1), (2), (3) and (4), which occurs following the Bridge Financing (as defined below), subject to Consultant's Continuous Service (as defined in the Plan) through such vesting date; *provided, however*, in the event the Consultant's Continuous Service is terminated by the Company (other than for Cause (as defined in the Plan)) prior to the completion of the Term (as outlined below), the Shares shall vest immediately upon such termination. The "Bridge Financing" shall mean closing of a bona-fide equity financing with third party investors resulting in cash gross proceeds to the Company of at least \$10,000,000 which occurs within one year of the Grant Date.

Consultant understands that that the receipt of the Shares hereunder will trigger tax consequences to Consultant for which Consultant will be solely responsible and that the Shares have not been registered under the Securities Act of 1933, as amended, or any applicable state securities law. Consultant must execute the Restricted Stock Documents as a condition to receipt of the Shares hereunder.

Term:

Consultant commenced providing Services to the Company on April 26, 2017 and shall provide the Services through the earlier of (i) one year from the Grant Date, (ii) a Change in Control, (iii) the IPO, (iv) a Subsequent Financing or (v) such earlier date as the Services are terminated by the Company or Consultant in accordance with this Agreement (the "Term").

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is effective as the last date provided for on the signature page and is entered into by and between John Saharek, an individual ("Consultant") and Eton Pharmaceuticals, Inc., a Delaware corporation with its principal address located at 12264 El Camino Real, Suite 350, San Diego, CA 92130 (the "Company").

WHEREAS, the Company wishes to retain Consultant as an advisor to the Company; and

WHEREAS, Consultant wishes to provide advisory services to the Company as set forth below.

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Consultant and the Company agree, intending to be legally bound, as follows:

1. Consulting Services.

1.1. Consultant will provide consulting services to the Company during the Term (as further defined below) of this Agreement. The consulting services ("Services") are set forth in the Statement of Work ("SOW") that is attached hereto as **Appendix A** and made a part hereof, as it may be amended from time to time by the parties hereto. Consultant shall perform all Services in compliance with all applicable laws.

2. Effective Date; Term and Termination.

2.1. This Agreement shall be effective on the later of the dates that it is executed by the Company and Consultant (the "Effective Date") and shall terminate as of the date Services are completed (the "Term" as further defined and outlined in **Appendix A**) unless: (i) this Agreement is sooner terminated as provided in Section 2.2 below; or (ii) the parties agree in writing to extend the Term for a mutually agreed upon period.

2.2. The Agreement and the Services provided by Consultant may be terminated by either Consultant or the Company, at any time and for any reason, upon five (5) days prior written notice of termination.

3. Consulting Fees.

3.1. In consideration of the Services provided hereunder, the Company shall provide Consultant the compensation as set forth in the applicable SOW ("Consulting Fee").

3.2. Consultant shall be responsible for all expenses incurred in association with performance of the Services, unless pre-approved by the Company in writing in advance.

4. Confidentiality. Consultant acknowledges that Consultant will receive confidential and proprietary information from, on behalf of, or at the direction of, the Company in connection with, and during the course of providing, the Services, including but not limited to technical, clinical, marketing, commercial and/or legal information, data, reports, drawings, models, designs, prototypes, biological material, specimens, chemical compounds, formulas, manufacturing or other processes, software, specifications, patent applications, marketing strategies, customer information and customer lists (“Confidential Information”). All Confidential Information is and shall at all times remain the exclusive property of the Company. Consultant agrees:
- 4.1. to hold the Confidential Information in strict confidence and not to disclose or make available any Confidential Information to any third party whatsoever, without the prior written consent of the Company;
 - 4.2. to use the Confidential Information only for the benefit of the Company and only for the purpose of providing the Services;
 - 4.3. to take at least the same degree of care to prevent disclosure of Confidential Information as Consultant takes to preserve and safeguard Consultant’s own confidential and proprietary information, but in any event, no less than a reasonable degree of care;
 - 4.4. not to make copies of the Confidential Information except to the extent that the copies are reasonably necessary for providing the Services;
 - 4.5. to return or destroy (as the Company may direct) any Confidential Information held by Consultant immediately upon termination of the Term of this Agreement pursuant to Section 2 above and provide the Company with a letter certifying that all such Confidential Information has been returned or destroyed as directed;
 - 4.6. that Confidential Information excludes information that:
 - (a) as evidenced by Consultant’s written records, was lawfully known to Consultant prior to its communication by, on behalf of, or at the direction of the Company and was not communicated to Consultant subject to any restrictions on disclosure or use; or
 - (b) as evidenced by Consultant’s written records, is independently developed by Consultant without use or knowledge of the Confidential Information; or
 - (c) is or becomes a part of the public domain other than by a breach of this Agreement by Consultant;
 - (d) becomes known to Consultant by the action of a third party not in breach of any obligation of confidence; or
 - (e) is required to be disclosed or made available by Consultant to a third party pursuant to any applicable law, governmental regulation, or decision of any court or tribunal of competent jurisdiction, so long as Consultant takes reasonable steps, in light of the circumstances, to give the Company sufficient prior notice in order to contest such law, governmental regulation, or decision;

- 4.7. that no representation or warranty, express or implied, is made by the Company as to the accuracy, completeness or reasonableness of any Confidential Information and that neither the Company will have any liability to Consultant as a result of Consultant's possession or use of the Confidential information; and
- 4.8. that money damages may not be sufficient remedy for any breach of this Section and that the Company will be entitled to seek specific performance and injunctive or equitable relief as a remedy for any such breach.
- 4.9. Nothing in this Section is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act (California Civil Code Section 3426), or otherwise available under law.
- 4.10. Notwithstanding the other provisions of this Agreement, pursuant to 18 U.S.C. Section 1833(b), Consultant shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.
5. Independent Contractor. The relationship of Consultant to the Company shall be that of an independent contractor rendering professional services. Consultant is not an employee of the Company. Nothing contained in this Agreement shall be deemed to create a relationship of employer and employee or principal and agent between the Company and Consultant. In no circumstance shall Consultant look to the Company as Consultant's employer, partner, agent or principal. Consultant is not entitled to and will be excluded from participating in any of Company's fringe benefit plans or programs as a result of the performance of the Services under this Agreement, including, but not limited to, health, sickness, accident or dental coverage, life insurance, disability benefits, accidental death and dismemberment coverage, unemployment insurance coverage, workers' compensation coverage, and pension or 401(k) benefit(s) provided by Company to its employees (and Consultant waives the right to receive any such benefits). Consultant agrees, as an independent contractor, that Consultant is not entitled to unemployment benefits in the event this Agreement terminates, or workers' compensation benefits in the event that Consultant is injured in any manner or becomes ill while performing the work under this Agreement. Consultant is solely responsible for all tax returns, payments, or reports required to be filed with or made to any federal, state or local tax authority with respect to Consultant's performance of Services and receipt of consideration (including Consulting Fees) under this Agreement. Consultant is not authorized to make any representation, contract or commitment on behalf of the Company unless specifically requested or authorized in writing to do so by an executive officer or Board member of the Company.

6. Waiver. No waiver of this Agreement or any of its provisions shall be binding upon a party unless in writing and signed by each party. The waiver by either party of a breach or violation of any provision of this Agreement shall not constitute or be construed as a waiver of any subsequent breach or violation of that provision or as a waiver of any breach or violation of any other provision.
7. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable provision, which, being valid, legal and enforceable, comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.
8. Survival. The provisions of Sections 2.2, 3, 4, 6-11 and any other obligation under this Agreement which is to survive or be performed after termination of this Agreement, regardless of the cause therefor, shall survive any termination or expiration of this Agreement.
9. Notices. Any notice or other communication required or permitted to be made or given under this Agreement to either party shall be in writing and shall be sufficiently given if (i) hand delivered, (ii) sent by overnight guaranteed delivery service, such as Federal Express or UPS; or (iii) sent by facsimile transmission or electronic mail during addressee's normal business hours, with a duplicate copy sent by overnight delivery or certified or registered mail, addressed as either party may from time to time designate to the other by written notice. Any such notice or other communication shall be deemed to be given as of the date it is received by the addressee.
10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding the choice of law rules, and the parties hereby agree to submit to the jurisdiction and venue of the State and Federal courts of the State of California, and agree that the State and Federal courts of the State of California shall be the exclusive forum for the resolution of all disputes related to or arising out of this Agreement.
11. Entire Agreement; Amendments. This Agreement, including any applicable SOW, represents the entire agreement between the parties in relation to the subject matter contained herein and supersedes all previous other agreements and representations, whether oral or written. This Agreement may be modified only if such modification is in writing and signed by a duly authorized representative of each party.

*****SIGNATURE PAGE FOLLOWS*****

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Consulting Agreement as of the date first above written.

CONSULTANT:

JOHN SAHAREK

By: /s/ John Saharek

Name: John Saharek
An individual

Date: May 1, 2017

COMPANY:

ETON PHARMACEUTICALS, INC.

By: /s/ Mark L. Baum

Name: Mark L. Baum
Title: Executive Director

Date: May 1, 2017

Appendix A

Statement of Work under Consulting Agreement by and between John Saharek and Eton Pharmaceuticals, Inc.

Services:

Consultant shall provide advisory services to the Company relating to its sales and marketing activities and other related services as may be requested from time to time by the Company.

Compensation:

Upon or shortly following commencement of Consultant's Services to the Company, the Company shall grant to Consultant an option to purchase up to 25,000 shares of the Company's restricted common stock, par value \$0.001 ("Common Stock") under the terms of the Company's 2017 Equity Incentive Plan (the "Plan") and a Stock Option Grant Notice and Agreement thereunder to be provided to Consultant by the Company (collectively with the Plan, the "Stock Option Documents").

The option shall vest upon the earlier of:

- (1) a Change in Control (as defined in the Plan);
- (2) the date of any underwriting agreement between the Company and the underwriter(s) managing an initial public offering of the Company's common stock, pursuant to which the common stock is priced for initial public offering (the "IPO");
- (3) the date of closing of any Company financing in excess of \$10,000,000 ("Subsequent Financing"); or
- (4) immediately prior to the one year anniversary of the date of grant of the option (as indicated in the Stock Option Documents) (the "Grant Date").

and in any case of (1), (2), (3) and (4), which occurs following the Bridge Financing (as defined below), subject to Consultant's Continuous Service (as defined in the Plan) through such vesting date; *provided, however*, in the event the Consultant's Continuous Service is terminated by the Company (other than for Cause (as defined in the Plan)) prior to the completion of the Term (as outlined below), the option shall vest immediately upon such termination. The "Bridge Financing" shall mean closing of a bona-fide equity financing with third party investors resulting in cash gross proceeds to the Company of at least \$10,000,000 which occurs within one year of the Grant Date.

Consultant understands that the shares of Common Stock subject to the stock option have not been registered under the Securities Act of 1933, as amended, or any applicable state securities law. Consultant must execute the Stock Option Documents as a condition to receipt of the stock option grant hereunder.

Term:

Consultant commenced providing Services to the Company on April 26, 2017 and shall provide the Services through the earlier of (i) one year from the Grant Date, (ii) a Change in Control, (iii) the IPO, (iv) a Subsequent Financing or (v) such earlier date as the Services are terminated by the Company or Consultant in accordance with this Agreement (the "Term").

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is effective as the last date provided for on the signature page and is entered into by and between Clayton Edwards, an individual ("Consultant") and Eton Pharmaceuticals, Inc., a Delaware corporation with its principal address located at 12264 El Camino Real, Suite 350, San Diego, CA 92130 (the "Company").

WHEREAS, the Company wishes to retain Consultant as an advisor to the Company; and

WHEREAS, Consultant wishes to provide advisory services to the Company as set forth below.

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Consultant and the Company agree, intending to be legally bound, as follows:

1. Consulting Services.

1.1. Consultant will provide consulting services to the Company during the Term (as further defined below) of this Agreement. The consulting services ("Services") are set forth in the Statement of Work ("SOW") that is attached hereto as **Appendix A** and made a part hereof, as it may be amended from time to time by the parties hereto. Consultant shall perform all Services in compliance with all applicable laws.

2. Effective Date; Term and Termination.

2.1. This Agreement shall be effective on the later of the dates that it is executed by the Company and Consultant (the "Effective Date") and shall terminate as of the date Services are completed (the "Term" as further defined and outlined in **Appendix A**) unless: (i) this Agreement is sooner terminated as provided in Section 2.2 below; or (ii) the parties agree in writing to extend the Term for a mutually agreed upon period.

2.2. The Agreement and the Services provided by Consultant may be terminated by either Consultant or the Company, at any time and for any reason, upon five (5) days prior written notice of termination.

3. Consulting Fees.

3.1. In consideration of the Services provided hereunder, the Company shall provide Consultant the compensation as set forth in the applicable SOW ("Consulting Fee").

3.2. Consultant shall be responsible for all expenses incurred in association with performance of the Services, unless pre-approved by the Company in writing in advance.

4. Confidentiality. Consultant acknowledges that Consultant will receive confidential and proprietary information from, on behalf of, or at the direction of, the Company in connection with, and during the course of providing, the Services, including but not limited to technical, clinical, marketing, commercial and/or legal information, data, reports, drawings, models, designs, prototypes, biological material, specimens, chemical compounds, formulas, manufacturing or other processes, software, specifications, patent applications, marketing strategies, customer information and customer lists (“Confidential Information”). All Confidential Information is and shall at all times remain the exclusive property of the Company. Consultant agrees:
- 4.1. to hold the Confidential Information in strict confidence and not to disclose or make available any Confidential Information to any third party whatsoever, without the prior written consent of the Company;
 - 4.2. to use the Confidential Information only for the benefit of the Company and only for the purpose of providing the Services;
 - 4.3. to take at least the same degree of care to prevent disclosure of Confidential Information as Consultant takes to preserve and safeguard Consultant’s own confidential and proprietary information, but in any event, no less than a reasonable degree of care;
 - 4.4. not to make copies of the Confidential Information except to the extent that the copies are reasonably necessary for providing the Services;
 - 4.5. to return or destroy (as the Company may direct) any Confidential Information held by Consultant immediately upon termination of the Term of this Agreement pursuant to Section 2 above and provide the Company with a letter certifying that all such Confidential Information has been returned or destroyed as directed;
 - 4.6. that Confidential Information excludes information that:
 - (a) as evidenced by Consultant’s written records, was lawfully known to Consultant prior to its communication by, on behalf of, or at the direction of the Company and was not communicated to Consultant subject to any restrictions on disclosure or use; or
 - (b) as evidenced by Consultant’s written records, is independently developed by Consultant without use or knowledge of the Confidential Information; or
 - (c) is or becomes a part of the public domain other than by a breach of this Agreement by Consultant;
 - (d) becomes known to Consultant by the action of a third party not in breach of any obligation of confidence; or
 - (e) is required to be disclosed or made available by Consultant to a third party pursuant to any applicable law, governmental regulation, or decision of any court or tribunal of competent jurisdiction, so long as Consultant takes reasonable steps, in light of the circumstances, to give the Company sufficient prior notice in order to contest such law, governmental regulation, or decision;
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- 4.7. that no representation or warranty, express or implied, is made by the Company as to the accuracy, completeness or reasonableness of any Confidential Information and that neither the Company will have any liability to Consultant as a result of Consultant's possession or use of the Confidential information; and
- 4.8. that money damages may not be sufficient remedy for any breach of this Section and that the Company will be entitled to seek specific performance and injunctive or equitable relief as a remedy for any such breach.
- 4.9. Nothing in this Section is intended to limit any remedy of the Company under the California Uniform Trade Secrets Act (California Civil Code Section 3426), or otherwise available under law.
- 4.10. Notwithstanding the other provisions of this Agreement, pursuant to 18 U.S.C. Section 1833(b), Consultant shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.
5. Independent Contractor. The relationship of Consultant to the Company shall be that of an independent contractor rendering professional services. Consultant is not an employee of the Company. Nothing contained in this Agreement shall be deemed to create a relationship of employer and employee or principal and agent between the Company and Consultant. In no circumstance shall Consultant look to the Company as Consultant's employer, partner, agent or principal. Consultant is not entitled to and will be excluded from participating in any of Company's fringe benefit plans or programs as a result of the performance of the Services under this Agreement, including, but not limited to, health, sickness, accident or dental coverage, life insurance, disability benefits, accidental death and dismemberment coverage, unemployment insurance coverage, workers' compensation coverage, and pension or 401(k) benefit(s) provided by Company to its employees (and Consultant waives the right to receive any such benefits). Consultant agrees, as an independent contractor, that Consultant is not entitled to unemployment benefits in the event this Agreement terminates, or workers' compensation benefits in the event that Consultant is injured in any manner or becomes ill while performing the work under this Agreement. Consultant is solely responsible for all tax returns, payments, or reports required to be filed with or made to any federal, state or local tax authority with respect to Consultant's performance of Services and receipt of consideration (including Consulting Fees) under this Agreement. Consultant is not authorized to make any representation, contract or commitment on behalf of the Company unless specifically requested or authorized in writing to do so by an executive officer or Board member of the Company.
6. Waiver. No waiver of this Agreement or any of its provisions shall be binding upon a party unless in writing and signed by each party. The waiver by either party of a breach or violation of any provision of this Agreement shall not constitute or be construed as a waiver of any subsequent breach or violation of that provision or as a waiver of any breach or violation of any other provision.

7. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable provision, which, being valid, legal and enforceable, comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.
8. Survival. The provisions of Sections 2.2, 3, 4, 6-11 and any other obligation under this Agreement which is to survive or be performed after termination of this Agreement, regardless of the cause therefor, shall survive any termination or expiration of this Agreement.
9. Notices. Any notice or other communication required or permitted to be made or given under this Agreement to either party shall be in writing and shall be sufficiently given if (i) hand delivered, (ii) sent by overnight guaranteed delivery service, such as Federal Express or UPS; or (iii) sent by facsimile transmission or electronic mail during addressee's normal business hours, with a duplicate copy sent by overnight delivery or certified or registered mail, addressed as either party may from time to time designate to the other by written notice. Any such notice or other communication shall be deemed to be given as of the date it is received by the addressee.
10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding the choice of law rules, and the parties hereby agree to submit to the jurisdiction and venue of the State and Federal courts of the State of California, and agree that the State and Federal courts of the State of California shall be the exclusive forum for the resolution of all disputes related to or arising out of this Agreement.
11. Entire Agreement; Amendments. This Agreement, including any applicable SOW, represents the entire agreement between the parties in relation to the subject matter contained herein and supersedes all previous other agreements and representations, whether oral or written. This Agreement may be modified only if such modification is in writing and signed by a duly authorized representative of each party.

*****SIGNATURE PAGE FOLLOWS*****

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Consulting Agreement as of the date first above written.

CONSULTANT:

CLAYTON EDWARDS

By: /s/ Clayton Edwards

Name: Clayton Edwards
An individual

Date: May 1, 2017

COMPANY:

ETON PHARMACEUTICALS, INC.

By: /s/ Mark L. Baum

Name: Mark L. Baum
Title: Executive Director

Date: May 1, 2017

Appendix A

Statement of Work under Consulting Agreement by and between Clayton Edwards and Eton Pharmaceuticals, Inc.

Services:

Consultant shall provide advisory services to the Company relating to its operational activities and other related services as may be requested from time to time by the Company.

Compensation:

Upon or shortly following commencement of Consultant's Services to the Company, the Company shall grant to Consultant an option to purchase up to 20,000 shares of the Company's restricted common stock, par value \$0.001 ("Common Stock") under the terms of the Company's 2017 Equity Incentive Plan (the "Plan") and a Stock Option Grant Notice and Agreement thereunder to be provided to Consultant by the Company (collectively with the Plan, the "Stock Option Documents").

The option shall vest upon the earlier of:

- (1) a Change in Control (as defined in the Plan);
- (2) the date of any underwriting agreement between the Company and the underwriter(s) managing an initial public offering of the Company's common stock, pursuant to which the common stock is priced for initial public offering (the "IPO");
- (3) the date of closing of any Company financing in excess of \$10,000,000 ("Subsequent Financing"); or
- (4) immediately prior to the one year anniversary of the date of grant of the option (as indicated in the Stock Option Documents) (the "Grant Date").

and in any case of (1), (2), (3) and (4), which occurs following the Bridge Financing (as defined below), subject to Consultant's Continuous Service (as defined in the Plan) through such vesting date; *provided, however*, in the event the Consultant's Continuous Service is terminated by the Company (other than for Cause (as defined in the Plan)) prior to the completion of the Term (as outlined below), the option shall vest immediately upon such termination. The "Bridge Financing" shall mean closing of a bona-fide equity financing with third party investors resulting in cash gross proceeds to the Company of at least \$10,000,000 which occurs within one year of the Grant Date.

Consultant understands that the shares of Common Stock subject to the stock option have not been registered under the Securities Act of 1933, as amended, or any applicable state securities law. Consultant must execute the Stock Option Documents as a condition to receipt of the stock option grant hereunder.

Term:

Consultant commenced providing Services to the Company on April 26, 2017 and shall provide the Services through the earlier of (i) one year from the Grant Date, (ii) a Change in Control, (iii) the IPO, (iv) a Subsequent Financing or (v) such earlier date as the Services are terminated by the Company or Consultant in accordance with this Agreement (the "Term").

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Mark L. Baum, certify that:

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

Date: August 10, 2017

/s/ Mark L. Baum

Mark L. Baum
Chief Executive Officer
Principal Executive Officer

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Andrew R. Boll, certify that:

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

Date: August 10, 2017

/s/ Andrew R. Boll

Andrew R. Boll
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION REQUIRED BY
SECTION 1350 OF TITLE 18 OF THE UNITED STATES CODE**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in his capacity as the specified officer of Imprimis Pharmaceuticals, Inc. (the "Company"), that, to the best of his knowledge, the Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended June 30, 2017 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

Date: August 10, 2017

/s/ Mark L. Baum

Mark L. Baum

Chief Executive Officer

(Principal Executive Officer)

Date: August 10, 2017

/s/ Andrew R. Boll

Andrew R. Boll *Chief Financial Officer*

(Principal Financial and Accounting Officer)

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
