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, 2022

or

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

For the transition period from _____ to _____

Commission File Number: 001-35814

Harrow Health, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**45-0567010**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
102 Woodmont Blvd., Suite 610 Nashville, Tennessee	**37205**
(Address of principal executive offices)	(Zip code)

(615) 733-4730
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name on exchange on which registered
Common Stock, $0.001 par value per share	HROW	The Nasdaq Global Market
8.625% Senior Notes due 2026	HROWL	The Nasdaq Global Market

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-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 8, 2022, there were 27,069,978 shares of the registrant's common stock, $0.001 par value, outstanding.

HARROW HEALTH, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

HARROW HEALTH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 46,438,000	$ 42,167,000
Investment in Eton Pharmaceuticals	5,193,000	8,503,000
Accounts receivable, net	6,755,000	4,470,000
Inventories	5,132,000	4,217,000
Prepaid expenses and other current assets	1,185,000	1,305,000
Total current assets	64,703,000	60,662,000
Property, plant and equipment, net	2,792,000	3,141,000
Capitalized software development costs, net	1,758,000	1,313,000
Operating lease right-of-use assets	7,860,000	5,935,000
Intangible assets, net	15,016,000	15,813,000
Investment in Melt Pharmaceuticals	5,601,000	11,133,000
Goodwill	332,000	332,000
TOTAL ASSETS	$ 98,062,000	$ 98,329,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 9,201,000	$ 6,337,000
Accrued payroll and related liabilities	3,005,000	3,089,000
Deferred revenue and customer deposits	83,000	16,000
Current portion of operating lease obligations	633,000	272,000
Current portion of finance lease obligations	-	8,000
Total current liabilities	12,922,000	9,722,000
Operating lease obligations, net of current portion	7,704,000	6,012,000
Finance lease obligations, net of current portion	-	10,000
Loans payable, net of unamortized debt discount	72,042,000	71,654,000
TOTAL LIABILITIES	92,668,000	87,398,000
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value, 50,000,000 shares authorized, 27,069,978 and 26,902,763 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	27,000	27,000
Additional paid-in capital	109,806,000	106,666,000
Accumulated deficit	(104,084,000)	(95,407,000)
TOTAL HARROW HEALTH STOCKHOLDERS' EQUITY	5,749,000	11,286,000
Noncontrolling interests	(355,000)	(355,000)
TOTAL STOCKHOLDERS' EQUITY	5,394,000	10,931,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 98,062,000	$ 98,329,000

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

HARROW HEALTH, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Product sales, net	$ 21,518,000	$ 17,297,000	$ 41,858,000	$ 32,245,000
Other revenues	1,805,000	837,000	3,585,000	1,332,000
Total revenues	23,323,000	18,134,000	45,443,000	33,577,000
Cost of sales	(6,534,000)	(4,417,000)	(12,497,000)	(8,187,000)
Gross profit	16,789,000	13,717,000	32,946,000	25,390,000
Operating expenses:				
Selling, general and administrative	14,185,000	9,123,000	27,583,000	17,287,000
Research and development	914,000	425,000	1,572,000	1,017,000
Total operating expenses	15,099,000	9,548,000	29,155,000	18,304,000
Income from operations	1,690,000	4,169,000	3,791,000	7,086,000
Other (expense) income:				
Interest expense, net	(1,794,000)	(1,314,000)	(3,586,000)	(1,827,000)
Equity in losses of unconsolidated entities	(2,646,000)	(942,000)	(5,532,000)	(2,261,000)
Investment loss from Eton Pharmaceuticals	(3,449,000)	(3,584,000)	(3,310,000)	(6,419,000)
Loss on early extinguishment of debt	-	(756,000)	-	(756,000)
Gain on forgiveness of PPP loan	-	-	-	1,967,000
Other expense, net	-	(51,000)	-	(51,000)
Total other expense, net	(7,889,000)	(6,647,000)	(12,428,000)	(9,347,000)
Loss before income taxes	(6,199,000)	(2,478,000)	(8,637,000)	(2,261,000)
Income taxes	(40,000)	-	(40,000)	-
Net loss	(6,239,000)	(2,478,000)	(8,677,000)	(2,261,000)
Preferred dividends and accretion of preferred stock issuance costs	-	(472,000)	-	(472,000)
Net loss attributable to common stockholders	$ (6,239,000)	$ (2,950,000)	$ (8,677,000)	$ (2,733,000)
Basic and diluted net loss per share of common stock	$ (0.23)	$ (0.11)	$ (0.32)	$ (0.10)
Weighted average number of shares of common stock outstanding, basic and diluted	27,303,458	26,736,970	27,265,350	26,379,943

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

HARROW HEALTH, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three and Six Months Ended June 30, 2022 and 2021

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Harrow Health, Inc. Stockholders' Equity	Total Noncontrolling Interests Equity	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value					
Balance at December 31, 2020	-	$ -	25,749,875	$26,000	$104,557,000	$ (77,400,000)	$ 27,183,000	$ (355,000)	$ 26,828,000
Issuance of common stock in connection with:									
Exercise of warrants	-	-	311,369	-	-	-	-	-	-
Exercise of employee stock options	-	-	16,613	-	48,000	-	48,000	-	48,000
Vesting of RSUs	-	-	1,207,500	1,000	(1,000)	-	-	-	-
Shares withheld related to net share settlement of equity awards	-	-	(391,461)	-	(3,228,000)	-	(3,228,000)	-	(3,228,000)
Issuance of preferred shares, net of discount and issuance costs	440,000	-	-	-	10,655,000	-	10,655,000	-	10,655,000
Redemption of preferred shares	(440,000)	-	-	-	(11,000,000)	-	(11,000,000)	-	(11,000,000)
Payment of preferred dividends	-	-	-	-	(127,000)	-	(127,000)	-	(127,000)
Stock-based compensation expense	-	-	-	-	1,933,000	-	1,933,000	-	1,933,000
Net loss	-	-	-	-	-	(2,261,000)	(2,261,000)	-	(2,261,000)
Balance at June 30, 2021	-	$ -	26,893,896	$27,000	$102,837,000	$ (79,661,000)	$ 23,203,000	$ (355,000)	$ 22,848,000
Balance at December 31, 2021	-	$ -	26,902,763	$27,000	$106,666,000	$ (95,407,000)	$ 11,286,000	$ (355,000)	$ 10,931,000
Issuance of common stock in connection with:									
Exercise of employee stock options	-	-	91,986	-	7,000	-	7,000	-	7,000
Vesting of RSUs	-	-	185,000	1,000	(1,000)	-	-	-	-
Shares withheld related to net share settlement of equity awards	-	-	(109,771)	(1,000)	(875,000)	-	(876,000)	-	(876,000)
Stock-based compensation expense	-	-	-	-	4,009,000	-	4,009,000	-	4,009,000
Net loss	-	-	-	-	-	(8,677,000)	(8,677,000)	-	(8,677,000)
Balance at June 30, 2022	-	$ -	27,069,978	$27,000	$109,806,000	$ (104,084,000)	$ 5,749,000	$ (355,000)	$ 5,394,000

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Harrow Health, Inc. Stockholders' Equity	Total Noncontrolling Interests Equity	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value					
Balance at March 31, 2021	-	$ -	25,983,676	$26,000	$105,382,000	$ (77,183,000)	$ 28,225,000	$ (355,000)	$ 27,870,000
Issuance of common stock in connection with:									
Exercise of warrants	-	-	311,369	-	-	-	-	-	-

Exercise of employee stock options	-	-	5,312	-	21,000	-	21,000	-	21,000
Vesting of RSUs	-	-	977,500	1,000	(1,000)	-	-	-	-
Shares withheld related to net share settlement of equity awards	-	-	(383,961)	-	(3,171,000)	-	(3,171,000)	-	(3,171,000)
Issuance of preferred shares, net of discount and issuance costs	440,000	-	-	-	10,655,000	-	10,655,000	-	10,655,000
Redemption of preferred shares	(440,000)	-	-	-	(11,000,000)	-	(11,000,000)	-	(11,000,000)
Payment of preferred dividends	-	-	-	-	(127,000)	-	(127,000)	-	(127,000)
Stock-based compensation expense	-	-	-	-	1,078,000	-	1,078,000	-	1,078,000
Net loss	-	-	-	-	-	(2,478,000)	(2,478,000)	-	(2,478,000)
Balance at June 30, 2021	-	$ -	26,893,896	$27,000	$102,837,000	$ (79,661,000)	$ 23,203,000	$ (355,000)	$ 22,848,000
Balance at March 31, 2022	-	$ -	27,031,127	$27,000	$107,909,000	$ (97,845,000)	$ 10,091,000	$ (355,000)	$ 9,736,000
Issuance of common stock in connection with:									
Exercise of employee stock options	-	-	2,000	-	3,000	-	3,000	-	3,000
Vesting of RSUs	-	-	50,000	-	-	-	-	-	-
Shares withheld related to net share settlement of equity awards	-	-	(13,149)	-	(99,000)	-	(99,000)	-	(99,000)
Stock-based compensation expense	-	-	-	-	1,993,000	-	1,993,000	-	1,993,000
Net loss	-	-	-	-	-	(6,239,000)	(6,239,000)	-	(6,239,000)
Balance at June 30, 2022	-	$ -	27,069,978	$27,000	$109,806,000	$ (104,084,000)	$ 5,749,000	$ (355,000)	$ 5,394,000

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

HARROW HEALTH, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (8,677,000)	$ (2,261,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	843,000	876,000
Amortization of intangible assets	802,000	79,000
Amortization of operating lease right-of-use assets	263,000	299,000
Provision for bad debt expense	29,000	36,000
Amortization of debt issuance costs and discount	388,000	288,000
Gain on forgiveness of PPP loan	-	(1,967,000)
Investment loss from investment in Eton	3,310,000	6,419,000
Equity in losses of unconsolidated entities	5,532,000	2,261,000
Loss on early extinguishment of loan	-	706,000
Stock-based compensation	4,009,000	1,933,000
Changes in assets and liabilities:		
Accounts receivable	(2,314,000)	(1,084,000)
Inventories	(915,000)	59,000
Prepaid expenses and other current assets	120,000	(85,000)
Accounts payable and accrued expenses	2,454,000	1,026,000
Accrued payroll and related liabilities	(84,000)	73,000
Deferred revenue and customer deposits	67,000	(10,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,827,000	8,648,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds on sale of investments	-	9,827,000
Investment in patent and trademark assets	(5,000)	(22,000)
Purchases of property, plant and equipment	(664,000)	(1,360,000)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(669,000)	8,445,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on finance lease obligations	(18,000)	(3,000)
Net proceeds from 8.625% notes payable, net of costs	-	71,073,000
Principal and exit fee payments on SWK loan	-	(15,961,000)
Payment of taxes upon vesting of RSUs	(876,000)	(3,228,000)
Proceeds from exercise of stock options	7,000	48,000
Sale of preferred stock, net of discount and issuance costs	-	10,655,000
Redemption of preferred stock	-	(11,000,000)
Payment of preferred stock dividends	-	(127,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(887,000)	51,457,000
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	4,271,000	68,550,000
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	42,167,000	4,301,000
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ 46,438,000	$ 72,851,000
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	$ 46,438,000	$ 72,651,000
Restricted cash	-	200,000
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 46,438,000	$ 72,851,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 40,000	$ -
Cash paid for interest	$ 3,234,000	$ 788,000
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of property, plant and equipment included in accounts payable and accrued expenses	$ 275,000	$ -
Right-of-use assets obtained in exchange for new operating lease obligations	$ 2,188,000	$ 1,753,000

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

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Company and Background

Harrow Health, Inc. (together with its subsidiaries, partially owned companies and royalty arrangements unless the context indicates or otherwise requires, the "Company" or "Harrow") is an eyecare pharmaceutical company focused on the development, production, sale, and distribution of accessible and affordable innovative ophthalmic prescription medications.

The Company owns non-controlling equity positions in Surface Ophthalmics, Inc. ("Surface") and Melt Pharmaceuticals, Inc. ("Melt"), both companies that began as subsidiaries of Harrow. Harrow also owns royalty rights in various drug candidates being developed by Surface and Melt.

Basis of Presentation

The Company 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 in accordance with the rules and regulations of the U.S. Securities and Exchange Commission. 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, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 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, 2021.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries.

Harrow consolidates entities in which it has a controlling financial interest. The Company assesses control under the variable interest entity ("VIE") model to determine whether the Company is the primary beneficiary of that entity's operations. The Company consolidates (i) entities in which it holds and/or controls, directly or indirectly, more than 50% of the voting rights, and (ii) entities that the Company deems to be a VIE. 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, 2022 to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Risks, Uncertainties and Liquidity

The Company is subject to certain regulatory standards, approvals, guidelines and inspections which could impact the Company's ability to make, dispense, and sell certain products. If the Company was required to cease compounding and selling certain products as a result of regulatory guidelines or inspections, this may have a material impact on the Company's financial condition, liquidity and results of operations.

Segments

Due to shifts in the Company's strategic plans to further focus on growing the Company's ImprimisRx business and suspension of activities related to starting up development-stage pharmaceutical companies, along with changes to the Company's organizational and internal reporting structure, beginning in January 2022 management no longer evaluates the Company's business in two segments and instead focuses on the performance of the business as a single operating business.

Basic and Diluted Net Loss per Common Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders for the period by the weighted average number of common and common equivalent shares, such as stock options, restricted stock units ("RSUs") and warrants, outstanding during the period. Common equivalent shares (using the treasury stock method) from stock options, unvested RSUs and warrants were 5,646,672 and 4,121,398 at June 30, 2022 and 2021, respectively. Included in the basic and diluted net 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, 2022 and 2021 was 287,049 and 235,973, respectively.

The following table shows the computation of basic net loss per share of common stock for the three and six months ended June 30, 2022 and 2021:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Numerator – net loss attributable to common stockholders	$ (6,239,000)	$ (2,950,000)	$ (8,677,000)	$ (2,733,000)
Denominator – weighted average number of shares outstanding, basic and diluted	27,303,458	26,736,970	27,265,350	26,379,943
Net loss per share of common stock, basic and diluted	$ (0.23)	$ (0.11)	$ (0.32)	$ (0.10)

Investment in Eton Pharmaceuticals, Inc.

As of June 30, 2022, the Company owned 1,982,000 shares of Eton common stock, which represents less than 10% of the equity interests of Eton. At June 30, 2022, the fair market value of Eton's common stock was $2.62 per share. In accordance with the Accounting Standards Update ("ASU") 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, the Company recorded an unrealized investment loss from its Eton common stock position of $3,449,000 and $3,310,000, and $3,584,000 and $6,419,000 during the three and six months ended June 30, 2022 and 2021, respectively, related to the change in fair market value of its investment in Eton during the measurement period. As of June 30, 2022, the fair market value of the Company's investment in Eton was $5,193,000.

Investment in Melt Pharmaceuticals, Inc. – Related Party

The Company owns 3,500,000 shares of common stock of Melt (representing approximately 46% of the equity interests as of June 30, 2022) of Melt. The Company analyzes its investment in Melt and related agreements on a regular basis to evaluate its position of variable interests in Melt. The Company has determined that it does not have the ability to control Melt, however it has the ability to exercise significant influence over the operating and financial decisions of Melt and uses the equity method of accounting for this investment. Under this method, the Company recognizes earnings and losses in Melt in its condensed consolidated financial statements and adjusts the carrying amount of its investment in Melt accordingly. Any intra-entity profits and losses are eliminated. During the year ended December 31, 2021, the Company reduced the carrying value of its common stock investment in Melt to $0 as a result of the Company recording its share of equity losses in Melt since its deconsolidation in 2019. As of June 30, 2022 and at the time of entering into the Melt Loan Agreement (see Note 4), the Company owned 100% of Melt's indebtedness. Following the reduction of the carrying value of the Company's common stock investment in Melt to $0, the Company began recording 100% of the equity method losses of Melt, based on its ownership of Melt's total indebtedness. In addition, the Company treats interest paid in kind on the Melt Loan Agreement as an in-substance capital contribution and reduces its investment in Melt accordingly, rather than recording interest income. The Company has no other requirements to advance funds to Melt.

The following table summarizes the Company's investments in Melt as of June 30, 2022:

	Cost Basis	Share of Equity Method Losses	Paid-in -Kind Interest	In-substance Capital Contributions	Net Carrying value
Common stock	$ 5,810,000	$ (5,810,000)	$ -	$ -	$ -
Loan	13,500,000	(7,899,000)	1,484,000	(1,484,000)	5,601,000
	$ 19,310,000	$ (13,709,000)	$ 1,484,000	$ (1,484,000)	$ 5,601,000

See Note 4 for more information and related party disclosure regarding Melt.

Investment in Surface Ophthalmics, Inc. – Related Party

The Company owns 3,500,000 common shares of Surface (representing approximately 20% of Surface's equity interests following the closing of a round of financing completed by Surface in July 2021) of Surface 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 Surface. Under this method, the Company recognizes earnings and losses in Surface in its consolidated financial statements and adjusts the carrying amount of its investment in Surface accordingly. The Company's share of earnings and losses are based on the Company's ownership interest of Surface. Any intra-entity profits and losses are eliminated. During the year ended December 31, 2021, the Company reduced its common stock investment in Surface to $0 as a result of the Company recording its share of equity losses of Surface. The Company has no other investments in Surface.

The following table summarizes the Company's investment in Surface as of June 30, 2022:

	Cost Basis	Share of Equity Method Losses	Net Carrying value
Common stock	$ 5,320,000	$ (5,320,000)	$ -

See Note 5 for more information and related party disclosure regarding Surface.

Impairment of Equity Method Investments and Note Receivable

On a quarterly basis, management assesses whether there are any indicators that the carrying value of the Company's equity method investments and note receivable may be other than temporarily impaired. Indicators include financial condition, operating performance, and near-term prospects of the investee. To the extent indicators suggest that a loss in value may have occurred, the Company will evaluate both quantitative and qualitative factors to determine if the loss in value is other than temporary. If a potential loss in value is determined to be other than temporary, the Company will recognize an impairment loss based on the estimated fair value of the equity method investments and note receivable. At June 30, 2022 and December 31, 2021, no indicators of impairment existed.

NOTE 3. REVENUES

The Company accounts for contracts with customers in accordance with Accounting Standards Codification ("ASC") 606, Revenues from Contracts with Customers. The Company has four primary streams of revenue: (1) revenue recognized from sales of products through its pharmacy and outsourcing facility and sales of branded products to wholesalers through a third-party logistics ("3PL") facility, (2) revenue recognized from a commission agreement with a third party, (3) revenue recognized from transfer of acquired product profit, and (4) revenue recognized from intellectual property licenses and asset purchase agreements.

Product Revenues

The Company sells prescription drugs directly through its pharmacy, outsourcing facility and 3PL partner. Revenue from the Company's pharmacy services includes: (i) the portion of the price the client pays directly to the Company, net of any volume-related or other discounts paid back to the client, (ii) the price paid to the Company by individuals, and (iii) customer copayments made directly to the pharmacy network. Sales taxes are not included in revenue. Following the core principles of ASC 606, the Company has identified the following:

1. *Identify the contract(s) with a customer*: A contract is deemed to exist when the customer places an order through receipt of a prescription, via an online order or via receipt of a purchase order from the Company. For branded products, orders are received through the Company's 3PL partner, and the customer takes title of the products via formal purchase orders placed and fulfilled.

2. *Identify the performance obligations in the contract:* Obligations for fulfillment of the Company's contracts consist of delivering the product to the customer at their specified destination. ASU 2016-10 was issued in April 2016 and amended ASC 606 for shipping and handling activities as follows: If the customer takes control of the goods after shipment, shipping and handling activities would always be considered a fulfillment activity and not treated as a separate performance obligation. If the customer takes control of the goods before shipment, entities must make an accounting policy election to treat shipping and handling activities as either a fulfillment cost or as a separate performance obligation. The Company has elected to treat its shipping and handling activities as a fulfillment cost.

3. *Determine the transaction price:* The transaction price is based on an amount that reflects the consideration to which the Company expects to be entitled, net of accruals for estimated rebates, wholesaler chargebacks, discounts and other deductions (collectively, sales deductions) and an estimate for returns and replacements established at the time of sale. The Company utilizes the services of a third-party professional services firm to estimate rebates and chargebacks associated with sales of its branded products. The transfer of promised goods is satisfied within a year, and therefore there are no significant financing components. There is no non-cash consideration related to product sales.

4. *Allocate the transaction price to the performance obligations in the contract:* Because there is only one performance obligation for product sales, no allocation is necessary.

5. *Recognize revenue when (or as) the entity satisfies a performance obligation:* Revenue from products is recognized upon transfer of control of a product to a customer. This generally occurs upon shipment unless contractual terms with a customer state that transfer of control occurs at delivery.

Commission Revenues

The Company has entered into an agreement whereby it is paid a fee calculated based on sales the Company generates from a pharmaceutical product that is owned by a third party. The revenue earned from this arrangement is recognized, at which point there is no future performance obligation required by the Company and no consequential continuing involvement on the Company's part to recognize the associated revenue.

Revenues From Transfer of Acquired Product Profit

The Company entered into an agreement whereby it purchased the exclusive commercial rights to assets associated with certain ophthalmic products from another pharmaceutical company (the "Seller"). During a temporary, six month transition period, the Seller continued to manufacture and market these products and transfer the net profit from the sale of the products to the Company. The revenue recognized by the Company from the transfer of net profit was recognized at the time profit from the product sales were calculated by the Seller and confirmed by the Company, typically on a monthly basis, at which point there is no future performance obligation required by the Company and no consequential continuing involvement on the Company's part to recognize the associated revenue. On a quarterly basis, the Seller invoices the Company for all credits and reimbursements ("Chargebacks") made to customers related to the products. The Company uses historical actual experience to estimate Chargebacks associated with the net profit transferred. The estimate is recorded as a reduction in revenues in the Company's condensed consolidated statements of operations and accounts receivable in the condensed consolidated balance sheets, at the time the revenue is recognized.

Intellectual Property License Revenues

The Company currently holds five intellectual property licenses and related agreements pursuant to which the Company has agreed to license or sell to a customer with the right to access the Company's intellectual property. 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, the revenue of which is recognized at the point in time that the performance obligation is met.

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.

Revenue disaggregated by revenue source for the three and six months ended June 30, 2022 and 2021 consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Product sales, net	$ 21,518,000	$ 17,297,000	$ 41,858,000	$ 32,245,000
Commission revenues	1,212,000	827,000	2,532,000	1,312,000
Transfer of profits	593,000	-	1,053,000	-
License revenues	-	10,000	-	20,000
Total revenues	$ 23,323,000	$ 18,134,000	$ 45,443,000	$ 33,577,000

Deferred revenue and customer deposits at June 30, 2022 and December 31, 2021 were $83,000 and $16,000, respectively. All deferred revenue and customer deposit amounts at December 31, 2021 were recognized as revenue during the six months ended June 30, 2022.

NOTE 4. INVESTMENT IN, AND NOTE RECEIVABLE FROM MELT PHARMACEUTICALS, INC. - RELATED PARTY TRANSACTIONS

In December 2018, the Company entered into an asset purchase agreement with Melt (the "Melt Asset Purchase Agreement"). Pursuant to the terms of the Melt Asset Purchase Agreement, Melt was assigned certain intellectual property and related rights from the Company to develop, formulate, make, sell, and sub-license certain Company conscious sedation and analgesia related formulations (collectively, the "Melt Products"). Under the terms of the Melt Asset Purchase Agreement, Melt is required to make mid-single digit royalty payments to the Company on net sales of the Melt Products while any patent rights remain outstanding, as well as other conditions.

In February 2019, the Company and Melt entered into a Management Service Agreement between the Company and Melt (the "Melt MSA"), whereby the Company provides to Melt certain administrative services and support, including bookkeeping, web services and human resources related activities, and Melt is required to pay the Company a monthly amount of $10,000. During the three and six months ended June 30, 2022, the Company recorded $40,000 and $70,000, respectively, due from Melt for reimbursable expenses and amounts payable pursuant to the Melt MSA, which are included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. As of June 30, 2022 and December 31, 2021, the Company was due $109,000 and $48,000, respectively, from Melt for reimbursable expenses and amounts due under the Melt MSA. Melt did not make any payments to the Company during the three and six months ended June 30, 2022.

The Company's Chief Executive Officer, Mark L. Baum, was previously a member of the Melt board of directors until his resignation during the year ended December 31, 2021. Following Mr. Baum's departure, the Company no longer has any representation on Melt's board of directors.

The unaudited condensed results of operations information of Melt is summarized below:

	For the Six Months Ended June 30,	
	2022	2021
Revenues, net	$ -	$ -
Loss from operations	(6,518,000)	(2,177,000)
Net loss	$ (6,518,000)	$ (2,177,000)

The unaudited condensed balance sheet information of Melt is summarized below:

	At June 30, 2022	At December 31, 2021
Current assets	$ 6,197,000	$ 11,278,000
Non-current assets	773,000	-
Total assets	$ 6,970,000	$ 11,278,000
Total liabilities	$ 17,662,000	$ 15,732,000
Total preferred stock and stockholders' deficit	(10,692,000)	(4,454,000)
Total liabilities and stockholders' equity	$ 6,970,000	$ 11,278,000

Melt Note Receivable

On September 1, 2021, the Company entered into a loan and security agreement in the principal amount of $13,500,000 (the "Melt Loan Agreement"), as lender, with Melt, as borrower. Amounts borrowed under the Melt Loan Agreement bear interest at 12.50% per annum, which interest can be paid in-kind at the option of Melt until the maturity date. The Melt Loan Agreement permits Melt to pay interest only on the principal amount loaned thereunder through the term and all amounts owed will be due and payable on September 1, 2022. Melt may elect to prepay all, but not less than all, of the amounts owed prior to the maturity date at any time without penalty.

Melt has granted the Company a security interest in substantially all of its personal property, rights and assets, including intellectual property rights, to secure the payment of all amounts owed under the Melt Loan Agreement. The Melt Loan Agreement contains customary representations, warranties and covenants, including covenants by Melt limiting additional indebtedness, liens, mergers and acquisitions, dispositions, investments, distributions, subordinated debt, and transactions with affiliates. The Melt Loan Agreement includes customary events of default, and upon the occurrence of an event of default (subject to cure periods for certain events of default), all amounts owed by Melt thereunder may be declared immediately due and payable by the Company, and the interest rate on the loan may be increased by 3% per annum. In April 2022, the Company entered into a First Amendment (the "Amendment") to the Melt Loan Agreement. The Amendment, the effectiveness of which is subject to Melt consummating a qualifying financing of a minimum amount of $15,000,000 from third-party investors by August 31, 2022, added conditions related to minimum cash amounts, clarified the definition of material adverse effects and extended the maturity date to September 1, 2026.

In connection with the Melt Loan Agreement, the Company and Melt entered into a Right of First Refusal Agreement providing the Company with the right, but not the obligation, to match any offer received by Melt associated with the commercial rights to any of Melt's drug candidates for a period of five years following the effective date of the Melt Loan Agreement.

The net funds received by Melt excluded $908,000 for amounts owed to the Company for reimbursable expenses and amounts due under the Melt MSA prior to the effective date of the note receivable.

NOTE 5. INVESTMENT IN SURFACE OPHTHALMICS, INC. - RELATED PARTY TRANSACTIONS

The Company entered into an asset purchase and license agreement with Surface in 2017 and amended it in April 2018 (the "Surface License Agreements"). Pursuant to the terms of the Surface License Agreements, the Company assigned and licensed to Surface certain intellectual property and related rights associated with Surface's drug candidates (collectively, the "Surface Products"). Surface is required to make mid-single digit royalty payments to the Company on net sales of the Surface Products while any patent rights remain outstanding.

As of June 30, 2022, the Company owned 3,500,000 shares of Surface common stock. Company directors Richard L. Lindstrom, Perry J. Sternberg and Mark L. Baum, who is also the Company's Chief Executive Officer, are directors of Surface. Dr. Lindstrom is a principal of Flying L Partners, an affiliate of an investor who purchased Surface Series A Preferred Stock.

The unaudited condensed results of operations information of Surface is summarized below:

	For the Six Months Ended June 30,	
	2022	2021
Revenues, net	$ -	$ -
Loss from operations	(3,526,000)	(4,712,000)
Net loss	$ (3,526,000)	$ (4,712,000)

The unaudited condensed balance sheet information of Surface is summarized below:

	At June 30, 2022	At December 31, 2021
Current assets	$ 18,192,000	$ 21,731,000
Non-current assets	661,000	412,000
Total assets	$ 18,853,000	$ 22,143,000
Total liabilities	$ 1,624,000	$ 1,514,000
Total preferred stock and stockholders' deficit	17,229,000	20,629,000
Total liabilities and stockholders' equity	$ 18,853,000	$ 22,143,000

NOTE 6. INVENTORIES

Inventories are comprised of finished compounded formulations, over-the-counter and prescription retail pharmacy products, branded commercial pharmaceutical products, including those held at a 3PL, related laboratory supplies and active pharmaceutical ingredients. The composition of inventories as of June 30, 2022 and December 31, 2021 was as follows:

	June 30, 2022	December 31, 2021
Raw materials	$ 3,217,000	$ 2,441,000
Work in progress	7,000	-
Finished goods	1,908,000	1,776,000
Total inventories	$ 5,132,000	$ 4,217,000

NOTE 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at June 30, 2022 and December 31, 2021 consisted of the following:

	June 30, 2022	December 31, 2021
Prepaid insurance	$ 182,000	$ 728,000
Due from Melt Pharmaceuticals	109,000	48,000
Other prepaid expenses	821,000	437,000
Deposits and other current assets	73,000	92,000
Total prepaid expenses and other current assets	$ 1,185,000	$ 1,305,000

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2022 and December 31, 2021 consisted of the following:

	June 30, 2022	December 31, 2021
Property, plant and equipment, net:		
Computer hardware	$ 806,000	$ 772,000
Furniture and equipment	538,000	443,000
Lab and pharmacy equipment	4,195,000	4,056,000
Leasehold improvements	5,843,000	5,703,000
	11,382,000	10,974,000
Accumulated depreciation	(8,590,000)	(7,833,000)
	$ 2,792,000	$ 3,141,000

For the three and six months ended June 30, 2022, depreciation related to the property, plant and equipment was $381,000 and $757,000, respectively, compared to $361,000 and $797,000 during the same periods in 2021, respectively.

NOTE 9. CAPITALIZED SOFTWARE DEVELOPMENT COSTS

Capitalized software development costs at June 30, 2022 and December 31, 2021 consisted of the following:

	June 30, 2022	December 31, 2021
Capitalized internal-use software development costs	$ 942,000	$ 417,000
Acquired third-party software license for internal-use	159,000	684,000
Total gross capitalized software for internal-use	1,101,000	1,101,000
Accumulated amortization	(655,000)	(569,000)
Capitalized internal-use software in process	1,312,000	781,000
	$ 1,758,000	$ 1,313,000

The Company recorded amortization expense of $43,000 and $86,000 related to capitalized software development costs during the three and six months ended June 30, 2022, respectively, and $51,000 and $79,000 during the same periods in 2021, respectively.

NOTE 10. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at June 30, 2022 consisted of the following:

	Amortization Periods (in years)	Cost	Accumulated Amortization	Impairment	Net Carrying Value
Patents	17-19	$ 971,000	$ (118,000)	$ -	$ 853,000
Licenses	20	100,000	(18,000)	-	82,000
Trademarks	Indefinite	260,000	-	-	260,000
Acquired NDAs	10	13,635,000	(682,000)	-	12,953,000
Customer relationships	3-15	1,519,000	(652,000)	-	867,000
Trade name	5	5,000	(5,000)	-	-
Non-competition clause	3-4	50,000	(50,000)	-	-
State pharmacy licenses	25	8,000	(7,000)	-	1,000
		$ 16,548,000	$ (1,532,000)	$ -	$ 15,016,000

Amortization expense for intangible assets for the three and six months ended June 30, 2022 and 2021 was as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Patents	$ 21,000	$ 6,000	$ 43,000	$ 12,000
Licenses	3,000	-	11,000	1,000
Acquired NDAs	341,000	-	682,000	-
Customer relationships	33,000	33,000	66,000	66,000
	$ 398,000	$ 39,000	$ 802,000	$ 79,000

Estimated future amortization expense for the Company's intangible assets at June 30, 2022 is as follows:

Remainder of 2022	$ 795,000
2023	1,592,000
2024	1,592,000
2025	1,592,000
2026	1,595,000
Thereafter	7,590,000
	$ 14,756,000

NOTE 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2022 and December 31, 2021 consisted of the following:

	June 30, 2022	December 31, 2021
Accounts payable	$ 8,038,000	$ 5,174,000
Other accrued expenses	49,000	49,000
Accrued interest	1,114,000	1,114,000
Total accounts payable and accrued expenses	$ 9,201,000	$ 6,337,000

NOTE 12. DEBT

8.625% Senior Notes Due 2026

In April 2021, the Company closed an offering of $50,000,000 aggregate principal amount of 8.625% senior notes due April 2026, and in May 2021 issued an additional $5,000,000 of such notes pursuant to the full exercise of the underwriters' option to purchase additional notes (collectively, the "April Notes"). The April Notes were sold to investors at a par value of $25.00 per April Note and the offering resulted in net proceeds to the Company of approximately $51,909,000 after deducting underwriting discounts and commissions and expenses of $3,091,000. In June 2021, in a further issuance of the April Notes, the Company sold an additional $20,000,000 aggregate principal amount of such notes (the "June Notes," and together with the April Notes, the "Notes"), at a price of $25.75 per June Note, with interest of $278,000 on the June Notes being accrued from April 20, 2021 as of the date of issuance. The June offering resulted in net proceeds to the Company of approximately $19,164,000 after deducting underwriting discounts and commissions and expenses of $1,158,000 and a premium on note issuance of $322,000. The June Notes are treated as a single series with the April Notes under the indenture governing the April Notes, dated as of April 20, 2021, and have the same terms as the April Notes (other than the initial offering price and issue date). The Notes are senior unsecured obligations of the Company and rank equally in right of payment with all of our other existing and future senior unsecured and unsubordinated indebtedness. The Notes are effectively subordinated in right of payment to all of the Company's existing and future secured indebtedness and structurally subordinated to all existing and future indebtedness of the Company's subsidiaries, including trade payables. The Notes bear interest at a rate of 8.625% per annum. Interest on the Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year, commencing on July 31, 2021. The Notes will mature on April 30, 2026. The issuance costs were recorded as a debt discount and are being amortized as interest expense, net of the amortization of the premium on note issuance, over the term of the Notes using the effective interest rate method.

Prior to February 1, 2026, the Company may, at its option, redeem the Notes, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus a make-whole amount, if any, plus accrued and unpaid interest to, but excluding, the date of redemption. The Company may redeem the Notes for cash in whole or in part at any time at our option on or after February 1, 2026 and prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Notes.

Interest expense related to the Notes totaled $1,812,000 and $3,622,000 for the three and six months ended June 30, 2022, respectively, and $1,466,000 during the three and six months ended June 30, 2021, and included amortization of debt issuance costs and discount of $195,000 and $388,000 for three and six months ended June 30, 2022, respectively, and $192,000 during the three and six months ended June 30, 2021.

At June 30, 2022, future minimum payments under the Company's debt were as follows:

	Amount
Remainder of 2022	$ 3,234,000
2023	6,469,000
2024	6,469,000
2025	6,469,000
2026	77,158,000
Total minimum payments	99,799,000
Less: amount representing interest payments	(24,799,000)
Notes payable, gross	75,000,000
Less: unamortized discount, net of premium	(2,958,000)
Notes payable, net of unamortized discount	$ 72,042,000

NOTE 13. LEASES

The Company leases office and laboratory space under non-cancelable operating leases listed below. These lease agreements have remaining terms between one to five years and contain various clauses for renewal at the Company's option.

- An operating lease for 5,789 square feet of office space in Carlsbad, California, which commenced in January 2022 and will expire in July 2027.

- An operating lease for 35,326 square feet of lab, warehouse and office space in Ledgewood, New Jersey that expires in July 2026, with an option to extend the term for two additional five-year periods. This includes an amendment, which was made effective July 2020, that extended the term of the original lease and added 1,400 of additional square footage to the lease, and another amendment entered into in May 2021 that extended the term of the lease to July 2027 and added 8,900 square feet of space.

- An operating lease for 5,500 square feet of office space in Nashville, Tennessee that expires in December 2024, with an option to extend the term for two additional five-year periods.

- An operating lease for 11,552 square feet of lab and office space in Nashville, Tennessee which commenced in June 2022 and will expire in June 2027.

At June 30, 2022, the weighted average incremental borrowing rate and the weighted average remaining lease term for the operating leases held by the Company were 6.61% and 11.21 years, respectively.

During the three and six months ended June 30, 2022, cash paid for amounts included for the operating lease liabilities was $207,000 and $373,000, respectively, and $251,000 and $502,000 during the same periods in 2021, respectively. During the three and six months ended June 30, 2022, the Company recorded operating lease expense of $262,000 and $500,000, respectively, which is included in selling, general and administrative expenses.

Future lease payments under operating leases as of June 30, 2022 were as follows**:**

	Operating Leases
Remainder of 2022	$ 569,000
2023	1,231,000
2024	1,262,000
2025	1,093,000
2026	1,114,000
Thereafter	6,801,000
Total minimum lease payments	12,070,000
Less: amount representing interest payments	(3,733,000)
Total operating lease liabilities	8,337,000
Less: current portion, operating lease liabilities	(633,000)
Operating lease liabilities, net of current portion	$ 7,704,000

During the six months ended June 30, 2022, the Company paid all amounts owed under its finance lease and no future payments are due related to finance leases.

NOTE 14. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Preferred Stock

At June 30, 2022 and December 31, 2021, the Company had 5,000,000 shares of preferred stock, $0.001 par value, authorized and no shares of preferred stock issued and outstanding.

Common Stock

During the six months ended June 30, 2022, the Company issued 53,594 shares of common stock to Mark L. Baum, the Company's Chief Executive Officer, upon the cashless exercise of options to purchase 125,000 shares at an exercise price of $2.40 per share. The Company withheld from Mr. Baum 36,014 shares as consideration for the cashless exercise and an additional 35,392 shares for payroll tax obligations totaling $295,000.

During the six months ended June 30, 2022, the Company issued 3,000 shares of common stock and received net proceeds of $7,000 upon the exercise of options to purchase 3,000 shares of common stock with exercise prices between $1.70 to $3.95 per share.

During the six months ended June 30, 2022, 50,000 RSUs granted in February 2019 to Andrew R. Boll, the Company's Chief Financial Officer, vested, and in February 2022, the Company issued 29,395 shares of common stock to Mr. Boll, net of 20,605 shares of common stock withheld for payroll tax withholdings totaling $162,000.

During the six months ended June 30, 2022, 50,000 RSUs granted in February 2019 to John P. Saharek, the President of ImprimisRx, vested, and in February 2022, the Company issued 24,077 shares of common stock to Mr. Saharek, net of 25,923 shares of common stock withheld for payroll tax withholdings totaling $204,000.

During the six months ended June 30, 2022, 35,000 RSUs granted in February 2019 vested, and in February 2022, the Company issued 20,298 shares of common stock, net of 14,702 shares of common stock withheld for payroll tax withholdings totaling $116,000.

During the six months ended June 30, 2022, 50,000 RSUs granted in May 2019 vested, and in May 2022, the Company issued 36,851 shares of common stock, net of 13,149 shares of common stock withheld for payroll tax withholdings totaling $99,000.

During the six months ended June 30, 2022, 19,288 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 applicable 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"). The 2007 Plan reached its term in September 2017, and we can no longer issue additional awards under this plan; however, options previously issued under the 2007 Plan will remain outstanding until they are exercised, reach their maturity or are otherwise cancelled/forfeited. On June 13, 2017, the Company's Board of Directors and stockholders adopted the Company's 2017 Incentive Stock and Awards Plan which was subsequently amended on June 3, 2021 (as amended, the "2017 Plan" together with the 2007 Plan, the "Plans"). As of June 30, 2022, the 2017 Plan provides for the issuance of a maximum of 6,000,000 shares of the Company's common stock. The purposes of the Plans are 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 of 1986, as amended, 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. The Company had 2,067,284 shares available for future issuances under the 2017 Plan at June 30, 2022.

Stock Options

A summary of stock option activity under the Plans for the six months ended June 30, 2022 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding – January 1, 2022	3,039,546	$ 5.52		
Options granted	281,250	$ 7.38		
Options exercised	(128,000)	$ 2.45		
Options cancelled/forfeited	(14,500)	$ 7.60		
Options outstanding – June 30, 2022	3,178,296	$ 5.80	4.92	$ 5,539,000
Options exercisable	2,444,993	$ 5.32	4.42	$ 5,366,000
Options vested and expected to vest	3,178,296	$ 5.80	4.92	$ 5,539,000

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 shares underlying options with an exercise price lower than the market price on June 30, 2022, based on the closing price of the Company's common stock of $7.28 on that date.

During the six months ended June 30, 2022, 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 ten years. Vesting terms for options granted to employees during the three and six months ended June 30, 2022 included the following vesting schedule: 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. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plans) 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 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 using the Black-Scholes-Merton option pricing model with the following assumptions used for valuing options granted to employees:

	2022
Weighted-average fair value of options granted	$ 4.54
Expected terms (in years)	6.11
Expected volatility	68-70%
Risk-free interest rate	1.54-2.78%
Dividend yield	-

The following table summarizes information about stock options outstanding and exercisable at June 30, 2022:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 1.47 - $2.23	595,887	5.04	$ 1.97	595,887	$ 1.97
$ 2.40 - $3.50	53,568	6.05	$ 3.00	42,507	$ 2.88
$ 3.95	370,000	3.75	$ 3.95	370,000	$ 3.95
$ 4.08 - $6.30	578,850	5.47	$ 5.76	534,605	$ 5.83
$ 6.80 - $7.30	409,995	7.81	$ 7.21	230,370	$ 7.27
$ 7.37 - $7.79	297,323	6.34	$ 7.54	139,699	$ 7.47
$ 7.87	600,000	3.08	$ 7.87	300,000	$ 7.87
$ 7.89 - $8.75	82,673	7.06	$ 8.06	48,800	$ 8.16
$ 8.98	10,000	8.59	$ 8.98	3,125	$ 8.98
$ 8.99	180,000	0.84	$ 8.99	180,000	$ 8.99
$ 1.47 - $8.99	3,178,296	4.92	$ 5.80	2,444,993	$ 5.32

As of June 30, 2022, there was approximately $2,013,000 of total unrecognized compensation expense related to unvested stock options granted under the Plans. That expense is expected to be recognized over the weighted-average remaining vesting period of 3.15 years. The stock-based compensation for all stock options was $258,000 and $530,000 during the three and six months ended June 30, 2022, respectively, and $569,000 and $1,021,000 during the same periods in 2021, respectively.

The intrinsic value of options exercised during the six months ended June 30, 2022 was $754,000.

Restricted Stock Units/Performance 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.

A summary of the Company's RSU activity (including performance stock units) and related information for the six months ended June 30, 2022 is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
RSUs unvested - January 1, 2022	2,233,202	$ 6.78
RSUs granted	65,615	$ 7.62
RSUs vested	(204,288)	$ 6.52
RSUs cancelled/forfeited	-	-
RSUs unvested - June 30, 2022	2,094,529	$ 6.83

As of June 30, 2022, the total unrecognized compensation expense related to unvested RSUs was approximately $8,819,000, which is expected to be recognized over a weighted-average period of 1.10 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, 2022 was $1,735,000 and $3,479,000, respectively, and $481,000 and $827,000 during the same periods in 2021, respectively.

Warrants

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

A summary of warrant activity for the six months ended June 30, 2022 is as follows:

	Number of Shares Subject to Warrants Outstanding	Weighted Average Exercise Price
Warrants outstanding– January 1, 2022	373,847	$ 2.08
Granted	-	
Exercised	-	
Expired	-	
Warrants outstanding and exercisable – June 30, 2022	373,847	$ 2.08
Weighted average remaining contractual life of the outstanding warrants in years – June 30, 2022	2.1	

Warrants outstanding and exercisable as of June 30, 2022 are as follows:

Warrant Series	Issue Date	Warrants Outstanding	Exercise Price	Expiration Date
Lender warrants	7/19/2017	373,847	$ 2.08	7/19/2024

Subsidiary Stock-Based Transactions

The Company recognized $0 in stock-based compensation expense related to subsidiary stock options during the three and six months ended June 30, 2022, and $28,000 and $85,000 during the same periods in 2021, respectively.

Stock-Based Compensation Summary

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,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Employees – selling, general and administrative	$ 1,655,000	$ 923,000	$ 3,331,000	$ 1,678,000
Employees – R&D	176,000	55,000	362,000	55,000
Directors – selling, general and administrative	112,000	100,000	212,000	200,000
Consultants – R&D	50,000	-	104,000	-
Total	$ 1,993,000	$ 1,078,000	$ 4,009,000	$ 1,933,000

NOTE 15. COMMITMENTS AND CONTINGENCIES

Legal

General and Other

In the ordinary course of business, the Company may face various claims brought by third parties and it may, from time to time, make claims or take legal actions to assert its rights, including intellectual property disputes, contractual disputes and other commercial disputes. Any of these claims could subject the Company to litigation.

Product and Professional Liability

Product and professional liability litigation represents an inherent risk to all firms in the pharmaceutical and pharmacy industry. We utilize traditional third-party insurance policies with regard to our product and professional liability claims. Such insurance coverage at any given time reflects current market conditions, including cost and availability, when the policy is written.

Indemnities

In addition to the indemnification provisions contained in the Company's governing 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.

Klarity License Agreement – Related Party

The Company entered into a license agreement in April 2017, as amended in April 2018 (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 designed 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 was required to make certain milestone payments to Dr. Lindstrom. All of the above referenced milestone payments were payable at the Company's election in cash or shares of the Company's restricted common stock. Payments totaling $92,000 and $122,000 were made during the three and six months ended June 30, 2022, respectively, compared to $35,000 and $70,000 during the same periods in 2021, respectively. Royalty expenses were $106,000 and $177,000 during the three and six months ended June 30, 2022, respectively, compared to $44,000 and $79,000 during the same periods in 2021, respectively, and was included in accounts payable to Dr. Lindstrom.

Injectable Asset Purchase Agreement – Related Party

In December 2019, the Company entered into an asset purchase agreement (the "Lindstrom APA") with Dr. Lindstrom, a member of its Board of Directors. Pursuant to the terms of the Lindstrom APA, the Company acquired certain intellectual property and related rights from Dr. Lindstrom to develop, formulate, make, sell, and sub-license an ophthalmic injectable product (the "Lindstrom Product").

Under the terms of the Lindstrom APA, the Company is required to make royalty payments to Dr. Lindstrom ranging from 2% to 3% of net sales, dependent upon the final formulation and patent protection of the Lindstrom Product sold. In addition, the Company is required to make certain milestone payments to Dr. Lindstrom including an initial payment of $33,000 upon execution of the Lindstrom APA. Dr. Lindstrom was paid $7,000 and $15,000 in cash during the three and six months ended June 30, 2022, respectively, and $7,000 and $14,000 during the same periods in 2021, respectively. The Company incurred $8,000 and $15,000 for royalty expenses related to the Lindstrom APA during the three and six months ended June 30, 2022, respectively, and $7,000 and $14,000 during the same periods in 2021, respectively.

Eyepoint Commercial Alliance Agreement

In August 2020, the Company, through its wholly owned subsidiary ImprimisRx, LLC, entered into a Commercial Alliance Agreement (the "Dexycu Agreement") with Eyepoint Pharmaceuticals, Inc. ("Eyepoint"), pursuant to which Eyepoint granted the Company the non-exclusive right to co-promote DEXYCU® (dexamethasone intraocular suspension) 9% for the treatment of post-operative inflammation following ocular surgery in the United States. Pursuant to the Dexycu Agreement, Eyepoint will pay the Company a fee calculated based on the quarterly sales of DEXYCU in excess of predefined volumes to specific customers of the Company in the U.S. Under the terms of the Dexycu Agreement, the Company shall use commercially reasonable efforts to promote and market DEXYCU in the U.S.

The Dexycu Agreement expires on August 1, 2025, subject to early termination in accordance with the terms set forth therein. Either party may terminate the Dexycu Agreement, subject to specified notice periods and limitations, in the event of (i) uncured material breach by the other party or (ii) if DEXYCU ceases to have "pass-through" payment status. In addition, subject to certain limitations, the Company may terminate the Dexycu Agreement (i) for convenience subject to an extended specified notice period or (ii) in the event Eyepoint undergoes a change of control. Eyepoint may terminate the Dexycu Agreement, subject to specified notice periods and specified limitations, if the Company fails to achieve certain minimum sales levels during specified periods. During the three and six months ended June 30, 2022, the Company recorded $1,212,000 and $2,532,000, respectively, and $827,000 and $1,312,000 during the same periods in 2021, respectively, in commission revenues related to the Dexycu Agreement.

Sales and Marketing Agreements

The Company has entered various sales and marketing agreements with certain organizations to provide exclusive and non-exclusive sales and marketing representation services to Harrow in select geographies in the U.S. in connection with the Company's ophthalmic pharmaceutical compounded formulations or related products.

Under the terms of the sales and marketing agreements, the Company is generally required to make commission payments equal to 10% to 14% of net sales for products above and beyond the initial existing sales amounts. In addition, the Company is required to make periodic milestone payments to certain organizations in shares of the Company's restricted common stock if net sales in the assigned territory reach certain future levels by the end of their terms. Commission expenses of $1,100,000 and $2,147,000 were incurred under these agreements for commission expenses during the three and six months ended June 30, 2022, respectively, and $1,032,000 and $1,836,000 during the same periods in 2021, respectively.

Asset Purchase, License and Related Agreements

The Company has acquired and sourced intellectual property rights related to certain proprietary innovations from certain inventors and related parties (the "Inventors") through multiple asset purchase agreements, license agreements, strategic agreements and commission agreements. In general, these agreements provide that the Inventors will cooperate with the Company in obtaining patent protection for the acquired intellectual property and that the Company will use commercially reasonable efforts to research, develop and commercialize a product based on the acquired intellectual property. In addition, the Company has acquired a right of first refusal on additional intellectual property and drug development opportunities presented by these Inventors.

In consideration for the acquisition of the intellectual property rights, the Company is obligated to make payments to the Inventors based on the completion of certain milestones, generally consisting of: (1) a payment payable within 30 days after the issuance of the first patent in the United States arising from the acquired intellectual property (if any); (2) a payment payable within 30 days after the Company files the first investigational new drug application ("IND") with the U.S. Food and Drug Administration ("FDA") for the first product arising from the acquired intellectual property (if any); (3) for certain of the Inventors, a payment payable within 30 days after the Company files the first new drug application with the FDA for the first product arising from the acquired intellectual property (if any); and (4) certain royalty payments based on the net receipts received by the Company in connection with the sale or licensing of any product based on the acquired intellectual property (if any), after deducting (among other things) the Company's development costs associated with such product. If, following five years after the date of the applicable asset purchase agreement, the Company either (a) for certain of the Inventors, has not filed an IND or, for the remaining Inventors, has not initiated a study where data is derived, or (b) has failed to generate royalty payments to the Inventors for any product based on the acquired intellectual property, the Inventors may terminate the applicable asset purchase agreement and request that the Company re-assign the acquired technology to the Inventors. During the three and six months ended June 30, 2022, $297,000 and $510,000 were incurred under these agreements as royalty expenses, respectively, and $261,000 and $493,000 during the same periods in 2021, respectively.

Sintetica Agreement

In July 2021, the Company entered into a License and Supply Agreement (the "Sintetica Agreement") with Sintetica S.A. ("Sintetica"), pursuant to which Sintetica granted the Company the exclusive license and marketing rights to its patented ophthalmic drug candidate ("AMP-100") in the U.S. and Canada.

Pursuant to the Sintetica Agreement, the Company will pay Sintetica a per unit transfer price to supply AMP-100, along with a per unit royalty for units sold. The Company is required to pay Sintetica up to $18,000,000 in one-time milestone payments including a $5,000,000 payment (the "Upfront Payment") due within 30 days of signing the Sintetica Agreement and the balance of payments due upon achievement of certain regulatory and commercial milestones. Under the terms of the Sintetica Agreement, Sintetica will be responsible for regulatory filings for AMP-100 in the U.S. The Upfront Payment along with an additional milestone payment of $3,117,000 was paid and recorded as R&D expenses during the year ended December 31, 2021. During the three and six months ended June 30, 2022, no amounts were paid or accrued under the Sintetica agreement.

Subject to certain limitations, the Sintetica Agreement has a ten year term, and allows for a ten-year extension if certain sales thresholds are met.

Wakamoto Agreement

In August 2021, the Company entered into a License Agreement and a Basic Sale and Purchase Agreement (together, the "Wakamoto Agreements") with Wakamoto Pharmaceutical Co., Ltd. ("Wakamoto"), pursuant to which Wakamoto granted the Company the exclusive license and marketing rights to its ophthalmic drug candidate ("MAQ-100") in the U.S. and Canada.

Pursuant to the Wakamoto Agreements, Wakamoto will supply MAQ-100 to the Company, and the Company will pay Wakamoto a per unit transfer price to supply MAQ-100. In addition, the Company is required to pay Wakamoto various one-time milestone payments totaling up to $2,000,000 upon the achievement of certain regulatory milestones and up to $6,200,000 upon the achievement of certain commercial milestones. Under the terms of the Agreements, the Company will be responsible for regulatory filings and fees for MAQ-100 in the U.S. and Canada. Through June 30, 2022, no amounts have been paid or accrued under the Wakamoto agreements.

Subject to certain limitations, the term of the Agreements is for five years from the date of the FDA's market approval of MAQ-100 and allows for a five-year extension if certain unit sales thresholds are met.

Presbyopia Asset Purchase Agreement – Related Party

In December 2019, the Company entered into an asset purchase agreement (the "Presbyopia APA") with Richard L. Lindstrom, M.D., a member of its Board of Directors. Pursuant to the terms of the Presbyopia APA, the Company acquired certain intellectual property and related rights from Dr. Lindstrom to develop, formulate, make, sell, and sub-license an ophthalmic topical product to treat presbyopia (the "Presbyopia Product").

Under the terms of the Presbyopia Product, the Company is required to make royalty payments to Dr. Lindstrom ranging from 2% to 4% of net sales, dependent upon the final formulation and patent protection of the Presbyopia Product sold. Dr. Lindstrom was paid $0 in cash during the three and six month periods ended June 30, 2022 and 2021, and was due $0 at June 30, 2022 and 2021. The Company incurred $0 for royalty expenses related to the Presbyopia APA during the three and six month periods ended June 30, 2022 and 2021.

NOTE 16. CONCENTRATIONS

The Company has two products that each comprised more than 10% of total revenues during the three and six month periods ended June 30. These products collectively accounted for 32% and 32% of revenues during the three and six months ended June 30, 2022, respectively, and 36% and 36% during the same periods in 2021, respectively.

The Company sells its compounded formulations to a large number of customers. There were no customers who comprised more than 10% of the Company's total pharmacy sales during the three and six months ended June 30, 2022 and 2021.

The Company receives its active pharmaceutical ingredients from three main suppliers. These suppliers collectively accounted for 72% and 73% of active pharmaceutical ingredient purchases during the three and six months ended June 30, 2022, respectively, and 85% and 79% during the same periods in 2021, respectively.

NOTE 17. SUBSEQUENT EVENTS

The Company has performed an evaluation of events occurring subsequent to June 30, 2022 through the filing date of this Quarterly Report. Based on its evaluation, no events other than those described below need to be disclosed.

In July 2022, the Center for Medicare & Medicaid Services ("CMS") published in the Federal Register the calendar year (CY) 2023 Medicare Hospital Outpatient Prospective Payment System ("OPPS") and ASC Payment System Proposed Rule ("Proposed Rule"). If the Proposed Rule is finalized, in the relevant part, without changes, it would result in loss of pass-through related separate payment for Dexycu, when furnished in hospital outpatient department settings reimbursed by Medicare. This would reduce the amount of Medicare reimbursement provided to the Dexycu customers and, if finalized without changes, result in a significant reduction in the Company's Dexycu commission revenues. A Final Rule is expected to be issued in early November 2022. In the Final Rule, CMS may adopt or modify the Proposed Rule's proposals related to Dexycu. If the Proposed Rule's proposals related to Dexycu are finalized, they would be effective on January 1, 2023. If adopted as currently proposed, the Company does not expect the Proposed Rule to have a material impact on its operations, financial statements and cash flows.

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, 2021 and subsequent reports, which discuss our business in greater detail. As used in this discussion and analysis, unless the context indicates otherwise, the terms the "Company," "Harrow," "we," "us" and "our" refer to Harrow Health, Inc. and its consolidated subsidiaries, consisting of ImprimisRx, LLC, ImprimisRx NJ, LLC dba ImprimisRx, Imprimis NJOF, LLC, and Imprimis Pharmaceuticals USA, LLC. In this discussion and analysis, we refer to our consolidated subsidiaries ImprimisRx, LLC, ImprimisRx NJ, LLC and Imprimis NJOF, LLC collectively as "ImprimisRx."

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: the impact of the COVID-19 pandemic on our financial condition, liquidity or results of operations; 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, including inflation and supply chain challenges; 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; and the other risks and uncertainties described under the heading "Risk Factors" in Part II, Item 1A of this Quarterly Report and in our other filings with the SEC. 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.

Overview

We are an eyecare pharmaceutical company focused on the development, production, sale, and distribution of accessible and affordable innovative ophthalmic prescription medications.

The Company owns non-controlling equity positions in Surface Ophthalmics, Inc. ("Surface") and Melt Pharmaceuticals, Inc. ("Melt"), both companies that began as subsidiaries of Harrow. Harrow also owns royalty rights in various drug candidates being developed by Surface and Melt.

ImprimisRx

ImprimisRx is our ophthalmology-focused prescription pharmaceutical compounding business. From its inception in 2014, ImprimisRx, which consists of integrated research and development, production, dispensing/distribution, sales, marketing, and customer serve capabilities, has offered physician customers and their patients access to critical medicines to meet their clinical needs. Initially, ImprimisRx focused exclusively on compounded medications to serve needs unmet by commercially available drugs. We make our formulations available at prices that are, in most cases, lower than non-customized commercial drugs. ImprimisRx's customer base has grown to include more than 10,000 U.S. eyecare dedicated prescribers and institutions. Our current ophthalmology formulary includes over twenty compounded formulations, many of which are patented or patent-pending, and are customizable for the specific needs of a patient. Some of our compounded medications are various combinations of drugs formulated into one bottle and others are preservative free formulations. Depending on the formulation, the regulations of a specific state, and ultimately, the needs of the patient, ImprimisRx products may be dispensed as patient-specific medications from our 503A pharmacy, or for in-office use, or made according to current good manufacturing practices (or "cGMPs") or other FDA-guidance documents, in our FDA-registered New Jersey outsourcing facility ("NJOF"). In August 2020, ImprimisRx entered into a Commercial Alliance Agreement (the "Dexycu Agreement") with Eyepoint Pharmaceuticals, Inc. ("Eyepoint"), pursuant to which Eyepoint granted ImprimisRx the right to promote DEXYCU® (dexamethasone intraocular suspension) 9% for the treatment of post-operative inflammation following ocular surgery in the United States. Pursuant to the Dexycu Agreement, Eyepoint pays ImprimisRx a fee that is calculated based on the quarterly sales of DEXYCU in the U.S.

Branded Pharmaceuticals

Over the past two years, in order to more fully serve the needs of our growing customer base, we have invested in broadening our product portfolio to include FDA-approved products. Our investments in this regard have led to commercial partnerships to sell DEXYCU and Avenova, the acquisition of two later stage drug candidates, and the recent acquisition of U.S. rights to four FDA-approved ophthalmic products. These transactions, and those we are continuing to pursue, are focused in eyecare pharmaceuticals. We believe that our continued investments in these and other products will result in our ability to provide more physician prescribers and their patients with access to a complete portfolio of affordable eyecare pharmaceuticals to address their clinical needs.

IOPIDINE®, MAXITROL®, MOXEZA®

In December 2021, we acquired U.S. commercial rights to four FDA-approved ophthalmic medicines: IOPIDINE 1% and 0.5% (apraclonidine hydrochloride); MAXITROL (neomycin/polymyxin B/dexamethasone) ophthalmic suspension; and MOXEZA (moxifloxacin hydrochloride). We believe by expanding our product portfolio to include branded FDA-approved products, we will be uniquely positioned to leverage our ImprimisRx platform to introduce unique lifecycle management strategies that could grow sales and address needs of our customers that we are unable to meet with our other compounded product offerings.

At the time of closing the acquisition of the four products, we agreed to a transitional period with the seller, which lasted six months following the closing of the transaction. During the transition period, the seller continued to sell the products and transferred the net profit from those sales to us. Following the transition period which ended in June 2022, we made IOPIDINE 1% and MAXITROL commercially available, and expect to re-launch MOXEZA at a later date.

AMP-100

In July 2021, we acquired the exclusive marketing and supply rights to AMP-100 in the U.S. and Canada from Sintetica S.A. ("Sintetica"). AMP-100 is a patented, ophthalmic topical anesthetic drug candidate. If FDA-approved, the active ingredient used in AMP-100 will be the first approved use of this active ingredient in the U.S. ophthalmic market. A new drug application ("NDA") for AMP-100 was submitted by Sintetica to the FDA in the fourth quarter of 2021 and the FDA has assigned the application standard review and a Prescription Drug User Fee Act (PDUFA) target action date of October 16, 2022.

MAQ-100

In August 2021, we acquired the exclusive marketing rights to MAQ-100 in the U.S. and Canada from Wakamoto Pharmaceutical Co., Ltd. ("Wakamoto"). MAQ-100 is a preservative-free triamcinolone acetonide ophthalmic injection drug candidate. MAQ-100 is marketed and sold by Wakamoto in Japan as MaQaid®. Following Japan's Ministry of Health Labor and Welfare ("MHLW") approval, MaQaid was launched in Japan in 2010, indicated as an intravitreal injection for visualization for vitrectomy. Since its initial MHLW approval, the indication for MaQaid was expanded to include (a) treatments for alleviation of diabetic macular edema, (b) macular edema associated with retinal vein occlusion (or RVO), and (c) non-infectious uveitis. We intend to leverage the clinical data used for Japanese market approval of MaQaid to support a clinical program and U.S. market NDA submission of MAQ-100 for visualization during vitrectomy. In August 2022, we had a Type B meeting with the FDA to discuss our planned clinical program for MAQ-100. The FDA provided clarity on what would be required for a future NDA filing of MAQ-100, and while we are still waiting on the release of the FDA's minutes from the meeting, we remain optimistic about being able to efficiently advance the clinical program of MAQ-100.

We expect to continue to acquire and/or develop additional FDA-approved/approvable ophthalmic products and product candidates that will allow us to leverage our commercial infrastructure to promote, sell, and ultimately bring these products to market.

Carved-Out Businesses (De-Consolidated Businesses)

We have ownership interests in Surface, Melt, and Eton Pharmaceuticals, Inc. ("Eton") and hold royalty interests in some of Surface's and Melt's drug candidates. These companies are pursuing market approval for their drug candidates under the FDCA, including in some instances under the abbreviated pathway described in Section 505(b)(2), which permits the submission of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference.

Noncontrolling Equity Interests

Surface Ophthalmics, Inc.

Surface is a clinical-stage pharmaceutical company focused on development and commercialization of innovative therapeutics for ocular surface diseases.

- SURF-100 for Chronic Dry Eye Disease: Surface completed its 350-patient Phase 2 clinical trial, comparing five active arms of SURF-100 study drugs with the current market-leading prescription chronic dry eye treatments. According to Surface, the SURF-100 Phase 2 clinical trial achieved positive results for both signs and symptoms of chronic dry eye disease, as well as generating positive data on onset and duration of action.

- SURF-200 for Acute Dry Eye: Surface has completed enrollment of its Phase 2 clinical trial for SURF-200 and expects to announce top-line results later this year.

- SURF-201 for Pain and Inflammation Following Ocular Surgery: According to the Surface results, SURF-201 was dosed twice daily, met its primary endpoints of absence of inflammation at both Day 8 and Day 15 and was found to be safe and well-tolerated by the patient group. In addition, a secondary endpoint showed almost 90% of patients given SURF-201 were pain free at Day 15.

In 2018, Surface closed an offering of its Series A Preferred Stock. At that time, we lost our controlling interest and deconsolidated Surface from our consolidated financial statements. During May, June and July of 2021, Surface closed an offering of its preferred stock at a purchase price of $4.50 per share resulting in gross proceeds to Surface of approximately $25,000,000 (the "Surface Series B Offering"). We own 3,500,000 shares of Surface common stock, which was approximately 20% of Surface's equity and voting interests as of June 30, 2022. Harrow owns mid-single digit royalty rights on net sales of SURF-100, SURF-200 and SURF-201.

Melt Pharmaceuticals, Inc.

Melt is a clinical-stage pharmaceutical company focused on the development and commercialization of proprietary non-intravenous, sedation and anesthesia therapeutics for human medical procedures in hospital, outpatient, and in-office settings. Melt intends to seek regulatory approval for its proprietary technologies, where possible. In December 2018, we entered into an Asset Purchase Agreement with Melt (the "Melt Asset Purchase Agreement"), pursuant to which Harrow assigned to Melt the underlying intellectual property for Melt's current pipeline, including its lead drug candidate MELT-300. The core intellectual property Melt owns is a patented series of combination non-opioid sedation drug formulations that we estimate to have multitudinous applications.

MELT-300 is a novel, sublingually delivered, non-IV, opioid-free drug candidate being developed for procedural sedation. Melt filed an investigational new drug application ("IND") with the FDA in June 2020 and began its clinical program for MELT-300. In February 2021, Melt announced data from, and the successful completion of, its Phase 1 study. Melt began enrolling patients in its Phase 2 study for MELT-300 during the fourth quarter of 2021.

In January 2019, Melt closed an offering of its Series A Preferred Stock. At that time, we gave up our controlling interest and deconsolidated Melt from our consolidated financial statements. We own 3,500,000 shares of Melt common stock, which was approximately 46% of Melt's equity and voting interests issued and outstanding as of June 30, 2022. In September 2021, we provided Melt with a senior secured loan with a principal amount of $13,500,000, which is intended to fund the Phase 2 program of MELT-300. In connection with the loan, we were given the right, but not the obligation, to match any offer received by Melt associated with the commercial rights to any of its drug candidates for a period of five years. Melt is required to make mid-single digit royalty payments to the Company on net sales of MELT-300, while any patent rights remain outstanding, subject to other conditions. Melt can require the Company to cease compounding like products at the time of FDA approval of MELT-300. If approved, we do not expect a cessation of compounding like products to have a material impact on our operations and financial performance.

Eton Pharmaceuticals, Inc.

Eton is a commercial-stage orphan-disease focused pharmaceutical company developing and commercializing innovative drug products. Its product portfolio and pipeline includes several products and drug candidates in various stages of development across a variety of dosage forms. In May 2017, we gave up our controlling interest in Eton. We own 1,982,000 shares of Eton common stock, which is less than 10% of the equity and voting interests issued and outstanding of Eton as of June 30, 2022.

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, potential regulatory-related restrictions, optimize pricing and obtain reimbursement options for our proprietary compounded formulations, and continue to pursue development and commercialization opportunities for certain of our ophthalmology 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 near and 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.

Reimbursement Options

Dexycu is covered under Medicare Part B, and we are developing drug candidates that we believe will be covered under Medicare Part B. New drugs approved by the FDA that are used in surgeries performed in a hospital outpatient departments or ambulatory surgical centers may receive a transitional pass-through reimbursement under Medicare, provided they meet certain criteria, including a "not insignificant" cost criterion. Pass-through status allows for separate payment (i.e., outside the packaged payment rate for the surgical procedure) under Medicare Part B, which consists of Medicare reimbursement for a drug based on a defined formula for calculating the minimum fee that a manufacturer may charge for the drug. Under current regulations of the Centers for Medicare & Medicaid Services ("CMS"), pass-through status applies for a period of three years; that is measured from the date Medicare makes its first pass-through payment for the product, following which the product would be incorporated into the cataract bundled payment system, which could significantly reduce the pricing for that product. Following expiration of pass-through status, under current CMS policy, non-opioid pain management surgical drugs when used on Medicare Part B patients in an outpatient setting can qualify for ongoing separate payment. CMS' current non-opioid separate payment policy, like other CMS policies, can be changed by CMS through its annual rulemaking and comment process. We believe that CMS will continue its separate payment policy for non-opioid pain management surgical drugs, which has been in effect since 2019.

In July of 2022, CMS issued its Proposed CY 2023 Payment Rule for Hospital Outpatient Services and ASCs. Based on the summary in the proposed rule, Dexycu will no longer qualify as a separately payable product in an ASC or outpatient setting and will instead be bundled into the general cataract procedure code effective January 1, 2023, when the final rule, if approved as currently proposed, will go into effect. As a result, we expect our commissions from sales of Dexycu to significantly decrease at the end of 2022 and in 2023; however such effect will not have a material impact on our business, financial statements and cash flows.

Our proprietary ophthalmic compounded formulations are currently primarily available on a cash-pay basis. However, MOXEZA, MAXITROL and IOPIDINE are, and we expect that other drug candidates we are developing, if approved, will be eligible for reimbursement by third-party payors. We are devoting time and resources to seek reimbursement and patient pay opportunities for these and other drug products and candidates. However, we may be unsuccessful in achieving these goals, as many third-party payors have imposed significant challenges for products to be eligible for reimbursement 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 Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act of 2010 (collectively, the "Health Care 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 adverse 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. We are communicating with government and third-party payors in order to make our drug products and candidates available to more patients and at optimized pricing levels. However, if government and other third-party payors do not provide adequate coverage and reimbursement levels for our drug products and candidates, the market acceptance and opportunity for them may be limited.

COVID-19 Pandemic

A novel strain of coronavirus was first identified in Wuhan, China in December 2019. The disease caused by it, COVID-19, was declared a global pandemic by the World Health Organization in March 2020. On March 18, 2020, CMS released guidance for U.S. healthcare providers to limit all elective medical procedures in order to conserve personal protective equipment and limit exposure to COVID-19 during the pendency of the pandemic. In addition to limiting elective medical procedures, many hospitals and other healthcare providers have strictly limited access to their facilities during the pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and healthcare delivery, led to social distancing recommendation, and created significant volatility in financial markets. In May 2020 and the following months, U.S. states and geographies began easing restrictions associated with the COVID-19 pandemic including those restrictions related to elective procedures. We have since seen sales of our products return to historical norms and trends as restrictions associated with elective procedures and the COVID-19 pandemic have eased.

However, given the unprecedented and dynamic nature of the COVID-19 pandemic, including any virus mutations/variants, we may not be able to reasonably estimate the impacts it may have on our financial condition, results of operations or cash flows in the future, especially if there are new restrictions in elective procedures in the future which would have an adverse impact, which may be material, on our future revenues, profitability and cash flows.

Recent Developments

In April 2022, we entered into a First Amendment (the "Amendment") to our loan and security agreement previously entered into on September 1, 2021 with Melt. The Amendment provides for the following:

- Melt is required to maintain a minimum cash balance of $7,000,000 for one year following the effective date of the Amendment; and a minimum cash balance of $5,000,000 at all times after the one year anniversary of the effective date of the Amendment.
- The maturity date by which all amounts owed under the loan agreement are payable was extended to September 1, 2026, unless otherwise accelerated pursuant to the terms of the loan agreement.
- The definition of Material Adverse Effect was amended so that such an effect will be deemed to have occurred if the data from the phase 2 study of MELT-300 fails to demonstrate the benefit of the combination MELT-300 study drug versus the individual components of the same MELT-300 study drug, as reasonably determined by us.
- The effectiveness of the Amendment is subject to, among other conditions, Melt consummating a qualifying financing of a minimum amount of $15,000,000 from third-party investors by August 31, 2022.

Results of Operations

The following period-to-period comparisons of our financial results for the three and six months ended June 30, 2022 and 2021 are not necessarily indicative of results for any future period.

Revenues

Our revenues include amounts recorded from sales of proprietary compounded formulations, sales of branded products to wholesalers through a third-party logistics facility, commissions from third parties 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, 2022 and 2021:

	For the Three Months Ended June 30,		$	For the Six Months Ended June 30,		$
	2022	2021	Variance	2022	2021	Variance
Product sales, net	$ 21,518,000	$ 17,297,000	$ 4,221,000	$ 41,858,000	$ 32,245,000	$ 9,613,000
Commission revenues	1,212,000	827,000	385,000	2,532,000	1,312,000	1,220,000
Transfer of profits	593,000	-	593,000	1,053,000	-	1,053,000
License revenues	-	10,000	(10,000)	-	20,000	(20,000)
Total revenues	$ 23,323,000	$ 18,134,000	$ 5,189,000	$ 45,443,000	$ 33,577,000	$ 11,866,000

The increase in revenues between periods was related to an increase in sales volumes of our ophthalmology products, an increase in commissions attributable to sales of Dexycu® and transfer of profits from recently acquired products. In June of 2022, the Company completed the transfer from Seller to Harrow of Iopidine and Maxitrol NDAs and relaunched those products, as a result, we will not record revenues associated with the transfer of profits associated with those products in future periods.

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, 2022 and 2021:

	For the Three Months Ended June 30,		$	For the Six Months Ended June 30,		$
	2022	2021	Variance	2022	2021	Variance
Cost of sales	$ 6,534,000	$ 4,417,000	$ 2,117,000	$ 12,497,000	$ 8,187,000	$ 4,310,000

The increase in our cost of sales between periods was largely attributable to an increase in unit volumes sold.

Gross Profit and Margin

	For the Three Months Ended June 30,		$	For the Six Months Ended June 30,		$
	2022	2021	Variance	2022	2021	Variance
Gross Profit	$ 16,789,000	$ 13,717,000	$ 3,072,000	$ 32,946,000	$ 25,390,000	$ 7,556,000
Gross Margin	72.0%	75.6%	-3.6%	72.5%	75.6%	-3.1%

The decrease in gross margin between the three and six months ended June 30, 2022 and 2021 is primarily attributable to amortization of acquired NDAs beginning in January 2022, along with a production event in April 2022 that led to a one-time purge of inventory (and which had no impact on quality of released product), and increased discounts provided during 2022 associated with volume-based purchases.

Selling, General and Administrative Expenses

Our selling, 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 as well as costs associated with our marketing activities and sales of our proprietary compounded formulations and other non-proprietary pharmacy products and formulations.

The following presents our selling, general and administrative expenses for the three and six months ended June 30, 2022 and 2021:

	For the Three Months Ended June 30,		$	For the Six Months Ended June 30,		$
	2022	2021	Variance	2022	2021	Variance
Selling, general and administrative	$ 14,185,000	$ 9,123,000	$ 5,062,000	$27,583,000	$ 17,287,000	$ 10,296,000

The increase in selling, general and administrative expenses between periods was primarily attributable to an increase in consulting expense related to an increase in stock-based compensation associated with performance stock units that were granted in July 2021, an increase in consulting expenses associated with regulatory improvements and to support the transition of recent product acquisitions, and an increase in expenses related to the addition of new employees in sales, marketing and other departments to support current and expected growth.

Research and Development Expenses

Our research and development ("R&D") expenses primarily include personnel costs, including wages and stock-based compensation, expenses related to the development of intellectual property, investigator-initiated research and evaluations, formulation development, acquired in-process R&D 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, 2022 and 2021:

	For the Three Months Ended June 30,		$	For the Six Months Ended June 30,		$
	2022	2021	Variance	2022	2021	Variance
Research and development	$ 914,000	$ 425,000	$ 489,000	$ 1,572,000	$ 1,017,000	$ 555,000

During the three and six months ended June 30, 2022, research and development expenses increased from the same periods in 2021 primarily as a result of increased costs associated with the clinical programs for AMP-100 and MAQ-100 and program fees associated with Iopidine.

Interest Expense, Net

Interest expense, net was $1,794,000 and $3,586,000 for the three and six months ended June 30, 2022 compared to $1,314,000 and $1,827,000 for the same periods in 2021, respectively. The increase during the period ended June 30, 2022 compared to the same period in 2021 was primarily due to an increase in the outstanding principal amount of our debt obligations.

Equity in Losses of Unconsolidated Entities

During the three and six months ended June 30, 2022, we recorded a loss of $2,646,000 and $5,532,000, respectively, related to our share of losses in Melt, compared to $942,000 and $2,261,000 for the same periods last year, respectively.

Investment Loss from Eton

During the three and six months ended June 30, 2022 we recorded a loss of $3,449,000 and $3,310,000, respectively, related to the change in fair market value of Eton's common stock compared to losses of $3,584,000 and $6,419,000 for the same periods last year, respectively.

Gain on Forgiveness of PPP Loan

During the six months ended June 30, 2021, we recorded a gain $1,967,000 related to the forgiveness of our $1,967,000 loan received pursuant to the Paycheck Protection Program ("PPP") under the Federal Coronavirus Aid, Relief, and Economic Security Act.

Net Loss

The following table presents our net loss and per share net loss for the three and six months ended June 30, 2022 and 2021:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator – net loss attributable to Harrow Health, Inc. common stockholders	$ (6,239,000)	$ (2,950,000)	$ (8,677,000)	$ (2,733,000)
Net loss per share, basic and diluted	$ (0.23)	$ (0.11)	$ (0.32)	$ (0.10)

Liquidity and Capital Resources

Liquidity

Our cash on hand at June 30, 2022 was $46,438,000, compared to $42,167,000 at December 31, 2021.

As of the date of this Quarterly Report, we believe that cash and cash equivalents of $46,438,000 at June 30, 2022 will be sufficient to sustain our planned level of operations and capital expenditures for at least the next 12 months. In addition, we may consider the sale of certain assets including, but not limited to, part of, or all of, our investments in Eton, Surface, Melt, and/or any of our consolidated subsidiaries. However, we may pursue acquisitions of revenue generating products, drug candidates 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 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 drug candidates, compounded formulations and technologies, integrating and developing our operations, pursuing potential future strategic transactions as opportunities arise, including potential acquisitions of additional pharmacy, outsourcing facilities, drug company and manufacturers, drug products, drug candidates, 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 drug 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 Six Months Ended June 30,	
	June 30, 2022	**June 30, 2021**
Net cash provided by (used in):		
Operating activities	$ 5,827,000	$ 8,648,000
Investing activities	(669,000)	8,445,000
Financing activities	(887,000)	51,457,000
Net change in cash and cash equivalents	4,271,000	68,550,000
Cash and cash equivalents at beginning of the period	42,167,000	4,301,000
Cash and cash equivalents at end of the period	$ 46,438,000	$ 72,851,000

Operating Activities

Net cash provided by operating activities during the six months ended June 30, 2022 was $5,827,000 compared to $8,648,000 during the same period in the prior year. The decrease in net cash provided by operating activities between the periods was mainly attributed to an increase in our accounts receivable amounts.

Investing Activities

Net cash (used in) provided by investing activities during the six months ended June 30, 2022 was $(669,000) compared to $8,445,000 during the same period in the prior year. Cash used in investing activities in 2022 was primarily associated with equipment and software purchases. Cash provided by investing activities in 2021 was primarily associated with the sale of a portion of our investment in Eton.

Financing Activities

Net cash (used in) provided by financing activities during the six months ended June 30, 2022 and 2021 was $(887,000) and $51,457,000, respectively. Cash used in financing activities during the six months ended June 30, 2022 was primarily related to payment of taxes upon vesting of RSUs. Cash provided by financing activities during the six months ended June 30, 2021 was primarily related to proceeds received from the sale of notes, net of the payment of all outstanding obligations to the Company's previous senior lender, SWK Funding, LLC and its partners.

Sources of Capital

Our principal sources of cash consist of cash provided by operating activities from our ImprimisRx business, and in 2021, proceeds from the sale of senior notes and a portion of our Eton common stock. We may also sell some or all of our ownership interests in Surface, Melt or our other subsidiaries, along with the some or all of the remaining portion of our Eton common stock.

The changing trends and overall economic outlook in light of the COVID-19 pandemic, including the historic interim stay-at-home orders and bans on elective surgeries, created uncertainty surrounding our operating outlook and may impact our future operating results if the COVID-19 pandemic worsens in the U.S. In addition, we may acquire new products, product candidates and/or businesses and, as a result, we may need significant additional capital to support our business plan and fund our proposed business operations. We may receive additional proceeds from the exercise of stock purchase warrants that are currently outstanding. 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. 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 have a limited history of profitability 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 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, 2022. 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, 2022, the end of the period covered by this Quarterly 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 the quarter ended June 30, 2022, 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

In the ordinary course of business, we may face various claims brought by third parties and we may, from time to time, make claims or take legal actions to assert our rights, including intellectual property disputes, contractual disputes and other commercial disputes. Any of these claims could subject the Company to litigation.

Item 1A. Risk Factors

In addition to the other information contained in this Quarterly Report you should consider the risk factors and the other information in our Annual Report on Form 10-K for the year ended December 31, 2021, including our audited financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." If any such risks actually occur, our business, financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock would likely decline and you may lose all or part of your investments. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

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

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*	First Amendment to Loan and Security Agreement, dated as of April 8, 2022, between the Company and Melt Pharmaceuticals, Inc.
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*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, has been formatted in Inline XBRL.

* Filed herewith.
** Furnished herewith.
# Portions of this exhibit have been omitted in compliance with Item 601 of Regulation S-K.

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.

Harrow Health, Inc.

Dated: August 9, 2022

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)

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT ("Agreement"), dated as of the 1st day of September, 2021 (the "Closing Date"), is made and entered into on the terms and conditions hereinafter set forth, by and among MELT PHARMACEUTICALS, INC., a Delaware corporation ("Borrower"); certain subsidiaries of Borrower from time to time party hereto as guarantors (each a "Guarantor" and collectively, jointly and severally, "Guarantors" and collectively with Borrower, each a "Loan Party" and collectively, "Loan Parties"); and HARROW HEALTH, INC., a Delaware corporation ("Harrow" or "Lender").

RECITALS:

WHEREAS, Loan Parties have requested that Lender make available to Borrower a term loan in the original principal amount of $13,500,000.00 (the "Loan"), on the terms and conditions hereinafter set forth, and for the purposes hereinafter set forth; and

WHEREAS, in order to induce Lender to make the Loan to Borrower, Loan Parties have made certain representations to and agreements with Lender; and

WHEREAS, Lender, in reliance upon the representations, agreements and inducements of Loan Parties, has agreed to make the Loan upon the terms and conditions hereinafter set forth.

AGREEMENT:

NOW, THEREFORE, in consideration of the agreement of Lender to make the Loans, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Loan Party and Lender hereby agree as follows:

Article 1
THE LOAN

1.1 Defined Terms; Interpretation. Unless otherwise indicated, capitalized terms used in this Agreement shall have the meanings given such terms on Exhibit A. Any term defined herein may be used in the singular or plural. Accounting terms not defined in this Agreement shall be construed following generally accepted accounting principles in the United States ("GAAP"). References in this Agreement to "Articles", "Sections", "Exhibits" or "Schedules" shall be to Articles, Sections, Exhibits or Schedules of or to this Agreement unless otherwise specifically provided. "Include", "includes" and "including" shall be deemed to be followed by "without limitation". Except as otherwise specified herein, references to any Person include the successors and assigns of such Person. References "from" or "through" any date mean, unless otherwise specified, "from and including" or "through and including", respectively. References to any statute or act shall include all related current regulations and all amendments and any successor statutes, acts and regulations. References to any agreement, instrument or document shall include all schedules, exhibits, annexes and other attachments thereto. Reference to any statute or act, without additional reference, shall be deemed to refer to federal statutes and acts of the United States.

1.2 Evidence of the Loan, Disbursement of the Loan and Repayment.

(a) Term Loan. Subject to the terms and conditions contained herein, Lender agrees to make the Loan to Borrower in the aggregate original principal amount of $13,500,000 (the outstanding principal amount of which may be increased by the amount of PIK Interest thereon). The Loan shall be disbursed in its entirety to Borrower on the Closing Date. The Loan shall be evidenced by one or more secured promissory notes dated as of even date herewith and executed by Borrower (collectively, the "Notes"). Any amount borrowed under this Section 1.2(a) and subsequently repaid or prepaid may not be reborrowed.

(b) Repayment; Loan Documents. The Loan shall be payable in accordance with the Notes. This Agreement, the Notes and any other instruments and documents executed by any Loan Party, now or hereafter evidencing or securing the Loan or required to be delivered under this Agreement and any other documents related to this Agreement are herein individually referred to as a "Loan Document" and collectively referred to as the "Loan Documents."

1.3 Reserved.

1.4 Prepayments; Voluntary Termination. Borrowers may prepay the indebtedness evidenced by the Notes in whole or in part at any time without penalty.

1.5 Purposes of Loan and Use of Proceeds. The purpose of the Loan shall be (a) to repay certain indebtedness of Borrower, (b) to pay expenses incurred in connection with the closing of the Loan and (c) for working capital and general corporate purposes permitted by law, including the phase 2 study of Melt 100.

1.6 Interest.

(a) Interest charges shall be computed on the actual principal amount of the Loan outstanding (including, for the avoidance of doubt, any capitalized PIK Interest outstanding from time to time) at a rate per annum equal to the Interest Rate. All computations of interest shall be made on the basis of a year of 360 days for the actual number of days elapsed. Interest on the Loans shall be payable (i) monthly in cash in arrears on the first (1^{st}) day of each month commencing on October 1, 2021, through and including the first day of the month in which the Maturity Date occurs; *provided* that, at Borrower's election, up to 100% of the accrued interest shall be paid in kind (such interest so deferred from time to time, being "PIK Interest") and added to the principal balance of the Loan monthly on the first (1^{st}) day of each month and (ii) in cash on the Maturity Date.

(b) At the election of Lender, after the occurrence of an Event of Default and for so long as it continues, the outstanding Loan and other Obligations shall bear interest at rates that are three percent (3.0%) ("Default Interest") in excess of the rates otherwise payable under this Agreement, and all such interest shall be payable on demand of Lender.

1.7 Payments. Payment of the Loan shall be interest only in accordance with Section 1.6 until the Maturity Date. The entire outstanding principal balance of the Loan and all other Obligations related thereto, together with all accrued and unpaid interest and any other amounts due under the Loan Documents, shall be due and payable in full on the Maturity Date. All payments shall be made in the manner provided in the applicable Note.

Article 2
INCREASED COSTS; TAXES

2.1 Increased Costs. In the event that any Change in Law or compliance by Lender (for purposes of this Section 2.1, the term "Lender" shall include Lender, and any Person controlling Lender) with any request or directive (whether or not having the force of law) from any central bank or other financial, monetary or other authority, shall:

(a) subject any Recipient to any Tax (other than (i) Indemnified Taxes, (ii) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (iii) Connection Income Taxes) on its loans, loan principal, commitments or other obligations; or

(b) impose on Lender any other condition, loss or expense (other than Taxes) affecting this Agreement or any other Loan Document or any portion of the Loan made by Lender hereunder;

and the result of any of the foregoing is to increase the cost to Lender, of making, converting to, continuing, renewing or maintaining its portion of the Loan hereunder by an amount that Lender deems to be material or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of the Loan by an amount that Lender deems to be material, then, upon request of Lender, Borrower shall pay Lender such additional amount as will compensate Lender for such additional cost or such reduction, as the case may be. Lender shall certify the amount of such additional cost or reduced amount to Borrower, and such certification shall be conclusive absent manifest error. Borrower shall pay such amount shown as due on any such certificate within five (5) Business Days after receipt thereof. Notwithstanding anything to the contrary in this Section 2.1, (i) Borrower shall not be required to compensate Lender pursuant to this Section 2.1 for any amounts incurred more than six (6) months prior to the date that Lender notifies Borrower of Lender's intention to claim compensation therefor; provided that if the circumstances giving rise to such claim have a retroactive effect, then such six-month period shall be extended to include the period of such retroactive effect.

2.2 Taxes.

(a) For purposes of this Section 2.2, the term "applicable Law" includes FATCA.

(b) Any and all payments by or on account of any Obligations hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Taxes, except as required by applicable Law. If any applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Body in accordance with applicable Law (provided that, if the applicable Withholding Agent is Lender, then such Withholding Agent shall consult Borrower regarding the appropriate deduction or withholding rate) and, if such Tax is an Indemnified Tax, then the sum payable shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.2) the applicable Recipient receives an amount equal to the sum it would have received had no such deductions been made. Without limiting any Recipients right to reimbursement or other payment hereunder, each Recipient shall reasonably cooperate with Borrower in seeking refunds of any amounts paid by Borrower that are reasonably believed not to have been correctly or legally asserted or for which it is otherwise entitled to a refund.

(c) Borrower shall timely pay any Other Taxes to the relevant Governmental Body in accordance with applicable Law.

(d) Borrower shall promptly (and in any event within ten (10) days after written demand therefor) indemnify Lender, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Body. A certificate as to the amount of such payment or liability delivered to Borrower by Lender shall be conclusive absent manifest error.

(e) As soon as practicable after any payment of Indemnified Taxes by Borrower to a Governmental Body, Borrower shall deliver to Lender the original or a certified copy of a receipt issued by such Governmental Body evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Lender.

(f) If Lender is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document, it shall deliver to Borrower, at the time or times reasonably requested in writing by Borrower, such properly completed and executed documentation reasonably requested in writing by Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, Lender, if reasonably requested in writing by Borrower, shall deliver such other documentation prescribed by applicable Law or reasonably requested in writing by Borrower as will enable Borrower to determine whether or not Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in Lender's reasonable judgment such completion, execution or submission would subject Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of Lender.

(g) If any party determines, in its sole discretion, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.2 (including by the payment of additional amounts pursuant to this Section 2.2), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.2 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Body with respect to such refund). Such indemnifying party, upon the written request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.2(g) (plus any penalties, interest or other charges imposed by the relevant Governmental Body) in the event that such indemnified party is required to repay such refund to such Governmental Body. Notwithstanding anything to the contrary in this Section 2.2(g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.2(g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section 2.2(g) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Each party's obligations under this Section 2.2 shall survive any assignment of rights by, or the replacement of, Lender and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Article 3
SECURITY

3.1 Grant of Security Interest. To secure the prompt payment of the Obligations and the prompt performance of each of the covenants and duties under this Agreement and the Loan Documents, each Loan Party hereby grants to Lender a security interest in any and all properties, rights and assets of each Loan Party in the following described property, in each case wherever located and whether now owned or hereafter acquired or arising (together with any other assets securing the Loan, collectively, the "Collateral"):

(a) accounts, contract rights, and all other forms of obligations owing to such Loan Party arising out of the sale or lease of goods or the rendition of services by such Loan Party (including health-care receivables), whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by such Loan Party and such Loan Party's Books relating to any of the foregoing (collectively, "Accounts");

(b) general intangibles and other personal property (including payment intangibles, choses or things in action, goodwill, Intellectual Property, trade names, the goodwill associated with trade names, blueprints drawings, purchase orders, customer lists, moneys due or recoverable from pension funds, route lists, moneys due under any royalty or licensing agreements, infringement claims, software, software source codes, computer programs, computer discs, computer tapes, literature, reports, catalogs deposit accounts, licenses, governmental approvals, equity interests, together with any and all dividends, distributions, cash, certificates, instruments, additional securities or other property from time to time received, receivable, distributed or distributable in respect of, in exchange for, or in substitution for any equity interests, insurance premium rebates, tax refunds, and tax refund claims) other than goods and Accounts, and such Loan Party's Books relating to any of the foregoing (collectively, "General Intangibles");

(c) rights to payments or performance under letters of credit, letter-of-credit rights (whether or not evidenced by a writing) and other supporting obligations, notes, drafts, instruments (including promissory notes), certificated and uncertificated securities, documents, leases, and chattel paper (whether tangible or electronic), and such Loan Party's Books relating to any of the foregoing (collectively, "Negotiable Collateral");

(d) inventory in which such Loan Party has any interest, including goods held for sale or lease or to be furnished under a contract of service and all of such Loan Party's present and future raw materials, work in process, finished goods, and packing and shipping materials, wherever located, and any documents of title representing any of the above, and such Loan Party's Books relating to any of the foregoing (collectively, "Inventory");

(e) machinery, machine tools, motors, equipment, furniture, furnishings, fixtures, vehicles (including motor vehicles and trailers), tools, parts, dies, jigs, goods, and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located (collectively, "Equipment");

(f) books and records including: ledgers; records indicating, summarizing, or evidencing such Loan Party's assets or liabilities, or the Collateral; all information relating to such Loan Party's business operations or financial condition; and all computer programs, disc or tape files, printouts, funds or other computer prepared information, and the equipment containing such information (collectively, "Loan Party's Books");

(g) securities (whether certificated or uncertificated), securities accounts, commodity contracts and accounts, securities entitlements and other investment property (collectively "Investment Property");

(h) deposit accounts (collectively "Deposit Accounts" and together with all securities accounts and commodities accounts, "Collateral Accounts");

(i) commercial tort claims (collectively "Tort Claims");

(j) substitutions, replacements, additions, accessions, proceeds, cash proceeds, products to or of any of the foregoing, including, but not limited to, proceeds of insurance covering any of the foregoing, or any portion thereof, and any and all Accounts, General Intangibles, Negotiable Collateral, Inventory, Equipment, Deposit Accounts, Tort Claims, money, deposits, accounts, or other tangible or intangible property resulting from the sale or other disposition of the Accounts, General Intangibles, Negotiable Collateral, Inventory, Equipment, Deposit Accounts, Tort Claims, or any portion thereof or interest therein and the proceeds thereof; and

(k) to the extent not included in the foregoing, all other personal property of any Loan Party of any kind or description, including all cash and currency.

Notwithstanding the foregoing, Collateral shall not include (i) any lease, license, contract or other agreement of any Loan Party if the grant of a security interest in such lease, license, contract or other agreement is prohibited under the terms of such lease, license, contract or other agreement or under applicable law, but only to the extent such prohibition is not rendered unenforceable or ineffective by the UCC (as hereinafter defined) or other applicable law; provided, however, that a security interest shall attach to such lease, license, contract or other agreement immediately at such time as the condition causing such prohibition shall be eliminated or remedied, (ii) any Equipment owned by any Loan Party which is subject to a lien securing purchase money debt pursuant to documents which prohibit such party from granting any other liens in such property, but only for so long as such prohibition shall be in effect, (iii) those assets as to which Lender and Borrower reasonably agree that the cost of obtaining such a security interest or perfection thereof are excessive in relation to the benefit to Lender of the security to be afforded thereby, and (iv) any "intent to use" trademark applications for which a statement of use has not been filed (but only until such statement is filed).

3.2 Perfection by Filing. Each Loan Party hereby specifically authorizes Lender at any time and from time to time to file financing statements and other similar forms, continuation statements and amendments thereto, without notice to any Loan Party, with all appropriate jurisdictions to perfect or protect Lender's interest or rights hereunder. Such financing statements and other forms may describe the Collateral as "all personal property of debtor," "all assets of debtor" or words to similar effect, and contain any other information required by applicable law for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether such Loan Party is an organization, the type of organization and any organization identification number issued to such Loan Party. Each Loan Party agrees to furnish such information to Lender promptly upon (but in any event within five (5) Business Days after) written request. Any such financing statements, continuation statements or amendments may to the extent required by applicable law be signed by Lender on behalf of such Loan Party and may be filed at any time in any jurisdiction. Each Loan Party hereby irrevocably constitutes and appoints Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Loan Party and in the name of such Loan Party or in its own name, from time to time after the occurrence and during the continuance of an Event of Default, in Lender's discretion, for the limited purpose of carrying out the terms of this Section 3.2. All powers, authorizations and agencies contained in this Section 3.2 are coupled with an interest and are irrevocable until all of the Obligations have been paid and satisfied in full.

3.3 Perfection Other Than by Filing, etc.

(a) At any time and from time to time, Loan Parties shall take such steps as Lender may reasonably request (i) to obtain an acknowledgment, in form and substance reasonably satisfactory to Lender, of any bailee having possession of any of the Collateral, that such bailee holds such Collateral for Lender, and (ii) otherwise to ensure the continued perfection and priority of Lender's security interest in any of the Collateral and of the preservation of its rights therein.

(b) If any Loan Party shall acquire any investment property, instruments (with a value in excess of $100,000), letter-of-credit rights (with a value in excess of $100,000) or electronic chattel paper (with a value in excess of $100,000) (as such terms are defined in Article 9 of the UCC), Borrower shall promptly notify Lender thereof and shall take such steps as Lender may reasonably request for Lender to obtain control of such assets and, where control is established by written agreement, such agreement shall be in form and substance reasonably satisfactory to Lender.

(c) If any Loan Party shall acquire a commercial tort claim with a value in excess of One Hundred Thousand Dollars ($100,000.00), Borrower shall promptly notify Lender in a writing signed by Borrower of the general details thereof and grant to Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Lender.

(d) If at any time any of the Collateral with a value in excess of Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate is represented by any document of title, Borrower shall promptly notify Lender thereof and, upon written request by the Lender, such document of title will be delivered promptly to Lender and subject to the security interest granted hereby.

3.4 Collateral Accounts.

(a) Schedule 3.4 sets forth a true and complete list of all institutions at which any Loan Party has or maintains a Collateral Account of any type along with the name and address of such institution and the account numbers of the Deposit Accounts, securities accounts and commodity accounts maintained with such Person. Each Loan Party shall notify Lender in writing within five (5) days after establishing any Collateral Account.

(b) If requested by Lender, for each account (other than any Excluded Account) that any Loan Party at any time opens or maintains, Loan Parties shall promptly cause the applicable bank or financial institution at or with which any such Collateral Account is opened or maintained to execute and deliver a control agreement or other appropriate instrument with respect to such Collateral Account to perfect Lender's lien in such Collateral Account in accordance with the terms hereunder, which control agreement shall be in form and substance reasonably acceptable to Lender and may not be terminated without the prior written consent of Lender.

3.5 Additional Agreements with Respect to the Collateral.

(a) There is no location at which any Loan Party has any Inventory or other tangible Collateral (except for Inventory in transit, Equipment out for repair or Inventory and other Collateral subject to a disposition permitted under Section 6.5) other than those locations listed on Schedule 4.27 or at such other locations as identified to Lender by Borrower from time to time in writing. No Loan Party will permit any of the Collateral to be removed from the locations described on Schedule 4.27, except in the ordinary course of the Loan Parties' business and customary use thereof, without prior written notice to Lender.

(b) Each Loan Party will keep the Collateral in good condition and repair (ordinary wear and tear excepted) and will pay and discharge all taxes, levies and other impositions levied thereon prior to delinquency as well as the cost of repairs to or maintenance of same, and will not permit anything to be done that may impair the value of any of the Collateral. If any Loan Party fails to pay such sums, Lender may do so for such Loan Party's account and add the amount thereof to the Obligations.

(c) No Loan Party will allow the Collateral to be attached to real estate in such manner as to become a fixture or a part of any real estate.

3.6 Returns and allowances between Loan Parties and their account debtors shall follow such Loan Party's customary practices as they exist at the Closing Date. Borrower must promptly notify Lender of all returns, recoveries, disputes and claims that involve more than Two Hundred Fifty Thousand Dollars ($250,000.00).

Article 4
Representations and Warranties

To induce Lender to enter into this Agreement, each Loan Party, jointly and severally, represents and warrants to Lender as follows:

4.1 Organizational Status. Each Loan Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the power to own and operate its properties, to carry on its business as now conducted and to enter into and to perform its obligations under this Agreement and the other Loan Documents to which it is a party. Each Loan Party is duly qualified to do business and in good standing in each jurisdiction in which a failure to be so qualified and in good standing would have a Material Adverse Effect.

4.2 Subsidiaries. Schedule 4.2 is a complete list of each direct or indirect Subsidiary of each Loan Party, which list shows the jurisdiction of incorporation or other organization and the percentage of stock or other equity interest of each Subsidiary owned by any Loan Party. The Loan Parties and the Subsidiaries have good and valid title to the equity interests in the Subsidiaries, free and clear of all Liens, claims, charges, restrictions, security interests, equities, proxies, pledges or encumbrances of any kind other than those created in favor of Lender pursuant to the Loan Documents.

4.3 Authorization. Each Loan Party has full legal right, power and authority to conduct its business and affairs. Each Loan Party has full legal right, power and authority to enter into and perform its obligations under the Loan Documents, without the consent or approval of any other person, firm, governmental agency or other legal entity other than those consents or approvals already obtained by such Loan Party. The execution and delivery of this Agreement, the borrowing hereunder, the execution and delivery of each Loan Document to which each Loan Party is a party, and the performance by each Loan Party of its obligations hereunder and thereunder are within the company powers of each Loan Party and have been duly authorized by all necessary company or legal action properly taken, and the Loan Parties have received all necessary governmental approvals where required. The officer(s) executing this Agreement and all of the other Loan Documents to which each Loan Party is a party are duly authorized to act on behalf of such Loan Party.

4.4 Validity and Binding Effect. This Agreement and the other Loan Documents are the legal, valid and binding obligations of each Loan Party, enforceable in accordance with their respective terms, subject to limitations imposed by bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors generally or the application of general equitable principles.

4.5 Capitalization. Attached hereto as Schedule 4.5 is a table showing the capitalization of each Loan Party, as of the date hereof, on a fully diluted basis. Except as set forth on Schedule 4.5, no Loan Party has outstanding any stock or securities convertible or exchangeable for any shares of its equity ("Equity") or containing any profit participation features, and does not have outstanding any rights or options to subscribe for or to purchase its Equity or any stock or ownership appreciation rights or phantom stock or ownership plans. Schedule 4.5 accurately sets forth the following with respect to all outstanding options and rights to acquire any Loan Party's Equity, if any: (i) the total number of interests issuable upon exercise of all outstanding options; (ii) the range of exercise prices for all such outstanding options; (iii) the number of interests issuable, the exercise price and the expiration date for each such outstanding option; and (iv) with respect to all outstanding options, warrants and rights to acquire any Loan Party's ownership interests, the holder, the number of shares or interests covered, the exercise price and the expiration date. As of the Closing Date, and except as set forth on Schedule 4.5, no Loan Party is subject to any obligation (contingent or otherwise) to repurchase, redeem, retire or otherwise acquire any units of its ownership interests or any warrants, options or other rights to acquire its ownership interests. No Loan Party has violated any applicable securities laws in connection with the offer, sale or issuance of any of its ownership interests.

4.6 Intellectual Property.

(a) As of the Closing Date, Schedule 4.6(a) sets forth a complete list and a description of all material and registered Intellectual Property owned by each Loan Party.

(b) None of the Intellectual Property owned by any Loan Party and used in the operation of its businesses as currently conducted has been derived, in part or in whole, from the Intellectual Property of any other person, other than the Intellectual Property licensed by the Loan Parties from other parties as described in Schedule 4.6(b). All appropriate employees of, and consultants to, each Loan Party have entered into agreements with such Loan Party pursuant to which all Intellectual Property developed by them on behalf of such Loan Party in the course of their relationships with the Loan Parties has been assigned to and belongs solely, without any restrictions or obligations whatsoever, to the Loan Parties. The Loan Parties have taken all reasonable and practical steps (including, without limitation, entering into confidentiality and non-disclosure agreements with all appropriate employees of each Loan Party or consultants, third party developers or any other persons with access to or knowledge of any Loan Party's material owned Intellectual Property) designed to safeguard and maintain the secrecy and confidentiality of, and proprietary rights in, all of each Loan Party's material owned Intellectual Property.

(c) Except as disclosed in Schedule 4.6(c), no arm's length third party has been granted any license other than for non-commercial research purposes, or right to license or to an assignment of (including any right of first refusal or other options to license or acquire), any material Intellectual Property owned by any Loan Party.

(d) Each Loan Party has good and valid title to all material Intellectual Property owned by such Loan Party, free and clear of any and all Liens, other than Permitted Liens. No royalty or other fee is required to be paid by any Loan Party to any other person in respect of the use of any of the owned material Intellectual Property. To the knowledge of the Loan Parties, no employee of any Loan Party is in violation of any term of any non-disclosure, proprietary rights or similar agreement between such employee and any Loan Party. To the knowledge of the Loan Parties, all material technical information developed by and belonging to the Loan Parties which has not been copyrighted or patented has been kept confidential and there are no material restrictions on the ability of any Loan Party to use and exploit all rights in the Intellectual Property required in the ordinary course of such Loan Party's business.

(e) To the knowledge of the Loan Parties, none of the development, manufacture, marketing, license, sale or use of any product currently sold by any Loan Party or currently under development violates any contract with any person in any material respect or infringes upon any Intellectual Property of any person, nor has any Loan Party received written notice of any such infringement from any third party.

(f) As of the Closing Date, other than as set forth in Schedule 4.6(f), no license or sub-license has been granted or other contract has been entered into with respect to any of the material Intellectual Property owned by any Loan Party.

(g) All maintenance, filing and other fees payable in respect of each Loan Party's material owned and registered Intellectual Property have been paid by the Loan Parties, on a timely basis, and no Loan Party has not received any notice of default in payment of such fees which is currently outstanding.

(h) The commercialization and the research and development activities of each Loan Party are conducted in compliance with all Laws in each jurisdiction in which the Borrower conducts any of such activities, including, without limitation, any requirements from the FDA and applicable prescribed good manufacturing practices. No Loan Party has received written notice of any violation of any Laws, or any unsatisfactory results of an inspection or audit of its manufacturing facilities or processes conducted by the FDA or other governmental authority, including any corresponding authority for the European Union.

(i) Borrower has obtained all applicable governmental approvals, including the FDA regulatory clearance to conduct clinical trials for its drug candidates in the United States and complies with all such regulatory guidelines.

4.7 No Conflicts. The execution and delivery of this Agreement and the other Loan Documents and the performance by the Loan Parties of their obligations hereunder and thereunder do not and will not contravene, breach or result in any default under the articles or certificate of incorporation, by-laws, articles of association or other organizational documents of any Loan Party, any material agreement or instrument to which any Loan Party is a party or to which any Loan Party is subject, any judgment, decree or order binding any Loan Party or the property or assets of any Loan Party or any Law in any material respect.

4.8 Litigation. There are no actions, suits, arbitrations, administrative hearings or other proceedings pending, or, to the knowledge of each Loan Party, threatened (in writing), against or affecting any Loan Party or any of its property at law or in equity, or before any arbitrator or Governmental Body that, if determined adversely to any Loan Party would be reasonably expected to have a Material Adverse Effect, or which involve the validity or enforceability of any of the Loan Documents. To each Loan Party's knowledge, no Loan Party is subject to any order, writ, injunction, decree or demand of any court or any governmental authority that, if determined adversely to any Loan Party, would reasonably be expected to have a Material Adverse Effect.

4.9 Financial Statements. The internally prepared financial statements of Borrower dated June 30, 2021, which have been delivered to Lender, are true and correct in all material respects and have been prepared on the basis of GAAP (consistently applied), subject only to the absence of footnotes, and fairly present the financial condition of Borrower as of the date(s) thereof and the statements of income and retained earnings and statements of cash flows present fairly the results of operations and cash flows of Borrower for the periods set forth therein.

4.10 Other Agreements; No Defaults. No Loan Party is a party to any indenture, loan or credit agreement, lease or other agreement or instrument, or subject to any restriction under its articles of incorporation or articles of organization (as applicable) or bylaws or operating agreement (as applicable), that would reasonably be expected to have a Material Adverse Effect. No Loan Party is in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument material to its business to which it is a party, including, but not limited to, this Agreement and the other Loan Documents, and, to each Loan Party's knowledge, no other default or event has occurred and is continuing that with notice or the passage of time or both would constitute a default or event of default under any of same.

4.11 Compliance with Law. Each Loan Party has obtained all material licenses, permits and approvals and authorizations necessary or required in order to conduct its business and affairs as heretofore conducted and as hereafter intended to be conducted. Each Loan Party is in compliance with all laws, regulations, decrees and orders applicable to it (including but not limited to laws, regulations, decrees and orders relating to the environmental, occupational and health standards and controls, antitrust, monopoly, restraint of trade or unfair competition), except to the extent that any noncompliance, in the aggregate, would not reasonably be expected to have a Material Adverse Effect. No Loan Party has received any written correspondence or written notice from the FDA or any other federal, state or local authority with regard to any product or the manufacture, processing, packaging or holding thereof, or any comparable written correspondence from any foreign counterpart of the FDA, or any comparable written correspondence from any foreign counterpart of any federal, state or local authority with regard to any product or the manufacture, processing, packing, or holding thereof in each case that would be reasonably expected to have a Material Adverse Effect.

4.12 Taxes. Each Loan Party has filed or caused to be filed all federal and state income tax returns and other material tax returns that are required to be filed (except for returns that have been appropriately extended), and has paid, or will pay, all taxes shown to be due and payable on said returns and all other taxes, impositions, assessments, fees or other charges imposed on it by any Governmental Body, in each case prior to any delinquency with respect thereto (other than taxes, impositions, assessments, fees and charges currently being contested in good faith by appropriate proceedings, for which appropriate amounts have been reserved in accordance with GAAP). No tax Liens have been filed against any Loan Party or any of its property.

4.13 Certain Transactions. Except with respect to the Loan and as otherwise set forth on Schedule 4.13, no Loan Party is indebted, directly or indirectly, to any of its shareholders, members, managers, officers or directors or to their respective spouses or children, in any amount whatsoever, and none of said shareholders, members, managers, officers or directors or any members of their immediate families, are indebted to any Loan Party or have any direct or indirect ownership interest in any firm or corporation with which any Loan Party has a business relationship, or any firm or corporation which competes with any Loan Party, except that shareholders, members, managers, officers or directors of any Loan Party may own no more than 4.9% of outstanding stock of publicly traded companies which may compete with any Loan Party. Except as set forth on Schedule 4.13 or as permitted by Section 6.6, no shareholders, members, managers, officers or directors or any member of their immediate families, or any Affiliate of any of the foregoing, is party to any material contract with any Loan Party. No Loan Party is a guarantor or indemnitor of any Indebtedness of any other person, firm, corporation or other legal entity.

4.14 Statements Not False or Misleading. No representation or warranty given as of the date hereof by any Loan Party contained in this Agreement or any schedule attached hereto or any statement in any document, certificate or other instrument furnished or to be furnished by any Loan Party to Lender pursuant hereto, taken as a whole, contains or will (as of the time so furnished) contain any untrue statement of a material fact, or omits or will (as of the time so furnished) omit to state any material fact which is necessary in order to make the statements contained therein not materially misleading (it being recognized by Lender that any projections and forecasts provided by Borrower are based on good faith estimates and assumptions believed by Borrower to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

4.15 Margin Regulations. No Loan Party is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds received pursuant to this Agreement will be used to purchase or carry any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

4.16 Material Contracts. Schedule 4.16 is a complete and correct list of all contracts, agreements and other documents as of the date hereof pursuant to which any Loan Party receives revenues in excess of $100,000 per fiscal year or has committed to make expenditures in excess of $100,000 per fiscal year or the breach or termination of which would reasonably be expected to have a Material Adverse Effect. Each such contract, agreement and other document is in full force and effect as of the date hereof.

4.17 Environment. None of the Loan Parties has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against any Loan Parties or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as would not reasonably be expected to result in a Material Adverse Effect. None of the Loan Parties has knowledge of any facts which would reasonably be expected to give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as would not reasonably be expected to result in a Material Adverse Effect. None of the Loan Parties has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that would reasonably be expected to result in a Material Adverse Effect. All buildings on all real properties now owned, leased or operated by the Loan Parties are in compliance with applicable Environmental Laws, except where failure to comply would not reasonably be expected to result in a Material Adverse Effect.

4.18 Fees/Commissions. No Loan Party has agreed to pay any finder's fee, commission, origination fee or other fee or charge to any person or entity with respect to the Loan and investment transactions contemplated hereunder.

4.19 ERISA. If a Loan Party has in effect a Plan (as defined below) or Title IV Plan (as defined below), such Loan Party has operated and administered each Plan and Title IV Plan in compliance in all material respects with all applicable laws, including the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended (the "Code"). Neither a prohibited transaction (as defined under ERISA or the Code) nor a breach of fiduciary duty has occurred with respect to any Plan. Each Plan that is intended to be a tax-qualified plan within the meaning of Section 401(a) of the Code is in compliance in all material respects with the applicable requirements of the Code. With respect to any Title IV Plan, neither Loan Parties nor any ERISA Affiliate (as defined below) have incurred a reportable event with respect to any Title IV Plan; no notice of intent to terminate a Title IV Plan has been filed nor has any Title IV Plan been terminated; no circumstances exist which constitute grounds for the Pension Benefit Guaranty Corporation ("PBGC") to institute proceedings to terminate a Title IV Plan nor has the PBGC instituted any such proceeding or for the appointment by the appropriate United States District Court of a trustee to administer the Plan or Title IV Plan; Loan Parties (as applicable) and each ERISA Affiliate have met all minimum funding requirements for any Title IV Plan and the assets of such plan are not less than the present value of all benefits accrued under such plan as of the most recent valuation date determined on a termination basis under Title IV of ERISA. Neither Loan Parties nor any ERISA Affiliate have completely or partially withdrawn from a multiemployer plan (as defined in ERISA) nor do they have any withdrawal liability with respect to such multiemployer plans. No Loan Party has any liability for post-employment healthcare or life insurance benefits, except for the continuation coverage mandated by Section 4980B of the Code. For purposes of this Agreement, the following terms shall be defined as follows: "Plan" means any employee benefit plan as defined in Section 3(3) of ERISA; "Title IV Plan" means any employee pension benefit plan subject to the provisions of Title IV of ERISA; and "ERISA Affiliate" means any person or entity that was or is required to be treated as a single employer with any Loan Party under section 414 of the Code. Except as set forth on Schedule 4.19, no Loan Party currently has a Plan or Title IV Plan in effect.

4.20 Title to Properties. Each Loan Party has good, indefeasible and insurable title to, or valid leasehold interests in, all of its real properties and has good title to or valid leasehold interests in, or valid rights under contract to use, its other tangible personal property assets used in or reasonably necessary for the conduct of Loan Parties' business, free and clear of all Liens other than Permitted Liens (as hereinafter defined). Each Loan Party has the full authority to transfer and grant a security interest in the Collateral hereunder free and clear of any Lien, charge, encumbrance or security interest whatsoever, except for the Permitted Liens. Each Loan Party and its Subsidiaries enjoy peaceful and undisturbed possession under all leases material to their business and to which they are parties or under which they are operating, and all of such material leases are valid and subsisting and no material default by the applicable Loan Party exists under any of them. No Loan Party has fee simple ownership interest in any real property.

4.21 Material Adverse Effect. Since December 31, 2020, no event has occurred which has resulted or which any Loan Party reasonably believes would be expected to result in a Material Adverse Effect.

4.22 Reserved.

4.23 Registration Rights. No Loan Party is under any obligation to register under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, any of its presently outstanding securities or any of its securities that may subsequently be issued.

4.24 Employees. No Loan Party has any labor problems or disputes that have resulted in, or that such Loan Party reasonably believes would be expected to have, a Material Adverse Effect. Each Loan Party is in compliance in all material respects with all applicable laws respecting employment, employment practices, wages and hours, payment for vacation and overtime, and immigration matters.

4.25 Reserved.

4.26 Financial Solvency. No Loan Party is entering into the arrangements contemplated by this Agreement and the other Loan Documents with actual intent to hinder, delay or defraud either present or future creditors. On and as of the date hereof on a pro forma basis after giving effect to the transactions contemplated by the Loan Documents, (i) the Loan Parties taken as a whole are solvent, able to pay their debts (including trade debts) as they mature in the ordinary course of business, have capital sufficient to carry on their business and all businesses in which it is about to engage and (ii) the fair present saleable value of the assets, calculated on a going concern basis, of the Loan Parties, taken as a whole, is in excess of the amount of the liabilities of the Loan Parties.

4.27 Location of Properties, Names, Places of Business. The only jurisdictions in which each Loan Party maintains any tangible personal property or carries on business are as listed in Schedule 4.27. All billings for the supply of goods and services by any Loan Party are made from, and require payment to be made to, the chief executive office of such Loan Party and each such chief executive office is listed on Schedule 4.27. The exact legal name of each Loan Party on its articles of organization as filed with the jurisdiction of its organization is set forth on Schedule 4.27 along with its jurisdiction of organization. Except as set forth on Schedule 4.27, no Loan Party has, during the five years preceding the date of this Agreement, been known as or used any other company, trade or fictitious name, nor acquired all or substantially all of the assets, equity interests or operating units of any person. No Loan Party has, during the five years preceding the date of this Agreement, had a business location at any address other than addresses set forth on Schedule 4.27. Schedule 4.27 sets forth all real property owned or leased by any of the Loan Parties as of the Closing Date.

4.28 Sanctions. (i) No Loan Party nor any of its Subsidiaries is in violation of any of the country or list based economic and trade sanctions administered and enforced by any Sanctions Authority, (ii) no Loan Party nor any of its Subsidiaries (A) is a Sanctioned Person or a Sanctioned Entity, (B) has its assets located in Sanctioned Entities, or (C) derives revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities, (iii) no proceeds of any loan made hereunder will be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity, (iv) each Loan Party and each of its respective Subsidiaries conducts its businesses in compliance with applicable Anti-Corruption Laws, (v) the operations of each Loan Party and each of its respective Subsidiaries are, and have been, conducted at all times in compliance with applicable Anti-Money Laundering Laws, and (vi) no litigation, regulatory or administrative proceedings of or before any court, tribunal or agency with respect to any Anti-Money Laundering Laws have been started or threatened against any Loan Party or any of its respective Subsidiaries. As used herein, "Sanctions Authority" means the United Nations Security Council, the European Union, OFAC or the governmental institutions and agencies of any other relevant jurisdiction; "Sanctioned Entities" means (1) a country or a government of a country, (2) an agency of the government of a country, (3) an organization directly or indirectly controlled by a country or its government, (4) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by any Sanctions Authority; "Sanctioned Persons" means a person (1) whose name is listed on, or is owned or controlled by a person whose name is listed on, or acting on behalf of a person whose name is listed on, any Sanctions List, (2) that is incorporated under the laws of, or owned or controlled by, or acting on behalf of, a person incorporated under the laws of, a country or territory that is the target of country-wide or territory-wide Sanctions, or (3) that is otherwise the target of sanctions administered and enforced by any Sanctions Authority; "Sanctions List" means the "Specially Designated Nationals and Blocked Persons" list administered and enforced by OFAC, the "Financial Sanctions: Consolidated List of Targets" administered and enforced by HMT, or any similar applicable list administered and enforced by any Sanctions Authority, in each case as amended, supplemented or substituted from time to time; "Anti-Corruption Laws" means the U.S. Foreign Corrupt Practices Act of 1977 and any similar applicable laws or regulations in any jurisdiction in which any Loan Party or any member of its Affiliates is located or doing business that relate to bribery or corruption; and "Anti-Money Laundering Laws" means applicable laws or regulations in any jurisdiction in which any Loan Party or any member of its Affiliates is located or doing business that relate to money laundering or financial record keeping and reporting requirements.

4.29 Security Interests. The security interests granted to Lender under Article 3 of this Agreement are validly created, and the Loan Parties have taken, or will take, such actions as are necessary to give Lender a perfected security interest therein in accordance with the terms of the Loan Documents.

4.30 Interrelatedness of Loan Parties. To the extent there is more than one Loan Party, the business operations of each Loan Party are interrelated and complement one another, and such entities, if applicable, have a common business purpose, with intercompany bookkeeping and accounting adjustments used to separate their respective properties, liabilities and transactions. To permit their uninterrupted and continuous operations, such entities, if applicable, now require and will from time to time hereafter require funds and credit accommodations for general business purposes. The proceeds of the Loan will directly or indirectly benefit each Loan Party hereunder, severally and jointly, regardless of which Loan Party requests or receives part or all of the proceeds of such advances.

4.31 Patriot Act. To the extent applicable, each Loan Party is in compliance, in all material respects, with the (i) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the "Patriot Act"). No part of the proceeds of the loans made hereunder will be used by any Loan Party or any of their Affiliates, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of (x) the United States Foreign Corrupt Practices Act of 1977, as amended, or (y) other similar legislation in other relevant jurisdictions.

4.32 Governmental Regulations. No Loan Party nor any of its Subsidiaries is subject to regulation under the Federal Power Act or the Investment Company Act of 1940 or under any other Law which limits its ability to incur Indebtedness or which otherwise renders all or any portion of the Obligations unenforceable. No Loan Party nor any of its Subsidiaries is a "registered investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

Article 5
Affirmative Covenants

Each Loan Party covenants and agrees with Lender as follows:

5.1 Payment of Obligations. Borrower shall pay the indebtedness evidenced by the Notes according to the terms thereof, and Loan Parties shall timely pay or perform, as the case may be, all of the Obligations of Loan Parties to Lender, together with interest thereon, and any extensions, modifications, consolidations and/or renewals thereof and any notes given in payment thereof.

5.2 Financial Statements and Reports. Loan Parties shall furnish to Lender:

(a) as soon as practicable and in any event within 120 days after the end of Borrower's fiscal year, an unaudited, consolidated balance sheet of Borrower and its Subsidiaries as of the close of such fiscal year, an unaudited, and consolidated statement of operations and shareholders' or owners' equity of Borrower and its Subsidiaries as of the close of such fiscal year of Borrower and its Subsidiaries for such fiscal year, prepared in accordance with GAAP, consistently applied and accompanied by a compliance certificate, in the form attached as Exhibit C (the "Compliance Certificate"), executed by the President, Chief Executive Officer or Chief Financial Officer of each Loan Party, stating that to the best knowledge of such officer, no Default or Event of Default has occurred and is continuing (or if an Event of Default has occurred and is continuing, specifying the nature of same, the period of existence of same and the action Borrower proposes to take in connection therewith).

(b) as soon as available and in any event within 45 days after the end of each fiscal quarter (including the fiscal quarter ending December 31 of each year) (i) the consolidated balance sheet of Borrower and its Subsidiaries as of the end of such fiscal quarter and the related statements of operations, and shareholders' or owners' equity, setting forth in each case comparisons to the annual budget and to the corresponding period in the preceding year, and (ii) a Compliance Certificate of the President, Chief Executive Officer or Chief Financial Officer of each Loan Party, stating that to the best knowledge of such officer, no Default or Event of Default has occurred and is continuing (or if an Event of Default has occurred and is continuing, specifying the nature of same, the period of existence of same and the action Borrower proposes to take in connection therewith);

(c) [reserved]; and

(d) with reasonable promptness, such other financial data, including without limitation, accounts receivable agings, as Lender may reasonably request. Without Lender's prior written consent, no Loan Party shall materially modify or change any accounting policies or procedures or its financial reporting practices, including such Loan Party's fiscal year, in effect on the date hereof, unless such modification or amendment is required by a Governmental Body or is recommended by GAAP. Each Loan Party hereby agrees to amend the Loan Documents as needed to preserve the original intent of the parties in the event any such changes to the accounting policies or procedures would have an effect on any calculation required by the Loan Documents.

5.3 Maintenance of Books and Records; Inspection. Each Loan Party shall maintain its books, accounts and records in accordance with GAAP consistently applied, and after reasonable notice from Lender, permit Lender, its officers and employees and any professionals designated by Lender in writing, at such Loan Party's expense, to visit and inspect any of its properties, company books and financial records, and to discuss its accounts, affairs and finances with such Loan Party or its principal officers during reasonable business hours, all at such times as Lender may reasonably request; provided that Borrower shall not be required to pay for more than one (1) such inspection per fiscal year unless an Event of Default has occurred and is continuing.

5.4 Insurance. Each Loan Party shall maintain and deliver evidence to Lender of such insurance as is reasonably required by Lender, written by insurers, in amounts and with lender's loss payable, mortgagee, additional insured and other endorsements reasonably satisfactory to Lender. All premiums with respect to such insurance shall be paid by each Loan Party as and when due. Upon the written request of Lender, accurate and complete copies of such policies shall be delivered to Lender. If any Loan Party fails to comply with this Section, Lender may (but shall not be required to) procure such insurance and endorsements insuring the assets of the Loan Parties and pay such premiums as Lender deems advisable. Each Loan Party irrevocably makes, constitutes and appoints Lender as such Loan Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims upon the occurrence and during the continuance of an Event of Default. After deducting all reasonable and out-of-pocket costs and expenses (including reasonable attorney's fees actually incurred) of Lender, all insurance proceeds shall be applied toward payment of the Obligations; provided that, with the consent of Lender, insurance proceeds may be applied toward replacing or restoring the subject Collateral, in a manner and on terms satisfactory to Lender. Any proceeds applied to the payment of the Obligations shall be applied in the manner set forth in Section 8.4. In no event shall such application relieve such Loan Party from payment in full of all installments of principal and interest under the Notes. Until the Obligations have been fully satisfied and any obligations of Lender to make further advances hereunder have terminated, Lender's security interest in the Collateral shall continue in full force and effect.

5.5 Taxes and Assessments. Each Loan Party shall (a) file all federal and state income and other material tax returns and appropriate schedules thereto that are required to be filed under applicable law, prior to the date of delinquency, including any permissible extensions, (b) pay and discharge all taxes, assessments and governmental charges or levies imposed upon it upon its income and profits or upon any properties belonging to it, prior to the date on which penalties attach thereto, and (c) pay all taxes, assessments and governmental charges or levies that, if unpaid, would reasonably be expected to become a Lien or charge upon any of the Collateral; provided, however, that any Loan Party in good faith may contest any such tax, assessment, governmental charge or levy described in the foregoing clauses (b) and (c) so long as appropriate reserves in accordance with GAAP are maintained with respect thereto.

5.6 Legal Existence. Each Loan Party shall maintain its corporate existence, rights and privileges, and good standing (or equivalent designation) in the jurisdiction of its organization, and its qualification and good standing as a foreign entity in each jurisdiction in which such qualification is necessary pursuant to applicable law (other than, solely with respect to foreign qualifications, such jurisdictions in which the failure to be qualified or in good standing would not reasonably be expected to have a Material Adverse Effect). No Loan Party shall change its jurisdiction of organization.

5.7 Compliance with Law and Agreements. Each Loan Party will maintain its business operations and property owned or used in connection therewith in compliance with (i) in all material respects, all applicable Laws governing such business operations and the use and ownership of such property, and (ii) all agreements, licenses, franchises, indentures, mortgages and deeds of trust to which such Loan Party is party or by which any Loan Party or any of its properties are bound, except in each case of (ii), where failure to do so would not be reasonably expected to cause a Material Adverse Effect. Each Loan Party has all of the governmental approvals necessary for the performance by Loan Parties of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Lender. Loan Parties shall promptly provide copies of any such obtained governmental approvals to Lender upon Lender's written request therefor.

5.8 Notice of Default. Loan Parties shall give written notice to Lender of the occurrence of any Default or Event of Default under this Agreement or any other Loan Document promptly, and in any event within five (5) Business Days after such Loan Party (or any authorized officer of such Loan Party) obtains actual knowledge thereof, upon the occurrence thereof.

5.9 Notice of Material Events. Loan Parties shall promptly, and in any event within five (5) Business Days after such Person (or any authorized officer of such Person) receives written notice or otherwise obtains actual knowledge thereof, give written notice to Lender of (a) any actions, suits or proceedings, instituted by any persons whomsoever against any Loan Party or affecting any of the assets of such Loan Party wherein the amount at issue exceeds $100,000, (b) any dispute, not resolved within 60 days of the commencement thereof, between any Loan Party on the one hand and any Governmental Body on the other hand, which would reasonably be expected to result in a Material Adverse Effect, (c) receipt by any Loan Party of any adverse determination by the FDA that would reasonably be expected to result in a fine, penalty or similar payment in excess of $100,000 or would reasonably be expected to result in a Material Adverse Effect, (d) receipt by any Loan Party of any written correspondence by any Governmental Body alleging material non-compliance with applicable Laws, and (e) any Loan Party becoming subject to any written complaint filed with or submitted to any Governmental Body having jurisdiction over such Loan Party or filed with or submitted to such Loan Party pursuant to their policies relating to the filing or submissions of such types of complaints, from employees, independent contractors, vendors, physicians, or any other Person that would indicate that such Loan Party has violated any Law in any material respect.

5.10 Conduct of Business; Name; Location. Each Loan Party will continue to engage in a business of the same general type and manner as conducted by it on the date of this Agreement. Without Lender's prior written consent (which consent will not be unreasonably withheld), no Loan Party shall modify or change any terms or conditions of any material contracts and/or agreements to which Loan Party is a party on the date hereof in any manner that would reasonably be expected to have a Material Adverse Effect. Without 30 days' prior written notice to Lender, no Loan Party shall change its legal name, location of any Collateral or chief executive office. In the event any Loan Party makes a change of its legal name, location of any Collateral or chief executive office, such Loan Party authorizes Lender to file such financing statements and amendments or continuations thereof and any other documents that Lender may deem appropriate to evidence, continue, and/or perfect any security interest in or pledge of Collateral securing the Loans.

5.11 ERISA Plans. If any Loan Party has in effect, or hereafter institutes, a Plan or Title IV Plan, then the following warranties and covenants shall be applicable during such period as to any such Plan or Title IV Plan that shall be in effect: (a) each Loan Party hereby covenants that throughout the existence of the Plan or Title IV Plan, such Loan Party's contributions under the Plan or Title IV Plan will meet the minimum funding standards required by ERISA and such Loan Party will not institute a distress termination of the Plan or Title IV Plan; and (b) each Loan Party covenants that it will send to Lender a copy of any notice of a reportable event (as defined in ERISA) required by ERISA to be filed with respect to the Plan or Title IV Plan with the Labor Department or PBGC, at the time that such notice is so filed.

5.12 Environment. Each Loan Party shall be and remain in compliance in all material respects with the provisions of all applicable Environmental Laws; promptly notify Lender of any written notice of a hazardous discharge or environmental complaint received from any Governmental Body or any other party; notify Lender immediately of any hazardous discharge from or affecting its premises; immediately contain and remove the same, in material compliance with all applicable laws; timely pay any fine or penalty assessed in connection therewith; permit Lender to inspect the premises and to inspect all books, correspondence, and records pertaining to any such condition or complaint; and at Lender's request, and at such Loan Party's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to Lender, and such other and further assurances reasonably satisfactory to Lender that the condition has been corrected.

5.13 Protection of Intellectual Property Rights.

(a) Each Loan Party shall (i) protect, defend and maintain the validity and enforceability of its material Intellectual Property; (ii) promptly advise Lender in writing of material infringements or any other event that would reasonably be expected to materially and adversely affect the value of its Intellectual Property; and (iii) not allow any owned Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Lender's written consent.

(b) If any Loan Party (i) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, or (ii) applies for any Patent or the registration of any Trademark, then Borrower shall provide prompt written notice thereof to Lender and the Loan Parties shall execute such intellectual property security agreements and other documents and take such other actions as Lender may request in its commercially reasonable discretion to perfect and maintain a first priority perfected security interest in favor of Lender in such property, and the Loan Party shall record such intellectual property security agreement with the United States Patent and Trademark Office promptly upon Lender's request therefor. If any Loan Party intends to register any Copyrights or mask works in the United States Copyright Office, the Loan Parties shall: (x) provide Lender with prompt written notice of such Loan Party's registration of such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) if requested by Lender, execute an intellectual property security agreement and such other documents and take such other actions as Lender may request in its reasonable discretion to perfect and maintain a first priority perfected security interest in favor of Lender in such Copyrights or mask works; and (z) record such intellectual property security agreement with the United States Copyright Office promptly upon Lender's request therefor. Each Loan Party shall promptly provide to Lender copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, together with evidence of the recording of the intellectual property security agreement required for Lender to perfect and maintain a first priority perfected security interest in such property.

(c) Provide written notice to Lender within ten (10) days of entering or becoming bound by any material Patent License, Trademark License or Copyright License with respect to which any Loan Party is the licensee (a) that prohibits or otherwise restricts any Loan Party from granting a security interest in, or a fixed or floating charge over, such Loan Party's interest in such Patent License, Trademark License or Copyright License, or (b) for which a default under or termination of would reasonably be expected to interfere with Lender's right to sell any Collateral (each such agreement a "Restricted License") (other than off-the-shelf or click-wrap software that is commercially available to the public). Each Loan Party shall take such steps as Lender reasonably requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any Restricted License to be deemed "Collateral" and for Lender to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Lender to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Lender's rights and remedies under this Agreement and the other Loan Documents; provided that, with respect to Patent Licenses, Trademark Licenses or Copyright Licenses pursuant to collaborations or other strategic transactions with third parties in the ordinary course of business, Lender shall agree to customary non-disturbance terms.

5.14 Further Assurances; Power of Attorney. Upon the request of Lender, each Loan Party shall execute any and all documents which are deemed by Lender from time to time to be reasonably necessary or desirable in perfecting the security interests granted herein or otherwise effectuating the transactions contemplated herein. Each Loan Party hereby constitutes Lender or its designee, as its attorney-in-fact with power, upon the occurrence and during the continuance of an Event of Default, to endorse its name upon any notes, acceptances, checks, drafts, money orders, or other evidences of payment or Collateral that may come into either its or Lender's possession; to sign its name on any invoice or bill of lading relating to any of the accounts receivable, drafts against customers, assignments and verifications of accounts receivable and notices to customers; to send verifications of accounts receivable; and to execute any of the documents in order to perfect and/or maintain the security interests and liens granted herein by it to Lender. This power being coupled with an interest is irrevocable until all of the Obligations are paid in full and any and all promissory notes executed in connection therewith are terminated and satisfied.

Article 6
Negative Covenants

6.1 Dividends, Distributions, etc. Without the prior written consent of Lender, no Loan Party shall (a) declare or pay (directly or indirectly) any dividend or distribution of any kind, (b) purchase, redeem, retire or otherwise acquire for value any shares of such stock, (c) make any distribution of any kind in cash or property in respect thereof, (d) make any return of capital of shareholders or members, (e) make any payments in cash or property in respect of any stock options, stock bonus or similar plan, or (f) grant any preemptive rights with respect to the capital stock or membership interest, as applicable, of any Loan Party; provided, however, that (i) as long as a Loan Party is included as a member of a consolidated group of companies filing consolidated tax returns for income tax purposes, such Loan Party shall be permitted to make distributions to Borrower in an amount equal to the tax liability that such group incurs as a result of including such Loan Party in such group, and (ii) as long as no Event of Default has occurred and is continuing, the Loan Parties may repurchase securities from former employees, officers, directors, consultants or other persons who performed services for a Loan Party in connection with the cessation of such employment or service, pursuant to agreements under which such Loan Party has the option to repurchase such shares upon the occurrence of such events.

6.2 Guaranties; Loans. Except to the extent constituting Permitted Debt, without the prior written consent of Lender, no Loan Party shall guarantee nor be liable in any manner, whether directly or indirectly, or be contingently liable in connection with the obligations or Indebtedness of any person or entity whatsoever, except for the endorsement of negotiable instruments payable to any Loan Party for deposit or collection in the ordinary course of business. Without the prior written consent of Lender, no Loan Party shall make any loan, advance or extension of credit to any person.

6.3 Debt. Without the prior written consent of Lender, no Loan Party shall create, incur, assume or suffer to exist Indebtedness of any description whatsoever, excluding the following permitted Indebtedness ("Permitted Debt"):

(a) the indebtedness evidenced by the Notes;

(b) the endorsement of negotiable instruments payable to any Loan Party for deposit or collection in the ordinary course of business;

(c) any loan, advance or extension of credit by and between Loan Parties;

(d) the Indebtedness listed on Schedule 6.3 and any refinancings, refundings, renewals or extensions thereof (without shortening the maturity thereof, increasing the principal amount thereof or increasing the rate of interest thereon);

(e) Indebtedness consisting of financing of insurance premiums in the ordinary course of business;

(f) (i) obligations (contingent or otherwise) of the Loan Parties existing or arising in connection with endorsement of instruments for deposit in the ordinary course of business and (ii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within 30 days of incurrence; and

(g) additional unsecured Indebtedness of the Loan parties in an aggregate principal amount not to exceed $50,000 at any one time outstanding.

6.4 No Liens. Without the prior written consent of Lender, no Loan Party shall create, incur, assume or suffer to exist any Lien, security interest, security title, mortgage, deed of trust or other encumbrance upon or with respect to any of its assets, now owned or hereafter acquired, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens (as defined below), or enter into any agreement, document, instrument or other arrangement (except with or in favor of Lender) with any Person which directly or indirectly prohibits or has the effect of prohibiting any Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's Intellectual Property, except as otherwise permitted in Section 7.1 hereof and except the following permitted liens (the "Permitted Liens"):

(a) Liens in favor of Lender;

(b) Liens for taxes or assessments or other governmental charges or levies if not yet due and payable or are being contested in good faith by appropriate proceedings, for which appropriate amounts have been reserved in accordance with GAAP and so long as levy and execution thereon have been stayed and continue to be stayed;

(c) Liens made or incurred in the ordinary course of business to secure the performance of bids, tenders, contracts (other than for the borrowing of money), leases, statutory obligations or surety and performance bonds;

(d) Liens described on Schedule 6.4; provided, that to qualify as a Permitted Lien, any such lien described on Schedule 6.4 shall only secure the Indebtedness that it secures on the Closing Date;

(e) any interest or title of a lessor, sublessor, licensor or sublicensor under any lease or license entered into by the Borrower or any other Subsidiary in the ordinary course of its business in accordance with the terms of this Agreement and covering only the assets so leased or licensed;

(f) judgment Liens that do not constitute an Event of Default under Section 8.1(j) of this Agreement; and

(g) Liens in favor of collecting banks arising under Section 4-210 of the UCC or 4-208 of the UCC and customary rights of setoff, revocation, refund or chargeback under deposit agreements or under the UCC.

6.5 Mergers, Consolidations, Acquisitions and Sales.

(a) Without the prior written consent of Lender, no Loan Party shall (i) be a party to any merger, acquisition, consolidation or reorganization, in each case except for Permitted Acquisitions, (ii) purchase or otherwise acquire all or substantially all of the assets or equity interest of, or any partnership or joint venture, limited liability company or other equity interest in, any other person, firm or entity, in each case except for Permitted Acquisitions, (iii) sell, transfer, convey, lease or otherwise dispose of all or any of its assets or any interest therein (other than in accordance with the ROFR Agreement, the processing and sale of Borrower's inventory in the regular course of business and the sale of worn out or obsolete equipment), nor (iv) convey any of its assets to any Subsidiary that is not a Loan Party.

(b) In the event any Loan Party shall form or acquire a new Subsidiary, Loan Parties shall cause such Subsidiary to promptly (and in any event within 30 days of such formation or acquisition) execute and deliver to Lender (a) a Guaranty Agreement in favor of Lender, (b) a joinder agreement to this Agreement as a Guarantor and Loan Party, and (c) such other documents, opinions, certificates and other documents as Lender reasonably deems appropriate and take such other action (including, without limitation, authorizing the filing of such UCC financing statements and delivering certificates in respect of the equity interests of such Subsidiary) as shall be necessary or appropriate to establish, create, preserve, protect and perfect a first priority Lien (subject only to Permitted Liens) in favor of Lender on substantially all assets, both real and personal, in which such new Subsidiary has or may thereafter acquire any interest, as contemplated herein or in the other Loan Documents.

6.6 Transactions with Affiliates. No Loan Party shall enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate, except (i) in the ordinary course of and pursuant to the reasonable requirements of any Loan Party's business and upon fair and reasonable terms no less favorable to such Loan Party than it would obtain in a comparable arm's-length transaction with a person not an Affiliate or (ii) reasonable salaries and other reasonable director or employee compensation (including the issuance of equity interests of Borrower) and reasonable fees, indemnities and reimbursement of expenses to employees, consultants, officers and directors of the Borrower and its Subsidiaries, in each case in the ordinary course of business.

6.7 Subordinated Debt. No Loan Party shall (a) make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to the Obligations, except as expressly permitted by the subordination, intercreditor or other similar agreement to which such Subordinated Debt is subject.

6.8 Reserved.

6.9 Reserved.

6.10 Compliance. No Loan Party shall become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Loan for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail or permit any Subsidiary to fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation would reasonably be expected to have a Material Adverse Effect; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which would reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

6.11 Anti-Terrorism. Neither Loan Parties nor any of their Subsidiaries shall engage in any dealings or transactions prohibited by Section 2 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079(2001)), or be otherwise, to the knowledge of Loan Parties, associated with any such person in any manner violative of such Section 2 of such executive order.

6.12 Reserved.

6.13 Issuance of Membership Interests. No Loan Party shall, without the prior written consent of Lender, issue any Disqualified Stock. "Disqualified Stock" means any equity interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event, (a) matures or is mandatorily redeemable for any consideration other than other equity interest (which would not constitute Disqualified Stock), pursuant to a sinking fund obligation or otherwise, (b) is convertible or exchangeable for Debt or other equity interests that would constitute Disqualified Stock, (c) is redeemable for any consideration other than other equity interest (which would not constitute Disqualified Stock) at the option of the holder thereof, in whole or in part, except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loan and all other Obligations and the termination of Lender's commitment to lend, or (d) provides for scheduled payment of dividends in cash; provided, however, that if such equity interests are issued to any employee or to any plan for the benefit of employees of any Loan Party or by any such plan to such employees, such equity interests shall not constitute Disqualified Stock solely because they may be required to be repurchased by a Loan Party in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability.

6.14 Negative Pledge, Intellectual Property.

(a) Except pursuant to clause (a) of Section 6.4, no Loan Party shall create, incur, assume or suffer to exist any Lien on any of its Intellectual Property whether now owned or hereafter acquired or created and wherever located or any income, profits or proceeds therefrom, or file or consent to the filing or recording of any security agreement, financing statement or other notice of any Lien with respect to any Intellectual Property or the income, profits or proceeds therefrom.

(b) No Loan Party shall enter into any agreement with any party (other than this Agreement and the other Loan Documents) that limits the ability of any Loan Party to create, incur, assume or suffer to exist Liens on Intellectual Property whether now owned or hereafter acquired or created or any income, profits or proceeds therefrom.

Article 7
CONDITIONS TO CLOSING

7.1 Funding Term Loan. The obligation of Lender to fund the Loan is subject to the fulfillment, on or prior to the date hereof (the "Closing Date"), of each of the following conditions precedent:

(a) Loan Parties shall have performed and complied in all material respects with all of the covenants, agreements, obligations and conditions required by this Agreement.

(b) Lender shall have received:

(i) this Agreement, the Notes and the other Loan Documents, in each case, as executed and delivered by each Person that is a party thereto.

(ii) evidence satisfactory to Lender that the insurance policies and endorsements required by Section 5.4 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Lender;

(iii) the governing documents of the Loan Parties, executed by the applicable Loan Party and the members identified therein, each in form and substance satisfactory to Lender and with such amendments as are necessary to give effect to the transactions contemplated by this Agreement, and copies of the publicly filed organizational documents of each Loan Party, certified by the Secretary of State or other appropriate public official in the jurisdiction in which such Loan Party is organized;

(iv) copies of all company action taken by each Loan Party, including resolutions of its board of directors or similar governing body and shareholders of the Borrower if necessary, authorizing the execution, delivery and performance of this Agreement and the other Loan Documents;

(v) with respect to each Loan Party, (i) a good standing certificate of each Loan Party certified by the Secretary of State of Delaware and (ii) a good standing/foreign qualification certificate of each Loan Party certified by the Secretary of State (or equivalent agency) of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license, in the case of (i) and (ii), each as of a date no earlier than thirty (30) days prior to the Closing Date;

(vi) [reserved];

(vii) a certificate of an officer of each Loan Party with respect to its operating documents, incumbency and resolutions authorizing the execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(viii) satisfactory pay-off letters for all existing Indebtedness to be repaid from the proceeds of the Loan, confirming that all liens upon any of the property of the Loan Parties will be terminated concurrently with such payment and authorizing Lender to file terminations of any financing statements or other evidence of the liens granted thereunder;

(ix) legal opinions of Borrower's outside counsel, dated as of the Closing Date, in form and substance satisfactory to Lender;

(x) certified copies, dated as of a recent date, of such Lien searches as Lender may request, accompanied by written evidence (including any UCC termination statements and other Lien releases) that the Liens indicated in any such financing statements or other filings either constitute Permitted Liens or have been or, in connection with the Loan, will be terminated or released;

(xi) asset appraisals, third party acquisition proposals, license reviews, valuations, intellectual property reviews, individual background checks on management, insurance, and other due diligence analysis performed with respect to the Loan Parties, as well as other financial, legal, and accounting information related to, or impacting, the Loan Parties, in each case satisfactory to Lender; and

(xii) such other agreements, documents and consents as Lender may require.

(c) the representations and warranties in this Agreement shall be true, accurate and complete in all material respects on the funding date of the Loan; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Loan.

(d) Lender determines to its satisfaction that there has not been any material adverse change in (i) the financial and capital markets; (ii) the Borrower's business including the status of any intellectual property challenges and litigation, the ability of the Loan Parties or their Subsidiaries to perform their respective obligations under the loan documents, financial performance, operations, prospects, or condition of the assets of the Loan Parties; and (iii) the ability of the Lender to enforce the loan documents.

(e) Lender shall have completed its business, legal, financial, and collateral due diligence.

(f) Loan Parties shall have paid all expenses of Lender incurred in connection with the transactions evidenced by this Agreement and the other Loan Documents.

(g) On the Closing Date, Lender shall be the Borrower's sole senior secured creditor.

(h) All legal structures of the Loan Parties and the transactions contemplated herein shall be acceptable to Lender; and Lender shall be satisfied with the nature and status of all securities, labor, tax, litigation, environmental, reimbursement and FDA matters and other matters involving or affecting the Loan Parties.

Article 8
Default and Remedies

8.1 Events of Default. The occurrence of any of the following shall constitute an Event of Default hereunder:

(a) Default in the payment of the principal on the indebtedness evidenced by the Notes in accordance with the terms of the Notes;

(b) Default in the payment of interest on the indebtedness evidenced by the Notes in accordance with the terms of the Notes, and, except with respect to the payment due on the Maturity Date (which shall be an immediate Event of Default), such non-payment continues for three (3) Business Days after any such interest becomes due;

(c) Any misrepresentation by any Loan Party or any guarantor of the Loan as to any material matter hereunder or under any of the other Loan Documents, or delivery by any Loan Party of any schedule, statement, resolution, report, certificate, notice or writing to Lender that is untrue in any material respect on the date as of which the facts set forth therein are stated or certified;

(d) Failure of any Loan Party or any other guarantor of the Loan to perform any of its obligations, covenants or agreements or violates any covenant under (i) any of Sections 5.2, 5.3, 5.4, 5.6 (solely with respect to corporate existence), 5.8, 5.9, 5.13 or Article 6, or (ii) any other terms under this Agreement, the Notes or any of the other Loan Documents and, in the case of this clause (ii), such failure or violation continues for a period of thirty (30) days after the occurrence thereof, provided, however, that if the default cannot by its nature be cured within the thirty (30) day period or cannot after diligent attempts by the Loan Parties be cured within such thirty (30) day period, and such default is likely to be cured within a reasonable time, then the Loan Parties shall have an additional period (which shall not in any case exceed forty-five (45) days, unless otherwise agreed upon between the Loan Parties and Lender in writing) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default;

(e) The occurrence of any event or circumstances occurs that causes or could reasonably be expected to cause a Material Adverse Effect, as determined by Lender in its reasonable discretion;

(f) Any Loan Party (i) shall generally not pay or shall be unable to pay its debts as such debts become due, or (ii) shall make an assignment for the benefit of creditors or petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets, or (iii) shall commence any Insolvency Proceeding, or (iv) shall have had any such petition or application filed or any Insolvency Proceeding commenced against it that is not dismissed within 60 days, or (v) shall indicate, by any act or intentional and purposeful omission, its consent to, approval of or acquiescence in any such petition, application, Insolvency Proceeding or order for relief or the appointment of a custodian, receiver or trustee for it or a substantial part of its assets, or (vi) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 60 days or more;

(g) Any Loan Party shall be liquidated, dissolved, partitioned or terminated, or the charter or articles of incorporation or organization thereof shall expire or be revoked;

(h) Any Loan Party shall have defaulted and continue to be in default (a) in the timely payment of any other Indebtedness or obligation in accordance with its terms (including any notice or cure periods applicable thereto), which in the aggregate exceeds $100,000, or (b) in the timely performance of any covenant relating to any other Indebtedness or obligation, which in the aggregate exceeds $100,000, the effect of which default is to cause any or all of such Indebtedness or obligation to become due and payable in accordance with its terms prior to its stated maturity date, whether by declaration or otherwise;

(i) Any of the following events shall occur: (i) at any time, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of fifty percent (50.0%) or more of the ordinary voting power for the election of directors of Borrower (determined on a fully diluted basis); (ii) during any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of Borrower cease to be composed of individuals (A) who were members of that board or equivalent governing body on the first day of such period, (B) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (A) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (C) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (A) and (B) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or (iii) at any time, Borrower shall cease to own and control, of record and beneficially, directly or indirectly, one hundred percent (100.0%) of each class of outstanding equity interests of any of its Subsidiaries free and clear of all Liens (except Liens created by the Loan Documents);

(j) One or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments and orders) exceeding $100,000 (to the extent not covered by independent third-party insurance as to which the insurer is rated at least "A" by A.M. Best Company, has been notified of the potential claim and does not dispute coverage) has been entered into against any Loan Party and (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of ten (10) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect;

(k) Any of (i) the service of process seeking to attach, by trustee or similar process, any funds of any Loan Party or of any entity under the control of any Loan Party (including a Subsidiary), (ii) a notice of lien or levy is filed against any of any Loan Party's assets by any Governmental Body, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); (iii) any material portion of any Loan Party's assets is attached, seized, levied on, or comes into receiver, or (iv) any court order enjoins, restrains, or prevents any Loan Party from conducting all or any material part of its business;

(l) Any document, instrument, or agreement evidencing the subordinated status of any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect, any Person shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or any applicable subordination or intercreditor agreement;

(m) Any governmental approval (including DEA and FDA) and/or clearance for any drug candidates or any future products of any Loan Party that are FDA approved shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Body that designates a hearing with respect to any applications for renewal of any of such governmental approval or that would reasonably be expected to result in the Governmental Body taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) cause, or would reasonably be expected to cause, a Material Adverse Effect, or (ii) adversely affects the legal qualifications of any Loan Party or any of its Subsidiaries to hold such governmental approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal would reasonably be expected to affect the status of or legal qualifications of Borrower or any of its Subsidiaries to hold any governmental approval in any other jurisdiction; or

(n) The validity or enforceability of any Loan Document shall at any time for any reason be declared to be null and void, or a proceeding shall be commenced by a Loan Party or its Subsidiaries, or by any governmental authority having jurisdiction over a Loan Party or its Subsidiaries, seeking to establish the invalidity or unenforceability thereof, or a Loan Party or its Subsidiaries shall deny that such Loan Party or its Subsidiaries has any liability or obligation purported to be created under any Loan Document.

8.2 Acceleration of Maturity; Remedies. Upon (i) the occurrence of any Event of Default described in subsection 8.1(f), the Obligations as well as any and all other Indebtedness of any Loan Party to Lender shall be immediately due and payable in full; and (ii) the occurrence of, and during the continuance of, any other Event of Default described above, Lender at any time thereafter may accelerate the maturity of the indebtedness evidenced by the Notes as well as any and all other Indebtedness of any Loan Party to Lender; in each case without notice of any kind. Upon the occurrence of any such Event of Default and the acceleration of the maturity of the indebtedness evidenced by the Notes:

(a) Lender shall be immediately entitled to exercise any and all rights and remedies possessed by Lender pursuant to the terms of the Notes and all of the other Loan Documents.

(b) Lender shall have any and all other rights and remedies that Lender may now or hereafter possess at law, in equity or by statute, including realization of securities.

8.3 Remedies Cumulative; No Waiver. No right, power or remedy conferred upon or reserved to Lender by this Agreement or any of the other Loan Documents is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder, under any of the other Loan Documents or now or hereafter existing at law, in equity or by statute. No delay or omission by Lender to exercise any right, power or remedy accruing upon the occurrence of any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every right, power and remedy given by this Agreement and the other Loan Documents to Lender may be exercised from time to time and as often as may be deemed expedient by Lender.

8.4 Proceeds of Remedies. Any or all proceeds resulting from the exercise of any or all of the foregoing remedies shall be applied as set forth in the Loan Document(s) providing the remedy or remedies exercised, if none is specified, or if the remedy is provided by this Agreement, then as follows:

First, to the costs and expenses, including without limitation reasonable attorneys' fees and disbursements, incurred by Lender in connection with the exercise of its remedies;

Second, to the expenses of curing the default that has occurred, in the event that Lender elects, in its sole discretion, to cure the default that has occurred;

Third, to the payment of the Obligations, including, but not limited to, the payment of the principal of and interest on the indebtedness evidenced by the Notes, in such order of priority as Lender shall determine in its sole discretion; and

Fourth, the remainder, if any, to the applicable Loan Party or to any other person lawfully thereunto entitled.

Article 9
RESERVED

Article 10
PRO RATA TREATMENT

10.1 Pro Rata Treatment. If at any time there are two or more holders of Notes and any such holder (a "Benefited Lender") shall at any time receive any payment under such Benefited Lender's Note(s) (whether by set-off, exercise of subrogation rights, exercise of guaranty rights, or otherwise) in a greater proportion than its ratable share, such Benefited Lender shall deliver such excess payment ratably to the other holders of Notes and thereafter shall be deemed to have purchased for cash from such other holders such participations in the other holders' Notes as shall be necessary to cause the Benefited Lender to share excess payment ratably with the other holders; provided, however, that if all or any portion of such excess payment is thereafter recovered from the Benefited Lender, such purchase shall be rescinded, and the excess payment returned to the Benefited Lender to the extent of such recovery, but without interest. Lender agrees that each holder so purchasing a participation in another holder's Note(s) may, to the fullest extent permitted by law, exercise all rights of payment (including, but not limited to, rights of set-off, subrogation or guaranty) with respect to such participation so purchased as if such holder were the direct creditor of Lender in the amount of such participation.

Article 11
TERMINATION

11.1 Termination of This Agreement. This Agreement shall remain in full force and effect until the payment in full by Borrower of the Obligations, at which time Lender shall cancel the Notes and deliver them to Borrower; provided, however, that the indemnities provided in Section 12.16 shall survive the termination of this Agreement. Notwithstanding anything to the contrary herein, the liability of each Loan Party hereunder shall be reinstated and revised, and the rights of Lender shall continue, with respect to any amount at any time paid by or on behalf of any Loan Party on account of this Agreement or the other Loan Documents which Lender shall restore or return by reason of the bankruptcy, insolvency or reorganization of any Loan Party or for any other reasons, all as though such amount had not been paid.

Article 12
MISCELLANEOUS

12.1 Performance by Lender. Upon an Event of Default and the continuance thereof, Lender may cure the same, and all payments made or costs or expenses incurred by Lender in connection therewith (including, but not limited to, reasonable attorneys' fees), with interest thereon at the rate provided in this Agreement, shall be immediately repaid to Lender by Borrower and shall constitute a part of the Obligations. Lender shall be the sole judge of the necessity for any such actions and of the amounts to be paid.

12.2 Successors and Assigns Included in Parties. Whenever in this Agreement one of the parties hereto is named or referred to, the heirs, legal representatives, successors, successors-in-title and assigns of such parties shall be included in such name or reference, and all covenants and agreements contained in this Agreement by or on behalf of any Loan Party or by or on behalf of Lender shall bind and inure to the benefit of their respective heirs, legal representatives, successors-in-title and assigns, whether so expressed or not.

12.3 Costs and Expenses. Loan Parties agree to pay all reasonable and out-of-pocket costs and expenses incurred by Lender in connection with the making of the Loan, including but not limited to filing fees, recording taxes and reasonable attorneys' fees, promptly upon demand of Lender. Loan Parties further agree to pay all premiums for insurance required to be maintained by Loan Parties pursuant to the terms of the Loan Documents and all of the reasonable and out-of-pocket costs and expenses incurred by Lender in connection with the administration or collection of the Loan (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings), preparation, amendment or enforcement of the Loan Documents, or prepayment of the Loan, including but not limited to reasonable attorneys' fees, promptly upon (and in any event within five (5) Business Days after) demand of Lender. Loan Parties will pay all out-of-pocket costs of filing of financing, continuation and termination statements with respect to the security interests created hereby.

12.4 Assignment. The Notes, this Agreement and the other Loan Documents may be endorsed, assigned and/or transferred in whole or in part by Lender without the consent of Borrower; provided, however, that no such endorsement, assignment or transfer may be made to any Loan Party or any Affiliate of any Loan Party, and the assignor shall deliver to Borrower such assignee's agreement in writing to assume such assignor's obligations hereunder. Any such holder and/or assignee of the same shall succeed to and be possessed of the rights and powers of Lender under all of the same to the extent transferred and assigned. Lender may grant participations in all or any portion of its interest in the indebtedness evidenced by the Notes, and in such event each Loan Party shall continue to make payments due under the Loan Documents to Lender and Lender shall have the sole responsibility of allocating and forwarding such payments in the appropriate manner and amounts. No Loan Party shall assign any of its rights nor delegate any of its duties hereunder or under any of the other Loan Documents without the prior written consent of Lender.

12.5 Time of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of each Loan Party hereunder and under all of the other Loan Documents.

12.6 Severability. If any provision(s) of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

12.7 Interest and Loan Charges Not to Exceed Maximum Allowed by Law. Anything in this Agreement, the Notes or any of the other Loan Documents to the contrary notwithstanding, in no event whatsoever, whether by reason of advancement of proceeds of the Loan, acceleration of the maturity of the unpaid balance of the Loan or otherwise, shall the interest and other charges agreed to be paid to Lender for the use of the money advanced or to be advanced hereunder exceed the maximum amounts collectible under applicable laws in effect from time to time. It is understood and agreed by the parties that, if for any reason whatsoever the interest or loan charges paid or contracted to be paid by any Loan Party in respect of the indebtedness evidenced by the Notes shall exceed the maximum amounts collectible under applicable laws in effect from time to time, then ipso facto, the obligation to pay such interest and/or loan charges shall be reduced to the maximum amounts collectible under applicable laws in effect from time to time, and any amounts collected by Lender that exceed such maximum amounts shall be applied to the reduction of the principal balance of the indebtedness evidenced by the Notes and/or refunded to such Loan Party so that at no time shall the interest or loan charges paid or payable in respect of the indebtedness evidenced by the Notes exceed the maximum amounts permitted from time to time by applicable law.

12.8 Article and Section Headings. Numbered and titled article and section headings and defined terms are for convenience only and shall not be construed as amplifying or limiting any of the provisions of this Agreement.

12.9 Notices. Any and all notices, elections or demands permitted or required to be made under this Agreement shall be in writing, signed by the party giving such notice, election or demand and shall be delivered personally, or sent by certified mail or overnight via nationally recognized courier service (such as Federal Express), to the other party at the address set forth below, or at such other address as may be supplied in writing and of which receipt has been acknowledged in writing. The date of personal delivery or two (2) Business Days after the date of mailing (or the next business day after delivery to such courier service), as the case may be, shall be the date of such notice, election or demand. Lender or Borrower may, in its reasonable discretion, agree to accept notices and other communications to it hereunder by electronic communications (including email and internet or intranet websites) pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. For the purposes of this Agreement:

The address of Lender is:	Harrow Health, Inc. 102 Woodmont Blvd., Suite 610 Nashville, TN 37205 Attention: Andrew R. Boll Email:
with a copy to:	Waller Lansden Dortch & Davis, LLP 511 Union Street, Suite 2700 Nashville, Tennessee 37219 Attention: Elle McCulty Email:
The Address of Loan Parties is:	Melt Pharmaceuticals, Inc. 102 Woodmont Blvd., Suite 610 Nashville, TN 37205 Attention: Larry Dillaha Email:
with a copy to:	Bass, Berry & Sims PLC 150 Third Ave. S., Suite 2800 Nashville, Tennessee 37201 Attention: Katie D. Day Email:

12.10 Public Disclosure. Neither Lender nor Loan Parties shall make any public announcement regarding the existence of this Agreement, and the transactions contemplated hereby, without the other party's prior written consent, which consent may be withheld in the sole discretion of such party.

12.11 Entire Agreement. This Agreement and the other written agreements between Loan Parties and Lender represent the entire agreement between the parties concerning the subject matter hereof, and all oral discussions and prior agreements are merged herein; provided, if there is a conflict between this Agreement and any other document executed contemporaneously herewith with respect to the Obligations, the provision of this Agreement shall control. The execution and delivery of this Agreement and the other Loan Documents by Loan Parties were not based upon any fact or material provided by Lender, nor was any Loan Party induced or influenced to enter into this Agreement or the other Loan Documents by any representation, statement, analysis or promise by Lender.

12.12 Governing Law and Amendments. This Agreement shall be construed and enforced under the laws of the State of Delaware applicable to contracts to be wholly performed in such State. No amendment, modification, termination or waiver of any provision of any Loan Document to which any Loan Party is a party, nor consent to any departure by any Loan Party from any Loan Document to which it is a party, shall in any event be effective unless the same shall be in writing and signed by Lender; provided, however, that it is understood that the terms of the Notes may only be modified by the written consent of Lender and the Loan Parties.

12.13 Survival of Representations and Warranties. All representations and warranties contained herein or in any of the Loan Documents made by or furnished on behalf of Borrower in connection herewith or in any Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents.

12.14 Counterparts. This Agreement may be executed in any number of counterparts and by different parties to this Agreement in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

12.15 Construction and Interpretation. Should any provision of this Agreement require judicial interpretation, the parties hereto agree that the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be more strictly construed against the party that itself or through its agent prepared the same, it being agreed that each Loan Party, Lender and their respective agents have participated in the preparation hereof.

12.16 General Indemnification. Each Loan Party agrees to indemnify, defend and hold Lender and its Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of Lender and its Affiliates (each, an "**Indemnified Person**") harmless against: all losses, claims, damages, liabilities and related expenses (including cost and expenses of the type described in Section 12.3 and the reasonable fees, charges and disbursements of any counsel for any Indemnified Person) (collectively, "**Claims**") arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of hazardous materials on or from any property owned or operated by any Loan Party or any of their Subsidiaries, or any environmental liability related in any way to any Loan Party or any of their Subsidiaries, or (iv) any actual or reasonably likely prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower, and regardless of whether any Indemnified Person is a party thereto; provided that such indemnity shall not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person. All amounts due under this Section 12.16 shall be payable promptly after demand therefor.

12.17 Standard of Care; Limitation of Damages. Lender shall be liable to Loan Parties only for matters arising from this Agreement or otherwise related to the Obligations resulting from Lender's gross negligence or willful misconduct, and liability for all other matters is hereby waived. To the fullest extent permitted by Applicable Law, Borrower shall not assert, and hereby waives, any claim against any Indemnified Person, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) or any loss of profits arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, the Loan, or the use of the proceeds thereof. No Indemnified Person shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

12.18 Consent to Jurisdiction; Exclusive Venue. Each Loan Party hereby irrevocably consents to the jurisdiction of the United States District Court for the District of Delaware and of all Delaware state courts sitting in New Castle County, Delaware, for the purpose of any litigation to which Lender may be a party and which concerns this Agreement or the Obligations. It is further agreed that venue for any such action shall lie exclusively with courts sitting in New Castle County, Delaware, unless Lender agrees to the contrary in writing.

12.19 Waiver of Trial by Jury. LENDER AND LOAN PARTIES HEREBY KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COUNSEL WAIVE TRIAL BY JURY IN ANY ACTIONS, PROCEEDINGS, CLAIMS OR COUNTER-CLAIMS, WHETHER IN CONTRACT OR TORT OR OTHERWISE, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT OR THE LOAN DOCUMENTS.

12.20 Electronic Execution of Documents. The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

[Signatures begin on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, or have caused this Agreement to be executed by their duly authorized officers, as of the day and year first above written.

LENDER:

HARROW HEALTH, INC.

By: */s/ Andrew R. Boll*
Name: Andrew R. Boll
Title: Chief Financial Officer

[Signatures continue on next page]

LOAN PARTIES:

MELT PHARMACEUTICALS, INC.

By: */s/ Larry Dillaha*
Name: Larry Dillaha
Title: Chief Executive Officer

Index of Exhibits and Schedules

The schedules to this Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that Harrow may request confidential treatment of omitted items.

Exhibit A – Defined Terms
Exhibit B – Form of Compliance Certificate

Schedule 3.4 – Collateral Accounts
Schedule 4.2 – Subsidiaries
Schedule 4.5 – Capitalization Table
Schedule 4.6(a) – Intellectual Property
Schedule 4.6(b) – Intellectual Property
Schedule 4.6(c) – Intellectual Property
Schedule 4.6(f) – Intellectual Property
Schedule 4.13 – Certain Transactions
Schedule 4.16 – Material Contracts
Schedule 4.19 – ERISA Plans
Schedule 4.27 – Location of Properties; Names; Places of Business
Schedule 6.3 – Indebtedness
Schedule 6.4 – Liens

EXHIBIT A

DEFINED TERMS

"Acquisition" means any transaction, or any series of related transactions, by which any Person, directly or indirectly acquires any going concern or all or a substantial part of the assets or equity of any corporation, partnership or other Person or any division or location of any such Person, or any such Person or any division or location of any such Person becomes a Subsidiary of such Person.

"Affiliate" shall mean, with respect to any Person, (a) each Person (as hereinafter defined) that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, twenty-five percent (25%) or more of the capital stock or equity interests having ordinary voting power in the election of directors of such Persons, and (b) each Person that controls, is controlled by or is under common control with such Person (including any member of the senior management group of such Person). For the purpose of the definition of "Affiliate", "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; provided, however, that with respect to the Loan Parties, the term "Affiliate" shall specifically exclude Harrow and its Subsidiaries.

"Change in Law" shall mean the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any applicable Law; (b) any change in any applicable Law or in the administration, implementation, interpretation or application thereof by any Governmental Body; or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Body.

"Connection Income Taxes" shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"DEA" shall mean the U.S. Drug Enforcement Administration.

"Dollars," "dollars" or use of the sign "$" means only lawful money of the United States and not any other currency, regardless of whether that currency uses the "$" sign to denote its currency or may be readily converted into lawful money of the United States.

"Environmental Laws" shall mean all environmental, health, chemical use, safety and sanitation laws, statutes, ordinances and codes as well as common laws, relating to the protection of the environment or of human health (related to Hazardous Substances) and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Materials and the rules, regulations, orders and directives of any Governmental Body with respect thereto.

"Excluded Account" means any (a) deposit account or securities account used exclusively for payroll, employee benefits or employee taxes, the funds of which shall not exceed the amount required to pay the next payroll or other relevant cycle, (b) zero balance account, and (c) other accounts with an aggregate balance not to exceed $100,000.

"Excluded Taxes" shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of Lender with respect to an applicable interest in the Loan held by it pursuant to a law in effect on the date on which (i) Lender acquires such interest in the Loan (other than pursuant to an assignment request by Borrower) or (ii) Lender changes its lending office, except in each case to the extent that, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.2(f) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"FATCA" means Sections 1471, 1472, 1473 and 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), current or future United States Treasury Regulations promulgated thereunder and published guidance with respect thereto, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any applicable intergovernmental agreements with respect thereto.

"FDA" shall mean the U.S. Food and Drug Administration.

"Governmental Body" shall mean any nation or government, any state or other political subdivision thereof or any entity, authority, agency, division or department exercising the executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to a government (including any supra-national bodies such as the European Union or the European Central Bank), including the FDA and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board or any successor or similar authority).

"Hazardous Materials" shall mean any flammable explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as defined in or subject to regulation under Environmental Laws.

"Indebtedness" means as to any Person (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, or other financial products, (iii) all obligations of such Person as a lessee under capital leases which have been or should be recorded as liabilities on a balance sheet of such Person in accordance with GAAP, (iv) all obligations or liabilities of others secured by a lien on any asset of such Person, irrespective of whether such obligation or liability is assumed, provided that if such Person has not assumed or otherwise become liable for such obligation or liability, such obligation or liability shall be measured at the fair market value of such property securing such obligation or liability at the time of determination, (v) all obligations of such Person to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business not outstanding for more than 120 days after the date such payable was created), (vi) all monetary obligations of such Person owing under any hedge agreements, (vii) earnouts and similar liabilities of a Loan Party arising under an agreement to make any deferred payment as a part of the purchase price for an acquisition in an amount that is subject to or contingent upon the revenues, income, cash flow or profits (or the like) of the target of such acquisition, and (viii) any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of the foregoing clauses.

"Indemnified Taxes" shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to the execution, delivery, issuance or recording of any of the Loan Documents, or the creation or repayment of any of the Obligations hereunder and (b) to the extent not otherwise described in (a) above, Other Taxes.

"Insolvency Proceeding" is any proceeding by or against any Person under the United States Bankruptcy Code or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Intellectual Property" shall mean all intellectual property of any Loan Party of every kind and nature now owned or hereafter acquired by any Loan Party, including inventions, designs, Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses, trade secrets, confidential or proprietary technical and business information, clinical trial data and outputs, manufacturing data and outputs, other know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation and registrations, and all additions and improvements to any of the foregoing. For purposes of this definition:

(a) "Copyrights" shall mean (1) all registered copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (2) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office (or any successor office or any similar office in any other country), including those registered and pending copyrights listed on Schedule 4.6.

(b) "Copyright Licenses" shall mean any written agreement, now or hereafter in effect, granting any right to any third person under any registered copyright now or hereafter owned by any Loan Party or that such Loan Party otherwise has the right to license, or granting any right to any Loan Party under any registered copyright now or hereafter owned by any third person, and all rights of such Loan Party under any such agreement.

(c) "Patents" shall mean (1) all letters patent of the United States or the equivalent thereof in any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or the equivalent thereof in any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office (or any successor or any similar offices in any other country) and all continuing applications such as divisions, substitutions, extensions and continuation-in-part applications, including those listed on Schedule 4.6, and (2) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to exclude others from making, using and/or selling the inventions disclosed or claimed therein.

(d) "Patent Licenses" shall mean any written agreement, now or hereafter in effect, granting to any third person any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Loan Party or that any Loan Party otherwise has the right to license, is in existence, or granting to any Loan Party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third person, is in existence, and all rights of any Loan Party under any such agreement.

(e) "Trademarks" shall mean (1) all registered trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and applications for registration (other than intent-to-use applications) in the United States Patent and Trademark Office (or any successor office) or any similar offices in any State of the United States, and all extensions or renewals thereof, including those listed on Schedule 4.6, and (2) all goodwill associated therewith or symbolized thereby.

(f) "Trademark Licenses" shall mean any written agreement, now or hereafter in effect, granting to any third person any right to use any Trademark now or hereafter owned by any Loan Party or that any Loan Party otherwise has the right to license, or granting to any Loan Party any right to use any Trademark now or hereafter owned by any third person, and all rights of any Loan Party under any such agreement.

"Interest Rate" shall mean 12.5% per annum.

"Laws" shall mean, collectively, all international, foreign, federal, state, district and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Body charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Body, in each case whether or not having the force of law, and including applicable securities legislation. "Law" has a meaning correlative thereto.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, collateral assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or otherwise), security interest or other security arrangement and any other preference, priority or preferential arrangement of any kind or nature whatsoever, including the interest of a seller under any conditional sale contract or other title retention agreement, the interest of a lessor under a capital lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

"Material Adverse Effect" shall mean a material adverse effect on (i) the business operations, properties, assets or condition (financial or otherwise) of the Loan Parties taken as a whole; (ii) the ability of any Loan Party to fully and timely perform its Obligations; (iii) the legality, validity, binding effect, or enforceability against a Loan Party of a Loan Document to which it is a party; or (iv) the rights and remedies available to, or conferred upon, Lender.

*"*Maturity Date*"* means, the earlier of (a) September 1, 2022 (or if such date is not a Business Day, on the next Business Day after such date), and (b) the date on which the maturity date of the Loan accelerates after or upon an Event of Default.

"Obligations" as used herein shall refer to (a) the Loan to be made under this Agreement and any renewals, extensions, modifications or increases thereof (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any Insolvency Proceeding relating to Loan Parties, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), (b) the full and prompt payment and performance of any and all other amounts, indebtedness and other obligations of Loan Parties to Lender, direct or contingent (including but not limited to obligations incurred as endorser, guarantor or surety), however evidenced or denominated, and however and whenever incurred, in each case to the extent arising under this Agreement or any of the other Loan Documents and (c) all future advances made in accordance with this Agreement by Lender for taxes, levies, insurance and preservation of the Collateral (as hereinafter defined) and all reasonable attorneys' fees, court costs and expenses of whatever kind incident to the collection of any of said indebtedness or other obligations and the enforcement and protection of the security interest created hereby or by the other Loan Documents, in each case to the extent the Loan Parties have an obligation under this Agreement or the Loan Documents to indemnify or reimburse such amounts.

"Other Connection Taxes" shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in the Loan or any Loan Document).

"Other Taxes" shall mean all present or future stamp, court, documentary, excise, property, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to a request by a Lender).

"Permitted Acquisition" or "Permitted Acquisitions" is any Acquisition for which each of the conditions below is satisfied:

(a) no Default or Event of Default shall have occurred and be continuing or would result from the consummation of the proposed Acquisition;

(b) the entity or assets acquired in such Acquisition are in the same or similar line of business as Borrower is in as of the date hereof or reasonably related thereto;

(c) Borrower shall provide Lender with written notice of the proposed Acquisition at least ten (10) Business Days prior to the anticipated closing date of the proposed Acquisition, together with any available quarterly and annual financial statements and quality of earnings reports, and not less than five (5) Business Days prior to the anticipated closing date of the proposed Acquisition, copies of the acquisition agreement and all other material documents relative to the proposed Acquisition (or if such acquisition agreement and other material documents are not in final form, drafts of such acquisition agreement and other material documents; provided that Borrower shall deliver final forms of such acquisition agreement and other material documents promptly upon completion) and such other information as Lender may reasonably request;

(d) [Reserved];

(e) the Acquisition shall not constitute a hostile acquisition;

(f) the entity or assets acquired in such Acquisition shall not be subject to any Lien other than (x) the first-priority Liens granted in favor of Lender, if applicable and (y) Permitted Liens; and

(g) if such Acquisition is in the form of a merger by Borrower into another Person, Borrower is the surviving legal entity;

(h) if such Acquisition is in the form of a merger by a Subsidiary into another Person, one hundred percent (100%) of the outstanding and issued equity of the surviving legal entity shall be owned by Borrower or a Subsidiary;

(i) no Indebtedness shall be assumed by any Borrower in connection with such Acquisition other than Permitted Debt;

(j) the acquired entity (in the case of an acquisition of equity) will be a "United States Person" within the meaning of the Code immediately upon consummation of such Acquisition or the acquired assets (in the case of an acquisition of assets) will be located in the United States immediately upon consummation of such Acquisition; and

(k) the credit risk to Lender, in its good faith business judgment, shall not be materially increased as a result of the Permitted Acquisition.

"Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, Governmental Body or other entity, and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Recipient" shall mean Lender or any other recipient of any payment to be made by or on account of the Obligations of any Loan Party hereunder or under any other Loan Document.

"ROFR Agreement" means that certain Right of First Refusal Agreement, dated as of the date hereof, by and between Borrower and Lender.

"Subsidiary" is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of a Loan Party.

"Taxes" shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Body, including any interest, additions to tax or penalties applicable thereto.

"Withholding Agent" shall mean each Loan Party and Lender.

"UCC" shall mean the Uniform Commercial Code as adopted in the State of Delaware from time to time, or, when the laws of any other jurisdiction govern the perfection or enforcement of any Lien, the Uniform Commercial Code as adopted in such jurisdiction.

"United States" and "U.S." shall mean the United States of America.

EXHIBIT B

FORM OF COMPLIANCE CERTIFICATE

Harrow Health, Inc.
102 Woodmont Blvd., Suite 610
Nashville, TN 37205
Attention: Andrew R. Boll
Email: aboll@harrowinc.com

COMPLIANCE CERTIFICATE

The undersigned hereby certifies to HARROW HEALTH, INC., a Delaware corporation. ("Lender") pursuant to that certain Loan and Security Agreement dated as of September 1, 2021 (the "Loan Agreement") by and among, MELT PHARMACEUTICALS, INC., a Delaware corporation ("Borrower"), and Lender, that as of this date, _____, 20____:

1. The undersigned is the _____ (title of officer) of Borrower.

2. To the best knowledge of the undersigned officer, there exists no Default or Event of Default, as that term is defined in the Loan Agreement or, if such an event or circumstance exists, a writing attached hereto specifies the nature thereof, the period of existence thereof and the action that Borrower has taken or proposes to take with respect thereto.

3. To the best knowledge of the undersigned officer, no Material Adverse Effect has occurred since _____ (same date as above), or, if such a change has occurred a writing attached hereto specifies the nature thereof and the action that Loan Parties have taken or proposes to take with respect thereto.

4. To the best knowledge of the undersigned officer, [except as described in a writing attached hereto specifying the nature thereof and the action that Loan Parties have taken or proposes to take with respect thereto] the representations and warranties in the Loan Agreement are true and correct in all material respects as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they are true and correct in all material respects as of such earlier date; *provided* that any such representation and warranty that is qualified by "materiality", "material adverse effect" or similar language is true and correct in all respects.

5. The financial statements of Borrower being concurrently delivered herewith have been prepared in accordance with generally accepted accounting principles consistently applied and there have been no material changes in accounting policies or financial reporting practices of Borrower since _____ (same date as above), or, if any such change has occurred, such changes are set forth in writing attached herein.

MELT PHARMACEUTICALS, INC.

By: _____
Title: _____
Date: _____

EXHIBIT 31.1

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 Harrow Health, 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 9, 2022

/s/ Mark L. Baum

Mark L. Baum
Chief Executive Officer
Principal Executive Officer

EXHIBIT 31.2

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 Harrow Health, 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 9, 2022

/s/ Andrew R. Boll

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

Exhibit 32.1

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 Harrow Health, 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, 2022 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 9, 2022

/s/ Mark L. Baum

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

Date: August 9, 2022

/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.