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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020
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: 001-34475

OMEROS CORPORATION
(Exact name of registrant as specified in its charter)

Washington	**91-1663741**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
201 Elliott Avenue West **Seattle, Washington**	**98119**
(Address of principal executive offices)	**(Zip Code)**

(206) 676-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, 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 check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities Registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Common Stock, $0.01 par value per share	**OMER**	**The Nasdaq Stock Market LLC**
(Title of each class)	**(Trading symbol)**	**(Name of each exchange on which registered)**

As of May 6, 2020, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 54,510,667.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act) which are subject to the "safe harbor" created by those sections for such statements. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. All statements other than statements of historical fact are "forward-looking statements." Terms such as "anticipate," "believe," "could," "estimate," "expect," "goal," "intend," "likely," "may," "plan," "potential," "predict," "project," "should," "target," "will," "would," and similar expressions and variations thereof are intended to identify forward-looking statements, but these terms are not the exclusive means of identifying such statements. Examples of these statements include, but are not limited to, statements regarding:

- our expectations related to obtaining permanent separate or similar reimbursement for OMIDRIA® (phenylephrine and ketorolac intraocular solution) 1%/0.3% from the Centers for Medicare & Medicaid Services (CMS) for periods after September 30, 2020, and our expectations regarding reimbursement coverage for OMIDRIA by commercial and government payers;

- our estimates regarding how long our existing cash, cash equivalents, short-term investments and revenues will be sufficient to fund our anticipated operating expenses, capital expenditures and debt service obligations;

- our expectations relating to demand for OMIDRIA from wholesalers, ambulatory surgery centers (ASCs) and hospitals, and our expectations regarding OMIDRIA product sales;

- the severity and duration of the impact of COVID-19 on our business, operations, clinical programs and financial results;

- our plans for the marketing and distribution of OMIDRIA and our estimates of OMIDRIA chargebacks and rebates, distribution fees and product returns;

- our expectations regarding the clinical, therapeutic and competitive benefits and importance of OMIDRIA and our product candidates;

- our ability to design, initiate and/or successfully complete clinical trials and other studies for our products and product candidates and our plans and expectations regarding our ongoing or planned clinical trials, including for our lead MASP-2 inhibitor, narsoplimab (also referred to as OMS721), and for our other investigational candidates, including OMS527 and OMS906;

- with respect to our narsoplimab clinical programs, our expectations regarding: whether enrollment in any or all ongoing and planned Phase 3 and Phase 2 clinical trials will proceed as expected; whether we can capitalize on the financial and regulatory incentives provided by orphan drug designations granted by the U.S. Food and Drug Administration (FDA), the European Commission (EC), or the European Medicines Agency (EMA); and whether we can capitalize on the regulatory incentives provided by fast-track and/or breakthrough therapy designations granted by the FDA;

- our expectations regarding clinical plans and anticipated or potential paths to regulatory approval of narsoplimab by the FDA and/or EMA in hematopoietic stem cell transplant-associated thrombotic microangiopathy (HSCT-TMA), Immunoglobulin A (IgA) nephropathy, and atypical hemolytic uremic syndrome (aHUS);

- whether and when we will complete the rolling Biologics License Application (BLA) for narsoplimab in HSCT-TMA and whether and when FDA will accept submission and grant accelerated or regular approval;

- whether and when a BLA may be filed with the FDA for narsoplimab in any other indication and whether FDA will grant accelerated or regular approval;

- whether and when a marketing authorization application (MAA) may be filed with the EMA for narsoplimab in any indication, and whether the EMA will grant approval for narsoplimab in any indication;
- our plans for the commercial launch of narsoplimab following any regulatory approval and our estimates and expectations regarding coverage and reimbursement for any approved products;
- our expectation that we will rely on contract manufacturers to manufacture OMIDRIA for commercial sale and to manufacture our product candidates for purposes of clinical supply and in anticipation of potential commercialization;
- our ability to raise additional capital through the capital markets or through one or more corporate partnerships, equity offerings, debt financings, collaborations, licensing arrangements or asset sales;
- our expectations about the commercial competition that OMIDRIA and our product candidates, if commercialized, face or may face;
- the expected course and costs of existing claims, legal proceedings and administrative actions, our involvement in potential claims, legal proceedings and administrative actions, and the merits, potential outcomes and effects of both existing and potential claims, legal proceedings and administrative actions, as well as regulatory determinations, on our business, prospects, financial condition and results of operations;
- the extent of protection that our patents provide and that our pending patent applications will provide, if patents are issued from such applications, for our technologies, programs, products and product candidates;
- the factors on which we base our estimates for accounting purposes and our expectations regarding the effect of changes in accounting guidance or standards on our operating results; and
- our expected financial position, performance, revenues, growth, costs and expenses, magnitude of net losses and the availability of resources.

Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks, uncertainties and other factors described in this Quarterly Report on Form 10-Q under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in our other filings with the U.S. Securities and Exchange Commission (SEC). Given these risks, uncertainties and other factors, actual results or anticipated developments may not be realized or, even if substantially realized, may not have the expected consequences to or effects on our company, business or operations. Accordingly, you should not place undue reliance on these forward-looking statements, which represent our estimates and assumptions only as of the date of the filing of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual results in subsequent periods may materially differ from current expectations. Except as required by applicable law, we assume no obligation to update or revise any forward-looking statements contained herein, whether as a result of any new information, future events or otherwise.

OMEROS CORPORATION
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OMEROS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 7,118	$ 3,084
Short-term investments	46,862	57,704
Receivables, net	24,117	35,185
Inventory	1,211	1,147
Prepaid expense and other assets	6,303	6,625
Total current assets	85,611	103,745
Property and equipment, net	3,355	3,829
Right of use assets	27,081	27,082
Restricted investments	1,154	1,154
Advanced payments, non-current	1,013	1,159
Total assets	$ 118,214	$ 136,969
Liabilities and shareholders' deficit		
Current liabilities:		
Accounts payable	$ 12,960	$ 5,328
Accrued expenses	41,379	46,627
Current portion of lease liabilities	3,597	3,504
Total current liabilities	57,936	55,459
Lease liabilities, non-current	31,396	32,318
Unsecured convertible senior notes, net	160,746	158,213
Commitments and contingencies (Note 8)		
Shareholders' deficit:		
Preferred stock, par value $0.01 per share, 20,000,000 shares authorized; none issued and outstanding at March 31, 2020 and December 31, 2019.	—	—
Common stock, par value $0.01 per share, 150,000,000 shares authorized at March 31, 2020 and December 31, 2019; 54,507,667 and 54,200,810 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively.	545	542
Additional paid-in capital	631,233	625,048
Accumulated deficit	(763,642)	(734,611)
Total shareholders' deficit	(131,864)	(109,021)
Total liabilities and shareholders' deficit	$ 118,214	$ 136,969

See accompanying Notes to Condensed Consolidated Financial Statements

OMEROS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands, except share and per share data)

(unaudited)

	Three Months Ended March 31,	
	2020	2019
Revenue:		
Product sales, net	$ 23,537	$ 21,779
Costs and expenses:		
Cost of product sales	267	131
Research and development	28,911	26,255
Selling, general and administrative	18,036	14,632
Total costs and expenses	47,214	41,018
Loss from operations	(23,677)	(19,239)
Interest expense	(5,903)	(5,600)
Other income	549	494
Net loss	$ (29,031)	$ (24,345)
Comprehensive loss	$ (29,031)	$ (24,345)
Basic and diluted net loss per share	$ (0.53)	$ (0.50)
Weighted-average shares used to compute basic and diluted net loss per share	54,299,813	49,014,009

See accompanying Notes to Condensed Consolidated Financial Statements

OMEROS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Three Months Ended March 31,	
	2020	2019
Operating activities:		
Net loss	$ (29,031)	$ (24,345)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	3,476	3,374
Non-cash interest expense	2,533	2,201
Depreciation and amortization	402	377
Changes in operating assets and liabilities:		
Receivables	11,068	(1,900)
Inventory	(64)	(648)
Prepaid expenses and other assets	628	2,110
Accounts payable and accrued expenses	1,847	5,883
Net cash used in operating activities	(9,141)	(12,948)
Investing activities:		
Purchases of property and equipment	(66)	(182)
Purchases of investments	(3,176)	(281)
Proceeds from the sale and maturities of investments	14,018	11,750
Net cash provided by investing activities	10,776	11,287
Financing activities:		
Proceeds upon exercise of stock options	2,712	108
Principal payments on finance lease liabilities	(313)	(254)
Net cash provided by (used in) financing activities	2,399	(146)
Net increase (decrease) in cash and cash equivalents	4,034	(1,807)
Cash and cash equivalents at beginning of period	3,084	5,861
Cash and cash equivalents at end of period	$ 7,118	$ 4,054
Supplemental cash flow information		
Cash paid for interest	$ 89	$ 82
Property acquired under finance lease	$ 22	$ —

See accompanying Notes to Condensed Consolidated Financial Statements

OMEROS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1—Organization and Significant Accounting Policies

Organization

We are a commercial-stage biopharmaceutical company committed to discovering, developing and commercializing small-molecule and protein therapeutics for large-market as well as orphan indications targeting inflammation, complement-mediated diseases, disorders of the central nervous system, and immune-related diseases, including cancers. Our first drug product, OMIDRIA, is marketed in the United States (U.S.) for use during cataract surgery or intraocular lens replacement.

Basis of Presentation

Our condensed consolidated financial statements include the financial position and results of operations of Omeros Corporation (Omeros) and our wholly owned subsidiaries. All inter-company transactions have been eliminated and we have determined we operate in one segment. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The information as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 includes all adjustments, which include normal recurring adjustments, necessary to present fairly our interim financial information. The Condensed Consolidated Balance Sheet at December 31, 2019 has been derived from our audited financial statements but does not include all of the information and footnotes required by GAAP for audited annual financial information.

The accompanying unaudited condensed consolidated financial statements and related notes thereto should be read in conjunction with the audited consolidated financial statements and related notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the U.S. Securities and Exchange Commission (SEC) on March 2, 2020.

Risks and Uncertainties Related to COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, China and has since spread around the world. On March 11, 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 a global pandemic. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on our business. On March 18, 2020, The American Academy of Ophthalmology issued a letter recommending that all ophthalmologists immediately cease providing any treatment other than urgent or emergent care. Upon this recommendation the ambulatory surgery centers (ASCs) and hospitals using OMIDRIA postponed nearly all cataract surgery. Consequently, our sales of OMIDRIA to our wholesalers have been minimal following the announcement. In early May, a large number of states began re-opening ASCs and hospitals to cataract surgery, and we have had facilities in at least 36 states initiate re-ordering of OMIDRIA from our wholesalers. The COVID-19 pandemic could have a continuing adverse impact on our business, operations and financial results, including through sustained limitations on cataract surgery and corresponding reduction in demand for OMIDRIA, disruptions in commercial sales activities, higher than normal volume of OMIDRIA product returns, delays or disruptions with respect to manufacturing of clinical or commercial supply, delays in our clinical trials or in the submission or review of regulatory applications, as well as a deterioration of general economic conditions. Due to the unknown magnitude, duration and outcome of the COVID-19 pandemic, it is not possible to estimate precisely its impact on our business, operations or financial results; however, the impact could be material.

Going Concern Discussion

As of March 31, 2020, we had cash, cash equivalents and short-term investments of $54.0 million and an accounts receivable-based line of credit that allows us to borrow up to $50.0 million depending on our eligible accounts receivable

borrowing base. We have incurred losses from operations of $23.7 million and $63.4 million for the three months ended March 31, 2020, and the year ended December 31, 2019, respectively. Cash used in operating activities was $9.1 million and $60.1 million for the three months ended March 31, 2020, and the year ended December 31, 2019, respectively. We will continue to incur losses from operations as revenues exceed operating costs and debt service obligations.

OMIDRIA pass-through reimbursement is scheduled to end on September 30, 2020 and our first quarter 2020 sales of OMIDRIA were negatively affected by the COVID-19 pandemic. As such, we cannot predict future OMIDRIA revenues due to the uncertain impact of these circumstances on sales of OMIDRIA in 2020 and beyond. Similarly, we are unable to include in the determination regarding our prospects as a going concern amounts available under our accounts receivable-based line of credit or any proceeds from debt transactions or other financing instruments despite our successful track record in accessing capital through these avenues. We also have not included any potential partnerships related to our products or product candidates. Regardless of whether we secure continued passthrough payment for OMIDRIA, our working capital needs will likely continue to increase, particularly if the disruption to our operations caused by the COVID-19 pandemic continues. The conditions described above, when evaluated within the constraints of the accounting literature, raise substantial doubt with respect to our ability to meet our obligations through May 11, 2021 and, therefore, to continue as a going concern.

We plan to continue to fund our operations through proceeds from sales of OMIDRIA and, in addition, we may utilize funds available under our accounts receivable-based line of credit, which allows us to borrow up to 85% of our available accounts receivable borrowing base or $50 million, whichever is less. Should it be necessary or determined to be strategically advantageous, we also could pursue debt financings, public and private offerings of our equity securities similar to those we have completed previously, and/or other strategic transactions, which may include licensing a portion of our existing technology. If these capital sources, for any reason, are needed but inaccessible, it would have a significantly negative effect on our financial condition. Should it be necessary to manage our operating expenses, we would reduce our projected cash requirements through reduction of our expenses by delaying clinical trials, reducing selected research and development efforts, and/or implementing other restructuring activities.

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to our ability to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates include revenue recognition, stock-based compensation expense and accruals for clinical trials, manufacturing of drug product and clinical drug supply and other contingencies. We base our estimates on historical experience and on various other factors, including the impact of the COVID-19 pandemic, that we believe are reasonable under the circumstances; however, actual results could differ from these estimates.

Revenue Recognition

When we enter into a customer contract, we perform the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation.

We generally record revenue from product sales when the product is delivered to our wholesalers. Product sales are recorded net of wholesaler distribution fees and estimated chargebacks, rebates, returns and purchase-volume discounts. Accruals or allowances are established for these deductions in the same period when revenue is recognized, and actual amounts incurred are offset against the applicable accruals or allowances. We reflect each of these accruals or

allowances as either a reduction in the related accounts receivable or as an accrued liability depending on how the amount is expected to be settled.

Right-of-Use Assets and Related Lease Liabilities

We record operating leases as right-of-use assets and recognize the related lease liabilities equal to the fair value of the lease payments using our incremental borrowing rate when the implicit rate in the lease agreement is not readily available. We recognize variable lease payments when incurred. Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. We record finance leases as a component of property and equipment and amortize these assets within operating expenses on a straight-line basis to their residual values over the shorter of the term of the underlying lease or the estimated useful life of the equipment. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term. We account for leases with initial terms of 12 months or less as operating expenses on a straight-line basis over the lease term.

Advance Payments

Advance payments for goods or services that will be used or rendered for future research and development activities are deferred and then recognized as an expense as the related goods are delivered or the services are performed, or when the goods or services are no longer expected to be provided.

Stock-Based Compensation

Stock-based compensation expense is recognized for all share-based payments based on estimated fair values as of the date of grant. The fair value of our stock options is calculated using the Black-Scholes option-pricing model which requires judgmental assumptions including volatility, forfeiture rates and expected option life. We use the straight-line method to allocate stock-based compensation cost to reporting periods over each optionee's requisite service period, which is generally the vesting period.

Recently Adopted Pronouncements

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments—Credit Losses*, (Topic 326) which changes how entities account for credit losses on most financial assets and certain other instruments and expands disclosures. The standard is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. We adopted the standard on January 1, 2020 and the adoption did not have a material impact on our consolidated financial statements and disclosures.

Note 2—Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares and dilutive common share equivalents outstanding for the period, determined using the treasury-stock method. Common share equivalents are excluded from the diluted net loss per share computation if their effect is anti-dilutive.

The basic and diluted net loss per share amounts for the three months ended March 31, 2020 and 2019 were computed based on the shares of common stock outstanding during the respective periods. Potentially dilutive securities excluded from the diluted loss per share calculation are as follows:

	March 31,	
	2020	2019
Outstanding options to purchase common stock	12,591,341	11,840,521
Outstanding warrants to purchase common stock	243,115	243,115
Total potentially dilutive shares excluded from loss per share	12,834,456	12,083,636

Note 3—Certain Balance Sheet Accounts

Accounts Receivable, net

Accounts receivable, net consist of the following:

	March 31, 2020	December 31, 2019
	(In thousands)	
Trade receivables, net	$ 24,011	$ 35,074
Sublease and other receivables	106	111
Total accounts receivables, net	$ 24,117	$ 35,185

Trade receivables are shown net of $4.1 million and $1.6 million of chargeback and product return allowances as of March 31, 2020 and December 31, 2019, respectively.

Inventory

Inventory consists of the following:

	March 31, 2020	December 31, 2019
	(In thousands)	
Raw materials	$ 91	$ 91
Work-in-progress	394	338
Finished goods	726	718
Total inventory	$ 1,211	$ 1,147

Property and Equipment, Net

Property and equipment, net consists of the following:

	March 31, 2020	December 31, 2019
	(In thousands)	
Finance leases	$ 5,496	$ 5,474
Laboratory equipment	2,750	2,844
Computer equipment	921	921
Office equipment and furniture	625	625
Total cost	9,792	9,864
Less accumulated depreciation and amortization	(6,437)	(6,035)
Total property and equipment, net	$ 3,355	$ 3,829

For both the three months ended March 31, 2020 and 2019, depreciation and amortization expenses were $0.4 million.

Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2020	December 31, 2019
	(In thousands)	
Contract research and development	$ 19,318	$ 24,107
Sales rebates, fees and discounts	8,785	10,870
Interest payable	4,921	1,640
Consulting and professional fees	3,337	3,610
Employee compensation	2,772	3,546
Clinical trials	1,468	1,982
Other accrued expenses	778	872
Total accrued expenses	$ 41,379	$ 46,627

Note 4—Fair-Value Measurements

As of March 31, 2020, and December 31, 2019, all investments were classified as short-term and available-for-sale on the accompanying Condensed Consolidated Balance Sheets. Investment income, which was included as a component of other income, consists of interest earned.

On a recurring basis, we measure certain financial assets at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting standard establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required:

Level 1—Observable inputs for identical assets or liabilities, such as quoted prices in active markets;

Level 2—Inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3—Unobservable inputs in which little or no market data exists, therefore they are developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

Our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis are as follows:

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money-market funds classified as non-current restricted investments	$ 1,154	$ —	$ —	$ 1,154
Money-market funds classified as short-term investments	46,862	—	—	46,862
Total	$ 48,016	$ —	$ —	$ 48,016

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money-market funds classified as non-current restricted investments	$ 1,154	$ —	$ —	$ 1,154
Money-market funds classified as short-term investments	57,704	—	—	57,704
Total	$ 58,858	$ —	$ —	$ 58,858

Cash held in demand deposit accounts of $7.1 million and $3.1 million is excluded from our fair-value hierarchy disclosure as of March 31, 2020 and December 31, 2019, respectively. There were no unrealized gains or losses associated with our short-term investments as of March 31, 2020 or December 31, 2019. The carrying amounts reported in the accompanying Condensed Consolidated Balance Sheets for receivables, accounts payable, other current monetary assets and liabilities approximate fair value.

See “Note 6--Convertible Senior Notes” for the carrying amount and estimated fair value of our 6.25% Convertible Senior Notes due 2023.

Note 5—Debt

Line of Credit

We have a Loan and Security Agreement with Silicon Valley Bank, which provides for a $50.0 million revolving line of credit facility (the Line of Credit Agreement). Under the Line of Credit Agreement, we may draw, on a revolving basis, up to the lesser of $50.0 million and 85.0% of our eligible accounts receivable, less certain reserves. Interest on amounts outstanding is payable monthly at the greater of 5.5% and the prime rate. The line of credit is secured by all our assets excluding intellectual property and development program inventories.

As of March 31, 2020 and December 31, 2019, we had no outstanding borrowings under the Line of Credit Agreement.

Note 6—Convertible Senior Notes

We have $210.0 million aggregate principal amount 6.25% Convertible Senior Notes due 2023 (the Convertible Notes). The Convertible Notes are unsecured and accrue interest at an annual rate of 6.25% per annum, payable semi-annually in arrears on May 15 and November 15 of each year. The Convertible Notes mature on November 15, 2023, unless earlier purchased, redeemed or converted in accordance with their terms.

The Convertible Notes will be convertible into cash, shares of our common stock or a combination thereof, as we elect at our sole discretion. The initial conversion rate is 52.0183 shares of our common stock per $1,000 of note principal (equivalent to an initial conversion price of approximately $19.22 per share of common stock), subject to adjustment in certain circumstances. To reduce the dilutive impact or potential cash expenditure associated with conversion of the Convertible Notes, we entered into a capped call transaction which essentially covers the number of shares of our common stock underlying the Convertible Notes when our common stock is trading between the initial conversion price of $19.22 per share and $28.84 per share. As of March 31, 2020, all Convertible Notes remain outstanding.

The balance of our Convertible Notes at March 31, 2020 and December 31, 2019, is as follows:

	March 31, 2020	December 31, 2019
	(In thousands)	
Principal amount	$ 210,000	$ 210,000
Unamortized discount	(45,329)	(47,660)
Unamortized issuance costs attributable to principal amount	(3,925)	(4,127)
Total Convertible Notes, net	$ 160,746	$ 158,213

The estimated fair value of the Convertible Notes at March 31, 2020, as determined through consideration of quoted market prices, was $190.1 million. The fair value is classified as Level 3 due to the limited trading activity for the Convertible Notes.

Note 7—Leases

We have operating leases related to our office and laboratory space and finance leases for certain laboratory and office equipment, as follows:

	March 31, 2020	December 31, 2019
	(In thousands)	
Assets		
Operating lease assets	$ 27,081	$ 27,082
Finance lease assets, net	2,638	2,973
Total lease assets	$ 29,719	$ 30,055
Liabilities		
Current:		
Operating leases	$ 2,391	$ 2,282
Finance leases	1,206	1,222
Non-current:		
Operating leases	30,125	30,772
Finance leases	1,271	1,546
Total lease liabilities	$ 34,993	$ 35,822

The components of total lease cost are as follows:

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Lease cost		
Operating lease cost	$ 1,509	$ 1,031
Finance lease cost:		
Amortization	357	290
Interest	89	82
Short-term lease cost	—	138
Variable lease cost	542	486
Sublease income	(293)	(224)
Total lease cost	$ 2,204	$ 1,803

The supplemental cash flow information related to leases is as follows:

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used for operating leases	$ 2,136	$ 1,647
Operating cash flows used for finance leases	$ 89	$ 82
Financing cash flows used for finance leases	$ 313	$ 254

Note 8—Commitments and Contingencies

Contracts

We have various agreements with third parties that would collectively require payment of termination fees totaling $17.6 million if we had cancelled the work as of March 31, 2020.

Development Milestones and Product Royalties

We have licensed a variety of intellectual property from third parties that we are currently developing or may develop in the future. These licenses may require milestone payments during clinical development processes as well as low single to low double-digit royalties on the net income or net sales of the product. For the three months ended March 31, 2020 and 2019, development milestones were insignificant. We do not owe any royalties on OMIDRIA.

Note 9—Shareholders' Deficit

Common Stock and Warrants

For the three months ended March 31, 2020, we received proceeds of $2.7 million upon the exercise of stock options which resulted in the issuance of 306,857 shares of common stock. For the three months ended March 31, 2019, we received proceeds of $0.1 million upon the exercise of stock options which resulted in the issuance of 10,744 shares of common stock.

As of March 31, 2020 and December 31, 2019, we had 243,115 warrants outstanding with a weighted average exercise price of $20.68 per share.

Interim Condensed Consolidated Statements of Shareholders' Deficit

The changes in interim balances of the components of our shareholders' deficit are as follows:

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
		(In thousands)		
Balance January 1, 2020	$ 542	$ 625,048	$ (734,611)	$ (109,021)
Exercise of stock options	3	2,709	—	2,712
Stock-based compensation expense	—	3,476	—	3,476
Net loss	—	—	(29,031)	(29,031)
Balance March 31, 2020	$ 545	$ 631,233	$ (763,642)	$ (131,864)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
		(In thousands)		
Balance January 1, 2019	$ 490	$ 549,479	$ (650,125)	$ (100,156)
Exercise of stock options	—	108	—	108
Stock-based compensation expense	—	3,374	—	3,374
Net loss	—	—	(24,345)	(24,345)
Balance March 31, 2019	$ 490	$ 552,961	$ (674,470)	$ (121,019)

Note 10—Stock-Based Compensation

Stock-based compensation expense is as follows:

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Research and development	$ 1,447	$ 1,494
Selling, general and administrative	2,029	1,880
Total	$ 3,476	$ 3,374

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were applied to all stock option grants:

	Three Months Ended March 31,
	2020
Estimated weighted-average fair value	$ 7.89
Weighted-average assumptions:	
Expected volatility	76 %
Expected term, in years	6.0
Risk-free interest rate	1.18 %
Expected dividend yield	— %

Stock option activity for all stock plans and related information is as follows:

	Options Outstanding	Weighted-Average Exercise Price per Share	Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Balance at December 31, 2019	11,207,931	$ 11.72		
Granted	1,744,585	11.95		
Exercised	(306,857)	8.84		
Forfeited	(54,318)	15.04		
Balance at March 31, 2020	12,591,341	$ 11.81	6.4	$ 26,173
Vested and expected to vest at March 31, 2020	12,116,956	$ 11.75	6.3	$ 25,838
Exercisable at March 31, 2020	8,261,407	$ 11.03	5.0	$ 23,067

At March 31, 2020, there were 4.3 million unvested options outstanding that will vest over a weighted-average period of 2.9 years and 3.7 million shares were available to grant. The total estimated compensation expense yet to be recognized on outstanding options is $32.9 million. In March 2020, annual stock option grants totaling approximately 1.6 million shares with an exercise price of $11.91 per share were granted to all eligible employees. The options vest monthly on a straight-line basis over four years.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Overview

We are a commercial-stage biopharmaceutical company committed to discovering, developing and commercializing small-molecule and protein therapeutics for large-market as well as orphan indications targeting inflammation, complement-mediated diseases, disorders of the central nervous system, and immune-related diseases, including cancers.

Our drug product OMIDRIA® is marketed in the United States for use during cataract surgery or intraocular lens replacement for adult and pediatric patients. We have multiple Phase 3 and Phase 2 clinical-stage development programs in our pipeline, which are focused on: complement-mediated disorders, including hematopoietic stem cell transplant-associated thrombotic microangiopathy ("HSCT-TMA"), Immunoglobulin A ("IgA") nephropathy and atypical hemolytic uremic syndrome ("aHUS"), as well as addiction. In addition, we have a diverse group of preclinical programs, including GPR174, a novel target in immuno-oncology that modulates a new cancer immunity axis that we recently discovered. Small-molecule inhibitors of GPR174 are part of our proprietary G protein-coupled receptor ("GPCR") platform through which we control 54 new GPCR drug targets and their corresponding compounds. We also exclusively possess a novel antibody-generating platform. We have retained control of all commercial rights for OMIDRIA and each of our product candidates and programs.

Impact of Global Pandemic

The COVID-19 outbreak and the response of governmental authorities to try to limit its spread are having a significant impact on our business. On March 18, 2020, The American Academy of Ophthalmology issued a letter recommending that all ophthalmologists immediately cease providing any treatment other than urgent or emergent care. Upon this recommendation the ASCs and hospitals using OMIDRIA postponed nearly all cataract surgery. Consequently, our sales of OMIDRIA to our wholesalers have been minimal following the announcement, including throughout April. In early May, a large number of states began re-opening ASCs and hospitals to cataract surgery, and we have had facilities in at least 36 states initiate re-ordering of OMIDRIA from our wholesalers. The COVID-19 pandemic could have a continuing adverse impact on our business, operations and financial results, including through sustained limitation on cataract surgery and corresponding reduction in demand for OMIDRIA, disruptions in commercial sales activities, higher than normal volume of OMIDRIA product returns, delays or disruptions with respect to manufacturing of clinical or commercial supply, delays in our clinical trials or in the submission or review of regulatory applications, as well as deterioration of general economic conditions. Due to the unknown magnitude, duration and outcome of the COVID-19 pandemic, it is not possible to estimate precisely its impact on our business, operations or financial results; however, the impact could be material.

Commercial Product - OMIDRIA® (phenylephrine and ketorolac intraocular solution) 1%/0.3%

OMIDRIA is approved by the FDA for use during cataract surgery or intraocular lens replacement to maintain pupil size by preventing intraoperative miosis (pupil constriction) and to reduce postoperative ocular pain. Outside the U.S., we have received approval from the European Commission ("EC") to market OMIDRIA in the European Economic Area ("EEA") for use during cataract surgery and other IOL replacement procedures for maintenance of intraoperative mydriasis (pupil dilation), prevention of intraoperative miosis and reduction of acute postoperative ocular pain.

OMIDRIA is a proprietary drug product containing two active pharmaceutical ingredients: ketorolac, an anti-inflammatory agent, and phenylephrine, a mydriatic, or pupil dilating, agent. Cataract and other lens replacement surgery involves replacement of the original lens of the eye with an artificial intraocular lens. OMIDRIA is added to standard irrigation solution used during cataract and lens replacement surgery and is delivered intracamerally, or within the

anterior chamber of the eye, to the site of the surgical trauma throughout the procedure. Preventing pupil constriction is essential for these procedures and, if miosis occurs, the risk of damaging structures within the eye and other complications increases, as does the operating time required to perform the procedure.

We launched OMIDRIA in the U.S. in the second quarter of 2015 and sell OMIDRIA primarily through wholesalers which, in turn, sell to ambulatory surgery centers ("ASCs") and hospitals. The Centers for Medicare & Medicaid Services ("CMS"), the federal agency responsible for administering the Medicare program, granted transitional pass-through reimbursement status for OMIDRIA in 2014, effective from January 1, 2015 through December 31, 2017. Pass-through status allows for separate payment (i.e., outside the packaged payment rate for the surgical procedure) under Medicare Part B. In March 2018, Congress extended pass-through reimbursement status for a small number of drugs, including OMIDRIA, used during procedures performed on Medicare Part B fee-for-service patients for an additional two years, running from October 1, 2018 through September 30, 2020.

We continue to pursue permanent separate reimbursement for OMIDRIA beyond the currently scheduled expiration of pass-through reimbursement. CMS is required under the Substance Use–Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act to review payments under its CMS' outpatient prospective payment system ("OPPS") for opioids and evidence-based non-opioid alternatives for pain management with a goal to ensure that there are not financial incentives to use opioids instead of non-opioid alternatives. In its 2020 OPPS proposed rule, CMS noted that non-opioid drugs that are indicated for reduction of post-operative pain may warrant separate payment if there is evidence to show packaged payment presents a demonstrated barrier to access for such drugs and that such drugs help to deter or avoid prescription opioid use and addiction. Although Omeros provided CMS with evidence that it believes shows that OMIDRIA meets these criteria, CMS declined in its 2020 OPPS final rule to confirm separate payment to OMIDRIA beyond the expiration of its current pass-through status on September 30, 2020. CMS also noted in the 2020 OPPS final rule that it will continue to analyze evidence and monitor utilization of OMIDRIA. We continue to generate evidence and intend to continue pursuing administrative and legislative avenues to secure permanent separate payment or similar reimbursement for OMIDRIA beyond September 30, 2020; however, we cannot provide assurance that these efforts will be successful. For more information regarding OMIDRIA reimbursement, see "Financial Summary" below.

In July 2018, we placed OMIDRIA on the market in the European Union ("EU"), on a limited basis, which maintained the ongoing validity of the European marketing authorization for OMIDRIA. At this time, we do not expect to see significant sales of OMIDRIA in any countries within the EEA or other international territories.

Clinical Development Programs

Our clinical stage development programs include:

- *MASP-2 - narsoplimab (OMS721) - Lectin Pathway Disorders.* Narsoplimab, also referred to as OMS721, is our lead human monoclonal antibody targeting mannan-binding lectin-associated serine protease-2 (MASP-2), a novel pro-inflammatory protein target involved in activation of the complement system. The complement system plays a role in the body's inflammatory response and becomes activated as a result of tissue damage or trauma or microbial pathogen invasion. Inappropriate or uncontrolled activation of the complement system can cause diseases characterized by serious tissue injury. MASP-2 is the effector enzyme of the lectin pathway of the complement system, and the current development focus for narsoplimab is diseases in which the lectin pathway has been shown to contribute to significant tissue injury and pathology. When not treated, these diseases are typically characterized by significant end organ injuries, such as kidney or central nervous system injury.

  We have completed our pivotal clinical trial for narsoplimab in HSCT-TMA, and Phase 3 clinical programs are in process for narsoplimab in IgA nephropathy and aHUS.

Narsoplimab has received multiple designations from the FDA and from the EMA across the three current indications. These include:

- HSCT-TMA: In the U.S., the FDA has granted narsoplimab (1) breakthrough therapy designation in patients who have persistent TMA despite modification of immunosuppressive therapy, (2) orphan drug designation for the prevention (inhibition) of complement-mediated TMAs, and (3) orphan drug designation for the treatment of HSCT-TMA. The EC also granted narsoplimab a designation as an orphan medicinal product for treatment in hematopoietic stem cell transplantation.

- IgA nephropathy: In the U.S., narsoplimab has received from the FDA (1) breakthrough therapy designation for the treatment of IgA nephropathy and (2) orphan drug designation in IgA nephropathy. In Europe, narsoplimab has received from the EC designation as an orphan medicinal product for the treatment of primary IgA nephropathy.

- aHUS: In the U.S., narsoplimab has received from the FDA (1) fast-track designation for the treatment of patients with aHUS and (2) orphan drug designation for the prevention (inhibition) of complement-mediated thrombotic microangiopathies.

In October 2019, we initiated the rolling submission to FDA of our BLA for narsoplimab for the treatment of HSCT-TMA, a frequently lethal complication of HSCT. A rolling submission enables us to submit sections of the BLA as they are completed, which can accelerate the time to approval by allowing FDA to review completed sections of the application as they are submitted rather than waiting for the entire BLA to be submitted before beginning its review. The initial submission to FDA included all of the nonclinical (i.e., pharmacology, pharmacokinetics and toxicology) data, study reports, overview and summaries for the nonclinical sections of the BLA. We have also successfully completed the manufacturing of the required process validation lots of narsoplimab and submitted the second part of the BLA containing information related to the chemistry, manufacturing and controls (“CMC”) for narsoplimab. The clinical sections and additional CMC information for the BLA are being prepared for submission and, once all CMC and clinical data collection and analyses are complete and compiled, these remaining parts of the BLA will be submitted.

On March 2, 2020, we reported clinical data from our pivotal trial of narsoplimab in HSCT-TMA. The single-arm, open-label trial included safety and efficacy endpoints that were previously agreed to with FDA. These endpoints were assessed for (1) all 28 patients who received at least one dose of narsoplimab and (2) patients who received the protocol-specified dosing of at least four weeks of narsoplimab.

The primary efficacy endpoint in the trial was the proportion of patients who achieved designated “responder” status based on improvement in HSCT-TMA laboratory markers and clinical status. This is referred to as the “complete response rate.” The primary laboratory markers that were evaluated were platelet count and lactate dehydrogenase (“LDH”), levels, while improvement in clinical status was evaluated based on organ function and transfusions. Patients who did not fully meet these criteria were considered “non-responders.”

The FDA-agreed efficacy threshold for the primary endpoint is a complete response rate of 15%. Among patients who received at least one dose of narsoplimab, the complete response rate was 54% ($p<0.0001$), while the complete response rate among patients who received the protocol-specified narsoplimab treatment of at least four weeks of dosing was 65% ($p<0.0001$).

Secondary endpoints in the trial were survival rates and change from baseline in HSCT-TMA laboratory markers. Among the responder population, 93% of patients survived for at least 100 days following HSCT-TMA diagnosis, while 83% of patients who received treatment for at least four weeks and 68% of the total treated population achieved this endpoint. Results also included statistically significant improvements in platelet count, LDH and haptoglobin. The treated population had multiple high-risk features that portend a poor outcome, including the persistence of HSCT-TMA despite modification of immunosuppression (which was a criterion for entry into the trial), graft-versus-host disease, significant infections, non-infectious pulmonary complications and neurological findings. Patients in the trial had a high expected mortality rate, with 93% of

them having multiple risk factors. The most common adverse events observed in the trial were nausea, vomiting, diarrhea, hypokalemia, neutropenia and fever, which are all common in stem-cell transplant patients. Six deaths occurred during the trial. These were due to sepsis, progression of the underlying disease, and graft-versus-host disease. All of these are common causes of death in this patient population.

In Europe, EMA has confirmed narsoplimab's eligibility for EMA's centralized review of a single MAA that, if approved, authorizes the product to be marketed in all EU member states and EEA countries. We plan to complete the submission of an MAA after our BLA submission has been filed with FDA. In October 2019 we received a positive opinion from EMA on our pediatric investigation plan ("PIP") for narsoplimab in the treatment of HSCT-TMA. A PIP outlining a development program for the investigational product in the pediatric population must be agreed with EMA as a prerequisite to EMA's acceptance of an MAA. The narsoplimab PIP provides a study plan to evaluate the safety and effectiveness of the drug for HSCT-TMA in patients from one month through 17 years of age. We received a deferral for completion of our PIP until after approval of the narsoplimab MAA.

In our IgA nephropathy program, patient enrollment continues in the narsoplimab Phase 3 clinical trial, ARTEMIS-IGAN. The single Phase 3 trial design is a randomized, double-blind, placebo-controlled multicenter trial in patients at least 18 years of age with biopsy-confirmed IgA nephropathy and with 24-hour urine protein excretion greater than one gram per day at baseline on optimized renin-angiotensin system blockade. This trial includes a run-in period. Initially, patients are expected to receive an IV dose of study drug each week for 12 weeks; additional weekly dosing can be administered to achieve optimal response. The primary endpoint, which we believe could suffice for full or accelerated approval depending on the effect size, is reduction in proteinuria at 36 weeks after the start of dosing. The trial is designed to allow intra-trial adjustment in sample size. For the purposes of safety and efficacy assessments, the initial sample size for the proteinuria endpoint is estimated at 140 patients in each of the treatment and placebo groups. This will include a subset of patients with high levels of proteinuria (i.e., equal to or greater than 2 g/day) at baseline, and a substantial improvement at 36 weeks in this subset of patients alone could potentially form the basis for approval. We believe that the trial design will allow assessment for either full or accelerated approval at 36 weeks based on proteinuria results either (1) across the general population of study patients or (2) in the high-proteinuria subset of patients.

The Phase 3 clinical program in patients with aHUS, in which patient enrollment is ongoing, consists of one Phase 3 clinical trial – a single-arm (*i.e.*, no control arm), open-label trial in patients with newly diagnosed or ongoing aHUS. This trial is targeting approximately 40 patients for full approval in Europe and accelerated approval in the U.S. with approximately 80 total patients required by FDA for full approval in the U.S.

- *PDE7 - OMS527*. In our phosphodiesterase 7 (PDE7) program, we are developing proprietary compounds to treat addiction and compulsive disorders as well as movement disorders. In September 2019 we reported positive results from our Phase 1 single-ascending- and multiple-ascending-dose clinical trial designed to assess safety, tolerability and pharmacokinetics of our lead compound in healthy subjects.

  In the double blind, randomized Phase 1 study, the study drug, referred to as OMS182399, met the primary endpoints of safety and tolerability and showed a favorable and dose-proportional pharmacokinetic profile supporting once-daily dosing. There was no apparent food effect on plasma exposure to OMS182399. Our focus is nicotine addiction, and we are planning our Phase 2 development program.

Preclinical Development Programs and Platforms

Our preclinical programs and platforms include:

- *MASP-3 - OMS906 - Alternative Pathway Disorders*. As part of our MASP program, we have identified mannan-binding lectin-associated serine protease-3 ("MASP-3"), which has been shown to be the key activator of the complement system's alternative pathway ("APC"), and we believe that we are the first to make this and related discoveries associated with the APC. The complement system is part of the immune system's innate response, and the APC is considered the amplification loop within the complement system. MASP-3 is

responsible for the conversion of pro-factor D to factor D; converted factor D is necessary for the activation of the APC. Based on our alternative pathway-related discoveries, we have expanded our intellectual property position to protect our inventions stemming from these discoveries beyond MASP-2-associated inhibition of the lectin pathway to include inhibition of the alternative pathway. Our current primary focus in this program is developing MASP-3 inhibitors for the treatment of disorders related to the APC. We believe that MASP-3 inhibitors have the potential to treat patients suffering from a wide range of diseases and conditions, including: paroxysmal nocturnal hemoglobinuria ("PNH"); C3 glomerulopathy; multiple sclerosis; arthritis; traumatic brain injury; neuromyelitis optica; pauci-immune necrotizing crescentic glomerulonephritis; disseminated intravascular coagulation; age-related macular degeneration; asthma; dense deposit disease; Bechet's disease; aspiration pneumonia; TMA; ischemia-reperfusion injury; Guillain Barre syndrome; Alzheimer's disease; amylotrophic lateral sclerosis; systemic lupus erythematosus; diabetic retinopathy; uveitis; chronic obstructive pulmonary disease; transplant rejection; acute respiratory distress syndrome; antineutrophil cytoplasmic antibody-associated vasculitis; anti-phospholipid syndrome; atherosclerosis; myasthenia gravis and others. Our OMS906 monoclonal antibody program has generated positive data in a well-established animal model associated with PNH, as well as strong pharmacodynamic activity in non-human primates. The program has also generated positive data in a well-established animal model of arthritis. In preparation for clinical trials, we have completed the first-in-human-enabling toxicology studies, and the manufacturing scale-up process is underway to support the remainder of the development program. We are currently targeting PNH as the first clinical indication for OMS906 and plan to submit a clinical trial application in the first half of 2020.

- *Other MASP Inhibitor Preclinical Programs*. We have generated positive preclinical data from MASP-2 inhibition in *in vivo* models of age-related macular degeneration, myocardial infarction, diabetic neuropathy, stroke, ischemia-reperfusion injury, and other diseases and disorders. We are also developing a longer-acting second generation antibody targeting MASP-2, which we are targeting for initiation of clinical trials in 2022. This program is designated as "OMS1029." Development efforts are also directed to a small-molecule inhibitor of MASP-2 designed for oral administration, as well as small-molecule inhibitors of MASP-3 and biospecific small- and large-molecule inhibitors of MASP-2/-3.

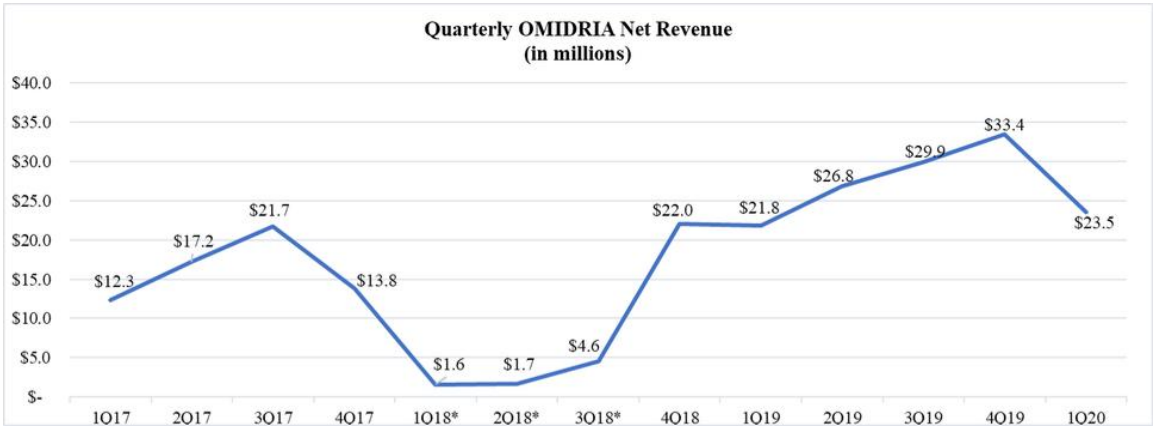
- *GPR174 and GPCR Platform*. We have developed a proprietary cellular redistribution assay which we use in a high-throughput manner to identify synthetic ligands, including antagonists, agonists and inverse agonists, that bind to and affect the function of orphan GPCRs. We have screened Class A orphan GPCRs against our small-molecule chemical libraries using the cellular redistribution assay and have identified and confirmed compounds that interact with 54 of the 81 Class A orphan GPCRs linked to a wide range of indications including cancer as well as metabolic, cardiovascular, immunologic, inflammatory and central nervous system disorders. One of our priorities in this program is GPR174, which is involved in the modulation of the immune system. In *ex vivo* human studies, our small-molecule inhibitors targeting GPR174 upregulate the production of cytokines, block multiple checkpoints and tumor promoters, and suppress regulatory T-cells. Based on our data, we believe that GPR174 controls a major pathway in cancer and modulation of the receptor could provide a seminal advance in immuno-oncologic treatments for a wide range of tumors. Our studies in mouse models of melanoma and colon carcinoma found that GPR174-deficiency resulted in significantly reduced tumor growth and improved survival of the animals versus normal mice. Our recent discoveries suggest a new approach to cancer immunotherapy that targets inhibition of GPR174 and can be combined with and significantly improve the tumor-killing effects of adenosine pathway inhibitors. These discoveries include (1) identification of cancer-immunity pathways controlled by GPR174, (2) the identification of phosphatidylserine as a natural ligand for GPR174, (3) a collection of novel small-molecule inhibitors of GPR174 and (4) a synergistic enhancement of "tumor-fighting" cytokine production by T cells following the combined inhibition of both GPR174 and the adenosine pathway (e.g., A2A and/or A2B), another key metabolic pathway that regulates tumor immunity. We continue to focus on GPR174 and several other of our GPCR targets with the objective of moving compounds targeting them into human trials.

Financial Summary

We recognized net losses of $29.0 million and $24.3 million for the three months ended March 31, 2020 and 2019, respectively and our OMIDRIA revenues were $23.5 million and $21.8 million for the same periods. As of March 31,

2020, we had $54.0 million in cash and cash equivalents and short-term investments available for general corporate use and $24.1 million in accounts receivable, net.

We expect our net losses will continue until such time as we derive sufficient revenues from sales of OMIDRIA and/or other sources, such as licensing, product sales and other revenues from our product candidates, that are sufficient to cover our operating expenses and debt service obligations.



* Fiscal quarters without pass-through reimbursement.

During the period from January 1, 2018 to September 30, 2018, OMIDRIA was not reimbursed separately when used for procedures involving patients covered by Medicare Part B and our revenues decreased significantly. After reinstatement of separate reimbursement for OMIDRIA in 4Q 2018, our revenues quickly returned to levels when separate reimbursement was available and quarter-over-quarter revenue growth approximated historical rates. In Q1 2020, OMIDRIA revenues declined due to the impact of COVID-19 on the volume of cataract surgery being performed.

Pass-through status for OMIDRIA is scheduled to expire on September 30, 2020. If we are unable to obtain permanent separate or similar reimbursement for OMIDRIA, the net revenues we receive for OMIDRIA would be reduced, potentially by a significant amount. Although we expect to pursue an alternative sales strategy if we are unable to obtain permanent separate or similar reimbursement for OMIDRIA, we may face difficulties or delays in implementing such a strategy and, even if successfully implemented, we cannot predict whether or to what extent our customers would increase their utilization of OMIDRIA. See “Commercial Product - OMIDRIA” earlier in this section for additional details regarding the pass-through reimbursement status for OMIDRIA.

Due to the ongoing impact of COVID-19 on OMIDRIA sales and the scheduled expiration of pass-through status on September 30, 2020, we are unable to predict future OMIDRIA product sales, net.

Results of Operations

Revenue

Our revenue consists of OMIDRIA product sales to ASCs and hospitals in the U.S. Our product sales, net during the three months ended March 31, 2020 and 2019 are as follows:

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Product sales, net	$ 23,537	$ 21,779

During the three months ended March 31, 2020, OMIDRIA revenue was $23.5 million as compared to $21.8 million for the three months ended March 31, 2019. The increase in revenue during the three months ended March 31, 2020 compared to the same period in prior year was due to increased demand for OMIDRIA by ASCs and hospitals following the reinstatement of pass-through reimbursement status for OMIDRIA on October 1, 2018. However, revenue for the three months ended March 31, 2020 was negatively affected as a result of inventory utilization by ASCs and hospitals in early March in anticipation of the COVID-19-related shutdown of elective surgical procedures. Sales of OMIDRIA were minimal following the postponement of most cataract procedures in mid-March. Revenue for the three months ended March 31, 2020 includes a $2.5 million provision for the potential return of OMIDRIA product. In early May, a large number of states began re-opening ASCs and hospitals to cataract surgery, and we have had facilities in at least 36 states initiate re-ordering of OMIDRIA from our wholesalers. In the event that ongoing customers return product and subsequently repurchase, those sales will be recorded as revenue when the wholesaler acquires the replacement product from us.

Gross-to-Net Deductions

We record OMIDRIA product sales net of estimated chargebacks, rebates, distribution fees and product returns. These deductions are generally referred to as gross-to-net deductions. Our total gross-to-net provision for the three months ended March 31, 2020 was 32.3% of gross OMIDRIA product sales. This compares to 27.0% for the three months ended March 31, 2019. The increase in gross-to-net deductions as a percentage of sales is due to product return allowances as described below.

A summary of our gross-to-net related accruals for the three months ended March 31, 2020 is as follows:

	Chargebacks and Rebates	Distribution Fees and Product Return Allowances	Total
		(In thousands)	
Balance as of December 31, 2019	$ 10,240	$ 2,237	$ 12,477
Provisions	7,563	3,675	11,238
Payments	(9,556)	(1,266)	(10,822)
Balance as of March 31, 2020	$ 8,247	$ 4,646	$ 12,893

Chargebacks and Rebates

We record a provision for estimated chargebacks and rebates at the time we recognize OMIDRIA product sales revenue and reduce the accrual when payments are made or credits are granted. Our chargebacks are related to a pharmaceutical pricing agreement, a federal supply schedule agreement, a 340B prime vendor agreement, a Medicaid drug rebate agreement and an off-invoice discount to our ASC and hospital customers. We also record a provision for our OMIDRIAssure® patient assistance and reimbursement services program and our rebates under our purchase volume-discount programs.

Distribution Fees and Product Return Allowances

We pay our wholesalers a distribution fee for services they perform for us based on the dollar value of their purchases of OMIDRIA. We record a provision for these charges as a reduction to revenue at the time of sale to the wholesaler and make payments to our wholesalers based on contractual terms.

We allow for the return of product up to 12 months past its expiration date, or for product that is damaged or not used by our customers. We record a provision for returns upon sale of OMIDRIA to our wholesaler. When a return or claim is received, we issue a credit memo to the wholesaler against its outstanding receivable to us or we reimburse the customer. For the three months ended March 31, 2020, as noted above, we recorded a $2.5 million return allowance for return of OMIDRIA product from wholesalers and ASCs related to the postponement of cataract surgeries due to the COVID-19 pandemic. Additionally, should pass-through reimbursement expire on September 30, 2020, it is possible

that wholesalers, ASCs and hospitals may return a portion of their OMIDRIA on hand for a full refund of the purchase price. If a reserve is required, we would record the reserve during our third quarter of 2020.

Research and Development Expenses

Our research and development expenses can be divided into three categories: direct external expenses, which include clinical research and development, preclinical research and development activities; internal, overhead and other expenses; and stock-based compensation expense. Direct external expenses consist primarily of expenses incurred pursuant to agreements with third-party manufacturing organizations prior to receiving regulatory approval for a product candidate, contract research organizations, clinical trial sites, collaborators, consultants, and licensors consultants. Costs are reported in preclinical research and development until the program enters the clinic. Internal, overhead and other expenses consist of personnel costs, overhead costs such as rent, utilities and depreciation and other miscellaneous costs. We do not generally allocate our internal resources, employees and infrastructure to any individual research project because we deploy them across multiple clinical and preclinical projects that we are advancing in parallel.

The following table illustrates our expenses associated with these activities:

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Direct external expenses:		
Clinical research and development:		
MASP-2 Program - OMS721 (narsoplimab)	$ 13,215	$ 14,437
OMIDRIA - Ophthalmology	626	708
PDE7 - OMS527	1,337	576
Total clinical research and development	15,178	15,721
Preclinical research and development	3,515	1,516
Total direct external expenses	18,693	17,237
Internal, overhead and other expenses	8,771	7,524
Stock-based compensation expense	1,447	1,494
Total research and development expenses	$ 28,911	$ 26,255

Direct external expenses increased $1.5 million for the three months ended March 31, 2020 compared to the same period in 2019. This increase is due primarily to higher IgA nephropathy clinical trial costs offset by lower narsoplimab manufacturing cost. In the first quarter of 2019 we acquired raw materials used in the manufacturing of our drug substance validation batches that concluded later in the year 2019. The $2.0 million increase in our preclinical research and development expense for the three months ended March 31, 2020 as compared to the same period in 2019 reflects addition third-party manufacturing scale up costs related to our OMS906 program as well as development and analytical activities related our MASP-2 long-acting second-generation antibody program.

The increases in internal, overhead and other expenses for the three months ended March 31, 2020 compared to the prior year period are primarily due to additional employee-related costs to support our increased research and development activities.

We expect the majority of our research and development expenses for the remainder of 2020 will be related to our narsoplimab program. We expect research and development costs to increase in 2020 as we incur incremental manufacturing costs in preparation for the anticipated commercial launch of narsoplimab in HSCT-TMA in the U.S.

At this time, we are unable to estimate with certainty the longer-term costs we will incur in the continued development of our product candidates due to the inherently unpredictable nature of our preclinical and clinical development activities as well as the potential impacts of the COVID-19 pandemic. Clinical development timelines, the probability of success and development costs can differ materially as new data become available and as expectations change. Our future research and development expenses will depend, in part, on the preclinical or clinical success of each

product candidate as well as ongoing assessments of each program's commercial potential. In addition, we cannot forecast with precision which product candidates, if any, may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

We are required to expend substantial resources in the development of our product candidates due to the lengthy process of completing clinical trials and seeking regulatory approval. Any failure or delay in completing clinical trials, or in obtaining regulatory approvals, could delay our generation of product revenue and increase our research and development expenses.

Selling, General and Administrative Expenses

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Selling, general and administrative expenses, excluding stock-based compensation expense	$ 16,007	$ 12,752
Stock-based compensation expense	2,029	1,880
Total selling, general and administrative expenses	$ 18,036	$ 14,632

The increase in selling, general and administrative expenses during the three months ended March 31, 2020 compared to the same period in 2019 was primarily due to increased pre-commercialization marketing activities for narsoplimab, including employee-related costs and professional service fees.

We expect that our selling, general and administrative expenses will increase in the remaining quarters of 2020 compared to current levels, primarily due to increased pre-commercialization activities for narsoplimab.

Interest Expense

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Interest expense	$ 5,903	$ 5,600

Interest expense is comprised of interest related to our $210.0 million of 6.25% Convertible Senior Notes due 2023 (the "Convertible Notes"). Non-cash interest expense for the three months ended March 31, 2020 and 2019 was $2.5 million and $2.2 million, respectively. For more information regarding our Convertible Notes, see Part II, Item 8, "Note 8--Convertible Senior Notes" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Financial Condition - Liquidity and Capital Resources

As of March 31, 2020, we had $54.0 million in cash, cash equivalents and short-term investments available for general corporate use held primarily in money-market accounts as compared to $60.8 million at December 31, 2019. In addition, as of March 31, 2020, we had $24.1 million in accounts receivable, net. We have historically generated net losses and incurred negative cash flows from operations and debt service. For the three months ended March 31, 2020, we incurred net losses of $29.0 million and incurred negative cash flows from operations of $9.1 million.

In the first quarter of 2020, our business operations and liquidity were negatively affected by the reduction in demand for OMIDRIA caused by restrictions on cataract surgeries implemented in response to the COVID-19 pandemic. The ongoing restrictions are expected to continue to negatively impact working capital in the second quarter and possibly in future periods, with the magnitude of the impact being dependent on the duration and extent of applicable limitations on the operations of our ASC and hospital customers.

In early May, a large number of states began re-opening ASCs and hospitals to cataract surgery, and we have had facilities in at least 36 states initiate re-ordering of OMIDRIA from our wholesalers. However, we cannot yet predict with certainty the levels of OMIDRIA product sales we will achieve. In addition, pass-through reimbursement for OMIDRIA is currently scheduled to expire on September 30, 2020. We are pursuing legislative and administrative means to extend permanent reimbursement but have not yet received such an extension. Consequently, we are unable to include in the determination regarding our prospects as a going concern OMIDRIA revenues and amounts available under the Line of Credit Agreement, as borrowing availability is determined based on eligible OMIDRIA accounts receivable. We have also not included any proceeds from debt transactions or other financing instruments, despite our successful track record in accessing capital through each of these avenues nor any potential partnerships related to our products or product candidates. The conditions described above when evaluated within the constraints of the accounting literature raise substantial doubt with respect to our ability to meet our obligations through May 11, 2021 and, therefore, to continue as a going concern.

We plan to continue to fund our operations through proceeds from sales of OMIDRIA after the postponement of non-urgent ophthalmic surgical procedures, including cataract surgery, ends and, in addition, we may utilize funds available under our receivable-based line of credit to the extent it is available to us. Should it be necessary or determined to be strategically advantageous, we also could pursue debt financings, public and private offerings of our equity securities similar to those we have completed previously, and/or other strategic transactions, which may include licensing a portion of our existing technology. If these capital sources, for any reason, are needed but inaccessible, it would have a significantly negative effect on our financial condition. Should it be necessary to manage our operating expenses, we would reduce our projected cash requirements through reduction of our expenses by delaying clinical trials, reducing selected research and development efforts, and/or implementing other restructuring activities.

Cash Flow Data

	Three Months Ended March 31,	
	2020	2019
	(In thousands)	
Selected cash flow data		
Cash provided by (used in):		
Operating activities	$ (9,141)	$ (12,948)
Investing activities	$ 10,776	$ 11,287
Financing activities	$ 2,399	$ (146)

Operating Activities. Net cash used in operating activities for the three months ended March 31, 2020 decreased by $3.8 million as compared to the same period in 2019. The net decrease is primarily due to a $13.0 million increase in cash provided from collections of accounts receivable offset by an increase in our net loss of $4.7 million, an increase of $4.0 million in cash used in accounts payable and accrued expense, and an increase of $1.5 million in funds used for advance payments.

Investing Activities. Cash flows from investing activities primarily reflect cash used to purchase short-term investments and proceeds from the sale of short-term investments, thus causing a shift between our cash and cash equivalents and short-term investment balances. Because we manage our cash usage with respect to our total cash, cash equivalents and short-term investments, we do not consider fluctuations in cash flows from investing activities to be important to the understanding of our liquidity and capital resources.

Net cash provided by investing activities during the three months ended March 31, 2020 was $10.8 million, a decrease of $0.5 million for the same period in 2019 primarily due to investments purchased exceeding investments sold by $0.6 million.

Financing Activities. Net cash provided by financing activities during the three months ended March 31, 2020 was $2.4 million, an increase of $2.5 million compared to the same period in 2019. The increase for the three months ended March 31, 2020 compared to the prior year was primarily due to $2.7 million in net proceeds from exercises of stock options.

Loan and Security Agreement. Our Loan and Security Agreement with Silicon Valley Bank (the "Loan Agreement"), provides for a $50.0 million revolving line of credit facility. Under the Loan Agreement we may draw, on a revolving basis, up to the lesser of $50.0 million and 85.0% of our eligible accounts receivable, less certain reserves. The Loan Agreement is secured by all our assets excluding intellectual property and development program inventories and matures on August 2, 2022. As of March 31, 2020, we had no outstanding borrowings under the Loan Agreement and we were in compliance with all covenants in all material respects. See earlier discussion under "Liquidity and Capital Resources" for further detail regarding the availability of the line of credit.

Contractual Obligations and Commitments

Our future minimum contractual commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2019. Other than the following, our future minimum contractual obligations and commitments have not changed materially from the amounts previously reported.

Goods and Services

We have certain non-cancelable obligations under various other agreements for the acquisition of goods and services associated with the manufacturing of our product candidates that contain firm commitments. As of March 31, 2020, our aggregate firm commitments are $17.6 million.

We may be required, in connection with in-licensing or asset acquisition agreements, to make certain royalty and milestone payments and we cannot, at this time, determine when or if the related milestones will be achieved or whether the events triggering the commencement of payment obligations will occur. Therefore, such payments are not included in the amount above.

Lease Agreements

We lease our office and laboratory space in The Omeros Building under a lease agreement with BMR - 201 Elliott Avenue LLC. The initial term of the lease ends in November 2027, and we have two options to extend the lease term, each by five years. As of March 31, 2020, the remaining aggregate non-cancelable rent payable under the initial term of the lease, excluding common area maintenance and related operating expenses, is $51.4 million.

Critical Accounting Policies and Significant Judgments and Estimates

There have not been any material changes in our critical accounting policies and significant judgments and estimates as disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Off-Balance Sheet Arrangements

We have not engaged in any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is primarily confined to our investment securities. The primary objective of our investment activities is to preserve our capital to fund operations. We also seek to maximize income from our investments without assuming significant risk. To achieve our objectives, we maintain a portfolio of investments in high-credit-quality securities. As of March 31, 2020, we had cash, cash equivalents and short-term investments of $54.0 million. In accordance with our investment policy, we invest funds in highly liquid, investment-grade securities. These securities in our investment portfolio are not leveraged and are classified as available-for-sale. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that an increase in market rates would have a material negative impact on the realized value of our investment portfolio. We actively monitor changes in interest rates and, with our current portfolio of short-term investments, we are not exposed to potential loss due to changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of March 31, 2020. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2020, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the period covered by this report 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

From time to time, in the ordinary course of business, we may be involved in various claims, lawsuits and other proceedings. As of the date of filing of this Quarterly Report on Form 10-Q, we were not involved in any material legal proceedings.

ITEM 1A. RISK FACTORS

We operate in an environment that involves a number of risks and uncertainties. Before making an investment decision you should carefully consider the risks described in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on March 2, 2020. In assessing the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2019, you should also refer to the other information included therein and in this Quarterly Report on Form 10-Q. In addition, we may be adversely affected by risks that we currently deem immaterial or by other risks that are not currently known to us. The trading price of our common stock could decline due to any of these risks and you may lose all or part of your investment.

The risk factors set forth below update, and should be read together with, the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2019.

Our ability to achieve profitability is highly dependent on the commercial success of OMIDRIA, and to the extent OMIDRIA is not successful, our business, financial condition and results of operations may be materially adversely affected and the price of our common stock may decline.

OMIDRIA is our only product that has been approved by the FDA, for commercial sale in the U.S. For the three months ended March 31, 2020, we recorded net sales of OMIDRIA of $23.5 million. Revenues from sales of OMIDRIA have not been sufficient to fund our operations fully in prior periods and we cannot provide assurance that revenues from OMIDRIA sales will be sufficient to fund our operations fully in the future. We will need to generate substantially more product revenue from OMIDRIA to achieve and sustain profitability. We may be unable to sustain or increase revenues generated from OMIDRIA product sales for a number of reasons, including:

- the significant reduction in the volume of ophthalmic surgical procedures and corresponding reduction in demand for OMIDRIA as a result of the COVID-19 pandemic;
- the scheduled expiration of pass-through reimbursement on September 30, 2020 and uncertainty regarding the extent of coverage and reimbursement for OMIDRIA when used in Medicare patients after September 30, 2020;
- pricing, coverage and reimbursement policies of government and private payers such as Medicare, Medicaid, the U.S. Department of Veterans Affairs, group purchasing organizations, insurance companies, health maintenance organizations and other plan administrators;
- a lack of acceptance by physicians, patients and other members of the healthcare community;
- the availability, relative price and efficacy of the product as compared to alternative treatment options or branded, compounded or generic competing products;
- an unknown safety risk;
- the failure to enter into and maintain acceptable partnering arrangements for marketing and distribution of OMIDRIA outside of the U.S.; and
- changed or increased regulatory restrictions in the U.S., EU and/or other foreign territories.

Any decline in sales from OMIDRIA also would impact our ability to borrow under the Loan Agreement since the amount we can borrow is dependent on our eligible receivables.

The spread of COVID-19 and efforts to reduce its transmission may negatively impact our business, operations and financial results.

The spread of COVID-19 and efforts to reduce its transmission have significantly affected the global economy and have adversely affected our sales of OMIDRIA due to a reduction in the overall volume of cataract surgery and intraocular lens replacement procedures. On March 18, 2020, The American Academy of Ophthalmology issued a letter recommending that all ophthalmologists immediately cease providing any treatment other than urgent or emergent care. Upon this recommendation the ASCs and hospitals using OMIDRIA temporarily postponed nearly all cataract surgery. Consequently, our sales of OMIDRIA have been minimal to our wholesalers following the announcement. In early May, a large number of states began re-opening ASCs and hospitals to cataract surgery, and we have had facilities in at least 36 states initiate re-ordering of OMIDRIA from our wholesalers. The COVID-19 pandemic could have a continuing adverse impact on our business and financial results, including through sustained limitation on cataract surgery and corresponding reduction in demand for OMIDRIA, disruptions in commercial sales activities, higher than normal volume of OMIDRIA product returns, as well as a deterioration of general economic conditions.

We may also experience disruptions to our operations due to COVID-19, such as delays or disruptions with respect to manufacturing of clinical or commercial drug substance or drug product and delays in our clinical trials or in the submission or review of regulatory applications. Such delays or disruptions could negatively affect our commercial operations, clinical programs, and research and development. The health of our employees, contractors and other persons on whom we rely may be adversely affected by COVID-19. Although we are taking precautionary measures intended to help minimize the risk of the virus to our employees, these measures may be ineffective or may otherwise adversely affect our productivity. In addition, the conditions created by the pandemic may intensify other risks inherent in our business. Due to the unknown magnitude, duration and outcome of the COVID-19 pandemic, it is not possible to estimate precisely its impact on our business, operations or financial results; however, the impact could be material.

To the extent COVID-19 adversely affects our business, financial condition, and results of operations and global economic conditions more generally, it may also have the effect of heightening many of the other risk factors described in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019.

If our clinical trials or clinical protocols are delayed, suspended or terminated, we may be unable to develop our product candidates on a timely basis, which would adversely affect our ability to obtain regulatory approvals, increase our development costs and delay or prevent commercialization of approved products.

We cannot predict whether we will encounter problems with any of our completed, ongoing or planned clinical trials or clinical data collection protocols that will cause regulatory agencies, institutional review boards or ethics committees, or us to delay our clinical trials or suspend or delay the analysis of the data from those trials. Clinical trials and clinical data protocols can be delayed for a variety of reasons, including:

- discussions with the FDA, the EMA or other foreign authorities regarding the scope or design of our clinical trials or clinical data collection protocols;
- delays or the inability to obtain required approvals from institutional review boards, ethics committees or other responsible entities at clinical sites selected for participation in our clinical trials;
- delays in enrolling patients into clinical trials, collecting data from enrolled patients, adequately monitoring patients before or after treatment, or collecting historical control data for any reason including disease severity, trial or data collection protocol design, study eligibility criteria, patient population size (e.g., for orphan diseases or for some pediatric indications), proximity and/or availability of clinical trial sites for prospective patients, availability of competing therapies and clinical trials, regional differences in diagnosis and treatment, perceived risks and benefits of the product or product candidate, physician patient referral practices, disruptions due to external events, including an outbreak of pandemic or contagious disease such as the COVID-19 coronavirus, which has slowed enrollment in our clinical trials of narsoplimab in patients with IgA nephropathy;

- lower than anticipated retention rates of patients in clinical trials;
- the need to repeat or conduct additional clinical trials as a result of inconclusive or negative results, failure to replicate positive early clinical data in subsequent clinical trials, failure to deliver an efficacious dose of a product candidate, poorly executed testing, a failure of a clinical site to adhere to the clinical protocol, an unacceptable study design or other problems;
- adverse findings in clinical or nonclinical studies related to the safety of our product candidates in humans;
- an insufficient supply of product candidate materials or other materials necessary to conduct our clinical trials;
- the need to qualify new suppliers of product candidate materials for FDA and foreign regulatory approval;
- an unfavorable inspection or review by the FDA or other regulatory authority of a clinical trial site or records of any clinical investigation;
- the occurrence of unacceptable drug-related side effects or adverse events experienced by participants in our clinical trials;
- the suspension by a regulatory agency of a trial by imposing a clinical hold; or
- the amendment of clinical trial or data collection protocols to reflect changes in regulatory requirements and guidance or other reasons as well as subsequent re-examination of amendments to clinical trial or data collection protocols by institutional review boards or ethics committees.
- In addition, our clinical trial or development programs have been, and in the future may be, suspended or terminated by us, the FDA or other regulatory authorities, or institutional review boards or ethics committees due to a number of factors, including:
- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
- the failure to remove a clinical hold in a timely manner, if at all;
- unforeseen safety issues or any determination that a trial presents unacceptable health risks;
- inability to deliver an efficacious dose of a product candidate; or
- lack of adequate funding to continue the clinical trial or development program, including as a result of unforeseen costs due to enrollment delays, requirements to conduct additional trials and studies and/or increased expenses associated with the services of our contract research organizations (“CROs”), or other third-parties.

If the results of our clinical trials are not available when we expect or if we encounter any delay in the analysis of data from our clinical trials, we may be unable to file for regulatory approval or conduct additional clinical trials on the schedule we currently anticipate. Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. Any delays in completing our clinical trials could increase our development costs, could slow down our product development and regulatory submission process, could delay our receipt of product revenue and could make it difficult to raise additional capital. In addition, significant clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to commercialize our future products, potentially harming our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Ninth Amendment to Lease dated January 15, 2020 between Omeros Corporation and BMR-201 Elliott Avenue LLC
10.2*	Consulting Agreement effective February 10, 2020 between Omeros Corporation and Kurt Zumwalt
31.1	Certification of Principal Executive Officer Pursuant to Rule 13-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Rule 13-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance 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
104.1	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101)

*Indicates management contract or compensatory plan or arrangement.

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.

OMEROS CORPORATION

Dated: May 11, 2020

/s/ Gregory A. Demopulos

Gregory A. Demopulos, M.D.
President, Chief Executive Officer and Chairman of the Board of Directors

Dated: May 11, 2020

/s/ Michael A. Jacobsen

Michael A. Jacobsen
Vice President, Finance, Chief Accounting Officer and Treasurer

NINTH AMENDMENT TO LEASE

THIS NINTH AMENDMENT TO LEASE (this "Amendment") is entered into as of this 15th day of January, 2020 (the "Ninth Amendment Execution Date"), by and between BMR-201 ELLIOTT AVENUE LLC, a Delaware limited liability company ("Landlord"), and OMEROS CORPORATION, a Washington corporation ("Tenant").

RECITALS

A. WHEREAS, Landlord and Tenant are parties to that certain Lease dated as of January 27, 2012 (the "Original Lease"), as amended by that certain First Amendment to Lease dated as of November 5, 2012, that certain Second Amendment to Lease dated as of November 16, 2012 (the "Second Amendment"), that certain Third Amendment to Lease dated as of October 16, 2013, that certain Fourth Amendment to Lease dated as of September 8, 2015, that certain Fifth Amendment to Lease dated as of September 1, 2016, that certain Sixth Amendment to Lease dated as of October 18, 2018, that certain Seventh Amendment to Lease dated as of April 15, 2019 and that certain Eighth Amendment to Lease dated as of October 28, 2019 (collectively, and as the same may have been further amended, amended and restated, supplemented or modified from time to time, the "Existing Lease"), whereby Tenant leases certain premises (the "Existing Premises") from Landlord at 201 Elliott Avenue West in Seattle, Washington (the "Building"), including certain space within the Building's vivarium (such portion of the Building's vivarium currently leased to Tenant, the "Tenant's Existing Vivarium Space"), which excludes the Additional Vivarium Premises comprising approximately 5,177 square feet of Rentable Area that Tenant leased from Landlord pursuant to the Second Amendment, with respect to which Tenant exercised its right to terminate pursuant to that certain letter dated December 17, 2015 from Tenant to Landlord;

B. WHEREAS, Tenant desires to lease additional premises from Landlord in the Building's vivarium; and

C. WHEREAS, Landlord and Tenant desire to modify and amend the Existing Lease only in the respects and on the conditions hereinafter stated.

AGREEMENT

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

1. Definitions. For purposes of this Amendment, capitalized terms shall have the meanings ascribed to them in the Existing Lease unless otherwise defined herein. The Existing Lease, as amended by this Amendment, is referred to collectively herein as the "Lease." From and after the date hereof, the term "Lease," as used in the Existing Lease, shall mean the Existing Lease, as amended by this Amendment.

2. Sixth Additional Vivarium Premises. Effective as of the Ninth Amendment Execution Date, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, approximately one thousand one hundred forty-one (1,141) aggregate additional square feet of

Rentable Area located collectively in Rooms 158 and 155A of the Vivarium, as shown on Exhibit A attached hereto (collectively, the "Sixth Additional Vivarium Premises"), for use by Tenant in accordance with the Permitted Use and in accordance with all other terms and conditions of the Lease. From and after the Ninth Amendment Execution Date, the term "Premises," as used in the Lease shall mean the Existing Premises plus the Sixth Additional Vivarium Premises, and the term "Tenant's Vivarium Space," as used in the Lease, shall mean the Tenant's Existing Vivarium Space plus the Sixth Additional Vivarium Premises.

3. Sixth Additional Vivarium Term. The Term of the Lease with respect to the Sixth Additional Vivarium Premises (as the same may be earlier terminated in accordance with the Lease, the "Sixth Additional Vivarium Term") shall commence on the Ninth Amendment Execution Date and shall expire on the Term Expiration Date. Failure by Tenant to obtain validation by any medical review board or other similar governmental licensing of the Sixth Additional Vivarium Premises required for the Permitted Use by Tenant shall not serve to extend the commencement of the Sixth Additional Vivarium Term.

4. Condition of Sixth Additional Vivarium Premises. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of the Sixth Additional Vivarium Premises or with respect to the suitability of the Sixth Additional Vivarium Premises for the conduct of Tenant's business. Tenant acknowledges that (a) it is fully familiar with the condition of the Sixth Additional Vivarium Premises and agrees to take the same in its condition "as is" as of the Ninth Amendment Execution Date and (b) Landlord shall have no obligation to alter, repair or otherwise prepare the Sixth Additional Vivarium Premises for Tenant's occupancy or to pay for or construct any improvements to the Sixth Additional Vivarium Premises. Tenant's taking of possession of the Sixth Additional Vivarium Premises shall, except as otherwise agreed to in writing by Landlord and Tenant, conclusively establish that the Sixth Additional Vivarium Premises were at such time in good, sanitary and satisfactory condition and repair.

5. Base Rent and Additional Rent. In addition to all Base Rent for the Existing Premises, commencing on the Ninth Amendment Execution Date and continuing for the duration of the Sixth Additional Vivarium Term, Tenant shall pay to Landlord (in accordance with the provisions of the Lease) Base Rent for the Sixth Additional Vivarium Premises. Base Rent (including the monthly and annual installments of Base Rent) for the Sixth Additional Vivarium Premises shall equal the applicable amounts set forth on Exhibit B attached hereto. In addition to all Additional Rent for the Existing Premises, commencing as of the Ninth Amendment Execution Date and continuing for the duration of the Sixth Additional Vivarium Term, Tenant shall pay to Landlord Additional Rent (as defined in (and in accordance with the provisions of) the Lease) with respect to the Sixth Additional Vivarium Premises.

6. Pro Rata Share. Tenant's Pro Rata Share of the Project with respect to the Sixth Additional Vivarium Premises shall be 0.75%. Therefore, commencing as of the Ninth Amendment Execution Date, Tenant's Pro Rata Share of the Project for the entire Premises (i.e., the Existing Premises plus the Ninth Amendment Vivarium Premises) shall be 73.60%.

7. Termination Option. Notwithstanding anything to the contrary in the Lease, Tenant shall have the right to terminate the Lease, but only with respect to the Sixth Additional Vivarium Premises (and no less than all of the Sixth Additional Vivarium Premises), by providing written notice (the "Sixth Additional Vivarium Termination Notice") to Landlord at least sixty (60) days prior to Tenant's desired termination date (the "Sixth Additional Vivarium Termination Date"), which Sixth Additional Vivarium Termination Date shall be set forth in the Sixth Additional Vivarium Termination Notice. Subject to (a) Landlord's timely receipt of the Sixth Additional Vivarium Termination Notice and (b) Tenant surrendering the Sixth Additional Vivarium Premises in the condition required under the Lease (including, without limitation, Section 18.2 and Article 26 of the Lease), then, as of the Sixth Additional Vivarium Termination Date, the Lease with respect to the Sixth Additional Vivarium Premises only shall terminate and be of no further force or effect, and Landlord and Tenant shall be relieved of their respective obligations under the Lease with respect to the Sixth Additional Vivarium Premises only from and after the Sixth Additional Vivarium Termination Date, except with respect to those obligations set forth in the Lease that expressly survive the expiration or earlier termination thereof, including payment by Tenant of all amounts owed by Tenant pursuant to the Lease with respect to the Sixth Additional Vivarium Premises for the period up to and including the Sixth Additional Vivarium Termination Date. The termination right granted to Tenant pursuant to this Section shall automatically terminate and be of no further force or effect in the event that (y) Tenant assigns, subleases or otherwise Transfers the Sixth Additional Vivarium Premises or any portion thereof to other entities or persons, other than in connection with an Exempt Transfer (or in connection with any sublease approved by Landlord pursuant to Article 29 of the Lease), or (z) Tenant's right to possession of the Sixth Additional Vivarium Premises has previously been terminated. The termination right granted to Tenant pursuant to this Section is personal to Omeros Corporation, a Washington corporation ("Omeros") and any Permitted Transferees of Omeros, and may not be exercised by any other assignee, sublessee or transferee of Tenant's or a Permitted Transferee's interest in the Lease.

8. Broker. Tenant represents and warrants that it has not dealt with any broker or agent in the negotiation for or the obtaining of this Amendment and agrees to reimburse, indemnify, save, defend (at Landlord's option and with counsel reasonably acceptable to Landlord, at Tenant's sole cost and expense) and hold harmless the Landlord Indemnitees for, from and against any and all cost or liability for compensation claimed by any such broker or agent employed or engaged by it or claiming to have been employed or engaged by it.

9. No Default. Tenant represents, warrants and covenants that, to the best of Tenant's knowledge, Landlord and Tenant are not in default of any of their respective obligations under the Existing Lease and no event has occurred that, with the passage of time or the giving of notice (or both) would constitute a default by either Landlord or Tenant thereunder.

10. Effect of Amendment. Except as modified by this Amendment, the Existing Lease and all the covenants, agreements, terms, provisions and conditions thereof shall remain in full force and effect and are hereby ratified and affirmed. In the event of any conflict between the terms contained in this Amendment and the Existing Lease, the terms herein contained shall supersede and control the obligations and liabilities of the parties.

11. Successors and Assigns. Each of the covenants, conditions and agreements contained in this Amendment shall inure to the benefit of and shall apply to and be binding upon the parties hereto and their respective heirs, legatees, devisees, executors, administrators and permitted successors and assigns and sublessees. Nothing in this section shall in any way alter the provisions of the Lease restricting assignment or subletting.

12. Miscellaneous. This Amendment becomes effective only upon execution and delivery hereof by Landlord and Tenant. The captions of the paragraphs and subparagraphs in this Amendment are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof. All exhibits hereto are incorporated herein by reference. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for a lease, and shall not be effective as a lease, lease amendment or otherwise until execution by and delivery to both Landlord and Tenant.

13. Authority. Tenant guarantees, warrants and represents that the individual or individuals signing this Amendment have the power, authority and legal capacity to sign this Amendment on behalf of and to bind all entities, corporations, partnerships, limited liability companies, joint venturers or other organizations and entities on whose behalf such individual or individuals have signed.

14. Counterparts; Facsimile and PDF Signatures. This Amendment may be executed in one or more counterparts, each of which, when taken together, shall constitute one and the same document. A facsimile or portable document format (PDF) signature on this Amendment shall be equivalent to, and have the same force and effect as, an original signature.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date and year first above written.

LANDLORD:

BMR-201 ELLIOTT AVENUE LLC,
a Delaware limited liability company

By: /s/ KEVIN M. SIMONSEN
Name: Kevin M. Simonsen
Title: EVP, General Counsel & Secretary

TENANT:

OMEROS CORPORATION,
a Washington corporation

By: /s/ GREGORY A. DEMOPULOS, M.D.
Name: Gregory A. Demopulos, M.D.
Title: Chairman and Chief Executive Officer

EXHIBIT A

SIXTH ADDITIONAL VIVARIUM PREMISES

**The cross-hatched area above represents the Sixth Additional Vivarium Premises. Landlord makes no representation or warranty with respect any items depicted in this Exhibit A (including, without limitation, any furniture, fixtures or equipment), including whether any such items currently exist within the Building or the Project.

EXHIBIT B

BASE RENT FOR SIXTH ADDITIONAL VIVARIUM PREMISES

Dates	**Square Feet of Rentable Area**	**Annual Base Rent per Square Foot Of Rentable Area**	**Monthly Base Rent**
Ninth Amendment Executed Date - November 15, 2019	1,141	$71.64	$6,811.77
November 16, 2019-November 15, 2020	1,141	$73.79	$7,016.20
November 16, 2020-November 15, 2021	1,141	$76.01	$7,227.28
November 16, 2021-November 15, 2022	1,141	$78.29	$7,444.07
November 16, 2022-November 15, 2023	1,141	$80.63	$7,666.57
November 16, 2023-November 15, 2024	1,141	$83.05	$7,896.67
November 16, 2024-November 15, 2025	1,141	$85.55	$8,134.38
November 16, 2025-November 15, 2026	1,141	$88.11	$8,377.79
November 16, 2026-November 15, 2027	1,141	$90.76	$8,629.76

OMEROS CORPORATION
CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") is entered into by and between Omeros Corporation ("Omeros") and Kurt Zumwalt (the "Consultant") as of February 10, 2020

1. **Consulting Services**. Consultant will provide consulting services (the "Services") to Omeros as described in the attached Exhibit A or as may otherwise be mutually agreed in writing. Consultant will use his best efforts to perform the Services in a manner satisfactory to Omeros, in a reasonable manner consistent with the professional standards generally applicable to such Services and will perform the Services in accordance with (i) all applicable Omeros corporate and compliance policies and procedures and (ii) all applicable laws and state and federal regulations. With respect to the Services, Consultant will report to the Chief Executive Officer ("CEO") or other individual designated by the CEO.

2. **Compensation**. As full and complete consideration for the Services described in Exhibit A and all other of Consultant's obligations under this Agreement, Omeros will compensate Consultant as also described in Exhibit A.

3. **Term**. Consultant will serve as a consultant to Omeros for an initial term commencing on the date hereof (the "Effective Date") and continuing until an ending date agreed to in writing or by mutual course of conduct (the "Term"). Consultant's obligations with respect to Confidentiality, Intellectual Property and Use of Names set forth below will survive termination of this Agreement.

4. **Independent Contractor**. Consultant is an independent contractor, and not an employee of Omeros. Consultant is not eligible for any employee benefits. Consultant, and not Omeros, is responsible for payment of all of Consultant's taxes and for any workers compensation or disability insurance as may be required by law. Consultant is not authorized to enter into any contracts or obligations that bind Omeros without the prior written authorization of Omeros.

5. **Confidentiality**

5.1. As used in this Agreement, "Omeros Technology" means the following technologies that have been developed or are owned and/or held by Omeros: (a) methods and pharmaceuticals or other agents to inhibit pain and inflammation and/or smooth muscle spasm, and/or to promote mydriasis, for use in surgical procedures (including without limitation arthroscopic, urologic, ophthalmologic and general surgical procedures); (b) methods, antibodies and other agents and compositions for the inhibition of the complement immune system; (c) G-Protein coupled receptor (GPCR) therapeutic targets, expression profiles, assay methods for screening compounds for activity at GPCR targets, GPCR agonists and antagonists and therapeutic methods and compositions targeting GPCRs including, but not limited to, the treatment of cancer, pain, sleep disorders, obesity, neuromuscular and neuropsychiatric disorders; (d) agents, compositions and therapeutic methods targeting phosphodiesterases including, but not limited to, the

treatment of neuromuscular, neurodegenerative, neuropsychiatric, motor, cognitive and inflammatory disorders and the treatment and prevention of addiction and compulsive disorders; (e) genetically engineered knock-out and knock-in mice, inducible knock-out mice and methods for generating the same; (f) agents, compositions and therapeutic methods for treating addiction and/or preventing addiction to addictive agents; (g) methods and libraries for generating antibodies using targeted gene replacement and antibodies generated therefrom; (h) agents, compositions and therapeutic methods targeting proteinases, including, but not limited to, use as antifibrinolytics; and (i) any other business or scientific area in which Consultant becomes aware that Omeros is active or has commenced planning or preparation for activity.

5.2. As used in this Agreement, "Confidential Information" means all information or materials which relate to the Omeros Technology that are made available to Consultant by Omeros at any time, or which Consultant obtains or develops under this Agreement, including without limitation, research and development information, know-how, inventions, technical data, knock-out and knock-in mouse strains, gene expression profiles, behavioral and physiological assays, phenotypes, cell lines, cellular, biochemical and chemical assays, chemical structure-activity relationships, sequences, formulae, treatment methods, clinical trial design criteria, protocols, case report forms, patient data, investigators' brochures, processes, chemistry, manufacturing and controls information, regulatory information, product development information, business or marketing plans or strategies, financial and investor information, customer lists or information and any data concerning the existing business or reasonably foreseeable future business of Omeros, as well as all other information which Consultant should reasonably know is not generally available to the public.

5.3. During the Term of this Agreement and at least five years afterward, Consultant shall not at any time, without the written authorization of Omeros' CEO, disclose or otherwise make known or available to any person, firm, corporation or other entity other than Omeros, or use for any purpose other than performance of this Agreement, any Confidential Information. Consultant shall utilize reasonable procedures to safeguard Confidential Information, including releasing Confidential Information only to employees or associates on a "need-to-know" basis, after first obtaining a written agreement from such individuals to abide by the same duties of confidentiality, non-use and Intellectual Property as are required of Consultant. Consultant shall not attempt to analyze or reproduce through reverse engineering any product or composition included within the Confidential Information, except as may be authorized and necessary to perform this Agreement. When requested by Omeros, Consultant will immediately return to Omeros all Confidential Information and all copies thereof in Consultant's possession or control. Notwithstanding the foregoing, the provisions hereof shall not be interpreted to prevent Consultant from reporting potential violations of federal law or regulation to governmental regulators or making other disclosures that are protected under the whistleblower provisions of federal law or regulation.

5.4. These obligations of confidentiality and non-use do not apply to information that Consultant can establish using written documentation: (a) is or becomes generally

available to the public other than as a result of a disclosure by Consultant; (b) was in the possession of Consultant prior to its being furnished to Consultant directly or indirectly from Omeros; or (c) becomes available to Consultant on a non-confidential basis from a source other than Omeros, which source is not bound by an obligation of confidentiality to Omeros or any other party with respect to such information.

6. **Intellectual Property**

6.1. The term "Omeros Intellectual Property" means all patents, trademarks, copyrights, trade secrets, other intellectual property rights, inventions, discoveries, ideas, compositions, conceptions, processes, developments, designs, business plans, trade secrets, know-how, products, data, programs, processes, methods, protocols and written or electronic writings, illustrations, images or other tangible expressions that: (a) are owned or held by Omeros prior to this Agreement or are created, developed, conceived, reduced to practice, obtained or improved independently of Consultant; or (b) relate to the Omeros Technology and (i) are created, developed, conceived, reduced to practice, obtained or improved by Consultant solely or jointly with others during the course of providing the Services or (ii) result from any use by Consultant of Omeros Confidential Information, premises, equipment or property (tangible or intangible).

6.2. Consultant agrees to disclose to Omeros, fully and promptly in writing, all Omeros Intellectual Property developed by Consultant that arises under this Agreement.

6.3. All work product produced by Consultant during the performance of the Services and all Omeros Intellectual Property is the sole property of Omeros, and to the fullest extent permitted by law will be deemed "works made for hire". Consultant hereby assigns and transfers to Omeros, for no additional compensation, any and all right and title to and interest in Omeros Intellectual Property that Consultant may have or acquire, including any copyrights and registrations and renewals therefore, any inventions, any United States, International and foreign patent applications filed on such inventions, and the right to apply for all such patent applications in Consultant's name or in the name of Omeros.

6.4. Consultant agrees to execute all documents and provide all other requested assistance to Omeros to permit Omeros to confirm title, obtain, protect and enforce all Omeros Intellectual Property. Consultant will be compensated only for Consultant's time spent in rendering such assistance on a reasonable basis.

6.5. Consultant agrees that Omeros will have a non-exclusive, fully paid, transferable license to use for all purposes anywhere in the world any of Consultant's intellectual property incorporated by Consultant within the Omeros Intellectual Property.

7. **Conflicts with this Agreement**.

7.1. Consultant warrants that, to the best of Consultant's knowledge, nothing that Consultant will do for, or provide, use or disclose to, Omeros in the course of providing the Services under this Agreement conflicts with any obligation to or rights of third parties.

7.2. Consultant shall notify Omeros' CEO or other individual designated by the CEO if, during the Term of this Agreement, Consultant undertakes or is subject to a consulting or employment relationship or other obligation with a third party that is engaged in a business enterprise that is directly competitive with any portion of the Omeros Technology.

8. **Miscellaneous**.

8.1. **Integration**. Any term of this Agreement may be amended or waived only with the written consent of the parties.

8.2. **Severability**. If one or more provisions of this Agreement are held to be unenforceable under applicable law, then such provision will be excluded from this Agreement, and the balance of the Agreement will be interpreted and enforceable as if such provision were so excluded.

8.3. **Interpretation**. The laws of the State of Washington will govern the validity, interpretation, construction and performance of this Agreement, without giving effect to the principles of conflict of laws. In the event of a breach of any obligation under this Agreement, the parties may apply to any court of competent jurisdiction for preliminary or interim equitable relief.

8.4. **Assignment**. This Agreement will be binding on Consultant's agents and representatives, and will inure to the benefit of Omeros' assigns or successors in interest. Consultant may not assign this Agreement and may not subcontract any of Consultant's obligations under this Agreement, without the express prior written consent of Omeros.

8.5. **Advice of Counsel**. Consultant acknowledges that Omeros has recommended that Consultant seek independent legal counsel to review this Agreement, and that Consultant has read and understood all of the terms and provisions of this Agreement.

8.6. **Counterparts**. This Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same agreement.

[Signature Page Follows]

The parties have executed this Consulting Agreement on the date first set forth above.

OMEROS CORPORATION

By: /s/ GREGORY A. DEMOPULOS, M.D.
Gregory A. Demopulos, M.D.
Chairman and Chief Executive Officer

Address: 201 Elliott Avenue West
Seattle, Washington 98119

KURT ZUMWALT

/s/ KURT ZUMWALT
Signature

Exhibit A

OMEROS CORPORATION
CONSULTING AGREEMENT

This Exhibit A shall set forth a description of the consulting services and compensation to be paid to the Consultant pursuant to the Consulting Agreement. Capitalized terms used in this Exhibit A and not defined herein will have the meaning given such terms in the Director Consulting Agreement.

1. Description of the Consulting Services.

1.2 Consultant will provide advisory services and tactical implementation of business and financial strategies that further the Company's corporate goals and priorities including, without limitation, securing and further developing the Company's business relationships with major banks and financial institutions.

2. Compensation.

2.1 **Consulting Compensation**. On the Effective Date, the Consultant will be granted a "Nonstatutory Stock Options" (as defined in the Omeros Corporation 2017 Omnibus Incentive Compensation Plan (as amended and restated effective as of June 7, 2019) (the "Plan")) to purchase an aggregate of 11,750 shares of Omeros' common stock, par value $0.01 per share, at a purchase price equal to the fair market value (as determined by the Board of Directors) on the date of the grant (the "Consulting Award"). Subject to Section 13 of the Plan, the Consulting Award will vest and become exercisable as to 1/12 of the total shares subject to the Consulting Award each month following the date of grant, provided that the Consultant continues to be a Service Provider (as defined in the Plan) through each such date. The term of the Consulting Award will be 10 years. The Consulting Award will subject to the terms of the Plan in all respects.

2.2 **Compensation for Board Service**. For the avoidance of doubt, in addition to the compensation set forth in Section 2.1 of this Exhibit A the Consultant shall be entitled to receive compensation in connection with his service as a director of Omeros in the same manner set forth with respect to "Outside Directors" (as defined therein) of the Omeros Corporation Non-Employee Director Compensation Policy, effective as of January 1, 2017, as it may be amended from time to time.

2.3 **Indemnification**. Omeros and the Consultant shall enter into an Indemnification Agreement providing for indemnification of the Consultant in his capacity as a director, to the maximum extent permissible under applicable law, such Indemnification Agreement to be in substantially the form provided to Omeros' other non-employee directors.

2.4 **Expense Reimbursement**. Consultant is not authorized to incur any expenses on behalf of Omeros, without the prior written authorization of Omeros' CEO or other individual designated by the CEO. Consultant will be entitled to reimbursement for reasonable expenses (including reasonable travel expenses) incurred by Consultant, which expenses

are (a) necessary for and directly arise from the performance of the Services and (b) have been pre-approved in writing by Omeros' CEO or other individual designated by the CEO, not including any indirect expenses, overhead or expenses that will be reimbursed by third parties. Notwithstanding the foregoing, the Consultant may incur and be reimbursed for his reasonable and documented expenses in connection with his service on Omeros' Board of Directors, such as to attend meetings of Omeros' Board of Directors, without the prior written authorization of Omeros' CEO in the same manner and to the same extent as Omeros' non-employee directors generally. Additionally, Omeros will reimburse Consultant's reasonable and documented legal fees incurred in connection with the review and execution of the Consulting Agreement, not to exceed $10,000.

2.5 **Other**. During the term of his service on Omeros' Board of Directors, the Consultant shall be entitled to receive cash and equity compensation, expense reimbursement and other benefits related to service on the Board of Directors in the same manner and to the same extent as Omeros' non-employee directors generally.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory A. Demopulos, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omeros Corporation;

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 this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(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.

Dated: May 11, 2020

/s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.
Principal Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael A. Jacobsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Omeros Corporation;

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 this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(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.

Dated: May 11, 2020

/s/ Michael A. Jacobsen
Michael A. Jacobsen
Principal Financial and Accounting Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Omeros Corporation (the "Company") for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as may be expressly set forth by specific reference in such filing.

Dated: May 11, 2020

/s/ Gregory A. Demopulos
Gregory A. Demopulos, M.D.
Principal Executive Officer

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Omeros Corporation (the "Company") for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as may be expressly set forth by specific reference in such filing.

Dated: May 11, 2020

/s/ Michael A. Jacobsen
Michael A. Jacobsen
Principal Financial and Accounting Officer