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

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

o **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 000-21326

Anika Therapeutics, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Massachusetts	**04-3145961**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*

32 Wiggins Avenue, Bedford, Massachusetts 01730
(Address of Principal Executive Offices) (Zip Code)

(781) 457-9000
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: Common stock, par value $.01 per share

Preferred Stock Purchase Rights

Name of Each Exchange on Which Registered: NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of voting and non-voting equity held by non-affiliates of the Registrant as of June 30, 2014, the last day of the Registrant's most recently completed second fiscal quarter, was $682,060,021 based on the close price per share of common stock of $46.33 as of such date as reported on the NASDAQ Global Select Market. Shares of our common stock held by each executive officer, director and each person or entity known to the registrant to be an affiliate have been excluded in that such persons may be deemed to be affiliates; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant. At March 9, 2015, there were issued and outstanding 14,546,275 shares of common stock, par value $.01 per share.

Documents Incorporated By Reference

The registrant intends to file a proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2014. Portions of such proxy statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

ANIKA THERAPEUTICS, INC.
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References in this Annual Report on Form 10-K to "we," "us," "our," "our company," and other similar references refer to Anika Therapeutics, Inc. and its subsidiaries unless the context otherwise indicates.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the documents incorporated by reference into this Annual Report on Form 10-K, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding:

- Our future sales and product revenue, including geographic expansions, possible retroactive price adjustments, and expectations of unit volumes or other offsets to price reductions;
- Our manufacturing capacity, efficiency gains, and work-in-process manufacturing operations;
- The timing, scope, and rate of patient enrollment for clinical trials;
- The development of possible line extensions and new products;
- Our ability to achieve and/or maintain compliance with laws and regulations;
- The timing of and/or receipt of Food and Drug Administration ("FDA"), foreign, or other regulatory approvals, clearances, and/or reimbursement approvals of current, new, or potential products, and any limitations on such approvals;
- Our intention to seek patent protection for our products and processes, and to protect our intellectual property;
- Our ability to effectively compete against current and future competitors;
- Negotiations with potential and existing partners, including our performance under any of our existing and future distribution, license, or supply agreements or our expectations with respect to sales and sales threshold milestones pursuant to such agreements;
- The level of our revenue or sales in particular geographic areas and/or for particular products, and the market share for any of our products;
- Our current strategy, including our corporate objectives, research and development activities, and collaboration activities;
- Our expectations regarding our joint health products, including existing products and expectations regarding new products, expanded uses of existing products, new distribution partnerships, and revenue growth;
- Our intention to increase our market share for joint health products in international and domestic markets or otherwise penetrate growing markets for osteoarthritis of the knee and other joints;
- Our expectations regarding next generation osteoarthritis/joint health product development, clinical trials, regulatory approvals, and commercial launches;
- Our expectations regarding revenue from ophthalmic products, including our ability to commercialize ANIKAVISC and ANIKAVISC PLUS, and our expectations regarding such commercialization and the potential profits generated thereby;

- Our ability to license our aesthetics product to new distribution partners domestically and outside the United States;

- Our ability, and the ability of our distribution partners, to market our aesthetics dermatology product and our expectations regarding the distribution and sales of ELEVESS and the timing thereof;

- Our expectations regarding dermal, surgical, and veterinary sales;

- Our expectations regarding product gross margin;

- Our expectations regarding CINGAL, including the expense associated therewith, and our ability to obtain regulatory approvals for this product;

- Our expectations for changes in operating expenses, including research and development and selling, general, and administrative expenses;

- The rate at which we use cash, the amounts used and generated by operations, and our expectations regarding the adequacy and usage of such cash;

- Our expectation for capital expenditures spending and future amounts of interest income and expense;

- Possible negotiations or re-negotiations with existing or new distribution or collaboration partners;

- Our ability to manage the operations of Anika Therapeutics S.r.l. ("Anika S.r.l."), our wholly owned Italian subsidiary, as a company generating continued profits;

- The strength of the economies in which we operate or will operate, as well as the political stability of any of those geographic areas;

- Our ability to effectively prioritize the many research and development projects underway;

- Our ability to obtain U.S. approval for orthopedic and other product franchises of Anika S.r.l., including the timing and potential success of such efforts, and to expand sales of these products in the United States, including the impact such efforts may have on our revenue; and

- Our ability to successfully manage the transfer of manufacturing responsibilities related to Anika S.r.l.'s HYAFF products from the current contract manufacturer to Anika's Bedford facility, and our ability to achieve planned results from this transfer.

Furthermore, statements identified by words such as "will," "likely," "may," "believe," "expect," "anticipate," "intend," "seek," "designed," "develop," "would," "future," "can," "could," and other expressions that are predictions of or indicate future events and trends and which do not relate to historical matters, also identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors, some of which are beyond our control, including those factors described in the section titled "Risk Factors" in this Annual Report on Form 10-K or elsewhere in this report. These risks, uncertainties, and other factors may cause our actual results, performance or achievement to be materially different from the anticipated future results, performance, or achievement, expressed or implied by the forward-looking statements. These forward-looking statements are based upon the current assumptions of our management and are only expectations of future results. You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences, including those factors discussed in the sections titled "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" elsewhere in this Annual Report on Form 10-K. We undertake no obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, future events, or other changes.

PART I

ITEM 1. BUSINESS

Overview

We develop, manufacture, and commercialize therapeutic products for tissue protection, healing, and repair. These products are based on hyaluronic acid ("HA"), a naturally occurring, biocompatible polymer found throughout the body. Due to its unique biophysical and biochemical properties, HA plays an important role in a number of physiological functions such as the protection and lubrication of soft tissues and joints, the maintenance of the structural integrity of tissues, and the transport of molecules to and within cells.

Our wholly-owned subsidiary, Anika S.r.l., has over 20 products currently commercialized, primarily in Europe. These products are also all made from HA, based on two technologies: HYAFF, which is a solid form of HA, and ACP gel, an autocross-linked polymer of HA. Both technologies are protected by an extensive portfolio of owned and licensed patents.

Our proprietary technologies for modifying the HA molecule allow product properties to be tailored specifically to therapeutic use. Our patented technology chemically modifies the HA to allow for longer residence time in the body. We offer therapeutic products from these aforementioned technologies in the following areas:

	Anika	Anika S.r.l.
Orthobiologics	X	X
Dermal		
Advanced wound care		X
Aesthetic dermatology	X	
Surgical		
Anti-adhesion	X	X
Ear, nose and throat care ("ENT")		X
Ophthalmic	X	
Veterinary	X	

In December 2012, we announced a strategic shift which involved the closure of our tissue engineering facility in Abano Terme, Italy due to the inability to meet strict regulatory standards established by the European Medicines Agency ("EMA") for Advanced Therapy Medicinal Products ("ATMP") (cell based) products that became effective January 1, 2013. In 2013, we completed a restructuring plan which included a reduction-in-force of 12 people and provided for severance payments, disposals of related supplies, equipment, and other assets. This plan was intended to improve the efficiency and financial performance of our Italian operations by reducing costs and focusing on products and technology with strong commercial potential. In connection with the plan, we recorded a fourth quarter 2012 pre-tax charge of approximately $2.5 million, including $1.3 million for severance, various expenses, and write-offs of supplies and equipment, and a $1.2 million non-cash charge related to the abandonment of the HYALOGRAFT C autograft in-process research and development ("IPR&D") project.

The following sections provide more specific information about our products and related activities:

Orthobiologics

Our orthobiologics products consist of joint health and orthopedic products. These products are used in a wide range of treatments, from providing pain relief from osteoarthritis, to regenerating damaged tissue such as cartilage. Osteoarthritis is a debilitating disease causing pain, swelling, and restricted movement in joints. It occurs when the cartilage in a joint gradually deteriorates due to the effects of mechanical stress, which can be caused by a variety of factors, including the normal aging process. In an osteoarthritic joint, particular regions of articulating surfaces are exposed to irregular forces, which result in the remodeling of tissue surfaces that disrupt the normal equilibrium or mechanical function. As osteoarthritis advances, the joint gradually loses its ability to regenerate cartilage tissue, and the cartilage layer attached to the bone deteriorates to the point where eventually the bone becomes exposed. Advanced osteoarthritis often requires surgery and the possible implantation of artificial joints. The current treatment options for osteoarthritis, before joint replacement surgery, include viscosupplementation, analgesics, non-steroidal anti-inflammatory drugs, and steroid injections.

Our joint health products include ORTHOVISC, ORTHOVISC *mini*, and MONOVISC. ORTHOVISC is available in the United States, Canada, and other international markets for the treatment of osteoarthritis of the knee, and in Europe and certain international markets for the treatment of osteoarthritis in all joints. In the U.S. market, ORTHOVISC is the lead product in the multi-injection segment, and the number two viscosupplementation product overall. ORTHOVISC *mini* is available in Europe, and it is designed for the treatment of osteoarthritis in small joints. MONOVISC is our single injection osteoarthritis treatment indicated for all joints in Europe and certain international markets, and for the knee in the United States, Turkey, and Canada. ORTHOVISC has been marketed by us internationally since 1996. ORTHOVISC *mini* and MONOVISC are our joint health viscosupplementation products which became available in certain international markets in the second quarter of 2008. Our most recent U.S. product approval was received from the FDA in February 2014 for MONOVISC, and the related commercial introduction in the United States occurred in April 2014.

In the United States, ORTHOVISC is indicated for the treatment of pain caused by osteoarthritis of the knee in patients who have failed to respond adequately to conservative, non-pharmacologic therapy and to simple analgesics, such as acetaminophen. ORTHOVISC is a sterile, clear, viscous solution of hyaluronan dissolved in physiological saline and dispensed in a single-use syringe. A complex sugar of the glycosaminoglycan family, hyaluronan is a high molecular weight polysaccharide composed of repeating disaccharide units of sodium glucuronate and N-acetyl glucosamine. ORTHOVISC is injected into joints in a series of three intra-articular injections one week apart. ORTHOVISC became available for sale in the United States on March 1, 2004, and it is marketed by DePuy Synthes Mitek Sports Medicine ("Mitek") under the terms of a ten-year licensing, distribution, supply, and marketing agreement which was entered into in December 2003 and was extended for an additional 5 years in November 2012 (the "Mitek ORTHOVISC Agreement"). Outside of the U.S., we have a number of distribution relationships servicing international markets including Canada, Europe, the Middle East, Latin America, and Asia. We will continue to seek to establish distribution relationships in other key markets. See the sections captioned "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Management Overview*" and "*Risk Factors.*"

In the United States, MONOVISC is also indicated for the treatment of pain caused by osteoarthritis of the knee in patients who have failed to respond adequately to conservative, non-pharmacologic therapy and to simple analgesics, such as acetaminophen. MONOVISC is a sterile, clear, viscous solution of partially cross-linked sodium hyaluronate in a phosphate buffered saline solution. A treatment of MONOVISC is comprised of one injection of the product delivered directly into the affected joint. MONOVISC became available for sale in the United States in April 2014, and it is also marketed by Mitek under the terms of a fifteen-year licensing, distribution, supply, and marketing agreement, which was entered into on December 21, 2011 (the "Mitek MONOVISC Agreement"). Outside of the United States, we have a number of distribution relationships servicing international markets including Canada, Europe, Latin America, Asia, and certain other international countries. We continue to seek to establish distribution relationships in other key markets. See the sections captioned "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Management Overview*" and "*Risk Factors.*"

In addition to the three viscosupplementation products discussed above, we also offer several additional products used in connection with orthopedic regenerative medicine. These products are based on the HYAFF technology and are currently available in Europe, South America, and Asia. They include HYALOFAST, a biodegradable support for human bone marrow mesenchymal stem cells used for cartilage regeneration and as an adjunct for microfracture surgery; HYALONECT, a woven gauze used as a graft wrap; and HYALOSS MATRIX, HYAFF fibers used to mix blood/bone grafts to form a paste for bone regeneration. We also offer HYALOGLIDE, an ACP gel used in tenolysis treatment, with the potential for use in flexor tendon adhesion prevention and for use in the shoulder for prevention of adhesive capsulitis with additional clinical data. These products are commercialized through a network of distributors, primarily in Europe, the Middle East, and Korea.

Dermal

Our dermal products consist of advanced wound care products, based on the HYAFF technology, and aesthetic dermal fillers, based on our proprietary chemically modified cross-linked HA technology, BCDI. Products utilizing our HYAFF technology are used for the treatment of skin wounds, ranging from burns to diabetic ulcers. The products cover a variety of wound treatment solutions including debridement agents, advanced therapies to aid healing, and scaffolds used as skin substitutes. Leading products include HYALOMATRIX and HYALOFILL, for the treatment of complex wounds such as burns and ulcers. The dermal products are commercialized through a network of distributors, primarily in Europe, Latin America, and the Middle East. Several of the products are also cleared for sale in the United States including HYALOMATRIX, HYALOFILL, HYALOGRAN, and HYALOMATRIX 3D. In 2012, we entered into a distribution agreement for sales of advanced wound care products in nine South American countries, including Argentina, Brazil, Mexico, and Chile. In July 2014, we entered into an agreement with Medline Industries, Inc. to commercialize HYALOMATRIX in the United States on an exclusive basis through 2019.

Our aesthetic dermatology product is a dermal filler based on our proprietary chemically modified, cross-linked HA, and it is commercialized in Europe, Canada, the United States, and Korea. Internationally, this product is marketed under the ELEVESS name. In the United States, the trade name is HYDRELLE, although the product is not currently marketed in the United States,

Surgical

Our surgical business consists of products used to prevent surgical adhesions and to treat ENT disorders. HYALOBARRIER is a clinically proven post-operative adhesion barrier for use in the abdomino-pelvic area. The product is currently commercialized by Anika S.r.l. in Europe, the Middle East, and certain Asian countries through a distribution network, but it is not approved for sale in the United States. HYALOSPINE, a product designed to prevent post-surgical adhesions following spinal surgery, was CE Mark approved in January 2015 for sale in Europe. INCERT, approved for sale in Europe, Turkey, and Malaysia, is a chemically modified, cross-linked HA product, for the prevention of spinal post-surgical adhesions. There are currently no plans at this time to distribute INCERT in the United States. We co-own issued U.S. patents covering the use of INCERT for adhesion prevention. See the section captioned "*Patent and Proprietary Rights.*"

Surgical adhesions occur when fibrous bands of tissues form between adjacent tissue layers during the wound healing process. Although surgeons attempt to minimize the formation of adhesions, they nevertheless occur quite frequently after surgery. Adhesions in the abdominal and pelvic cavity can cause particularly serious problems such as intestinal blockage following abdominal surgery and infertility following pelvic surgery. Fibrosis following spinal surgery can complicate re-operation and may cause pain.

Anika S.r.l. offers several products used in connection with the treatment of ENT disorders. The lead products are MEROGEL, a woven fleece nasal packing, and MEROGEL INJECTABLE, a thick, viscous hydrogel composed of cross-linked hyaluronic acid—a biocompatible agent that creates a moist wound-healing environment. Anika S.r.l. has partnered with Medtronic for worldwide distribution of these ENT products.

Ophthalmic

Our ophthalmic business includes HA viscoelastic products used in ophthalmic surgery. The ophthalmic products we manufacture include STAARVISC-II, OPTIVISC (formerly ShellGel), ANIKAVISC, and NUVISC. They are injectable, high molecular weight HA products used as viscoelastic agents in ophthalmic surgical procedures such as cataract extraction and intraocular lens implantation. These products coat, lubricate, and protect sensitive tissue such as the endothelium, and they function to maintain the shape of the eye, thereby facilitating ophthalmic surgical procedures.

We previously manufactured the AMVISC product line for Bausch & Lomb ("B&L") under the terms of an exclusive supply agreement that expired on December 31, 2010 (the "2004 B&L Agreement") for viscoelastic products used in ophthalmic surgery. Effective January 1, 2011, we entered into a non-exclusive, two year contract with B&L intended to transition the manufacture of AMVISC and AMVISC Plus to an alternative, low-cost supplier formerly affiliated with B&L, and continued to supply B&L with these products during 2011. Effective January 1, 2012, the parties agreed to a three year contract for us to continue to supply these products to B&L as a second supplier with committed annual volumes through year-end 2014, and the contract was not renewed upon expiration.

Veterinary

HYVISC is a high molecular weight injectable HA product for the treatment of joint dysfunction in horses due to non-infectious synovitis associated with equine osteoarthritis. HYVISC has viscoelastic properties that lubricate and protect the tissues in horse joints. HYVISC is distributed by Boehringer Ingelheim Vetmedica, Inc. in the United States and in selected countries in the Middle East.

See Note 15 *"Revenue by Product Group, by Significant Customer and by Geographic Region; Geographic Information"* to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a discussion regarding our segments and geographic sales.

See also the section captioned "*Risk Factors—Risks Related to Our Business and Industry—We experience quarterly sales volume variation, which makes our future results difficult to predict and makes period-to-period comparisons potentially not meaningful*" for a discussion regarding the effect that quarterly sales volume variation could have on our business and financial performance.

See also the section captioned "*Risk Factors —Risks Related to Our Business and Industry—A significant portion of our revenues are derived from a small number of customers, the loss of which could materially adversely affect our business, financial condition and results of operations*" for a discussion regarding our dependence on large-volume customers and the effects that the loss of any such customer could have on our business and financial performance.

Research and Development of Potential Products

Our research and development efforts primarily consist of the development of new medical applications for our HA-based technology, the management of clinical trials for certain product candidates, the preparation and processing of applications for regulatory approvals or clearances at all relevant stages of product development, and process development and scale-up manufacturing activities for our existing and new products. Our development focus includes products for tissue protection, repair, and regeneration. For the years ended December 31, 2014, 2013 and 2012, these expenses were $8.1 million, $7.1 million, and $5.4 million, respectively. We anticipate that our research and development efforts, including pre-clinical studies and clinical trials, will increase significantly in the near future over historical levels.

Our second single-injection osteoarthritis product, which is currently under development, is CINGAL, a product based on our hyaluronic acid material with an added active therapeutic molecule designed to provide broad pain relief for a longer period of time. During the second quarter of 2013, we commenced a multinational phase III clinical trial to obtain the clinical data necessary for a CE Mark submission and approval, and to support other product registrations including in the United States. We completed the clinical study and the associated statistical analysis in the fourth quarter of 2014. We submitted our CE Mark application in December 2014 and a pre-market approval application ("PMA") with the FDA in February 2015.

The technologies obtained through our acquisition of Anika S.r.l. have enhanced our research and development capabilities and our pipeline of product candidates. Anika S.r.l. has research and development programs for new products including HYALOFAST, an innovative hyaluronic acid matrix for human bone marrow mesenchymal stem cells used to regenerate soft tissue. HYALOFAST received CE Mark approval in September 2009, and it is currently commercially available in Europe and certain international countries. During the second quarter of 2014, we submitted a proposed investigational device protocol to the FDA. Our current plan is to begin a phase III clinical trial in 2015. HYALOSPINE is an adhesion prevention gel for use after spinal surgery. We completed a pilot clinical study in 2012, submitted the CE Mark application in September 2013, and received the CE Mark approval in January 2015.

Our research and development efforts may not be successful in (1) developing our existing product candidates, (2) expanding the therapeutic applications of our existing products, or (3) resulting in new applications for our HA technology. There is also a risk that we may choose not to pursue development of potential product candidates. We may not be able to obtain regulatory approval for any new applications we develop. Furthermore, even if all regulatory approvals are obtained, there can be no assurances that we will achieve meaningful sales of such products or applications.

Patent and Proprietary Rights

Our products and trademarks, including our Company name, product names, and logos, are proprietary. We rely on a combination of patent protection, trade secrets and trademark laws, license agreements, and confidentiality and other contractual provisions to protect our proprietary information.

We have a policy of seeking patent protection for patentable aspects of our proprietary technology. In the United States, we own 28 patents, co-own 2 patents, license 25 patents, and have 2 patent applications currently pending. These U.S. patents have expiration dates through 2030. Internationally, we own 218 patents, co-own 9 patents, license 133 patents, and have 11 patent applications currently pending. Outside of the United States, we own, co-own, license, or have filed for patents in 38 jurisdictions. Our international patents have expiration dates through 2032. Many of these patents, including all licensed patents, belong to the Anika S.r.l. patent estate, which is extensive and partly intertwined with its former parent company, Fidia Farmaceutici S.p.A., through a patent licensing agreement that provides Anika S.r.l. with access to certain of Fidia's patents to the extent required to support Anika S.r.l.'s products. We intend to seek patent protection for products and processes developed in the course of our activities when we believe such protection is in our best interests and when the cost of seeking such protection is not inordinate relative to the potential benefits.

In 2014, we were granted 5 new patents in the United States and Canada. The patents covered regenerative technologies and products and our HYALOSPINE product, among others. Other entities have filed patent applications for, or have been issued patents concerning, various aspects of HA-related products or processes. In addition, the products or processes we develop may infringe the patent rights of others in the future. Any such infringement may have a material adverse effect on our business, financial condition, and results of operations.

We rely upon trade secrets and proprietary know-how for certain non-patented aspects of our technology. To protect such information, we require certain customers and vendors, and all employees, consultants and licensees to enter into confidentiality agreements limiting the disclosure and use of such information. These agreements, however, may not provide adequate protection.

See also the section captioned "*Risk Factors—Risks Related to Our Intellectual Property.*"

We have granted Mitek an exclusive and non-transferable royalty bearing license to develop, commercialize, and sell ORTHOVISC and MONOVISC, in the United States pursuant to the Mitek ORTHOVISC Agreement and the Mitek MONOVISC Agreement. These agreements include a license to manufacture, and have manufactured, such products in the event that we are unable to supply Mitek with ORTHOVISC or MONOVISC in accordance with the terms of the relevant agreement. We have also granted Mitek the exclusive, royalty free right to use the trademarks ORTHOVISC and MONOVISC in connection with the marketing, distribution, and sale of the licensed products within the United States.

Government Regulation

U.S. Regulation

Our research (including clinical research), development, manufacture, and marketing of products are subject to regulation by numerous governmental authorities in the United States and other countries. Medical devices and pharmaceuticals are subject to extensive and rigorous regulation by the FDA, and by other federal, state, and local authorities. The Federal Food, Drug and Cosmetic Act ("FDC Act") and connected regulations govern the conditions of safety, efficacy, clearance, approval, manufacture, quality system requirements, labeling, packaging, distribution, storage, record keeping, reporting, marketing, advertising, and promotion of our products. Noncompliance with applicable requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to grant premarket clearance or approval of products, withdrawal of clearances and approvals, and criminal prosecution.

Medical products regulated by the FDA are generally classified as drugs, biologics, and/or medical devices. Medical devices intended for human use are classified into three categories (Class I, II or III) on the basis of the controls deemed reasonably necessary by the FDA to assure their safety and efficacy. Class I devices are subject to general controls, which include, for example, labeling and adherence to the FDA's Good Manufacturing Practices/Quality System Regulation ("GMP/QSR"). Many Class I devices are exempt from the FDA 510(k) review process. Class II devices are subject to general and special controls, which include, among other requirements, performance standards, post-market surveillance, and patient registries. Most Class II devices are subject to premarket notification and may be subject to clinical testing for purposes of premarket notification and clearance for marketing. Class III is the most stringent regulatory category for medical devices. Most Class III devices require a PMA from the FDA.

OPTIVISC (formerly SHELLGEL), STAARVISC, ANIKAVISC, and NUVISC are approved as Class III medical devices in the United States for intraocular ophthalmic surgical procedures used in humans. ORTHOVISC and MONOVISC are approved as Class III medical devices in the United States for treatment of pain resulting from osteoarthritis of the knee in humans. HYDRELLE is approved as a Class III medical device in the United States for treatment of facial wrinkles and folds, such as nasolabial folds. HYVISC is approved as an animal drug for intra-articular injection in horse joints to treat degenerative joint disease associated with synovitis. Most HA products for human use are regulated as medical devices. We believe that our INCERT product, should we decide to seek U.S. approval to market, will have to meet the regulatory requirements for Class III devices and will require clinical trials and a PMA submission.

Our subsidiary, Anika S.r.l., has four advanced wound care products cleared in the United States through premarket notification (510(k)) as unclassified devices: HYALOMATRIX, HYALOFILL-F/R, LASERSKIN/HYALOMATRIX KC, and HYALOSAFE/JALOSKIN. Anika S.r.l. also has two 510(k) Class I exempt advanced wound care products in the United States: HYALOGRAN and HYALOMATRIX 3D. Anika S.r.l also has a 510(k)-cleared Class II ENT product, HYALOMATRIX CO. All other Anika S.r.l. ENT products are 510(k) cleared as Class II devices, and were submitted for FDA approval by Medtronic. Not all of our 510(k)-cleared products are currently being marketed in the United States. The FDA's 510(k) clearance process is under review and changes to the process may have an impact on current or future product approvals.

Unless a new device is exempted from premarket notification, its manufacturer must obtain marketing clearance from the FDA through 510(k) or approval through PMA before the device can be introduced to the market. Product development and approval within the FDA regulatory framework takes a number of years and involves the expenditure of substantial resources. This regulatory framework may change or additional regulations may arise at any stage of our product development process and may affect approval of, or delay in, an application related to a product, or require additional expenditures by us. There can be no assurance that the FDA will accept submissions related to our products, or that once accepted, review of our submissions will result in product approval on a timely basis, if at all. The PMA approval process is lengthy and expensive, and it typically requires, among other things, valid scientific evidence, which generally includes extensive data such as pre-clinical and clinical trial data to demonstrate a reasonable assurance of safety and effectiveness.

Human clinical trials in the United States for significant risk devices must be conducted under Good Clinical Practice ("GCP") regulations through an Investigational Device Exemption ("IDE"), which must be submitted to the FDA and either be approved or be allowed to become effective before the trials may commence. There can be no assurance that submission of an IDE will result in the ability to commence clinical trials or in the future approval of the product. In addition, the IDE approval process can result in significant delays. Even if the FDA approves an IDE or allows an IDE for a clinical investigation to become effective, clinical trials may be suspended at any time for a number of reasons. Among others, these reasons may include: (a) failure to comply with applicable requirements, (b) inadequacy of informed consent, and (c) data generated suggesting that: the risks to clinical subjects are not outweighed by the anticipated benefits to the clinical subjects or the importance of the knowledge to be gained, the investigation is scientifically unsound, or there is reason to believe that the device, as used, is ineffective. A trial may be terminated if serious unanticipated adverse events present an unreasonable risk to subjects. If clinical studies are suspended or terminated, we may be unable to continue the development of the investigational products affected.

Upon completion of required clinical trials, for Class III medical devices, results might be presented to the FDA in a PMA application. In addition to the results of clinical investigations, the PMA applicant must submit other information relevant to the safety and efficacy of the device, including, among other things, the results of non-clinical tests, a full description of the device and its components, a full description of the methods, facilities and controls used for manufacturing, and proposed labeling of the product. The FDA also conducts an on-site inspection to determine whether an applicant conforms to the FDA's current Quality System Regulation, formerly known as GMP. FDA review of the PMA may not result in timely, or any, PMA approval, and there may be significant conditions to any approval, including limitations on labeling and advertising claims and the imposition of post-market testing, tracking, or surveillance requirements.

Upon completion of required clinical trials for pharmaceuticals, results might be presented to the FDA in a New Drug Application ("NDA") or New Animal Drug Application ("NADA"). In addition to the results of clinical investigations, the NDA or NADA applicant must submit other information relevant to the safety and efficacy of the product, including, among other things, the results of non-clinical tests and clinical trials, a full description of the product formulation, a full description of the methods, facilities and controls used for manufacturing the product, and proposed labeling of the product. The FDA also conducts an on-site inspection to determine whether an applicant conforms to the FDA's current Good Manufacturing Practices ("cGMP") related to pharmaceuticals. FDA review of the NDA or NADA may not result in timely, or any, FDA approval, and there may be significant conditions on approval, including limitations on labeling and advertising claims and the imposition of post-market testing, tracking, or surveillance requirements.

Post-approval product or manufacturing changes where such change affects the safety and efficacy of the medical products, or the use of a different facility for manufacturing the product, could necessitate additional review and approval by the FDA. Post-approval changes in labeling, packaging, or promotional materials may also necessitate further review and approval by the FDA.

Legally marketed products are subject to continuing requirements by the FDA relating to design control, manufacturing, quality control and quality assurance, maintenance of records and documentation, reporting of adverse events, labeling and promotion. The FDC Act requires medical product manufacturers to comply with QSR for medical devices and cGMP regulations for pharmaceuticals. The FDA enforces these requirements through periodic inspections of manufacturing facilities. To ensure full compliance with the requirements set forth in the GMP/QSR regulations, manufacturers must continue to expend time, money and effort in the area of production and quality control to ensure full technical compliance. Other federal, state and local agencies may inspect manufacturing facilities as well.

Another set of regulations, known as the Medical Device Reporting and Drug Adverse Events Reporting System regulations, obligates manufacturers to inform the FDA whenever information reasonably suggests that one of their medical products may have caused or contributed to a death or serious injury. Reporting obligations are also triggered when a medical device malfunctions, and such malfunction, if it were to recur, would be likely to cause or contribute to a death or serious injury. Reporting of these events is mandatory, and any report could adversely affect our ability to continue to market our products in the United States and in other countries.

The process of obtaining approvals from the FDA and foreign regulatory authorities can be costly, time-consuming, and subject to unanticipated delays. Approvals of our products, processes, or facilities may not be granted on a timely basis or at all, and we may not have available resources or be able to obtain the financing needed to develop certain of such products. Any failure or delay in obtaining such approvals could adversely affect our ability to market our products in the United States and in other countries.

In addition to regulations enforced by the FDA, we are subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, and other existing and future federal, state, and local laws and regulations as well as those of foreign governments. Federal, state, and foreign regulations regarding the manufacture and sale of medical products are subject to change. We cannot predict what impact, if any, such changes might have on our business.

Foreign Regulation

In addition to regulations enforced by the FDA, we and our products are subject to certain foreign regulations. International regulatory bodies often establish regulations governing product standards, manufacturing standards and requirements, packing requirements, labeling requirements, import restrictions, tariff regulations, duties, and tax requirements. ORTHOVISC and MONOVISC are approved for sale and are marketed in Canada, Europe, Turkey, parts of the Middle East, and Asia. In the European Union (“EU”), ORTHOVISC and MONOVISC are sold under the CE Mark authorization, a certification required under EU medical device regulations.

The CE Mark for ORTHOVISC, achieved in 1996, allows the product to be marketed without further approvals in most of the EU nations as well as other countries that recognize EU device regulations. ORTHOVISC *mini*, our treatment for osteoarthritis that targets small joints, is available in Europe under a CE Mark authorization received in 2008. MONOVISC achieved CE Mark approval in 2007. In August 2004, we received a CE Design Examination Certificate, which entitles us to affix a CE Mark to INCERT as a barrier to adhesion formation following surgery. In May 2005, we received a CE Design Examination Certificate, which entitles us to affix a CE Mark to OPTIVISC (formerly SHELLGEL) as an ophthalmic viscoelastic surgical device. We also received a CE Mark for ANIKAVISC Plus in October 2011 and CE Mark approval for ELEVESS during the second quarter of 2007.

In addition, we have received approval for several of our products in Latin America, Korea, Turkey, the Middle East, including Israel, the United Arab Emirates, and Saudi Arabia, and several markets in Asia, including the Philippines and Malaysia.

Almost all of Anika S.r.l.’s products are CE marked for European sale. In addition, Anika S.r.l. has received approval for its products in Taiwan, Egypt, South Korea, Malaysia, Singapore, Mexico, Argentina, Chile, Peru, Venezuela, Israel, Saudi Arabia, Turkey, and the United Arab Emirates. We may not be able to achieve and/or maintain the compliance required for CE marking or other foreign regulatory approvals for any or all of our products. The requirements relating to the conduct of clinical trials, product licensing, marketing, pricing, advertising, promotion, and reimbursement also vary widely from country to country.

Competition

We compete with many companies including, among others, large pharmaceutical firms and specialized medical products companies, across all of our product lines. Many of these companies have substantially greater financial resources, larger research and development staffs, more extensive marketing and manufacturing organizations, and more experience in the regulatory processes than we have. We also compete with academic institutions, government agencies, and other research organizations, which may be involved in the research and development and commercialization of products. Many of our competitors also compete against us in securing relationships with collaborators for their research and development and commercialization programs.

We compete with other market participants primarily on the efficacy of our products, our products' reputation for safety, our focus solely on HA-based products, and the breadth of our HA-based product portfolio. Other factors that impact competition in our industry are the timing and scope of regulatory approvals, the availability of raw material and finished product supply, marketing and sales capability, reimbursement coverage, product pricing, and patent protection. Some of the principal factors that may affect our ability to compete in the HA development and commercialization markets include:

- The quality and breadth of our continued development of our technology portfolio;
- Our ability to complete successful clinical studies and obtain FDA marketing and foreign regulatory approvals prior to our competitors;
- The successful execution of our commercial strategies;
- Our ability to recruit and retain skilled employees; and
- The availability of capital resources to fund discovery, development, and commercialization activities or the ability to defray such costs through securing relationships with collaborators for our research and development and commercialization programs.

We are aware of several companies that are developing and/or marketing products utilizing HA for a variety of human applications. In some cases, competitors have already obtained product approvals, submitted applications for approval or have commenced human clinical studies, either in the United States or in certain foreign countries. All of our products face substantial competition. There exist major worldwide competing products, made from HA and other materials, for use in orthopedics, surgical adhesion prevention, advanced wound care, ENT, cosmetic dermatology, and ophthalmic surgery. There is a risk that we will be unable to compete effectively against our current or future competitors. Additionally, legislation and regulation aimed at curbing rising healthcare costs has resulted in a consolidation trend in the healthcare industry to create larger companies, including hospitals, with greater market power. In turn, this has led to greater and more intense competition in the provision of products and services to market participants. Important market makers, like group purchasing organizations, have increased their negotiating leverage, and if these market makers demand significant prices concessions or if we are excluded as a supplier by these market makers, our net sales could be adversely impacted. See also the sections captioned "*Risk Factors— Risks Related to Our Business and Industry—Substantial competition could materially affect our financial performance*" and "*Risk Factors—Risks Related to Our Business and Industry—Our business may be adversely affected in consolidation in the healthcare industry leads to demand for price concessions or if we are excluded from being a supplier by a group purchasing organization or similar entity"* for additional discussion of the impact competition could have on our business and financial results.

Employees

As of December 31, 2014, we had 105 employees, 21 of whom were located outside the United States. We consider our relations with our employees to be good. None of our U.S. employees are represented by labor unions, but most of the employees based in Italy are represented by unions, adding complexity and additional risks to the wage and employment decision process.

Environmental Laws

We believe that we are in compliance with all foreign, federal, state, and local environmental regulations with respect to our manufacturing facilities and that the cost of ongoing compliance with such regulations does not have a material effect on our operations.

Product Liability

The testing, marketing, and sale of human health care products entails an inherent risk of allegations of product liability, and we cannot assure that substantial product liability claims will not be asserted against us. Although we have not received any material product liability claims to date and have coverage under our insurance policy of $5,000,000 per occurrence and $5,000,000 in the aggregate, we cannot assure that if material claims arise in the future, our insurance will be adequate to cover all situations. Moreover, we cannot assure that such insurance, or additional insurance, if required, will be available in the future or, if available, will be available on commercially reasonable terms. Any product liability claim, if successful, could have a material adverse effect on our business, financial condition, and results of operation.

Available Information

Our Annual Reports on Form 10-K, including our consolidated financial statements, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information, including amendments and exhibits to such reports, filed or furnished pursuant to the Securities Exchange Act of 1934, as amended, are available free of charge in the "SEC Filings" section of our website located at http://www.anikatherapeutics.com, as soon as reasonably practicable after the reports are filed with or furnished to the Securities and Exchange Commission ("SEC"). The information on our website is not part of this Annual Report on Form 10-K. Reports filed with the SEC may be viewed at www.sec.gov or obtained at the SEC Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

Our operating results and financial condition have varied in the past and could vary significantly in the future depending on a number of factors. You should consider carefully the risks and uncertainties described below, in addition to the other information contained in this Annual Report on Form 10-K, before deciding whether to purchase our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

Failure to obtain, or any delay in obtaining, FDA or other U.S. and foreign governmental approvals for our products may have a material adverse effect on our business, financial condition and results of operations.

Several of our current products, including CINGAL and HYALOFAST, and any future products we may develop, will require clinical trials to determine their safety and efficacy for United States and international marketing approval by regulatory bodies, including the FDA. Product development and approval within the FDA framework takes a number of years and involves the expenditure of substantial resources. There can be no assurance that the FDA will accept submissions related to our new products, and, even if submissions are accepted, there can be no guarantee that the FDA will grant approval for our new products, including CINGAL or other line extensions, on a timely basis, if at all. In addition to regulations enforced by the FDA, we are subject to other existing and future federal, state, local, and foreign regulations applicable to product approval, which may vary significantly across jurisdictions. Additional approval of existing products may be required when changes to such products may affect the safety and effectiveness, including for new indications for use, labeling changes, process or manufacturing changes, the use of a different facility to manufacture, process or package the device, and changes in performance or design specifications. Failure to obtain regulatory approvals of our products, including any changes to existing products, could have an adverse material impact on our business, financial condition, and results of operations.

Even if granted, FDA and international regulatory approvals may be subject to significant, unanticipated delays throughout the regulatory approval process. Internally, we make assumptions regarding product approval timelines, both in the United States and internationally, in our business planning, and any delay in approval could materially affect our competitive position in the relevant product market and our projections related to future business results.

We cannot be certain that product approvals, both in the United States and internationally, will not include significant limitations on the product indications, and other claims sought for use, under which the products may be marketed. The relevant approval or clearance may also include other significant conditions of approval such as post-market testing, tracking, or surveillance requirements. Any of these factors could significantly impact our competitive position in relation to such products and could have a negative impact on the sales of such products.

Once obtained, we cannot guarantee that FDA or international product approvals will not be withdrawn or that relevant agencies will not require other corrective action, and any withdrawal or corrective action could materially affect our business and financial results.

Once obtained, marketing approval can be withdrawn by the FDA or comparable foreign regulatory agencies for a number of reasons, including the failure to comply with ongoing regulatory requirements or the occurrence of unforeseen problems following initial approval. Regulatory authorities could also limit or prevent the manufacture or distribution of our products. Any regulatory limitations on the use of our products or any withdrawal or suspension of approval or rescission of approval by the FDA or a comparable foreign regulatory agency could have a material adverse effect on our business, financial condition, and results of operations.

Our operations and products are subject to extensive regulation, compliance with which is costly and time consuming, and our failure to comply may result in substantial penalties, including recalls of our products.

The FDA and foreign regulatory bodies impose extensive regulations applicable to our operations and products, including regulations governing product standards, packing requirements, labeling requirements, quality system and manufacturing requirements, import restrictions, tariff regulations, duties, and tax requirements. We cannot assure you that we will be able to achieve and maintain compliance required for FDA, CE marking, or other foreign regulatory approvals for any or all of our operations and products or that we will be able to produce our products in a timely and profitable manner while complying with applicable requirements.

Failure to comply with applicable regulatory requirements could result in substantial penalties, including warning letters, fines, injunctions, civil penalties, seizure of products, total or partial suspension of production, refusal to grant pre-market clearance or pre-market approval for devices or drugs, withdrawal of approvals, and criminal prosecution. Additionally, regulatory authorities have the power to require the recall of our products. It also might be necessary for us, in applicable circumstances, to initiate a voluntary recall per regulatory requirements of one or several of our products. The imposition of any of the foregoing penalties, whether voluntarily or involuntary, could have a material negative impact on our business, financial condition, and results of operations.

Any changes in FDA or international regulations related to product approval, including those that apply retroactively, could adversely affect our competitive position and materially affect our business and financial results.

FDA and foreign regulations depend heavily on administrative interpretation, and we cannot assure you that future interpretations made by the FDA or other regulatory bodies, with possible retroactive effect, will not adversely affect us. Additionally, any changes, whether in interpretation or substance, in existing regulations or policies, or any future adoption of new regulations or policies by relevant regulatory bodies, could prevent or delay approval of our products. In the event our future, or current, products, including HA generally, are classified, or re-classified, as human drugs, combination products, or biologics by the FDA or an applicable international regulatory body, the applicable review process related to such products is typically substantially longer and substantially more expensive than the review process to which they are currently subject as medical devices, which could materially impact our competitive position, business, and financial results.

Substantial competition could materially affect our financial performance.

We compete with many companies, including large pharmaceutical companies, specialized medical products companies, and healthcare companies. Many of these companies have substantially greater financial resources, larger research and development staffs, more extensive marketing and manufacturing organizations, and more experience in the regulatory process than us. We also compete with academic institutions, government agencies, and other research organizations that may be involved in research, development, and commercialization of products similar to our own. Because a number of companies are developing or have developed HA products for similar applications and have received FDA approval, the successful commercialization of a particular product will depend in part upon our ability to complete clinical studies and obtain FDA marketing and foreign regulatory approvals prior to our competitors, or, if regulatory approval is not obtained prior to our competitors, to identify markets for our products that may be sufficient to permit meaningful sales of our products. For example, we are aware of several companies that are developing and/or marketing products utilizing HA for a variety of human applications. In some cases, competitors have already obtained product approvals, submitted applications for approval, or have commenced human clinical studies, either in the United States or in certain foreign countries. There exist major competing products for the use of HA in ophthalmic surgery. In addition, certain HA products made by our competitors for the treatment of osteoarthritis in the knee have received FDA approval before ours and have been marketed in the United States since 1997, as well as select markets in Canada, Europe, and other countries. There can be no assurance that we will be able to compete against current or future competitors or that competition will not have a material adverse effect on our business, financial condition, and results of operations.

We may rely on third parties to support certain aspects of our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval or commercialize our products and our business could be substantially harmed.

We have hired experienced clinical development and regulatory staff, and we have also retained the services of knowledgeable external service providers, including consultants and clinical research organizations, to develop and supervise our clinical trials and regulatory processes. Despite our internal investment in staffing, we will remain dependent upon these third party contract research organizations to carry out portions of our clinical and preclinical research studies for the foreseeable future. As a result, we have had and will have less control over the conduct of the clinical trials, the timing and completion of the trials, the required reporting of adverse events, and the management of data developed through the trials than would be the case if we were relying entirely on our own staff. Outside parties may have staffing difficulties, may undergo changes in priorities or may become financially distressed, adversely affecting their willingness or ability to conduct our trials. Failure by these third parties to comply with regulatory requirements or to meet timing expectations may require us to repeat clinical or preclinical trials, which would delay the regulatory approval process, or require substantial unexpected expenditures.

We are dependent upon marketing and distribution partners and the failure to maintain strategic alliances on acceptable terms will have a material adverse effect on our business, financial condition and results of operations.

Our success will be dependent, in part, upon the efforts of our marketing and distribution partners and the terms and conditions of our relationships with such partners. One partner, DePuy Synthes Mitek Sports Medicine (“Mitek”), accounted for 72% of our product revenue in fiscal year 2014. We cannot assure you that our partners, including Mitek, will not seek to renegotiate their current agreements on terms less favorable to us or terminate such agreements. A failure to renew these partnerships on terms satisfactory to us, or at all, could result in a material adverse effect on our operating results.

We continue to seek to establish long-term distribution relationships in regions and countries not covered by existing agreements, and we may need to obtain the assistance of additional marketing partners to bring new and existing products to market and to replace certain marketing partners. There can be no assurance that we will be able to identify or engage appropriate distribution or collaboration partners or effectively transition to any such partners. The failure to establish strategic partnerships for the marketing and distribution of our products on acceptable terms and within our planned timeframes could have a material adverse effect on our business, financial condition, and results of operations.

We must achieve market acceptance of our products in order to be successful in the future.

Our success will depend in part upon the acceptance of our existing and future products by the medical community, hospitals and physicians and other health care providers, third-party payers, and end-users. Such acceptance may depend upon the extent to which the medical community and end-users perceive our products as safer, more effective, or cost-competitive than other similar products. Ultimately, for our new products to gain general market acceptance, it may also be necessary for us to develop marketing partners or viable commercial strategies for the distribution of our products. There can be no assurance that our new products will achieve significant market acceptance on a timely basis, or at all. Failure of some or all of our future products to achieve significant market acceptance could have a material adverse effect on our business, financial condition, and results of operations.

Our manufacturing processes involve inherent risks, and disruption could materially adversely affect our business, financial condition and results of operations.

The operation of biomedical manufacturing plants involves many risks, including the risks of breakdown, failure, or substandard performance of equipment, the occurrence of natural and other disasters, and the need to comply with the requirements of directives of government agencies, including the FDA. In addition, we rely on a single supplier for certain key raw materials and a small number of suppliers for a number of other materials required for the manufacturing and delivery of our HA products. Although we believe that alternative sources for many of these and other components and raw materials that we use in our manufacturing processes are available, we cannot be certain that the supply of key raw materials, specifically HA, will continue be available at current levels or will be sufficient to meet our future needs. Any supply interruption could harm our ability to manufacture our products until a new source of supply is identified and qualified. We also rely on a single supplier for certain finished products, and if such manufacturer fails to meet production or delivery schedules, it could have an adverse impact on our ability to sell such products. We may not be able to find a sufficient alternative supplier in a reasonable time period, or on commercially reasonable terms, if at all, and our ability to produce and supply our products could be impaired.

We use raw materials derived from animal sources to produce certain of our products, and there is no guarantee that we will be able to continue to utilize this source of material in the future.

Our manufacturing processes and research and development efforts for some of our ophthalmic and veterinary products involve products derived from animals. We procure our animal-derived raw materials from a qualified vendor, who controls for contamination and has processes that effectively inactivate infectious agents; however, we cannot assure you that we can completely eliminate the risk of transmission of infectious agents. Furthermore, regulatory authorities could in the future impose restrictions on the use of animal-derived raw materials that could impact our business.

The utilization of animals in research and development and product commercialization is subject to increasing focus by animal rights activists. The activities of animal rights groups and other organizations that have protested animal based research and development programs or boycotted the products resulting from such programs could cause an interruption in our manufacturing processes and research and development efforts. The occurrence of material operational problems, including but not limited to the events described above, could have a material adverse effect on our business, financial condition, and results of operations during the period of such operational difficulties and beyond.

Our financial performance depends on the continued sales growth and increasing demand for our products and we may not be able to successfully manage the expansion of our operations.

Our future success depends on substantial growth in product sales. There can be no assurance that such growth can be achieved or, if achieved, sustained. There can be no assurance that, even if substantial growth in product sales and the demand for our products is achieved, we will be able to:

- Develop and maintain the necessary manufacturing capabilities;
- Obtain the assistance of additional marketing partners or develop appropriate alternative sales strategies;
- Attract, retain and integrate required key personnel; and
- Implement the financial, accounting and management systems needed to manage growing demand for our products.

Our failure to successfully manage future growth could have a material adverse effect on our business, financial condition, and results of operations.

We engage in acquisitions as a part of our growth strategy, which exposes us to a variety of risks that could adversely affect our business operations.

Our business strategy includes the acquisition of businesses, technologies, services, or products that we believe are a strategic fit with our business. We may fund these acquisitions by utilizing our cash, incurring debt, issuing additional shares of our common stock, or by other means. Completed acquisitions may expose us to a number of risks and expenses, including unanticipated liabilities, amortization expenses related to intangible assets with definite lives, or risks associated with entering new markets with which we have limited experience or where commercial alliances with experienced partners or existing sales channels are not available. Whether or not completed, acquisitions may result in diversion of management resources otherwise available for ongoing development of our business and significant expenditures.

We may not be able to realize the expected benefits of any completed acquisitions, including synergies and cost savings from the integration of acquired businesses or assets with our existing operations and technologies, as rapidly as expected, or at all. In addition, the integration and reorganization processes for our acquisitions may be complex, costly, and time consuming and include unanticipated issues, expenses, and liabilities. We may have difficulty in developing, manufacturing and marketing the products of a newly acquired company in a manner that enhances the performance of our combined businesses or product lines and allows us to realize value from expected synergies. Moreover, we may lose key clients or employees of acquired businesses as a result of the change in ownership to us. Following an acquisition, we may not achieve the revenue or net income levels that justify the acquisition. Acquisitions may also result in one-time charges, such as write-offs or restructuring charges, impairment of goodwill or acquired In-Process Research and Development, which could adversely affect our operating results. The failure to achieve the expected benefits of any acquisition may harm our business, financial condition, and results of operations.

We may not fully realize the intended benefits of our restructuring plan.

On December 28, 2012, we announced a strategic shift involving the closure of our tissue engineering facility in Abano Terme, Italy due to the inability to meet strict regulatory standards established by the European Medicines Agency for ATMP (cell based) products that became effective January 1, 2013. The restructuring plan adopted included a reduction-in-force of 12 people, and the disposal of related supplies, equipment and other assets. We completed the restructuring plan within the first six months of 2013. The restructuring plan was intended to improve the efficiency and financial performance of our Italian operations by reducing costs and focusing on products and technology with strong commercial potential. There is no guarantee that the restructuring plan will produce the expected future savings.

We may face circumstances in the future that will result in impairment charges, including, but not limited to, goodwill impairment and IPR&D charges.

As of December 31, 2014, we had long-lived assets, including goodwill, of $55 million. If the fair value of any of our long-lived assets decreases as a result of an economic slowdown, a downturn in the markets where we sell products and services, or a downturn in our financial performance or future outlook, we may be required to record an impairment charge on such assets.

We are required to test intangible assets with indefinite life periods for potential impairment annually and on an interim basis if there are indicators of a potential impairment. We also are required to evaluate amortizable intangible assets and fixed assets for impairment if there are indicators of a possible impairment. Impairment charges could have a negative impact on our results of operations and financial position, as well as on the market price of our common stock.

Customer, vendor and employee uncertainty about the effects of any acquisitions could harm us.

We and the customers of any companies we acquire may, in response to the consummation of any acquisitions, delay or defer purchasing decisions. Any delay or deferral in purchasing decisions by customers could adversely affect our business. Similarly, employees of acquired companies may experience uncertainty about their future role until or after we execute our strategies with regard to employees of acquired companies. This may adversely affect our ability to attract and retain key management, sales, marketing, and technical personnel following an acquisition.

The acquisitions we have made or may make in the future may make us the subject of lawsuits from either an acquired company's stockholders, an acquired company's previous stockholders or our current stockholders.

We may be the subject of lawsuits from either an acquired company's stockholders, an acquired company's previous stockholders, or our current stockholders. These lawsuits could result from the actions of the acquisition target prior to the date of the acquisition, from the acquisition transaction itself, or from actions after the acquisition. Defending potential lawsuits could cost us significant expense and distract management's attention from the operation of the business. Additionally, these lawsuits could result in the cancellation of or the inability to renew, certain insurance coverage that would be necessary to protect our assets.

Attractive acquisition opportunities may not be available to us in the future.

We will consider the acquisition of other businesses. However, we may not locate suitable acquisition targets or have the opportunity to make acquisitions of such targets on favorable terms in the future, which could negatively impact the growth of our business. In order to pursue such opportunities, we may require significant additional financing, which may not be available to us on favorable terms, if at all. The availability of such financing is limited by the continued tightening of the global credit markets. We expect that our competitors, many of which have significantly greater resources than we do, will compete with us to acquire compatible businesses. This competition could increase prices for acquisitions that we would likely pursue.

Sales of our products are largely dependent upon third party reimbursement and our performance may be harmed by health care cost containment initiatives.

In the United States and other foreign markets, health care providers, such as hospitals and physicians, that purchase health care products, such as our products, generally rely on third party payers, including Medicare, Medicaid and other health insurance and managed care plans, to reimburse all or part of the cost of the health care product. We generally depend upon the distributors of our products to secure reimbursement and reimbursement approvals. Reimbursement by third party payers, both in the United States and internationally, may depend on a number of factors, including the payer's determination that the use of our products is clinically useful and cost-effective, medically necessary, and not experimental or investigational. Since reimbursement approval is required from each payer individually, seeking such approvals can be a time consuming and costly process which, in the future, could require us or our marketing partners to provide supporting scientific, clinical, and cost-effectiveness data for the use of our products to each payer separately. Significant uncertainty exists as to the reimbursement status of newly approved health care products, and any failure or delay in obtaining reimbursement approvals can negatively impact sales of our new products.

In addition, third party payers are increasingly attempting to contain the costs of health care products and services by limiting both coverage and the level of reimbursement for new therapeutic products and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA, or the applicable foreign regulatory agency, has granted marketing approval. Also, the U.S. Congress, certain state legislatures, and certain foreign governments and regulatory agencies have considered reforms that may affect current reimbursement practices, including controls on health care spending through limitations on the growth of Medicare and Medicaid spending. There can be no assurance that third party reimbursement coverage will be available or adequate for any products or services developed by us. Outside the United States, the success of our products is also dependent in part upon the availability of reimbursement and health care payment systems. Domestic and international reimbursement laws and regulations may change from time to time. Lack of adequate coverage and reimbursement provided by governments and other third party payers for our products and services, including continuing coverage for MONOVISC and ORTHOVISC in the United States, and any change of classification by the Centers for Medicare and Medicaid Services for ORTHOVISC and MONOVISC, could have a material adverse effect on our business, financial condition, and results of operations.

We may seek financing in the future, which could be difficult to obtain and which could dilute your ownership interest or the value of your shares.

We had cash, cash equivalents, and investments of $106.9 million at December 31, 2014. Our future capital requirements and the adequacy of available funds will depend, however, on numerous factors, including:

- Market acceptance of our existing and future products;
- The success and sales of our products under various distributor agreements, including the ability of our partners to achieve third party reimbursement for our products;
- The successful commercialization of products in development;
- Progress in our product development efforts;
- The magnitude and scope of such product development efforts;
- Any potential acquisitions of products, technologies, or businesses;

- Progress with preclinical studies, clinical trials, and product approvals and clearances by the FDA and other agencies;
- The cost and timing of our efforts to manage our manufacturing capabilities and related costs;
- The cost of filing, prosecuting, defending, and enforcing patent claims and other intellectual property rights and the cost of defending any other legal proceeding;
- Competing technological and market developments;
- The development of strategic alliances for the marketing of certain of our products;
- The terms of such strategic alliances, including provisions (and our ability to satisfy such provisions) that provide upfront and/or milestone payments to us; and
- The cost of maintaining adequate inventory levels to meet current and future product demand.

To the extent funds generated from our operations, together with our existing capital resources, are insufficient to meet future requirements, we will be required to obtain additional funds through equity or debt financings, through strategic alliances with corporate partners and others or through other sources. The terms of any future equity financings may be dilutive to our investors and the terms of any debt financings may contain restrictive covenants, which limit our ability to pursue certain courses of action. Our ability to obtain financing is dependent on the status of our future business prospects as well as conditions prevailing in the relevant capital markets at the time we seek financing. No assurance can be given that any additional financing will be made available to us or will be available on acceptable terms should such a need arise.

We could become subject to product liability claims, which, if successful, could materially adversely affect our business, financial condition, and results of operations.

The testing, marketing, and sale of human health care products entail an inherent risk of allegations of product liability, and there can be no assurance that substantial product liability claims will not be asserted against us. Although we have not received any material product liability claims to date and have an insurance policy of $5,000,000 per occurrence and $5,000,000 in the aggregate to cover such product liability claims should they arise, there can be no assurance that material claims will not arise in the future or that our insurance will be adequate to cover all situations. Moreover, there can be no assurance that such insurance, or additional insurance, if required, will be available in the future or, if available, will be available on commercially reasonable terms. Any product liability claim, if successful, could have a material adverse effect on our business, financial condition, and results of operations.

Our business is dependent upon hiring and retaining qualified management and technical personnel.

We are highly dependent on the members of our management and technical staff, and the loss of one or more of whom could have a material adverse effect on us. We have experienced a number of management changes in recent years, and there can be no assurances that such management changes will not adversely affect our business. We believe that our future success will depend in large part upon our ability to attract and retain technical and highly skilled managerial and manufacturing personnel. We face significant competition for such personnel from competitive companies, research and academic institutions, government entities, and other organizations. There can be no assurance that we will be successful in hiring or retaining the personnel we require. The failure to hire and retain such personnel could have a material adverse effect on our business, financial condition, and results of operations.

We are subject to environmental regulations and any failure to comply with applicable laws could subject us to significant liabilities and harm our business.

We are subject to a variety of local, state, federal, and foreign government regulations relating to the storage, discharge, handling, emission, generation, manufacture, and disposal of toxic or other hazardous substances used in the manufacture of our products. Any failure by us to control the use, disposal, removal, or storage of hazardous chemicals or toxic substances could subject us to significant liabilities, which could have a material adverse effect on our business, financial condition, and results of operations.

As our international sales and operations grow, including through our acquisition of Anika S.r.l., we could become increasingly subject to additional economic, political, and other risks that could harm our business.

Since we manufacture and sell our products worldwide, our business is subject to risks associated with doing business internationally. During the years ended December 31, 2014, 2013, and 2012, 13%, 23%, and 19%, respectively, of our product sales were to international distributors. We continue to be subject to a variety of risks, which could cause fluctuations in the results of our international and domestic operations. These risks include:

- The impact of recessions and other economic conditions in economies, including Europe in particular, outside the United States;
- Instability of foreign economic, political, and labor conditions;
- Unfavorable labor regulations applicable to our European operations, such as severance and the unenforceability of non-competition agreements in the European Union;
- The impact of strikes, work stoppages, work slowdowns, grievances, complaints, claims of unfair labor practices, or other collective bargaining disputes;
- Difficulties in complying with restrictions imposed by regulatory or market requirements, tariffs, or other trade barriers or by U.S. export laws;
- Imposition of government controls limiting the volume of international sales;
- Longer accounts receivable payment cycles;
- Potentially adverse tax consequences, including, if required or applicable, difficulties transferring funds generated in non-U.S. jurisdictions to the United States in a tax efficient manner;
- Difficulties in protecting intellectual property, especially in international jurisdictions;
- Difficulties in managing international operations; and
- Burdens of complying with a wide variety of foreign laws.

Our success depends, in part, on our ability to anticipate and address these risks. We cannot guarantee that these or other factors will not adversely affect our business or operating results.

Currency exchange rate fluctuations may have a negative impact on our reported earnings.

Approximately 7% of our business during fiscal year 2014 was conducted in functional currencies other than the U.S. dollar, which is our reporting currency. Thus, currency fluctuations among the U.S. dollar and the other currencies in which we do business have caused and will continue to cause foreign currency transaction gains and losses. Currently, we attempt to manage foreign currency risk through the matching of assets and liabilities. In the future, we may undertake to manage foreign currency risk through additional hedging methods. We recognize foreign currency gains or losses arising from our operations in the period incurred. We cannot guarantee that we will be successful in managing foreign currency risk or in predicting the effects of exchange rate fluctuations upon our future operating results because of the variability of currency exposure and the potential volatility of currency exchange rates.

A significant portion of our revenues are derived from a small number of customers, the loss of which could materially adversely affect our business, financial condition and results of operations.

We have historically derived the majority of our revenues from a small number of customers, most of whom resell our products to end-users and most of whom are significantly larger companies than us. For the year ended December 31, 2014, five customers accounted for 85% of product revenue, with Mitek alone accounting for 72% of product revenue. We expect to continue to be dependent on a small number of large customers, especially Mitek, for the majority of our revenues for the foreseeable future. The failure of these customers to purchase our products in the amounts they historically have or in amounts that we expect would seriously harm our business.

In addition, if present and future customers terminate their purchasing arrangements with us, significantly reduce or delay their orders, or seek to renegotiate their agreements on terms less favorable to us, our business, financial condition, and results of operations will be adversely affected. If we accept terms less favorable than the terms of the current agreements, such renegotiations may have a material adverse effect on our business, financial condition, and/or results of operations. Furthermore, in any future negotiations we may be subject to the perceived or actual leverage that these customers may have given their relative size and importance to us. Any termination, change, reduction, or delay in orders could seriously harm our business, financial condition, and results of operations. Accordingly, unless and until we diversify and expand our customer base, or develop alternative commercial strategies, our future success will significantly depend upon the timing and size of future purchases by our largest customers, and the financial and operational success of these customers. The loss of any one of our major customers or the delay of significant orders from such customers, even if only temporary, could reduce or delay our recognition of revenues, harm our reputation in the industry, and reduce our ability to accurately predict cash flow, and, as a consequence, it could seriously harm our business, financial condition, and results of operations.

Information security breaches or business system disruptions may adversely affect our business.

We rely on our information technology infrastructure and management information systems to effectively run our business. While we have not previously experienced a material information security breach caused by illegal hacking, computer viruses, or acts of vandalism or terrorism, we may in the future be subject to such a breach. Our security measures or those of our third-party service providers may not detect or prevent such breaches. Any such compromise to our information security could result in an interruption in our operations, the unauthorized publication of our confidential business or proprietary information, the unauthorized release of customer, vendor, or employee data, the violation of privacy, or other laws and exposure to litigation, any of which could harm our business and operating results.

The impact of U.S. healthcare reform legislation on us remains uncertain but could be significant.

In 2010, federal legislation to reform the U.S. healthcare system was enacted into law in the Patient Protection and Affordable Care Act. The legislation is intended to expand access to health insurance coverage, improve quality, and reduce costs over time. We expect the new law will impact certain aspects of our business. However, it remains unclear how the new law will impact patient access to new technologies or reimbursement rates under the Medicare program as such access or rates pertain to us. Many of the details of the new law will be included in new and revised regulations, the totality of which have not yet been promulgated, and will require additional guidance to be provided by the Department of Health and Human Services, Department of Labor, and Department of the Treasury. We are completing our assessment of the new law on our business. The legislation could have a material adverse effect on our business, cash flows, financial condition, and results of operations.

Our business may be adversely affected if consolidation in the healthcare industry leads to demand for price concessions or if we are excluded from being a supplier by a group purchasing organization or similar entity.

Because healthcare costs have risen significantly over the past decade, numerous initiatives and reforms have been launched by legislators, regulators, and third-party payers to curb these costs. As a result, there has been a consolidation trend in the healthcare industry to create larger companies, including hospitals, with greater market power. As the healthcare industry consolidates, competition to provide products and services to industry participants has become and may continue to become more intense. This may result in greater pricing pressures and the exclusion of certain suppliers from important markets as group purchasing organizations, independent delivery networks, and large single accounts continue to use their market power to consolidate purchasing decisions. If a group purchasing organization excludes us from being one of their suppliers, our net sales could be adversely impacted. We expect that market demand, government regulation, third-party reimbursement policies, and societal pressures will continue to change the worldwide healthcare industry, which may exert further downward pressure on the prices of our products.

We experience quarterly sales volume variation, which makes our future results difficult to predict and makes period-to-period comparisons potentially not meaningful.

We experience quarterly fluctuations in our products sales as a result of multiple factors, many of which are outside of our control. These quarterly fluctuations create uncertainty as to the volume of sales that we may achieve in a given period. As a result, comparing our operating results on a period-to-period basis might not be meaningful. You should not rely on our past results as an indication of our future performance. Our operating results could be disproportionately affected by a reduction in revenue because a proportionately smaller amount of our expenses varies with our revenue. As a result, our quarterly operating results are difficult to predict, even in the near term.

Risks Related to Our Intellectual Property

We may be unable to adequately protect our intellectual property rights, which could have a material impact on our business and future financial results.

Our efforts to enforce our intellectual property rights may not be successful. We rely on a combination of copyright, trademark, patent, and trade secret laws, confidentiality procedures, and contractual provisions to protect our proprietary rights. Our success will depend, in part, on our ability to obtain and enforce patents and trademarks, to protect trade secrets, to obtain licenses to technology owned by third parties when necessary, and to conduct our business without infringing on the proprietary rights of others. The patent positions of pharmaceutical, medical product, and biotechnology firms, including ours, can be uncertain and involve complex legal and factual questions. There can be no assurance that any patent applications will result in the issuance of patents or, if any patents are issued, that they will provide significant proprietary protection or commercial advantage or will not be circumvented by others. In the event a third party has also filed one or more patent applications for any of its inventions, we may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in the failure to obtain, or the loss of, patent protection for the inventions and the loss of any right to use the inventions. Even if the eventual outcome is favorable to us, such interference proceedings could result in substantial cost to us, including, but not limited to, the diversion of management's attention away from our other operations. Filing and prosecution of patent applications, litigation to establish the validity and scope of patents, assertion of patent infringement claims against others, and the defense of patent infringement claims by others can be expensive and time consuming. There can be no assurance that, in the event that any claims with respect to any of our patents, if issued, are challenged by one or more third parties, any court or patent authority ruling on such challenge will determine that such patent claims are valid and enforceable. An adverse outcome in such litigation could cause us to lose exclusivity covered by the disputed rights. If a third party is found to have rights covering products or processes used by us, we could be forced to cease using the technologies or marketing the products covered by such rights, we could be subject to significant liabilities to such third party, and we could be required to license technologies from such third party in order to continue production of the products. Furthermore, even if our patents are determined to be valid, enforceable, and broad in scope, there can be no assurance that competitors will not be able to design around such patents and compete with us using the resulting alternative technology. We have a policy of seeking patent protection for patentable aspects of our proprietary technology. We intend to seek patent protection with respect to products and processes developed in the course of our activities when we believe such protection is in our best interest and when the cost of seeking such protection is not inordinate. However, no assurance can be given that any patent application will be filed, that any filed applications will result in issued patents, or that any issued patents will provide us with a competitive advantage or will not be successfully challenged by third parties. The protections afforded by patents will depend upon their scope and validity, and others may be able to design around our patents.

We also rely upon trade secrets and proprietary know-how for certain non-patented aspects of our technology. To protect such information, we require all employees, consultants, and licensees to enter into confidentiality agreements limiting the disclosure and use of such information. There can be no assurance that these agreements provide meaningful protection or that they will not be breached, that we would have adequate remedies for any such breach, or that our trade secrets, proprietary know-how, and our technological advances will not otherwise become known to others. In addition, there can be no assurance that, despite precautions taken by us, others have not and will not obtain access to our proprietary technology. Further, there can be no assurance that third parties will not independently develop substantially equivalent or better technology.

There can be no assurance that we will not infringe upon the intellectual property rights of others, which could have a significant impact on our business and financial results.

Other entities have filed patent applications for, or have been issued patents concerning, various aspects of HA-related products or processes. There can be no assurance that the products or processes developed by us will not infringe on the patent rights of others in the future. The cost of defending infringement suits is typically large, and there is no guarantee that any future defense would be successful. In addition, infringement could lead to substantial damages payouts or our inability to produce or market certain of our current or future products. As a result, any such infringement may have a material adverse effect on our business, financial condition, and results of operations.

Risks Related to Ownership of Our Common Stock

Our stock price may be highly volatile, and we cannot assure you that market making in our common stock will continue.

The market price of shares of our common stock may be highly volatile. Factors such as announcements of new commercial products or technological innovations by us or our competitors, disclosure of results of clinical testing or regulatory proceedings, government regulation and approvals, developments in patent or other proprietary rights, public concern as to the safety of products developed by us, and general market conditions may have a significant effect on the market price of our common stock. The trading price of our common stock could be subject to wide fluctuations in response to quarter-to-quarter variations in our operating results, material announcements by us or our competitors, governmental regulatory action, conditions in the health care industry generally or in the medical products industry specifically, or other events or factors, many of which are beyond our control. In addition, the stock market has experienced extreme price and volume fluctuations, which have particularly affected the market prices of many medical products companies and which often have been unrelated to the operating performance of such companies. Our operating results in future quarters may be below the expectations of equity research analysts and investors. In such an event, the price of our common stock would likely decline, perhaps substantially.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they adversely change their recommendations regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that securities or industry analysts may publish about us, our business, our market, or our competitors. No person is under any obligation to publish research or reports on us, and any person publishing research or reports on us may discontinue doing so at any time without notice. If adequate research coverage is not maintained on our company or if any of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business or provide relatively more favorable recommendations about our competitors, our stock price would likely decline. If any analysts who cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We do not intend to pay dividends on our common stock in the foreseeable future.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain earnings, if any, for use in our business and do not anticipate paying cash dividends on our common stock in the foreseeable future. Accordingly, investors are not likely to receive any dividends on their common stock in the foreseeable future, and their ability to achieve a return on their investment will therefore depend on appreciation in the price of our common stock.

Our charter documents contain anti-takeover provisions that may prevent or delay an acquisition of our company.

Certain provisions of our Restated Articles of Organization and Amended and Restated By-laws could have the effect of discouraging a third party from pursuing a non-negotiated takeover of us and preventing certain changes in control. These provisions include a classified Board of Directors, advance notice to the Board of Directors of stockholder proposals, limitations on the ability of stockholders to remove directors and to call stockholder meetings, and the provision that vacancies on the Board of Directors be filled by vote of a majority of the remaining directors. In addition, the Board of Directors adopted a ten-year Shareholders Rights Plan in April 2008. We are also subject to Chapter 110F of the Massachusetts General Laws which, subject to certain exceptions, prohibits a Massachusetts corporation from engaging in any of a broad range of business combinations with any “interested stockholder” for a period of three years following the date that such stockholder becomes an interested stockholder. All of these provisions, policies, and plans are reviewed periodically by our Board of Directors. These provisions could discourage a third party from pursuing a takeover of us at a price considered attractive by many stockholders, since such provisions could have the effect of preventing or delaying a potential acquirer from acquiring control of us and our Board of Directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Bedford, Massachusetts, where we lease approximately 134,000 square feet of administrative, research and development, and manufacturing space. We entered into this lease on January 4, 2007, and the lease commenced on May 1, 2007 for an initial term of ten and a half years. We have an option under the lease to extend its terms for up to four periods beyond the original expiration date subject to the condition that we notify the landlord that we are exercising each option at least one year prior to the expiration of the original or then current term. The first three renewal options each extend the term an additional five years with the final renewal option extending the term six years.

We also lease, as part of the acquisition of Anika S.r.l., approximately 28,000 square feet of laboratory, warehouse, and office space in Abano Terme, Italy. The lease commenced on December 30, 2009 for an initial term of six years. For the year ended December 31, 2014, we had aggregate facility lease expenses of approximately $1,401,000. We believe that the capacity of each of the properties we currently occupy is sufficient to satisfy our current needs, as well as our needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

On July 7, 2010, Genzyme Corporation filed a complaint against our company in the U.S. District Court for the District of Massachusetts seeking unspecified damages and equitable relief. The complaint alleged that we infringed U.S. Patent No. 5,143,724 by manufacturing MONOVISC in the United States for sale outside the United States and would infringe U.S. Patent Nos. 5,143,724 and 5,399,351 if we manufactured and sold MONOVISC in the United States. On March 7, 2014, we filed a joint motion with Genzyme to lift the stay in Genzyme's lawsuit against us and to dismiss with prejudice all of Genzyme's claims. On March 10, 2014, the District Court granted the motion to dismiss all of Genzyme's claims against us with prejudice and the case was terminated.

In 2011, MEROGEL INJECTABLE was voluntarily withdrawn from the market due to a labeling error on the product's packaging. We settled the matter related to this dispute with the product's distributor, Medtronic, in August 2012. This labeling error related to conduct that initially occurred prior to our acquisition of Anika S.r.l. from Fidia Farmaceutici S.p.A. ("Fidia") and, as a result, we made claims against Fidia for indemnification for Anika's losses related to this issue. Fidia maintained that it did not have liability for this matter, and it asserted a counterclaim against us for failing to consent to the release of the remaining shares held in escrow upon the closing of the Anika S.r.l. acquisition. We reached an agreement with Fidia in October 2013 to settle this matter without admission of liability by either party in return for a payment made by Fidia to us. As a result of the settlement, the arbitration with Fidia pending before the London Court of International Arbitration has been withdrawn, and the shares previously held in escrow have been released.

We are also involved in various other legal proceedings arising in the normal course of business. Although the outcomes of these other legal proceedings are inherently difficult to predict, we do not expect the resolution of these other legal proceedings to have a material adverse effect on our financial position, results of operations, or cash flow.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Information

Our common stock has traded on the NASDAQ Global Select Market since November 25, 1997, under the symbol "ANIK." The following table sets forth, for the periods indicated, the high and low sales prices of our common stock on the NASDAQ Global Select Market. These prices represent prices between dealers and do not include retail mark-ups, markdowns, or commissions, and they may not necessarily represent actual transactions.

Year Ended December 31, 2014	High	Low
First Quarter	$ 52.49	$ 28.79
Second Quarter	51.40	35.62
Third Quarter	50.89	35.39
Fourth Quarter	43.24	34.16

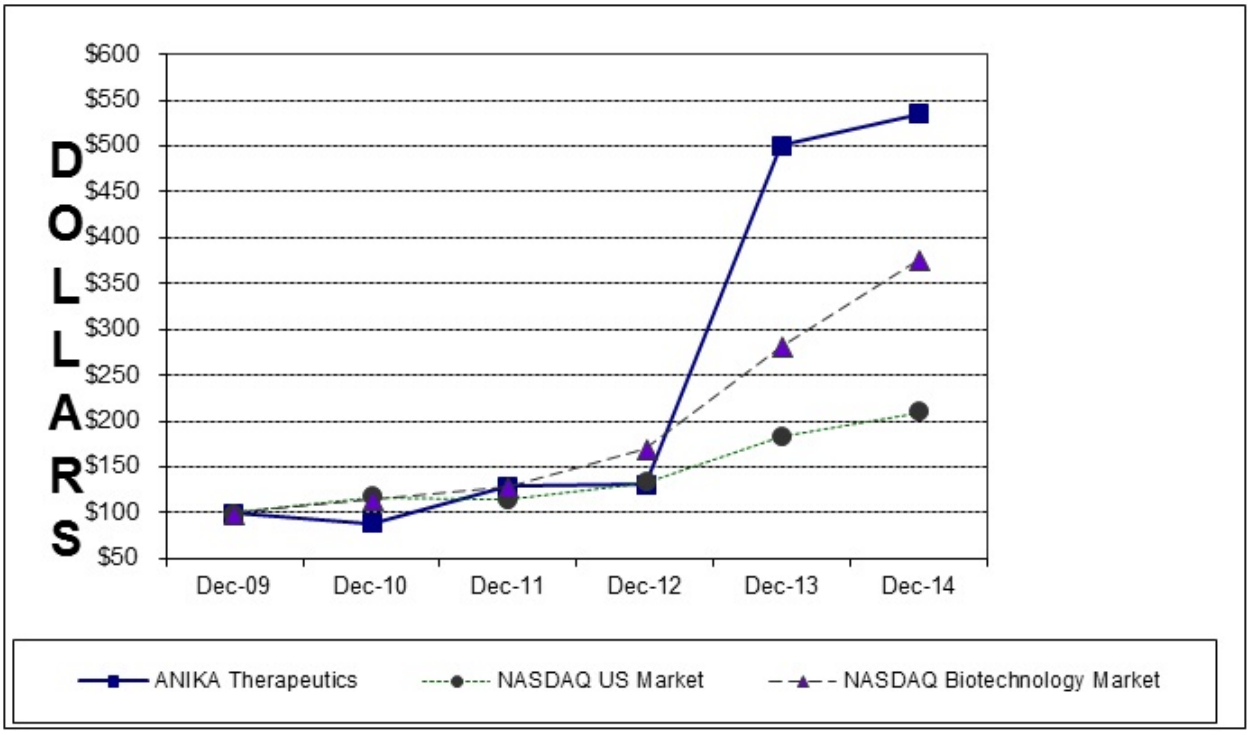
Year Ended December 31, 2013	High	Low
First Quarter	$ 14.58	$ 10.00
Second Quarter	18.07	12.26
Third Quarter	27.80	17.02
Fourth Quarter	38.68	23.26

At December 31, 2014, the closing price per share of our common stock was $40.74 as reported on the NASDAQ Global Select Market, and there were 151 holders of record as of that date. We believe that the number of beneficial owners of our common stock at that date was substantially greater.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain earnings, if any, for use in our business and do not anticipate paying cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, on our common stock will be at the discretion of our Board of Directors after taking into account various factors, including our financial condition, operating results, anticipated cash needs, and plans for expansion.

Performance Graph

Set forth below is a graph comparing the total returns of our company, the NASDAQ Composite Index, and the NASDAQ Biotechnology Index. The graph assumes $100 is invested on December 31, 2009 in our common stock and each of the indices. Past performance is not indicative of future results.



	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Anika Therapeutics, Inc.	$ 100.00	$ 87.42	$ 128.44	$ 130.28	$ 500.13	$ 533.94
NASDAQ Composite Index	$ 100.00	$ 116.91	$ 114.81	$ 133.07	$ 184.06	$ 208.71
NASDAQ Biotechnology Index	$ 100.00	$ 115.01	$ 128.59	$ 169.61	$ 280.89	$ 376.68

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto and the section captioned "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included elsewhere in this Annual Report on Form 10-K. The Balance Sheet Data at December 31, 2014 and 2013 and the Statement of Operations Data for each of the three years ended December 31, 2014, 2013, and 2012 have been derived from the audited Consolidated Financial Statements for such years, included elsewhere in this Annual Report on Form 10-K. The Balance Sheet Data at December 31, 2012, 2011, and 2010, and the Statement of Operations Data for each of the two years in the period ended December 31, 2011 and 2010 have been derived from audited consolidated financial statements for such years not included in this Annual Report on Form 10-K.

Statement of Operations Data
(In thousands, except per share data)

	Years ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Product revenue	$ 75,474	$ 71,774	$ 68,010	$ 61,956	$ 52,736
Licensing, milestone and contract revenue	30,121	3,307	3,348	2,822	2,821
Total revenue	105,595	75,081	71,358	64,778	55,557
Cost of product revenue	20,930	22,765	28,989	26,784	23,827
Product gross profit	54,544	49,009	39,021	35,172	28,909
Product gross margin	72%	68%	57%	57%	55%
Total operating expenses	44,148	42,474	51,643	50,811	48,019
Net income	38,319	20,575	11,757	8,467	4,316
Diluted net income per common share	$ 2.51	$ 1.39	$ 0.82	$ 0.62	$ 0.32
Diluted common shares outstanding	15,269	14,826	14,345	13,748	13,647

Balance Sheet Data
(In thousands)

	Years ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Cash, cash equivalents and investments	$ 106,906	$ 63,333	$ 44,067	$ 35,777	$ 28,202
Working capital	133,052	85,309	62,932	49,600	36,952
Total assets	193,996	156,042	142,069	132,844	128,937
Long term debt	-	-	9,600	11,200	12,800
Retained earnings	104,904	66,584	46,010	34,252	25,786
Stockholders' equity	178,097	135,634	108,925	94,763	85,190

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following section contains statements that are not statements of historical fact and are forward-looking statements within the meaning of the federal securities laws. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievement to differ materially from anticipated results, performance, or achievement, expressed or implied in such forward-looking statements. These statements reflect our current views with respect to future events are based on assumptions and are subject to risks and uncertainties. We discuss many of these risks and uncertainties at the beginning of this Annual Report on Form 10-K and under the sections captioned "Business" and "Risk Factors." The following discussion should also be read in conjunction with the consolidated financial statements and the Notes thereto appearing elsewhere in this Annual Report on Form 10-K.

Management Overview

We develop, manufacture, and commercialize therapeutic products for tissue protection, healing, and repair. These products are based on hyaluronic acid ("HA"), a naturally occurring, biocompatible polymer found throughout the body. Due to its unique biophysical and biochemical properties, HA plays an important role in a number of physiological functions such as the protection and lubrication of soft tissues and joints, the maintenance of the structural integrity of tissues, and the transport of molecules to and within cells. We offer therapeutic products in the following areas:

	Anika	Anika S.r.l.
Orthobiologics	X	X
Dermal		
Advanced wound care		X
Aesthetic dermatology	X	
Surgical	X	X
Anti-adhesion		X
Ear, nose and throat care ("ENT")		
Opthalmic	X	
Veterinary	X	

Orthobiologics

Our orthobiologics business contributed 82% to our product revenue for the year ended December 31, 2014. Our orthobiologics products consist of joint health and orthopedic products. Joint health products include ORTHOVISC, ORTHOVISC *mini*, and MONOVISC. ORTHOVISC, the lead product in this franchise, is available in the United States, Canada, and some international markets for the treatment of osteoarthritis of the knee, and in Europe and other international markets for the treatment of osteoarthritis in all joints, and it has been marketed by us internationally since 1996 through various distribution agreements. ORTHOVISC *mini* is available in Europe and is designed for the treatment of osteoarthritis in small joints. MONOVISC is our single injection osteoarthritis treatment indicated for all joints in Europe and certain international markets, and for the knee in the United States, Turkey, and Canada. ORTHOVISC *mini* and MONOVISC both became available in certain international markets during the second quarter of 2008. Our most recent product approval was received in February 2014 for MONOVISC when it was approved by the FDA for sale in the United States. The related commercial introduction of MONOVISC in the United States occurred in April 2014.

We currently offer several orthopedic products used in connection with regenerative medicine. The products currently available in Europe and certain international markets include HYALOFAST, a biodegradable support for human bone marrow mesenchymal stem cells used for cartilage regeneration and as an adjunct for microfracture surgery; HYALONECT, a woven gauze used as a bone graft wrap; and HYALOSS, HYAFF fibers used to mix blood/bone grafts to form a paste for bone regeneration. We also offer HYALOGLIDE, an ACP gel used in tenolysis treatment that, with additional clinical data, may demonstrate potential for flexor tendon adhesion prevention and for the treatment of adhesive capsulitis prevention in the shoulder. These products are commercialized through a network of distributors, primarily in Europe, the Middle East, and Korea. We believe that the U.S. market offers excellent expansion potential to increase revenue for these products, and this will continue to be a focus area for us moving forward.

Our strategy is to continue to add new products, to expand the indications for usage of both our current and any new products, and to expand our commercial reach. The orthobiologics area has been our fastest growing area, growing from 58% of our product revenue in 2010 to 82% of our product revenue in 2014. We continue to seek new distribution partnerships around the world, in concert with entering new markets with other appropriate sales strategies, and we expect total orthobiologics product sales to increase in 2015 compared to 2014 based on sales from existing and new partners.

Dermal

Our dermal products contributed 2% to our product revenue for the year ended December 31, 2014 and consist of advanced wound care products, which are based on the HYAFF technology, and aesthetic dermal fillers. Anika S.r.l. offers products for the treatment of skin wounds ranging from burns to diabetic ulcers. The products cover a variety of wound treatment solutions including debridement agents, advanced therapies, and scaffolds used as skin substitutes. Leading products include HYALOMATRIX and HYALOFILL for the treatment of complex wounds, such as burns and ulcers, and for use in connection with the regeneration of skin. Anika S.r.l.'s dermal products are commercialized through a network of distributors, primarily in Europe, Latin America, and the Middle East. Several of the products are also cleared for sale in the United States including HYALOMATRIX, HYALOFILL, HYALOGRAN, and HYALOMATRIX 3D. In 2012, we entered into a distribution agreement for sales of advanced wound care products in nine South American countries, including Argentina, Brazil, Mexico, and Chile. In July 2014, we entered into a new agreement with Medline Industries, Inc. to commercialize HYALOMATRIX in the United States on an exclusive basis through 2019.

Our initial aesthetic dermatology product is a dermal filler based on our proprietary, chemically modified, cross-linked HA, and it is approved in Europe, Canada, the United States, South Korea, and certain countries in South America. Internationally, this product is marketed under the ELEVESS trade name. In the United States, the trade name is HYDRELLE, although the product is not currently marketed in the United States.

Surgical

Our surgical group consists of products used to prevent surgical adhesions and to treat ENT disorders. For the year ended December 31, 2014, sales of surgical products contributed 8% of our product revenue. HYALOBARRIER is a clinically proven post-operative adhesion barrier for use in the abdomino–pelvic area. The product is currently commercialized in Europe, the Middle East, and certain Asian countries through a distribution network, but it is not approved in the United States. INCERT, approved for sale in Europe, Turkey, and Malaysia, is a chemically modified, cross-linked HA product used for the prevention of post-surgical spinal adhesions. There are no plans at this time to distribute INCERT in the United States. We co-own issued U.S. patents covering the use of INCERT for adhesion prevention. See the section captioned "*Patent and Proprietary Rights*" for additional information.

Anika S.r.l. also offers several products used in connection with the treatment of ENT disorders. The lead products are MEROGEL, a woven fleece nasal packing, and MEROGEL INJECTABLE, a thick, viscous hydrogel composed of cross-linked HA, a biocompatible agent that creates a moist wound-healing environment. Anika S.r.l. is partnered with Medtronic for the worldwide distribution of these products.

In 2011, MEROGEL INJECTABLE was voluntarily withdrawn from the market due to a labeling error on the product's packaging. We settled the matter related to this dispute with Medtronic in August 2012. This labeling error related to conduct that initially occurred prior to our acquisition of Anika S.r.l. from Fidia and, as a result, we made claims against Fidia for indemnification for our losses related to this issue. Fidia maintained that it did not have liability for this matter, and asserted a counterclaim against us for failing to consent to the release of the remaining shares held in escrow upon the closing of the Anika S.r.l. acquisition. We reached an agreement with Fidia in October 2013 to settle this matter without admission of liability by either party in return for a payment made by Fidia to us. As a result of the settlement, the arbitration with Fidia pending before the London Court of International Arbitration was withdrawn, and the shares previously held in escrow were released.

Ophthalmic

Our ophthalmic business includes HA viscoelastic products used in ophthalmic surgery. For the year ended December 31, 2014, sales of ophthalmic products contributed 4% of our product revenue. We previously manufactured the AMVISC product line for B&L under the terms of a supply agreement that expired on December 31, 2010 (the "2004 B&L Agreement") for viscoelastic products used in ophthalmic surgery. Effective January 1, 2011, the parties entered into a non-exclusive, two year contract intended to transition the manufacture of AMVISC and AMVISC Plus to an alternative, low-cost supplier formerly affiliated with B&L, and we continued to supply B&L with these products during 2011. Effective January 1, 2012, the parties agreed to a three year contract for us to continue to supply these products to B&L as a second supplier with committed annual volumes for 2012, and with lower committed volumes in 2013 and 2014. Operating margins under the B&L agreement were low, and B&L accounted for 3% of product revenue for the year ended 2014. Our contractual arrangement with B&L expired on December 31, 2014, and it was not renewed. Given that the ophthalmic franchise is not part of our core business, and that it has been steadily diminishing for the past few years, we do not expect this event to have a material impact on our results going forward.

Veterinary

U.S. sales of HYVISC, our product for the treatment of equine osteoarthritis, contributed 4% to product revenue for the year ended December 31, 2014. We continue to look at other veterinary applications and opportunities to expand geographic territories.

Research and Development

Our research and development efforts in 2014 primarily consisted of the development of new medical applications for our HA-based technology, the management of clinical trials for certain product candidates, including CINGAL and HYALOFAST, the preparation and processing of applications for regulatory approvals or clearances at all relevant stages of product development, and process development and scale-up manufacturing activities related to our existing and new products. Our development focus includes products for tissue protection, healing, and repair. Our investment in research and development has been important over the years, and it has varied considerably depending on the number and size of clinical trials and studies underway. We anticipate that we will continue to commit significant resources to research and development, including in relation to clinical trials, in the future. With the acquisition of Anika S.r.l., we enhanced our research and development capabilities, our technology base and our pipeline of product candidates. Anika S.r.l. has research and development programs underway for new products including HYALOFAST, an innovative product for cartilage tissue repair, HYALOBONE, a bone void filler and other early stage regenerative medicine development programs.

In February 2014, we received FDA approval for MONOVISC, and Mitek began selling the product in the United States in the second quarter of 2014. MONOVISC is the first FDA-approved, single-injection treatment for osteoarthritis that uses non-animal sourced HA. It is also our first osteoarthritis product based on our proprietary, cross-linked HA technology. We received CE Mark approval for MONOVISC in October 2007, and we began selling in Europe through our distribution network during the second quarter of 2008.

Our second single-injection osteoarthritis product under development is CINGAL, which is based on our HA material with an added active therapeutic molecule designed to provide broad pain relief over a longer period of time. During the second quarter of 2013, we commenced a phase III clinical trial to obtain the needed clinical data for a CE Mark submission and approval and to support other product registrations, including in the United States. We completed the CINGAL clinical trial during the fourth quarter of 2014. In December 2014, we submitted an application for CE Mark approval of the product, and we submitted a PMA to the FDA for U.S. marketing approval in February 2015. We are also currently conducting a reinjection study related to CINGAL with patients who participated in the initial clinical trial.

Restructuring Plan

On December 28, 2012 we announced the closure of our tissue engineering facility in Abano Terme, Italy due to the inability to meet strict regulatory standards, established by the EMA for Advanced Therapy Medicinal Products, which became effective January 1, 2013. The restructuring plan primarily involved a workforce reduction, the disposal of related supplies and equipment, and the termination of the HYALOGRAFT C autograft IPR&D project. We recorded restructuring and related impairment charges in the fourth quarter of 2012 of approximately $2.5 million. Of the total restructuring and related impairment charges, approximately $1.6 million was related to the noncash disposal of assets. The remaining $0.9 million related to cash payments that occurred in 2013, primarily for employee termination costs. The restructuring plan was completed in 2013, with a $286,843 benefit to the statement of operations for the year ended December 31, 2013, based on actual expenses and payment settlements.

Summary of Critical Accounting Policies; Significant Judgments and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, which consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. We monitor our estimates on an on-going basis for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations are discussed throughout this section captioned "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 2 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. The accounting standard establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs that may be used to measure fair value are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 instruments include securities traded on active exchange markets, such as the New York Stock Exchange.

- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions market participants would use in pricing the asset or liability.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In determining the adequacy of the allowance for doubtful accounts, management specifically analyzes individual accounts receivable, historical bad debts, customer concentrations, customer credit-worthiness, current economic conditions, accounts receivable aging trends, and changes in our customer payment terms.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the first-in, first-out method. Work-in-process and finished goods inventories include materials, labor, and manufacturing overhead.

Our policy is to write-down inventory when conditions exist that suggest inventory may be in excess of anticipated demand or is obsolete based upon assumptions about future demand for our products and market conditions. We regularly evaluate our ability to realize the value of inventory based on a combination of factors including, but not limited to, historical usage rates, forecasted sales or usage, product end of life dates, and estimated current or future market values. Purchasing requirements and alternative usage avenues are explored within these processes to mitigate inventory exposure.

Revenue Recognition - General

We recognize revenue from product sales when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collection from the customer is reasonably assured.

Product Revenue

Revenue from product sales is recognized when title and risk of loss have passed to the customer, which is typically upon shipment to the customer. Amounts billed or collected prior to recognition of revenue are classified as deferred revenue. When determining whether risk of loss has transferred to customers on product sales, or if the sales price is fixed or determinable, we evaluate both the contractual terms and conditions of our distribution and supply agreements as well as our business practices.

Product revenue also includes royalties. Royalty revenue is based on our distributors' sales and is recognized in the same period our distributors record their sale of products manufactured by us. On a quarterly basis we record royalty revenue based upon sales projections provided to us by our distributor customers. If necessary we adjust our estimates based upon final sales data received prior to issuing our quarterly unaudited or annual audited financial statements.

Licensing, Milestone and Contract Revenue

Licensing, milestone, and contract revenue consists of revenue recognized on initial and milestone payments, as well as contractual amounts received from partners. The Company's business strategy includes entering into collaborative license, development, and/or supply agreements with partners for the development and commercialization of the Company's products.

The terms of the agreements typically include non-refundable license fees, funding of research and development, and payments based upon achievement of certain milestones. We adopted Accounting Standards Update ("ASU") 2009-13, *Revenue Recognition*, in January 2011, which amends ASC 605-25, *Multiple Element Arrangements* to require the establishment of a selling price hierarchy for determining the allocable selling price of an item. Under ASC 605-25, as amended by ASU 2009-13, in order to account for an element as a separate unit of accounting, the element must have objective and reliable evidence of selling price of the undelivered elements. In general, non-refundable upfront fees and milestone payments that do not relate to other elements are recognized as revenue over the term of the arrangement as we complete our performance obligations.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Equipment and software are typically amortized over two to ten years, and furniture and fixtures over five to seven years. Leasehold improvements are amortized over the shorter of their useful lives or the remaining terms of the related leases. Maintenance and repairs are charged to expense when incurred, while additions and improvements are capitalized. When an item is sold or retired, the cost and related accumulated depreciation is relieved, and the resulting gain or loss, if any, is recognized as income or loss.

Goodwill and Acquired In-Process Research and Development

Goodwill is the amount by which the purchase price of acquired net assets in a business combination exceeded the fair values of net identifiable assets on the date of acquisition. Acquired IPR&D represents the fair value assigned to research and development assets that we acquire that have not been completed at the date of acquisition or are pending regulatory approval in certain jurisdictions. The value assigned to the acquired IPR&D is determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the resulting revenue from the projects, and discounting the net cash flows to present value.

Goodwill and IPR&D are evaluated for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Factors we consider important, on an overall company basis, that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, a significant decline in our stock price for a sustained period, or a reduction of our market capitalization relative to net book value.

To conduct impairment tests of goodwill, the fair value of the reporting unit is compared to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. We estimate the fair value for reporting units using discounted cash flow valuation models which require the use of significant estimates and assumptions including but not limited to, the risk free rate of return on an investment, the weighted average cost of capital, future revenue, operating margin, working capital, and capital expenditure needs. Our annual assessment for impairment of goodwill as of November 30, 2014 indicated that the fair value of our reporting unit exceeded the carrying value of the reporting unit. Our goodwill balance relates entirely to the 2009 acquisition of Anika S.r.l. and has been assigned to the Anika S.r.l. reporting unit.

To conduct impairment tests of IPR&D, the fair value of the IPR&D projects is compared to the carrying value. If the carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of the IPR&D project exceeds its fair value. We estimate the fair values for IPR&D projects using discounted cash flow valuation models which require the use of significant estimates and assumptions including, but not limited to, estimates of the timing of and expected costs to complete the in-process projects, projections related to regulatory approvals timelines, estimated future cash flows from product sales resulting from completed projects and in-process projects, and estimates of appropriate discount rates. Our annual assessment for impairment of IPR&D indicated that the fair value of our IPR&D as of November 30, 2014 exceeded their respective carrying values.

Through December 31, 2014 there have not been any events or changes in circumstances that indicate that the carrying value of goodwill or acquired intangible assets may not be recoverable. We continue to monitor and evaluate the financial performance of the Anika S.r.l. business, including the impact of general economic conditions, to assess the potential for the fair value of the reporting unit to decline below its book value. There can be no assurance that, at the time future impairment tests are completed, a material impairment charge will not be recorded.

Long-Lived Assets

Long-lived assets primarily include property and equipment, and intangible assets with finite lives. Our intangible assets are comprised of purchased developed technologies, distributor relationships, patents, and trade names. These intangible assets are carried at cost, net of accumulated amortization. Amortization is recorded on a straight-line basis over the intangible assets' useful lives, which range from approximately 5 to 16 years. We review long-lived assets for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis.

Restructuring and Impairment Charges

Restructuring charges are primarily comprised of severance costs, activity termination costs, and costs of facility closure. Restructuring charges are recorded upon approval of a formal management plan and are included in the operating results of the period in which such plan is approved and the expense becomes estimable. To estimate restructuring charges, management utilizes assumptions such as the number of employees that would be involuntarily terminated and the future costs to operate, and eventually terminate, the subject activity.

Stock-Based Compensation

We measure the compensation cost of award recipients' services received in exchange for an award of equity instruments based on the grant-date fair value of the underlying award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. For performance based awards with financial achievement targets, we recognize expense using the graded vesting methodology based on the number of shares expected to vest. Compensation expense associated with these performance based awards is adjusted to reflect subsequent changes in the estimated outcome of performance-related conditions until the date the results are determined. Changes to the probability assessment and the estimated shares expected to vest will result in adjustments to the related share-based compensation expense that will be recorded in the period of the change. If the performance targets are not achieved, no compensation cost is recognized and any previously recognized compensation cost is reversed. See Note 12 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a description of the types of stock-based awards granted, the compensation expense related to such awards, and detail of equity-based awards outstanding. See Note 16 to such consolidated financial statements for details related to the tax benefit recognized in the consolidated statement of operations for stock-based compensation.

Income Taxes

Our income tax expense includes U.S. and international income taxes. Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effects of these differences are reported as deferred tax assets and liabilities. Deferred tax assets are recognized for the estimated future tax effects of deductible temporary differences and tax operating loss and credit carry-forwards. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that it is more likely than not that all or a portion of deferred tax assets will not be realized, we establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we include an expense within the tax provision in the consolidated statement of operations.

Results of Operations

Year ended December 31, 2014 compared to year ended December 31, 2013

Statement of Operations Detail

	Years Ended December 31,			
	2014	**2013**	**Inc/(Dec)**	**Inc/(Dec)**
Product revenue	$ 75,473,998	$ 71,773,730	$ 3,700,268	5%
Licensing, milestone and contract revenue	30,120,841	3,307,424	26,813,417	811%
Total revenue	105,594,839	75,081,154	30,513,685	41%
Operating expenses:				
Cost of product revenue	20,930,318	22,765,404	(1,835,086)	(8%)
Research & development	8,144,152	7,059,875	1,084,277	15%
Selling, general & administrative	15,073,485	12,936,001	2,137,484	17%
Restructuring credits	-	(286,843)	286,843	-
Total operating expenses	44,147,955	42,474,437	1,673,518	4%
Income from operations	61,446,884	32,606,717	28,840,167	88%
Interest income (expense), net	58,137	(127,186)	185,323	(146%)
Income before income taxes	61,505,021	32,479,531	29,025,490	89%
Provision for income taxes	23,185,542	11,905,010	11,280,532	95%
Net income	$ 38,319,479	$ 20,574,521	$ 17,744,958	86%
Product gross profit	$ 54,543,680	$ 49,008,326	$ 5,535,354	11%
Product gross margin	72%	68%		

Total revenue. Total revenue for the year ended December 31, 2014 increased by $30,513,685 to $105,594,839. The increase in product and total revenue was primarily due to the U.S. MONOVISC commercial launch in April 2014 and milestone revenue from our U.S. distributor for MONOVISC, resulting from the product's FDA approval, patent litigation resolution, and commercial launch in 2014.

Product revenue by product line. Product revenue for the year ended December 31, 2014 was $75,473,998, an increase of $3,700,268 or 5%, compared to the prior year.

	Years Ended December 31,			
	2014	2013	Inc/(Dec)	Inc/(Dec)
Orthobiologics	$ 61,956,870	$ 55,956,068	$ 6,000,802	11%
Dermal	1,334,295	1,816,602	(482,307)	(27%)
Surgical	5,854,876	5,445,715	409,161	8%
Ophthalmic	3,153,435	4,656,560	(1,503,125)	(32%)
Veterinary	3,174,522	3,898,785	(724,263)	(19%)
	$ 75,473,998	$ 71,773,730	$ 3,700,268	5%

Revenue from our orthobiologics franchises increased $6,000,802, or 11%, in 2014 compared to 2013. The improvement in orthobiologics product revenue was due primarily to increases in domestic MONOVISC and ORTHOVISC revenue. This increase reflects MONOVISC U.S. product launch in April 2014 and Mitek's continued market penetration. International viscosupplementation product revenue in 2014 decreased 23% compared to 2013. The decrease in international revenue was driven primarily by decreased sales of ORTHOVISC in 2014, as compared to 2013, resulting from increased price competition. We expect orthobiologics revenue to grow in 2015, led by increased MONOVISC revenue in the United States, as well as overall revenue growth from our viscosupplementation products both domestically and internationally.

Dermal revenue decreased $482,307, or 27%, in 2014 compared to 2013. The decrease was primarily due to Anika S.r.l.'s advanced wound care products revenue, which totaled $1,241,453 in 2014, as compared to $1,647,396 in 2013. This decrease was driven by order timing and lower revenue in Argentina as a result of the country's recent financial crisis. We expect advanced wound care revenue to increase in 2015 compared to 2014 primarily as a result of geographic expansion, particularly in the U.S. market.

Sales of our surgical products increased $409,161, or 8%, in 2014 as compared to 2013. The increase was primarily due to the addition of line extension products in Korea to utilize an expanded treatment indication. Our Surgical franchise consists primarily of Anika S.r.l.'s anti-adhesion and ENT products. Our anti-adhesion products include INCERT and HYALOBARRIER. Our leading ENT product is MEROGEL. Anika S.r.l. is partnered with Medtronic for worldwide distribution of these ENT products. We expect surgical product revenue to increase in 2015 compared to 2014 due to continued growth in the European and Asian markets.

Revenue from ophthalmic products in 2014 decreased $1,503,125, or 32%, compared to revenue for these products in 2013. The decrease was primarily attributable to the reduced contractual minimum purchase commitment in the latest B&L supply agreement, which expired as expected at the end of 2014. As a result, we expect that ophthalmic product revenue will decrease in 2015 as compared to 2014. Operating margins under the B&L agreement were low, and given that the ophthalmic franchise is not part of our core business, and that it has been steadily diminishing for the past few years, we do not expect this event to have a material impact on our results going forward.

Veterinary revenue decreased $724,263, or 19%, in 2014 as compared to 2013. The decrease was primarily due to order timing by our distributors. Sales of HYVISC are made to a single customer under an exclusive agreement which expires December 31, 2016. We expect veterinary revenue to increase in 2015 as compared to 2014, due to increased demand for the product in the United States.

Licensing, milestone and contract revenue. Licensing, milestone, and contract revenue for the year ended December 31, 2014 was $30,120,841, compared to $3,307,424 for 2013. Licensing and milestone included a $17,500,000 milestone payment resulting from the resolution of the patent litigation with Genzyme and the FDA approval of MONOVISC, and it also included the recognition of approximately $2,200,000 remaining in the unamortized upfront payment previously received in December 2011. These payments were related to our development obligations under the Mitek MONOVISC Agreement. The FDA's approval of our MONOVISC product during the quarter ended March 31, 2014 completed the delivery of our development obligations under the Mitek MONOVISC Agreement, and resulted in the immediate recognition of the $17,500,000 milestone payment, as well as the full recognition of prior deferred revenue in the first quarter of 2014. During the second quarter of 2014, a $5,000,000 milestone payment associated with the first commercial sale of MONOVISC in the United States was earned, received, and recognized as revenue. We also received a unique J-Code from the Centers for Medicare and Medicaid Services ("CMS") for MONOVISC during the fourth quarter of 2014 and, as a result, we collected a milestone payment of $5,000,000, which was fully earned and recognized as revenue. For the year ended December 31, 2014, we recognized a total of $29.7 million in milestone revenue related to MONOVISC.

Product gross profit and margin. Product gross profit for the year ended December 31, 2014 was $54,543,680, or 72% of product revenue, compared with $49,008,326, or 68% of product revenue, for the year ended December 31, 2013. The increase in product gross profit was primarily due to improved manufacturing efficiencies, as well as improvements in the overall product sales mix compared to the prior year, with increased sales of our higher-margin orthobiologics products as a percentage of our total product sales.

Research and development. Research and development expenses for the year ended December 31, 2014 increased by $1,084,277, or 15%, as compared to the prior year, mainly due to the progression of certain clinical trials. Research and development expense as a percentage of total revenue was 8% and 9% for the years ended 2014 and 2013, respectively. We expect research and development expenses will increase in 2015 and thereafter compared to 2014 with our continued efforts related to CINGAL and HYALOFAST, our development efforts for tissue regenerating products, line extension products, new products, and early-stage development projects.

Selling, general, and administrative. Selling, general, and administrative expenses for the year ended December 31, 2014 increased by $2,137,484, or 17%, as compared to 2013. This increase was primarily due to a legal dispute settlement payment received in 2013, increases in external professional fees, and increased headcount related expenses in 2014. We expect selling, general, and administrative expenses for 2015 will increase to reflect the support required to grow our business both domestically and internationally.

Restructuring credits. On December 28, 2012, we announced a strategic shift involving the closure of our tissue engineering facility in Abano Terme, Italy due to the inability to meet strict regulatory standards, established by the EMA, which became effective January 1, 2013. As a result of the plan, we recorded restructuring and associated impairment charges in the fourth quarter 2012 of approximately $2.5 million. Of the total restructuring and associated impairment charges, approximately $1.6 million related to the abandonment and noncash impairment of assets. The remaining $0.9 million related to cash payments that occurred in 2013, primarily for employee termination costs. The restructuring plan was completed in 2013, with a $286,843 benefit to the statement of operations for the year ended December 31, 2013, based on actual expenses and payment settlements.

Interest income (expense), net. Net interest income was $58,137 for the year ended December 31, 2014, as compared to interest expense of $127,186 in the same period ended 2013. On November 29, 2013, we terminated our credit agreement entered into on January 31, 2008 with lenders for which Bank of America, N.A. served as administrative agent. In connection with the termination, we pre-paid in full the entire outstanding debt balance of $8,400,000, and we did not incur any pre-payment penalties. This termination resulted in the change from net interest expense in 2013 to net interest income in 2014. Interest income is primarily from our short-term investment holdings.

Income taxes. Provisions for income taxes were $23,185,542 and $11,905,010 for the years ended December 31, 2014 and 2013, respectively. The increase in the effective tax rate in 2014 of 1.0%, as compared to 2013, is primarily due to a decreased benefit from domestic production activities.

A reconciliation of the U.S. federal statutory tax rate to the effective tax rate for the periods ending December 31 is as follows:

	Years ended December 31,	
	2014	**2013**
Statutory federal income tax rate	35.0%	35.0%
State tax expense, net of federal benefit	4.9%	4.8%
Permanent items, including nondeductible expenses	0.1%	(0.2%)
State investment tax credit	(0.1%)	(0.1%)
Federal, state and foreign research and development credits	(0.7%)	(0.5%)
Foreign rate differential	0.2%	0.1%
Domestic production deduction	(1.7%)	(2.4%)
Effective income tax rate	37.7%	36.7%

As of December 31, 2014, we had net operating losses (“NOL”) for income tax purposes in Italy of $8,334,628 with no expiration date.

In connection with the preparation of the financial statements, we performed an analysis to ascertain if it was more likely than not that we would be able to utilize, in future periods, the net deferred tax assets associated with our NOL carry-forward. We have concluded that the positive evidence outweighs the negative evidence and, thus, that the deferred tax assets not otherwise subject to a valuation allowance are realizable on a "more likely than not" basis. As such, we have not recorded a valuation allowance at December 31, 2014 or 2013.

The 2011 through 2014 tax years remain subject to examination by the Internal Revenue Service ("IRS") and other taxing authorities for U.S. federal and state purposes. The 2010 through 2014 tax years remain subject to examination by the applicable governmental authorities in Italy.

Net income. For the year ended December 31, 2014, net income was $38,319,479, or $2.51 per diluted share, compared to $20,574,521, or $1.39 per diluted share, for the same period in the prior year. The primary drivers for this increase in net income were an increase in gross profit due to increased milestone and licensing revenue, a more favorable product mix, and the improved manufacturing efficiencies at our Bedford, Massachusetts manufacturing facility.

Year ended December 31, 2013 compared to year ended December 31, 2012

Statement of Operations Detail

	Years Ended December 31,			
	2013	**2012**	**Inc/(Dec)**	**Inc/(Dec)**
Product revenue	$ 71,773,730	$ 68,010,169	$ 3,763,561	6%
Licensing, milestone and contract revenue	3,307,424	3,348,336	(40,912)	(1%)
Total revenue	75,081,154	71,358,505	3,722,649	5%
Operating expenses:				
Cost of product revenue	22,765,404	28,988,621	(6,223,217)	(21%)
Research & development	7,059,875	5,388,036	1,671,839	31%
Selling, general & administrative	12,936,001	14,728,662	(1,792,661)	(12%)
Restructuring (credits) charges	(286,843)	2,537,988	(2,824,831)	-
Total operating expenses	42,474,437	51,643,307	(9,168,870)	(18%)
Income from operations	32,606,717	19,715,198	12,891,519	65%
Interest income (expense), net	(127,186)	(187,777)	60,591	(32%)
Income before income taxes	32,479,531	19,527,421	12,952,110	66%
Provision for income taxes	11,905,010	7,769,961	4,135,049	53%
Net income	$ 20,574,521	$ 11,757,460	$ 8,817,061	75%
Product gross profit	$ 49,008,326	$ 39,021,548	$ 9,986,778	26%
Product gross margin	68%	57%		

Total revenue. Total revenue for the year ended December 31, 2013 increased by $3,722,649 to $75,081,154. The increase in total revenue was primarily due to increased orthobiologics product revenue in 2013 as compared to 2012.

Product revenue by product line. Product revenue for the year ended December 31, 2013 was $71,773,730, an increase of $3,763,561, or 6%, compared to the prior year.

	Years Ended December 31,			
	2013	**2012**	**Inc/(Dec)**	**Inc/(Dec)**
Orthobiologics	$ 55,956,068	$ 49,954,112	$ 6,001,956	12%
Dermal	1,816,602	1,384,403	432,199	31%
Surgical	5,445,715	5,022,456	423,259	8%
Ophthalmic	4,656,560	8,784,011	(4,127,451)	(47%)
Veterinary	3,898,785	2,865,187	1,033,598	36%
	$ 71,773,730	$ 68,010,169	$ 3,763,561	6%

Revenue from orthobiologics increased $6,001,956, or 12%, in 2013 compared to 2012. The improvement in orthobiologics product revenue was due primarily to increases in domestic and international ORTHOVISC sales. Our U.S. ORTHOVISC product revenue for 2013 increased 9% compared to 2012. This increase reflected Mitek's continued market penetration. International viscosupplementation product revenue in 2013 increased 34% compared to 2012. The increase in international revenue was driven primarily by growth from existing partners, as well as geographic expansion.

Dermal revenue increased $432,199, or 31%, in 2013 compared to 2012. The increase was primarily due to Anika S.r.l.'s advanced wound care products revenue which totaled $1,647,396 in 2013, as compared to $976,388 in 2012. This increase was driven by expansion of advanced wound care revenue from existing distributors, as well as product launches in South America.

Sales of our surgical products increased $423,259, or 8%, as compared to 2012. This product group consists primarily of Anika S.r.l.'s HYALOBARRIER anti-adhesion and ENT products. Our anti-adhesion products include INCERT and HYALOBARRIER.

Revenue from ophthalmic products in 2013 decreased $4,127,451, or 47%, compared to revenue for these products in 2012. The decrease was primarily attributable to B&L's plan to shift manufacturing to an alternative supplier. B&L accounted for 5% of product revenue for the year ended 2013. Operating margins under the expired B&L agreements were relatively low.

Veterinary revenue increased $1,033,598, or 36%, in 2013 as compared to 2012. Sales of HYVISC are made to a single customer under an exclusive agreement.

Licensing, milestone and contract revenue. Licensing, milestone, and contract revenue for the year ended December 31, 2013 was $3,307,424, compared to $3,348,336 for 2012. Licensing and milestone revenue included the ratable recognition of $27,000,000 in up-front and milestone payments related to the Mitek ORTHOVISC Agreement. These amounts were being recognized in income ratably over the ten-year initial term of the agreement, or $2,700,000 per year. The year 2013 was the last year for the recognition of these milestone payments related to ORTHOVISC under the initial term of the agreement. In November 2012, Mitek exercised its option and extended the Mitek ORTHOVISC Agreement for an additional five years through December 2018.

In December 2011, we entered into a fifteen-year licensing and supply agreement with Mitek, Inc. to market MONOVISC in the United States. We received an initial payment of $2,500,000 in December 2011, which is also being recognized ratably over the development obligation period. We received a PMA from the FDA for MONOVISC in February 2014, and were entitled to receive additional payments from Mitek, following achievement of the PMA and commercial launch of the product, as well as payments related to future regulatory, clinical, and sales milestones.

Product gross profit and margin. Product gross profit for the year ended December 31, 2013 was $49,008,326, or 68% of product revenue, compared with $39,021,548, or 57% of product revenue, for the year ended December 31, 2012. The increase in product gross profit was primarily due to the elimination of duplicate manufacturing facility costs for a full year in 2013, improved manufacturing efficiencies, as well as improvements in overall product sales mix, compared to the prior year, with increased sales of our higher-margin orthobiologics products as a percent of our total product sales being the primary driver.

Research and development. Research and development expenses for the year ended December 31, 2013 increased by $1,671,839, or 31%, as compared to the prior year, due to the timing of the start of certain clinical trials. Research and development as a percentage of revenue was 9% and 8% for the years ended 2013 and 2012, respectively.

Selling, general, and administrative. Selling, general, and administrative expenses for the year ended December 31, 2013 decreased by $1,792,661, or 12%, as compared to 2012. This decrease was primarily due to a legal dispute settlement payment received in 2013, as well as on-going cost saving initiatives.

Restructuring charges. On December 28, 2012 we announced a strategic shift involving the closure of our tissue engineering facility in Abano Terme, Italy due to the inability to meet strict regulatory standards, established by the EMA, which became effective January 1, 2013. As a result of the plan, we recorded restructuring and associated impairment charges in the fourth quarter 2012 of approximately $2.5 million. Of the total restructuring and associated impairment charges, approximately $1.6 million related to the abandonment and noncash impairment of assets. The remaining $0.9 million related to cash payments anticipated to occur in 2013, primarily for employee termination costs. The restructuring plan was completed in 2013, with a $286,843 benefit to the statement of operations for the year ended December 31, 2013, based on actual expenses and payment settlements.

Interest income (expense), net. Net interest expense was $127,186 for the year ended December 31, 2013, as compared to $187,777 in the same period ended 2012. The decrease was the result of the lower balance on our outstanding variable interest rate debt during 2013. On November 29, 2013, we terminated our credit agreement entered into on January 31, 2008 with lenders for which Bank of America, N.A. served as administrative agent. In connection with the termination, we pre-paid in full the outstanding debt balance of $8,400,000, and we did not incur any pre-payment penalties.

Income taxes. Provisions for income taxes were $11,905,010 and $7,769,961 for the years ended December 31, 2013 and 2012, respectively. The decrease in the effective tax rate in 2013 of 3.1%, as compared to 2012, was primarily due to increased R&D tax credits, increased deductible stock option expenses resulting from increased exercise activity, and a favorable foreign tax rate differential.

A reconciliation of the U.S. federal statutory tax rate to the effective tax rate for the periods ending December 31 is as follows:

	Years ended December 31,	
	2013	**2012**
Statutory federal income tax rate	35.0%	35.0%
State tax expense, net of federal benefit	4.8%	6.4%
Permanent items, including nondeductible expenses	(0.2%)	0.9%
State investment tax credit	(0.1%)	(0.2%)
Federal, state and foreign research and development credits	(0.5%)	(1.2%)
Foreign rate differential	0.1%	2.5%
Domestic production deduction	(2.4%)	(3.6%)
Effective income tax rate	36.7%	39.8%

As of December 31, 2013, we had NOL for federal income tax purposes in Italy of $9,353,750 with no expiration date.

In connection with the preparation of the financial statements, we performed an analysis to ascertain if it was more likely than not that we would be able to utilize, in future periods, the net deferred tax assets associated with our NOL carry-forward. We concluded that the positive evidence outweighs the negative evidence and, thus, that the deferred tax asset not otherwise subject to a valuation allowance were realizable on a “more likely than not” basis. As such, we did not record a valuation allowance at either December 31, 2013 or 2012.

Net income. For the year ended December 31, 2013, net income was $20,574,521, or $1.39 per diluted share, compared to $11,757,460, or $0.82 per diluted share, for the same period last year. The primary drivers for this increase in net income were an increase in product gross profit due to improvements in operating efficiencies and streamlining of manufacturing operations with the consolidation into one facility, a more favorable product mix, and lower general and administrative expenses.

Concentration of Risk

We have historically derived the majority of our revenues from a small number of customers, most of whom resell our products to end-users and most of whom are significantly larger companies than us. For the year ended December 31, 2014, five customers accounted for 85% of product revenue, with Mitek alone accounting for 72% of product revenue. We expect to continue to be dependent on a small number of large customers, especially Mitek, for the majority of our revenues for the foreseeable future. The failure of these customers to purchase our products in the amounts they historically have or in amounts that we expect would seriously harm our business.

In addition, if present and future customers terminate their purchasing arrangements with us, significantly reduce or delay their orders, or seek to renegotiate their agreements on terms less favorable to us, our business, financial condition, and results of operations will be adversely affected. If we accept terms less favorable than the terms of the current agreements, such renegotiations may have a material adverse effect on our business, financial condition, and/or results of operations. Furthermore, in any future negotiations we may be subject to the perceived or actual leverage that these customers may have given their relative size and importance to us. Any termination, change, reduction, or delay in orders could seriously harm our business, financial condition, and results of operations. Accordingly, unless and until we diversify and expand our customer base, our future success will significantly depend upon the timing and size of future purchases by our largest customers and the financial and operational success of these customers. The loss of any one of our major customers or the delay of significant orders from such customers, even if only temporary, could reduce or delay our recognition of revenues, harm our reputation in the industry, and reduce our ability to accurately predict cash flow, and, as a consequence, it could seriously harm our business, financial condition, and results of operations.

See Note 15, *Revenue by Product Group, by Significant Customer and by Geographic region; Geographic Information*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for information regarding significant customers.

Liquidity and Capital Resources

We require cash to fund our operating expenses and to make capital expenditures. We expect that our requirements for cash to fund these uses will increase as our operations expand. Historically we have generated positive cash flow from operations, which, together with our available cash, investments and debt, have met our cash requirements. Cash, cash equivalents and investments totaled $106.9 million and $63.3 million, and working capital totaled $133.1 million and $85.3 million, at December 31, 2014 and December 31, 2013, respectively. We believe that we have adequate financial resources to support our business for at least the next twelve months.

Cash provided by operating activities was $39,978,375, $25,165,001 and $10,548,677 for 2014, 2013, and 2012, respectively. Cash provided by operating activities increased by $14,813,374 in 2014, as compared to the same period ended 2013. The increase was primarily attributable to a total of $29.7 million milestone payments recognized under the Mitek MONOVISC Agreement, which was partially offset by an increase in inventory due to anticipated future sales demand.

Cash used in investing activities was $8,302,922, $253,155 and $1,504,707 in 2014, 2013, and 2012, respectively. The increase in cash used in investing activities in 2014, as compared to the same period in the prior year, is a result of purchases of investments and increased capital purchases associated with our Bedford facility during 2014. We expect an increase in investing activities in 2015 as a result of our decision to establish additional manufacturing capabilities at the Bedford, Massachusetts facility. We expect to spend approximately $8 million in 2015 related to this activity.

Cash provided by financing activities was $5,331,871 for 2014, whereas cash used in financing activities was $5,689,229, and $758,854 in 2013 and 2012, respectively. Cash provided by financing activities for 2014 was due to primarily to proceeds from the exercise of stock options of $2.1 million, and the related tax benefit from the exercise of stock options of $9.6 million. This increase was partially offset by $6.3 million of minimum tax withholdings on share-based awards.

Contractual Obligations and Other Commercial Commitments

We incurred significant capital investments related to the build-out of our manufacturing facility in Bedford, Massachusetts, as well as the Anika S.r.l. acquisition. Our future capital requirements and the adequacy of available funds will depend, on numerous factors, including:

- Market acceptance of our existing and future products;
- The success and sales of our products under current and future marketing, license, and distribution agreements;
- The successful commercialization of products in development;
- Progress in our product development efforts;
- The magnitude and scope of such efforts;
- Any potential acquisitions of products, technologies or businesses;

- Progress of pre-clinical studies, clinical trials and product approvals and clearances by the FDA and other agencies;
- The cost of maintaining adequate manufacturing capabilities;
- The cost of filing, prosecuting, defending, and enforcing patent claims and other intellectual property rights;
- Competing technological and market developments;
- The development of strategic alliances or other appropriate commercial strategies for the marketing of certain of our products;
- The terms of such strategic alliances, including provisions (and our ability to satisfy such provisions) that provide upfront and/or milestone payments to us; and
- The cost of maintaining adequate inventory levels to meet current and future product demand.

We cannot assure you that we will record profits in future periods. To the extent that funds generated from our operations, together with our existing capital resources are insufficient to meet future requirements, we will be required to obtain additional funds through equity or debt financings, strategic alliances with corporate partners, or through other sources. The terms of any future equity financings may be dilutive to our stockholders and the terms of any debt financings may contain restrictive covenants, which could limit our ability to pursue certain courses of action. Our ability to obtain financing is dependent on the status of our future business prospects as well as conditions prevailing in the relevant capital markets. No assurance can be given that any additional financing will be made available to us or will be available on acceptable terms should such a need arise. However, we believe that our existing cash and cash equivalents and future cash provided by operating activities will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. See Item 1A.

The table below summarizes our non-cancelable operating leases and contractual obligations at December 31, 2014:

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
Operating Leases [1]	$ 8,185,997	$ 1,547,414	$ 1,943,000	$ 1,943,000	$ 2,752,583
Purchase Commitments	983,190	728,230	187,712	67,248	-
Total	$ 9,169,187	$ 2,275,644	$ 2,130,712	$ 2,010,248	$ 2,752,583

(1) Included in this line is a lease we entered into on January 4, 2007, pursuant to which we lease our corporate headquarters facility, which consists of approximately 134,000 square feet of general office, research and development, and manufacturing space located in Bedford, Massachusetts. The lease has an initial term of ten and one-half years, and commenced on May 1, 2007. We have an option under the lease to extend its terms for up to four periods, ranging in length from 5 to 6 years, beyond the original expiration date subject to the condition that we notify the landlord that we are exercising each option at least one year prior to the expiration of the original or current term thereof. The first three renewal options each extend the term an additional five years with the final renewal option extending the term six years. Also included in this line is a lease entered into pursuant to which Anika S.r.l. leases its Italian facility, which consists of approximately 28,000 square feet of space. The lease commenced on December 30, 2009 for a period of six years with certain extension options. See the section captioned "*Properties*" for additional information regarding these leases.

Accounting for Off-Balance Sheet Arrangements

We do not use special purpose entities or other off-balance sheet financing techniques, except for operating leases as disclosed in the contractual obligations table above, that we believe have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, or capital resources.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Topic 605, Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Effective for the Company beginning on January 1, 2017, the amendment allows for two methods of adoption, a full retrospective method or a modified retrospective approach with the cumulative effect recognized at the date of initial application. Early adoption is not permitted. We are in the process of determining the method of adoption and the impact of this amendment on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Primary Market Risk Exposures

We manage our investment portfolio in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain a high degree of liquidity to meet operating and other needs, and obtain competitive returns subject to prevailing market conditions without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and investments in a variety of high quality securities, including money market funds and bank certificates of deposits. The investments are classified as available-for-sale and consequently are recorded at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income. Our portfolio of cash equivalents and investments is subject to interest rate fluctuations, changes in credit quality of the issuer and other factors.

Foreign Exchange Risk

Our primary market risk exposures are in the area of currency exchange rate risk. We have two major supplier contracts denominated in foreign currencies. Unfavorable fluctuations in exchange rates would have a negative impact on our financial statements. The impact of currency exchange rate fluctuation for the two contracts on our financial statements was immaterial in 2014. Currently, we attempt to manage foreign currency risk through the matching of assets and liabilities. In the future, we may undertake to manage foreign currency risk through additional hedging methods. We recognize foreign currency gains or losses arising from our operations in the period incurred.

A significant portion of Anika S.r.l.'s revenue, and all operating expenses, are denominated in Euros, which leaves us vulnerable to foreign exchange risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANIKA THERAPEUTICS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Anika Therapeutics, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of stockholders' equity, and of cash flows present fairly, in all material respects, the financial position of Anika Therapeutics, Inc. and its subsidiaries as of December 31, 2014 and December 31, 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Boston, Massachusetts
March 13, 2015

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Balance Sheets

ASSETS	December 31, 2014	December 31, 2013
Current assets:		
Cash and cash equivalents	$ 100,155,864	$ 63,333,160
Investments	6,750,000	-
Accounts receivable, net of reserves of $146,618 and $593,023 at December 31, 2014 and 2013, respectively	17,152,028	18,736,845
Inventories	12,406,776	10,996,785
Prepaid income taxes	412,301	-
Current portion deferred income taxes	1,188,768	659,040
Prepaid expenses and other	959,305	865,957
Total current assets	139,025,042	94,591,787
Property and equipment, at cost	53,619,589	52,413,423
Less: accumulated depreciation	(21,950,706)	(19,474,712)
	31,668,883	32,938,711
Long-term deposits and other	69,042	69,080
Intangible assets, net	14,894,710	18,998,409
Goodwill	8,338,699	9,443,894
Total Assets	$ 193,996,376	$ 156,041,881
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,201,226	$ 2,793,911
Accrued expenses	4,747,526	5,537,881
Deferred revenue	24,510	180,433
Income taxes payable	-	770,276
Total current liabilities	5,973,262	9,282,501
Other long-term liabilities	893,935	1,133,544
Long-term deferred revenue	102,192	2,054,941
Deferred tax liabilities	8,929,890	7,936,864
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $.01 par value; 1,250,000 shares authorized, no shares issued and outstanding at December 31, 2014 and 2013, respectively	-	-
Common stock, $.01 par value; 30,000,000 shares authorized, 14,851,703 and 14,289,308 shares issued and outstanding at December 31, 2014 and 2013, respectively	148,517	142,893
Additional paid-in-capital	77,539,699	70,606,031
Accumulated currency translation adjustment	(4,494,800)	(1,699,095)
Retained earnings	104,903,681	66,584,202
Total stockholders' equity	178,097,097	135,634,031
Total Liabilities and Stockholders' Equity	$ 193,996,376	$ 156,041,881

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

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income

	For the Years Ended December 31,		
	2014	**2013**	**2012**
Product revenue	$ 75,473,998	$ 71,773,730	$ 68,010,169
Licensing, milestone and contract revenue	30,120,841	3,307,424	3,348,336
Total revenue	105,594,839	75,081,154	71,358,505
Operating expenses:			
Cost of product revenue	20,930,318	22,765,404	28,988,621
Research & development	8,144,152	7,059,875	5,388,036
Selling, general & administrative	15,073,485	12,936,001	14,728,662
Restructuring charges (credits)	-	(286,843)	2,537,988
Total operating expenses	44,147,955	42,474,437	51,643,307
Income from operations	61,446,884	32,606,717	19,715,198
Interest income (expense), net	58,137	(127,186)	(187,777)
Income before income taxes	61,505,021	32,479,531	19,527,421
Provision for income taxes	23,185,542	11,905,010	7,769,961
Net income	$ 38,319,479	$ 20,574,521	$ 11,757,460
Basic net income per share:			
Net income	$ 2.61	$ 1.46	$ 0.89
Basic weighted average common shares outstanding	14,678,240	14,086,912	13,260,739
Diluted net income per share:			
Net income	$ 2.51	$ 1.39	$ 0.82
Diluted weighted average common shares outstanding	15,269,435	14,825,599	14,344,577
Net income	$ 38,319,479	$ 20,574,521	$ 11,757,460
Other comprehensive income (loss):			
Foreign currency translation adjustment	(2,795,705)	955,535	412,551
Comprehensive income	$ 35,523,774	$ 21,530,056	$ 12,170,011

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

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Common Stock				Accumulated Other	
	Number of Shares	$.01 Par Value	Additional Paid in Capital	Retained Earnings	Comprehensive Loss	Total Stockholders' Equity
Balance, December 31, 2011	13,630,607	$ 136,305	$63,441,433	$ 34,252,221	$ (3,067,181)	$ 94,762,778
Issuance of common stock for equity awards	235,453	2,354	386,321	-	-	388,675
Tax benefit related to stock-based compensation	-	-	452,471	-	-	452,471
Stock-based compensation expense	-	-	1,151,199	-	-	1,151,199
Net income	-	-	-	11,757,460	-	11,757,460
Other comprehensive income	-	-	-	-	412,551	412,551
Balance, December 31, 2012	13,866,060	138,659	65,431,424	46,009,681	(2,654,630)	108,925,134
Issuance of common stock for equity awards	423,248	4,234	3,049,707	-	-	3,053,941
Tax benefit related to stock-based compensation	-	-	856,830	-	-	856,830
Stock-based compensation expense	-	-	1,268,070	-	-	1,268,070
Net income	-	-	-	20,574,521	-	20,574,521
Other comprehensive income	-	-	-	-	955,535	955,535
Balance, December 31, 2013	14,289,308	142,893	70,606,031	66,584,202	(1,699,095)	135,634,031
Issuance of common stock for equity awards	696,169	6,961	2,047,745	-	-	2,054,706
Tax benefit related to stock-based compensation	-	-	9,626,064	-	-	9,626,064
Stock-based compensation expense	-	-	1,607,421	-	-	1,607,421
Retirement of common stock for minimum tax withholdings	(133,774)	(1,337)	(6,347,562)	-	-	(6,348,899)
Net income	-	-	-	38,319,479	-	38,319,479
Other comprehensive loss	-	-	-	-	(2,795,705)	(2,795,705)
Balance, December 31, 2014	14,851,703	$ 148,517	$77,539,699	$104,903,681	$ (4,494,800)	$ 178,097,097

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

Anika Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the years ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities:			
Net income	$ 38,319,479	$ 20,574,521	$ 11,757,460
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,705,602	4,772,491	4,525,247
Stock-based compensation expense	1,607,421	1,268,070	1,151,199
Deferred income taxes	815,169	2,205,608	(10,269)
Provision for doubtful accounts	-	238,071	135,353
Provision for inventory	377,753	171,089	1,310,953
Gain on sale of assets	-	(126,284)	-
Tax benefit from exercise of stock options	(9,626,064)	(856,830)	(452,471)
Restructuring charges (credits)	-	(160,559)	1,604,256
Changes in operating assets and liabilities:			
Accounts receivable	897,561	2,411,247	(4,271,129)
Inventories	(1,974,423)	(2,823,059)	(2,370,318)
Prepaid expenses and other assets	585,452	306,505	234,448
Prepaid income taxes	(437,833)	-	-
Accounts payable	(749,601)	622,928	(2,879,330)
Accrued expenses	(1,189,096)	(376,897)	1,420,131
Deferred revenue	(2,014,264)	(2,795,285)	(2,858,262)
Income taxes payable	8,874,394	152,364	1,268,442
Other long-term liabilities	(213,175)	(418,979)	(17,033)
Net cash provided by operating activities	39,978,375	25,165,001	10,548,677
Cash flows from investing activities:			
Proceeds from maturity of investments	20,000,000	-	-
Purchase of investments	(26,750,000)	-	-
Purchase of property and equipment	(1,552,922)	(440,890)	(1,504,707)
Proceeds from sale of assets	-	187,735	-
Net cash used in investing activities	(8,302,922)	(253,155)	(1,504,707)
Cash flows from financing activities:			
Principal payments on debt	-	(9,600,000)	(1,600,000)
Proceeds from exercise of stock options	2,054,706	3,053,941	388,675
Tax benefit from exercise of equity awards	9,626,064	856,830	452,471
Minimum tax withholdings on share-based awards	(6,348,899)	-	-
Net cash provided by (used in) financing activities	5,331,871	(5,689,229)	(758,854)
Exchange rate impact on cash	(184,620)	43,066	5,139
Increase in cash and cash equivalents	36,822,704	19,265,683	8,290,255
Cash and cash equivalents at beginning of period	63,333,160	44,067,477	35,777,222
Cash and cash equivalents at end of period	$ 100,155,864	$ 63,333,160	$ 44,067,477
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 13,777,956	$ 9,841,546	$ 6,496,000
Cash paid for interest	$ -	$ 125,978	$ 184,881

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

1. Business

Anika Therapeutics, Inc. ("Anika," the "Company," "we," "us," or "our") develops, manufactures, and commercializes therapeutic products for tissue protection, healing and repair. These products are based on hyaluronic acid ("HA"), a naturally occurring, biocompatible polymer found throughout the body. Due to its unique biophysical and biochemical properties, HA plays an important role in a number of physiological functions such as the protection and lubrication of soft tissues and joints, the maintenance of the structural integrity of tissues, and the transport of molecules to and within cells.

The Company is subject to risks common to companies in the biotechnology and medical device industries including, but not limited to, development by the Company or its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, commercialization of existing and new products, and compliance with FDA and foreign regulations and approval requirements, as well as the ability to grow the Company's business.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Anika Therapeutics, Inc. and its wholly owned subsidiaries, Anika Securities, Inc. (a Massachusetts Securities Corporation), and Anika Therapeutics S.r.l. All intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation. There was no impact on operating income.

Foreign Currency Translation

The functional currency of our foreign subsidiary is the Euro. Assets and liabilities of the foreign subsidiary are translated using the exchange rate existing on each respective balance sheet date. Revenues and expenses are translated using the monthly average exchange rates prevailing throughout the year. The translation adjustments resulting from this process are included as a component of accumulated currency translation adjustment which resulted in a loss from foreign currency translation of $2,795,705 for the year ended December 31, 2014 and a gain from foreign currency translation of $955,535 and $412,551 for the years ended December 31, 2013 and 2012, respectively.

The Company recognized a loss from foreign currency transactions of $554,241 during the year ended December 31, 2014 and gains from foreign currency transactions of $259,275 and $200,452 during the years ended December 31, 2013 and 2012, respectively.

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of non-performance. The accounting standard establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs that may be used to measure fair value are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 instruments include securities traded on active exchange markets, such as the New York Stock Exchange.

- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions market participants would use in pricing the asset or liability.

The Company's financial assets have been classified as Level 2. The Company's financial assets (which include cash equivalents and investments) have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third party pricing services or other market observable data.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In determining the adequacy of the allowance for doubtful accounts, management specifically analyzes individual accounts receivable, historical bad debts, customer concentrations, customer credit-worthiness, current economic conditions, accounts receivable aging trends, and changes in our customer payment terms. Our allowance for doubtful accounts on trade accounts receivable was $146,618 and $593,023 at December 31, 2014 and 2013, respectively.

	December 31,		
	2014	**2013**	**2012**
Balance, beginning of the year	$ 593,023	$ 337,459	$ 334,473
Amounts provided	-	255,564	138,339
Amounts written off	(446,405)	-	(135,353)
Balance, end of the year	$ 146,618	$ 593,023	$ 337,459

Uncollectible trade accounts receivable written-off were $446,405, $0 and $135,353 in 2014, 2013, and 2012. There were no amounts provided for bad debt in 2014. Provisions for bad debt expense were $255,564 and $138,339 in 2013, and 2012, respectively, and are included in general and administrative expenses in the accompanying consolidated statements of operations.

Revenue Recognition - General

We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collection from the customer is reasonably assured.

Product Revenue

Revenues from product sales are recognized when title and risk of loss have passed to the customer, which is typically upon shipment to the customer. Amounts billed or collected prior to recognition of revenue are classified as deferred revenue. When determining whether risk of loss has transferred to customers on product sales, or if the sales price is fixed or determinable, the Company evaluates both the contractual terms and conditions of its distribution and supply agreements as well as its business practices.

Product revenue also includes royalties. Royalty revenue is based on our distributors' sales and recognized in the same period our distributors record their sale of products manufactured by us. On a quarterly basis we record royalty revenue based upon sales projections provided to us by our distributor customers. If necessary we adjust our estimates based upon final sales data received prior to issuing our quarterly unaudited or annual audited financial statements.

Pursuant to the Health Care and Education Reconciliation Act of 2010, in conjunction with the Patient Protection and Affordable Care Act, a medical device excise tax ("MDET") became effective on January 1, 2013 for sales of certain medical devices. Some of our product sales are subject to the provisions of the MDET. The Company has elected to recognize any amounts related to the MDET under the gross method as allowed under ASC 605-45. For the period ended December 31, 2014 and 2013, amounts included in revenues and costs of goods sold for the MDET were immaterial.

Licensing, Milestone, and Contract Revenue

Licensing, milestone, and contract revenue consist of revenue recognized on initial and milestone payments, as well as contractual amounts received from partners. The Company's business strategy includes entering into collaborative license, development and/or supply agreements with partners for the development and commercialization of the Company's products.

The terms of the agreements typically include non-refundable license fees, funding of research and development and payments based upon achievement of certain milestones. The Company adopted ASU 2009-13, *Revenue Recognition*, in January 2011, which amends ASC Subtopic 605-25, *Multiple Element Arrangements* ("ASC 605-25") to require the establishment of a selling price hierarchy for determining the allocable selling price of an item. Under ASC 605-25, as amended by ASU 2009-13, in order to account for an element as a separate unit of accounting, the element must have objective and reliable evidence of selling price of the undelivered elements. In general, non-refundable up-front fees and milestone payments that do not relate to other elements are recognized as revenue over the term of the arrangement as the Company completes its performance obligations.

Cash and Cash Equivalents

The Company considers only those investments which are highly liquid, readily convertible to cash, and that mature within three months from date of purchase to be cash equivalents. The Company's cash equivalents consist of money market funds and bank certificates of deposit with an original maturity of less than 90 days.

Investments

The Company's investments consist of bank certificates of deposit with an original maturity of more than 90 days. The Company has designated all investments as available-for-sale and therefore, such investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. For securities sold prior to maturity, the cost of securities sold is based on the specific identification method. Realized gains and losses on the sale of investments are recorded in interest income (expense), net. Interest is recorded when earned. Investments with original maturities greater than approximately three months and remaining maturities less than one year are classified as short-term investments. Investments with remaining maturities greater than one year are classified as long-term investments. The Company considers securities with maturities of three months or less from the purchase date to be cash equivalents.

All of the Company's investments are subject to a periodic impairment review. The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. Factors considered in determining whether a loss is temporary include the extent and length of time the investment's fair value has been lower than its cost basis, the financial condition and near-term prospects of the investee, extent of the loss related to credit of the issuer, the expected cash flows from the security, the Company's intent to sell the security, and whether or not the Company will be required to sell the security prior the expected recovery of the investment's amortized cost basis. During the year ended December 31, 2014, the Company did not record any other-than-temporary impairment charges on its available-for-sale securities because the Company does not intend to sell the securities and it is not more likely than not that the Company will be required to sell these securities before the recovery of their amortized cost basis. During the years ended December 31, 2013 and 2012 the Company did not have any investments.

Concentration of Credit Risk and Significant Customers

The Company has no significant off-balance sheet risks related to foreign exchange contracts, option contracts or other foreign hedging arrangements. The Company's cash equivalents and investments are held with two major international financial institutions.

The Company, by policy, routinely assesses the financial strength of its customers. As a result, the Company believes that its accounts receivable credit risk exposure is limited.

As of December 31, 2014 and 2013, DePuy Mitek, Bausch & Lomb, Pharmascience, Inc., AT Technologies Gmbh and Soylu Medikal San ve Dis Tic Ltd., combined, represented 74% and 67%, respectively, of the Company's accounts receivable balance.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the first-in, first-out method. Work-in-process and finished goods inventories include materials, labor and manufacturing overhead.

The Company's policy is to write-down inventory when conditions exist that suggest inventory may be in excess of anticipated demand or is obsolete based upon assumptions about future demand for the Company's products and market conditions. The Company regularly evaluates the ability to realize the value of inventory based on a combination of factors including, but not limited to, historical usage rates, forecasted sales or usage, product end of life dates, and estimated current or future market values. Purchasing requirements and alternative usage avenues are explored within these processes to mitigate inventory exposure.

When recorded, inventory write-downs are intended to reduce the carrying value of inventory to its net realizable value. Inventory of $12,406,776 and $10,996,785 as of December 31, 2014 and 2013, respectively, is stated net of inventory reserves of $940,306 and $758,106, respectively. If actual demand for the Company's products deteriorates, or market conditions are less favorable than those projected, additional inventory write-downs may be required.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Equipment and software are typically amortized over two to ten years, and furniture and fixtures over five to seven years. Leasehold improvements are amortized over the shorter of their useful lives or the remaining terms of the related leases. Maintenance and repairs are charged to expense when incurred; additions and improvements are capitalized. When an item is sold or retired, the cost and related accumulated depreciation is relieved, and the resulting gain or loss, if any, is recognized in income.

Goodwill and Acquired Intangible Assets

Goodwill is the amount by which the purchase price of acquired net assets in a business combination exceeded the fair values of net identifiable assets on the date of acquisition. Acquired IPR&D represents the fair value assigned to research and development assets that we acquire that have not been completed at the date of acquisition or are pending regulatory approval in certain jurisdictions. The value assigned to the acquired IPR&D is determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the resulting revenue from the projects, and discounting the net cash flows to present value.

Goodwill and IPR&D are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Factors we consider important, on an overall company basis, that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, a significant decline in our stock price for a sustained period, or a reduction of our market capitalization relative to net book value.

To conduct impairment tests of goodwill, the fair value of the reporting unit is compared to its carrying value. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. We estimate the fair value for reporting units using discounted cash flow valuation models which require the use of significant estimates and assumptions including but not limited to, risk free rate of return on an investment, weighted average cost of capital, future revenue, operating margin, working capital, and capital expenditure needs. Our annual assessment for impairment of goodwill as of November 30, 2014 indicated that the fair value of our reporting unit exceeded the carrying value of the reporting unit. Our goodwill balance relates entirely to the 2009 acquisition of Anika S.r.l. and has been assigned to the Anika S.r.l. reporting unit. There can be no assurance that, at the time future impairment tests are completed, a material impairment charge will not be recorded.

To conduct impairment tests of IPR&D, the fair value of the IPR&D project is compared to its carrying value. If the carrying value exceeds its fair value, we record an impairment loss to the extent that the carrying value of the IPR&D project exceeds its fair value. We estimate the fair value for IPR&D projects using discounted cash flow valuation models, which require the use of significant estimates and assumptions, including but not limited to, estimating the timing of and expected costs to complete the in-process projects, projecting regulatory approvals, estimating future cash flows from product sales resulting from completed projects and in-process projects, and developing appropriate discount rates. Our annual assessment for impairment of IPR&D indicated that the fair value of our IPR&D as of November 30, 2014 exceeded their respective carrying values. There can be no assurance that, at the time future impairment tests are completed, a material impairment charge will not be recorded.

As part of the restructuring plan we adopted during the fourth quarter of 2012, we terminated an IPR&D project related to our tissue engineering operation and included an expense of approximately $1.2 million as a component of the overall restructuring charge for the year ended December 31, 2012. See "*Restructuring Charges*," below, and Note 18 for additional disclosure.

Long-Lived Assets

Long-lived assets primarily include property and equipment, and intangible assets with finite lives. Our intangible assets are comprised of purchased developed technologies, distributor relationships, patents and trade names. These intangible assets are carried at cost, net of accumulated amortization. Amortization is recorded on a straight-line basis over the intangible assets' useful lives, which range from approximately 5 to 16 years. We review long-lived assets for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis.

As part of the restructuring plan we adopted during the fourth quarter of 2012, we disposed of long-lived assets related to our tissue engineering operation and included an expense of approximately $0.3 million as a component of the overall restructuring charge for the year ended December 31, 2012. See "*Restructuring Charges*," below, and Note 18 for additional disclosure.

Restructuring Charges

Restructuring charges primarily consisted of severance costs, activity termination costs and costs of facility closure. Restructuring charges are recorded upon approval of a formal management plan and are included in the operating results of the period in which such plan is approved and the expense becomes estimable. To estimate restructuring charges, management utilizes assumptions such as the number of employees that would be involuntarily terminated and the future costs to operate and eventually terminate, the subject activity.

Research and Development

Research and development costs consist primarily of salaries and related expenses for personnel and fees paid to outside consultants and outside service providers, including costs associated with licensing, milestone, and contract revenue. Research and development costs are expensed as incurred.

Stock-Based Compensation

We measure the compensation cost of award recipients' services received in exchange for an award of equity instruments based on the grant date fair value of the underlying award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. See Note 12 for a description of the types of stock-based awards granted, the compensation expense related to such awards, and detail of equity-based awards outstanding.

For performance based awards with financial achievement targets, we recognize expense using the graded vesting methodology based on the number of shares expected to vest. Compensation expense associated with these performance based awards is adjusted to reflect subsequent changes in the estimated outcome of performance-related conditions until the date the results are determined. Changes to the probability assessment and the estimated shares expected to vest will result in adjustments to the related share-based compensation expense that will be recorded in the period of the change. If the performance targets are not achieved, no compensation cost is recognized, and any previously recognized compensation cost is reversed. There was no expense recognized on performance based awards in 2014 as satisfaction of the performance conditions were not considered probable. There were no performance based awards outstanding in 2013.

Income Taxes

Our income tax expense includes U.S. and international income taxes. Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effects of these timing differences are reported as deferred tax assets and liabilities. Deferred tax assets are recognized for the estimated future tax effects of deductible temporary differences, tax operating losses, and tax credit carry-forwards (including investment tax credits). Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that it is more likely than not that all or a portion of deferred tax assets will not be realized, we establish a valuation allowance to reduce the deferred tax assets to the appropriate valuation. To the extent we establish a valuation allowance or increase or decrease this allowance in a given period, we include the related tax expense or tax benefit within the tax provision in the consolidated statement of operations in that period.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), which includes foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities. For the purposes of comprehensive income disclosures, we do not record tax provisions or benefits for the net changes in the foreign currency translation adjustment, as we intend to indefinitely reinvest undistributed earnings of our foreign subsidiary. Accumulated other comprehensive income (loss) is reported as a component of stockholders' equity and, as of December 31, 2014 and 2013, was comprised solely of cumulative translation adjustments.

Segment Information

Operating segments, as defined under U.S. GAAP, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. Based on the criteria established by ASC 280, *Segment Reportin*g, the Company has one reportable operating segment, the results of which are disclosed in the accompanying consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Topic 605, Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Effective for the Company beginning on January 1, 2017, the amendment allows for two methods of adoption, a full retrospective method or a modified retrospective approach with the cumulative effect recognized at the date of initial application. Early adoption is not permitted. We are in the process of determining the method of adoption and the impact of this amendment on our consolidated financial statements.

3. Investments

All of the Company's investments are classified as available-for-sale and are carried at fair value with unrealized gains and losses recorded as a component of accumulated other comprehensive income, net of related income taxes. The Company held no investments at December 31, 2013. The Company's investments at December 31, 2014 are invested in the following:

	December 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank certificates of deposit	$ 6,750,000	-	-	$ 6,750,000

4. Fair Value Measurements

The Company's investments are all classified within Level 2 of the fair value hierarchy. The Company's investments classified within Level 2 of the fair value hierarchy are valued based on matrix pricing compiled by third party pricing vendors, using observable market inputs such as interest rates, yield curves, and credit risk.

The fair value hierarchy of the Company's cash equivalents and investments at fair value is as follows:

		Fair Value Measurements at Reporting Date Using		
	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & cash equivalents:				
Money market funds	$ 69,551,754	$ -	$ 69,551,754	$ -
Bank certificates of deposit	3,000,000	-	3,000,000	-
Total cash & cash equivalents	$ 72,551,754	$ -	$ 72,551,754	$ -
Investments:				
Bank certificates of deposit	$ 6,750,000	$ -	$ 6,750,000	$ -

		Fair Value Measurements at Reporting Date Using		
	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 34,266,501	$ -	$ 34,266,501	$ -

We did not have any transfers between Level 1 and Level 2 or transfers in or out of Level 3 of the fair value hierarchy during the years ended December 31, 2014 and 2013.

5. Earnings per Share ("EPS")

Basic EPS is calculated by dividing net income by the weighted average number of shares outstanding during the period. Unvested restricted shares, although legally issued and outstanding, are not considered outstanding for purposes of calculating basic earnings per share. Diluted EPS is calculated by dividing net income by the weighted average number of shares outstanding plus the dilutive effect, if any, of outstanding stock options, stock appreciation rights ("SAR's"), restricted shares, and restricted stock units using the treasury stock method.

The following table provides share information used in the calculation of the Company's basic and diluted earnings per share:

	Years ended December 31,		
	2014	2013	2012
Shares used in the calculation of Basic earnings per share	14,678,240	14,086,912	13,260,739
Effect of dilutive securities:			
Stock options, SAR's, RSA's, and shares held in escrow	591,195	738,687	1,083,838
Diluted shares used in the calculation of earnings per share	15,269,435	14,825,599	14,344,577

Stock options to purchase 129,540 shares, 21,326 shares, and 131,273 shares for 2014, 2013, and 2012, respectively, were excluded from the computation of diluted EPS as their effect would have been anti-dilutive.

At December 31, 2014, 2013, and 2012, 30,700 shares, 52,339 shares, and 54,124 shares of issued and outstanding unvested restricted stock, respectively, were excluded from the basic earnings per share.

6. Inventories

Inventories consist of the following:

	December 31,	
	2014	2013
Raw materials	$ 6,161,363	$ 5,926,030
Work-in-process	3,041,227	2,308,233
Finished goods	3,204,186	2,762,522
Total	$ 12,406,776	$ 10,996,785

7. Property and Equipment

Property and equipment is stated at cost and consists of the following:

	December 31,	
	2014	2013
Equipment and software	$ 24,175,954	$ 23,326,622
Furniture and fixtures	1,295,847	1,316,014
Leasehold improvements	27,589,020	27,613,495
Construction in progress	558,768	157,292
Subtotal	53,619,589	52,413,423
Less accumulated depreciation	(21,950,706)	(19,474,712)
Total	$ 31,668,883	$ 32,938,711

Depreciation expense was $2,612,799, $2,678,745 and $2,496,749 for the years ended December 31, 2014, 2013, and 2012, respectively.

8. Acquired Intangible Assets, Net

In November 2007, in connection with the termination of the agreement with Galderma which originally granted to Galderma the worldwide rights to commercialize, distribute, and market the ELEVESS product, the Company reacquired the worldwide rights and control of the future development and marketing of ELEVESS. The intangible asset realized during this process was the ELEVESS trade name.

On December 30, 2009, in connection with the acquisition of Anika S.r.l., the Company purchased various intangible assets. The Company finalized the purchase price allocation relative to this acquisition during the fourth quarter of 2010.

The Company completed its annual impairment review as of November 30, 2014 and concluded that no impairment in the carrying value exists as of that date with respect to both goodwill and IPR&D. Through December 31, 2014, there have not been any events or changes in circumstances that indicate that the carrying value of goodwill or acquired intangible assets may not be recoverable. The Company continues to monitor and evaluate the financial performance of the Anika S.r.l. business including the impact of general economic conditions, to assess the potential for the fair value of the reporting unit to decline below its book value.

Amortization expense was $2,092,803, $2,093,746, and $2,028,498 for the years ended December 31, 2014, 2013, and 2012, respectively. Amortization expense on intangible assets is expected to be approximately $1.0 million annually for the next five years and approximately $5.2 million in aggregate thereafter.

Intangible assets consist of the following:

	December 31, 2014				December 31, 2013	
	Gross Value	Currency Translation Adjustment	Accumulated Amortization	Net Book Value	Net Book Value	Useful Life
Developed technology	$16,700,000	$(2,255,722)	$ (5,034,341)	$ 9,409,937	$11,753,003	15
In-process research & development	5,502,686	(849,812)	-	4,652,874	5,286,127	Indefinite
Distributor relationships	4,700,000	(415,344)	(4,284,656)	-	863,655	5
Patents	1,000,000	(134,315)	(284,486)	581,199	719,574	16
Elevess trade name	1,000,000	-	(749,300)	250,700	376,050	9
Total	$28,902,686	$(3,655,193)	$ (10,352,783)	$14,894,710	$18,998,409	

Changes in the carrying value of goodwill were as follows:

	December 31,	
	2014	2013
Balance, beginning	$ 9,443,894	$ 9,065,891
Effects of foreign currency adjustments	(1,105,195)	378,003
Balance, ending	$ 8,338,699	$ 9,443,894

9. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2014	2013
Compensation and related expenses	$ 2,791,935	$ 2,870,147
Professional fees	553,630	383,231
Clinical trial costs	508,042	882,651
Research grants	539,053	610,498
Restructuring costs	8,384	24,638
Other	346,482	766,716
Total	$ 4,747,526	$ 5,537,881

10. Deferred Revenue

In December 2003, the Company entered into the Mitek ORTHOVISC Agreement with Ortho Biotech Products, L.P., a member of the Johnson & Johnson family of companies, to market ORTHOVISC in the U.S. In mid-2005, the agreement was assigned to Mitek. Under the Mitek ORTHOVISC Agreement, Mitek performs sales, marketing, and distribution functions, and Mitek licenses the right to further develop and commercialize ORTHOVISC, as well as other new products for the treatment of pain associated with osteoarthritis based on the Company's viscosupplementation technology. In support of the license, the Mitek ORTHOVISC Agreement provides that Mitek will fund post-marketing clinical trials for new indications of ORTHOVISC. The Company received an initial payment of $2,000,000 upon entering into the Mitek ORTHOVISC Agreement, a milestone payment of $20,000,000 in February 2004 as a result of obtaining FDA approval of ORTHOVISC, and a milestone payment of $5,000,000 in December 2004 for planned upgrades to our manufacturing operations. The Company evaluated the terms of the Mitek ORTHOVISC Agreement and determined that the upfront fee and milestone payments did not meet the conditions to be recognized separately from the supply agreement.

In December 2011, the Company entered into a fifteen-year licensing agreement (the “Mitek MONOVISC Agreement”) with DePuy Synthes Mitek Sports Medicine, a division of DePuy Orthopaedics, Inc., to exclusively market MONOVISC in the U.S. The Company received an upfront payment of $2,500,000 in December 2011. This non-refundable upfront payment did not have standalone value without Anika’s completion of development obligations, which included obtaining regulatory approval of the product and resolving the related patent litigation. As a result, the Company recognized the upfront payment over the development obligation period. During the first quarter of 2014, the Company received FDA approval of MONOVISC and resolved the patent lawsuit with Genzyme Corporation. As a result of the full delivery of its development obligations under this agreement, the Company recognized approximately $2,200,000, which represented the remaining balance of deferred revenue relating to the initial $2,500,000 payment, in accordance with current generally accepted principles on revenue recognition. In the first quarter of 2014, the Company also received a milestone payment of $17,500,000 as a result of achieving FDA approval for MONOVISC and resolving the patent litigation with Genzyme. This milestone payment was fully recognized as revenue during the three months ended March 31, 2014. On April 15, 2014 the first U.S. commercial sale of MONOVISC was made by our commercial partner, Mitek. Under the terms of the Mitek MONOVISC Agreement, the Company earned and collected a milestone payment of $5 million, which was fully recognized as revenue in the second quarter of 2014. On November 10, 2014, the Center for Medicare & Medicaid Services ("CMS") assigned a unique Healthcare Common Procedure Coding System ("HCPCS") code, or J-Code, to MONOVISC. The issuance of this code by CMS set national Medicare reimbursement rates for the product. The new J-Code became effective on January 1, 2015. As a result of CMS assigning the J-Code, the Company collected a milestone payment of $5,000,000, which was fully recognized as revenue in the fourth quarter of 2014. For the year ended December 31, 2014, the Company recognized a total of $29,652,778 in milestone revenue related to MONOVISC.

The Company had current and long-term deferred revenue of $126,702 at December 31, 2014, which consisted primarily of customer prepayments. Current and long term deferred revenue was $2,235,374 at December 31, 2013, and consisted primarily of the unamortized upfront payment from the Mitek MONOVISC Agreement.

11. Commitments and Contingencies

Leasing Arrangements

The Company’s headquarters facility is located in Bedford, Massachusetts, where the Company leases approximately 134,000 square feet of administrative, manufacturing, and R&D space. This lease was entered into on January 4, 2007, and the lease commenced on May 1, 2007 for an initial term of ten and one-half years. The Company has an option under the lease to extend its terms for up to four additional periods beyond the original expiration date subject to the condition that the Company notify the landlord that the Company is exercising each option at least one year prior to the expiration of the original or then current term. The first three renewal options each extend the term an additional five years, while the final renewal option extends the term by six years. The Company’s administrative and R&D personnel moved into the Bedford facility in November of 2007. The Bedford facility was fully validated and approved by applicable regulatory authorities in 2012.

Our fully-owned subsidiary Anika S.r.l., the leases approximately 28,000 square feet of laboratory, warehouse and office space in Abano Terme, Italy. The lease commenced on December 30, 2009 for an initial term of six (6) years, with options to extend which the Company has not exercised as of December 31, 2014.

Rental expense in connection with the various facility leases totaled $1,401,317, $1,400,120, and $2,486,849, for the years ended December 31, 2014, 2013, and 2012, respectively.

The Company’s future lease commitments as of December 31, 2014 are as follows:

2015	$	1,547,414
2016		971,500
2017		971,500
2018		971,500
2019 and thereafter		3,724,083
Total	$	8,185,997

Warranty and Guarantor Arrangements

In certain of our contracts, the Company warrants to its customers that the products it manufactures conform to the product specifications as in effect at the time of delivery of the specific product. The Company may also warrant that the products it manufactures do not infringe, violate or breach any U.S. patent or intellectual property rights, trade secret, or other proprietary information of any third party. On occasion, the Company contractually indemnifies its customers against any and all losses arising out of, or in any way connected with, any claim or claims of breach of its warranties or any actual or alleged defect in any product caused by the negligence or acts or omissions of the Company. The Company maintains a products liability insurance policy that limits its exposure to these risks. Based on the Company's historical activity, in combination with its liability insurance coverage, the Company believes the estimated fair value of these indemnification agreements is immaterial. The Company has no accrued warranties at December 31, 2014 or 2013, respectively, and has no history of claims paid.

Legal Proceedings

On July 7, 2010, Genzyme Corporation filed a complaint against the Company in the United States District Court for the District of Massachusetts seeking unspecified damages and equitable relief. The complaint alleged that the Company infringed U.S. Patent No. 5,143,724 by manufacturing MONOVISC in the United States for sale outside the United States and would infringe U.S. Patent Nos. 5,143,724 and 5,399,351 if the Company manufactured and sold MONOVISC in the United States. On March 7, 2014, Genzyme and the Company filed a joint motion to lift the stay in Genzyme's lawsuit against the Company and to dismiss with prejudice all of Genzyme's claims. On March 10, 2014, the District Court granted the motion to dismiss all of Genzyme's claims against the Company with prejudice, and the case was terminated.

In 2011, MEROGEL INJECTABLE was voluntarily withdrawn from the market due to a labeling error on the product's packaging. The Company settled the matter related to this dispute with Medtronic in August, 2012. This labeling error related to conduct that initially occurred prior to our acquisition of Anika S.r.l. from Fidia Farmaceutici S.p.A. ("Fidia") and, as a result, the Company made claims against Fidia for indemnification for Anika's losses related to this issue. Fidia maintained that it did not have liability for this matter, and it asserted a counterclaim against Anika for failing to consent to the release of the remaining shares held in escrow upon the closing of the Anika S.r.l. acquisition. The Company reached agreement with Fidia in October 2013 to settle this matter without admission of liability by either party in return for a payment made by Fidia to the Company. As a result of the settlement, the arbitration with Fidia pending before the London Court of International Arbitration has been withdrawn, and the shares previously held in escrow have been released.

The Company is also involved in various other legal proceedings arising in the normal course of business. Although the outcomes of these other legal proceedings are inherently difficult to predict, the Company does not expect the resolution of these other legal proceedings to have a material adverse effect on our financial position, results of operations, or cash flow.

12. Equity Incentive Plan

The Anika Therapeutics, Inc. Stock Option and Incentive Plan, as amended, (the "2003 Plan") provides for grants of nonqualified and incentive stock options, common stock, restricted stock, restricted stock units, and SAR's to employees, directors, officers, and consultants. The 2003 Plan was originally approved by the Board of Directors on April 4, 2003, approved by the Company's shareholders on June 4, 2003, and reserved 1,500,000 shares of common stock for grant pursuant to its terms. There are 1,337,192 shares available for future grant at December 31, 2014.

On May 29, 2009, the Board of Directors approved changes to the 2003 Plan and adopted the Amended and Restated 2003 Stock Option and Incentive Plan (the "Amended 2003 Plan") to increase the number of shares available to grant by 850,000. The Amended 2003 Plan was approved by the Company's shareholders on June 5, 2009, and it resulted in a total of 2,350,000 shares of common stock being reserved for issuance under the Amended 2003 Plan.

At the 2011 Annual Meeting of Stockholders on June 7, 2011, the shareholders of the Company approved the Anika Therapeutics, Inc. Second Amended and Restated Stock Option and Incentive Plan (the "2003 Plan"), which, among other things, increased the number of shares reserved for issuance under the Company's predecessor stock option and incentive plan by 800,000 to 3,150,000 shares.

At the 2013 Annual Meeting of Stockholders on June 18, 2013, the shareholders of the Company approved an additional amendment to the Amended 2003 Plan, which, among other things, increased the number of shares reserved for issuance under the Company's stock option and incentive plan by 650,000 to 3,800,000 shares.

The Company may satisfy the awards upon exercise, or upon fulfillment of the vesting requirements for other equity-based awards, with either newly-issued shares or shares reacquired by the Company. Stock-based awards are granted with an exercise price equal to the market price of the Company's stock on the date of grant. Awards contain service conditions or service and performance conditions, and they generally become exercisable ratably over one to four years.

The Company estimates the fair value of stock options and SAR's using the Black-Scholes valuation model. Fair value of restricted stock is measured by the grant-date price of the Company's shares. Key input assumptions used to estimate the fair value of stock options and SAR's include the exercise price of the award, the expected award term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the award's expected term, and the Company's expected annual dividend yield.

The Company uses historical data on the exercise of stock options and other factors to evaluate and estimate the expected term of share-based awards. The Company also evaluates actual forfeiture rates periodically and adjusts the expected forfeiture rate assumption within the model accordingly. The expected volatility assumption is evaluated against the historical volatility of the Company's common stock over a four year average, and it is adjusted if there are material swings in historical volatility. The risk-free interest rate assumption is based on U.S. Treasury interest rates at the time of grant.

The fair value of each stock option and SAR award during 2014, 2013, and 2012 was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	December 31,		
	2014	**2013**	**2012**
Risk free interest rate	1.16% to 1.39%	0.61% to 1.02%	0.63% to 0.64%
Expected volatility	53.28% to 57.05%	53.60% to 57.60%	57.60%
Expected lives (years)	4	4	4
Expected dividend yield	0.00%	0.00%	0.00%

The Company recorded $1,607,421, $1,268,070, and $1,151,199 of share-based compensation expense for the years ended December 31, 2014, 2013, and 2012, respectively, for stock options, SAR's, and restricted stock awards. The Company presents the expenses related to stock-based compensation awards in the same expense line items as cash compensation paid to each of its employees.

Combined stock options and SAR's activity under our plans is summarized as follows for the years ended December 31, 2014 and 2013, respectively:

	2014		2013	
	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Exercise Price Per Share
Options and SAR's outstanding at beginning of year	1,513,326	$ 9.14	1,793,685	$ 8.30
Granted	179,240	$ 35.62	413,500	$ 12.55
Cancelled	(53,325)	$ 23.73	(243,724)	$ 8.77
Expired	(24,292)	$ 9.87	(9,928)	$ 9.62
Exercised	(763,662)	$ 7.95	(440,207)	$ 8.71
Options and SAR's outstanding at end of year	851,287	$ 14.85	1,513,326	$ 9.14

Of the 851,287 options and SAR's outstanding at December 31, 2014, 829,298 are vested, or are expected to vest, with a weighted-average exercise price of approximately $14.58 as well as an aggregate intrinsic value of approximately $22 million related to these awards. The weighted average remaining contractual term of the vested and expected to vest options and SAR's was 6.7 years as of December 31, 2014.

As of December 31, 2014, total unrecognized compensation costs related to non-vested options and SAR's was approximately $2,908,000 and is expected to be recognized over a weighted average period of 2.9 years.

There were 128,536 incentive stock options exercisable at December 31, 2014 with a weighted-average exercise price of $8.73 and a weighted-average remaining contractual term of 4.4 years for these awards.

There were 180,989 non-qualified stock options exercisable at December 31, 2014 with a weighted-average exercise price of $8.58 and a weighted-average remaining contractual term of 5.6 years.

There were 65,092 SAR's exercisable at December 31, 2014 with a weighted-average exercise price of $8.58 and a weighted-average remaining contractual term of 3.6 years for these awards.

The aggregate intrinsic value of stock options and SAR's fully vested at December 31, 2014 and 2013 was $12,028,589 and $27,997,198, respectively. The aggregate intrinsic value of stock options and SAR's outstanding at December 31, 2014 and 2013 was $21,734,258 and $43,199,713, respectively.

The total intrinsic value of options and SAR's exercised was $26,749,627 and $4,370,830 for the years ended December 31, 2014 and 2013, respectively. During the second quarter of 2014, the Company acquired, and subsequently retired, 133,774 common shares related to an employee SAR's exercise to meet minimum statutory tax withholding requirements.

The total fair value of options and SAR's vested during the years ended December 31, 2014 and 2013 was $1,148,947 and $1,088,802, respectively.

The Company received $2,054,706 and $3,053,941 for exercises of stock options during the years ended December 31, 2014 and 2013, respectively.

The restricted stock activity for the years ended December 31, 2014 and 2013 is as follows:

	2014		2013	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at Beginning of year	79,591	$ 11.93	68,956	$ 6.87
Granted	60,098	$ 32.02	36,220	$ 17.00
Cancelled	(7,500)	$ 25.46	-	$ -
Expired	-	$ -	-	$ -
Vested/Released	(22,575)	$ 10.01	(25,585)	$ 5.95
Nonvested at end of year	109,614	$ 23.91	79,591	$ 11.93

The total fair value of restricted stock and restricted stock units vested during the year ended December 31, 2014 and 2013 was $799,006 and $290,704.

13. Shareholder Rights Plan

On April 4, 2008, the Board of Directors of the Company adopted a Shareholder Rights Plan (the "2008 Plan") that replaced the Company's former Shareholder Rights Plan. Under the 2008 Plan, the Rights generally become exercisable if:

(1) A person becomes an "Acquiring Person" by acquiring 15% or more of the Company's common stock, or
(2) A person commences a tender offer that would result in that person owning 15% or more of the Company's common stock.

In the event that a person becomes an "Acquiring Person," each holder of a Right (other than the Acquiring Person) would be entitled to acquire a number of shares of preferred stock equivalent to shares of the Company's common stock having a value of twice the exercise price of the Right. If, after any such event, the Company enters into a merger or other business combination transaction with another entity, each holder of a Right would then be entitled to purchase, at the then-current exercise price, shares of the acquiring company's common stock having a value of twice the exercise price of the Right.

The current exercise price per Right is $75.00. The Rights may be redeemed in whole, but not in part, at a price of $0.01 per Right (payable in cash, shares of the Company's common stock or other consideration deemed appropriate by the Board of Directors) by the Board of Directors only until the earlier of :

(1) The time at which any person becomes an "Acquiring Person," or
(2) The Expiration Date.

At any time after any person becomes an "Acquiring Person," the Board of Directors may, at its option, exchange all or any part of the then outstanding and exercisable Rights for shares of the Company's common stock at an exchange ratio specified in the Rights Plan. Notwithstanding the foregoing, the Board of Directors generally will not be empowered to affect such exchange at any time after any person becomes the beneficial owner of 50% or more of the Company's common stock.

In connection with the establishment of the Rights Plan, the Board of Directors approved the creation of Preferred Stock of the Company designated as Series B Junior Participating Cumulative Preferred Stock with a par value of $0.01 per share. The Board also reserved 175,000 shares of preferred stock for issuance upon exercise of the Rights. Until a Right is exercised, the holder will have no rights as a stockholder of the Company, beyond those as an existing stockholder, including the right to vote or to receive dividends.

14. Employee Benefit Plan

U.S. employees are eligible to participate in the Company's 401(k) savings plan. Employees may elect to contribute a percentage of their compensation to the plan, and the Company will make matching contributions up to a limit of 5% of an employee's eligible compensation. In addition, the Company may make annual discretionary contributions. For the years ended December 31, 2014, 2013, and 2012, the Company made matching contributions of $350,049, $362,150, and $326,007, respectively.

15. Revenue by Product Group, by Significant Customer and by Geographic Region; Geographic Information

Product revenue by product group is as follows:

	Years Ended December 31,					
	2014		2013		2012	
	Revenue	Percentage of Product Revenue	Revenue	Percentage of Product Revenue	Revenue	Percentage of Product Revenue
Orthobiologics	$ 61,956,870	82%	$ 55,956,068	78%	$ 49,954,112	74%
Dermal	1,334,295	2%	1,816,602	3%	1,384,403	2%
Surgical	5,854,876	8%	5,445,715	8%	5,022,456	7%
Ophthalmic	3,153,435	4%	4,656,560	6%	8,784,011	13%
Veterinary	3,174,522	4%	3,898,785	5%	2,865,187	4%
	$ 75,473,998	100%	$ 71,773,730	100%	$ 68,010,169	100%

Product revenue by significant customers as a percent of product revenues is as follows:

	Percentage of Product Revenue Years Ended December 31,		
	2014	2013	2012
DePuy Mitek	72%	63%	61%
Boehringer	4%	5%	4%
Medtronic XoMEd	4%	3%	3%
Bausch & Lomb	3%	5%	12%
Nordic Pharma	2%	2%	1%
	85%	78%	81%

Total revenue by geographic location based on the location of the customer in total and as a percentage of total revenue are as follows:

	Years Ended December 31,					
	2014		2013		2012	
	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
United States	$ 92,259,139	87%	$ 58,490,142	78%	$ 57,976,667	81%
Europe	6,214,441	6%	7,411,568	10%	6,218,890	9%
Other	7,121,259	7%	9,179,444	12%	7,162,948	10%
Total	$ 105,594,839	100%	$ 75,081,154	100%	$ 71,358,505	100%

The Company recorded licensing, milestone and contract revenue of $30,120,841, $3,307,424, and $3,348,336 for the years ended December 31, 2014, 2013, and 2012, respectively. Substantially all licensing, milestone, and contract revenue was derived in the United States for each year presented.

Net long-lived assets, consisting of net property and equipment, are subject to geographic risks because they are generally difficult to move and to effectively utilize in another geographic area in a reasonable time period and because they are relatively illiquid. Net tangible long-lived assets by principal geographic areas were as follows:

	Years Ended December 31,	
	2014	2013
United States	$ 31,058,617	$ 31,999,468
Italy	610,266	939,243
Total	$ 31,668,883	$ 32,938,711

16. Income Taxes

Income Tax Expense

The components of the Company's income before income taxes and our provision for (benefit from) income taxes consist of the following:

	Years ended December 31,		
	2014	**2013**	**2012**
Income (loss) before income taxes			
Domestic	$ 63,231,721	$ 33,060,976	$ 26,170,313
Foreign	(1,726,700)	(581,445)	(6,642,892)
	$ 61,505,021	$ 32,479,531	$ 19,527,421

	Years ended December 31,		
	2014	**2013**	**2012**
Provision for (benefit from) income taxes:			
Current provision:			
Federal	$ 18,301,334	$ 8,024,303	$ 7,594,287
State	3,894,577	1,580,963	885,958
Foreign	192,268	94,136	(188,650)
	22,388,179	9,699,402	8,291,595
Deferred provision:			
Federal	1,153,024	2,374,850	776,486
State	121,376	114,546	602,447
Foreign	(477,037)	(283,788)	(1,900,567)
	797,363	2,205,608	(521,634)
Total provision	$ 23,185,542	$ 11,905,010	$ 7,769,961

Deferred Tax Assets and Liabilities

Significant components of the Company's deferred tax assets and liabilities consist of the following:

	December 31,	
	2014	**2013**
Deferred tax assets:		
Net operating loss carry forward, foreign	$ 2,292,023	$ 2,578,640
Stock-based compensation expense	755,044	1,358,554
Accrued expenses and other	856,871	649,402
Inventory reserve	333,842	283,996
Deferred revenue	23,854	852,207
Tax credit carry forward	45,621	19,967
Deferred tas assets	$ 4,307,255	$ 5,742,766

	December 31,	
	2014	**2013**
Deferred tax liabilities:		
Acquisition-related Intangibles	$ (4,826,937)	$ (6,056,162)
Depreciation	(7,221,440)	(6,964,428)
Deferred tax liabilities	$ (12,048,377)	$ (13,020,590)

Tax Rate

The reconciliation between the U.S. federal statutory rate and our effective rate is summarized as follows:

	Years ended December 31,		
	2014	2013	2012
Statutory federal income tax rate	35.0%	35.0%	35.0%
State tax expense, net of federal benefit	4.9%	4.8%	6.4%
Permanent items, including nondeductible expenses	0.1%	(0.2%)	0.9%
State investment tax credit	(0.1%)	(0.1%)	(0.2%)
Federal, state and foreign research and development credits	(0.7%)	(0.5%)	(1.2%)
Foreign rate differential	0.2%	0.1%	2.5%
Domestic production deduction	(1.7%)	(2.4%)	(3.6%)
Effective income tax rate	37.7%	36.7%	39.8%

As of December 31, 2014, the Company had NOL's for income tax purposes in Italy of $8,334,628 with no expiration date.

In connection with the preparation of the financial statements, the Company performed an analysis to ascertain if it was more likely than not that it would be able to utilize, in future periods, the net deferred tax assets associated with its NOL carry-forward. The Company has concluded that the positive evidence outweighs the negative evidence and, thus, that the deferred tax assets not otherwise subject to a valuation allowance are realizable on a "more likely than not" basis. As such, the Company has not recorded a valuation allowance at December 31, 2014 or 2013.

Accounting for Uncertainty in Income Taxes

A reconciliation of the beginning and ending amount of our unrecognized tax benefits is summarized as follows:

	Years ended December 31,		
	2014	2013	2012
Unrecognized tax benefit, beginning of year	$ -	$ 56,170	$ 56,170
Tax positions related to current year	-	-	-
Tax positions related to prior years	-	-	38,329
Statute expirations	-	(56,170)	(38,329)
Unrecognized tax benefit, end of year	$ -	$ -	$ 56,170

In the normal course of business, Anika and its subsidiaries may be periodically examined by various taxing authorities. The Company files income tax returns in the U.S. federal jurisdiction, in certain U.S. states, and in Italy. The associated tax filings remain subject to examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The 2011 through 2014 tax years remain subject to examination by the IRS and other taxing authorities for U.S. federal and state tax purposes. The 2010 through 2014 tax years remain subject to examination by the appropriate governmental authorities for Italy.

The Company does not anticipate experiencing any significant increases or decreases in our unrecognized tax benefits within the twelve months following December 31, 2014.

The Company incurred expenses related to stock-based compensation in 2014, 2013, and 2012 of $1,607,421, $1,268,070, and $1,151,199, respectively. Accounting for the tax effects of certain stock-based awards requires that the Company establish a deferred tax asset as the compensation expense is recognized for financial reporting prior to recognizing the related tax deduction upon exercise of the awards. The gross tax benefit recognized in the consolidated statement of operations related to stock-based compensation totaled $3,134,425, $1,984,280, and $285,068 in 2014, 2013, and 2012, respectively.

Upon the settlement of certain stock-based awards (i.e., exercise, vesting, forfeiture, or cancellation), the actual tax deduction is compared with cumulative financial reporting compensation cost and any excess tax deduction related to these awards is considered a windfall tax benefit. Such benefits are tracked in a "windfall tax benefit pool" to offset any future tax deduction shortfalls, and they will be recorded as increases to additional paid-in capital in the period when the tax deduction reduces income taxes payable. The Company follows the with-and-without approach for the direct effects of windfall/shortfall items and to determine the timing of the recognition of any related benefits. The Company recorded a net windfall of $9,626,064, $856,830 and $452,471 in 2014, 2013 and 2012, respectively.

17. Long-term Debt

On January 31, 2008, the Company entered into an unsecured Credit Agreement (the "Agreement") with Bank of America, under which the Company was provided with a revolving credit line through December 31, 2008 of up to a maximum principal amount outstanding of $16,000,000. The Company borrowed the maximum amount of $16,000,000 in 2008 to finance its new facility construction and capital project validation. On December 31, 2008, the outstanding revolving credit loans were converted into a term loan with quarterly principal payments of $400,000 and a final installment of $5,200,000 due on the maturity date of December 31, 2015. Interest on the term loan was originally payable at a rate based upon, at the Company's election, either Bank of America's prime rate or LIBOR plus 75 basis points. The Company recorded approximately $171,000 as deferred issuance costs to be amortized over the life of the debt facility.

In connection with the acquisition of Anika S.r.l., the Company entered into a Consent and First Amendment to the original loan facility with Bank of America. As part of this amendment, the interest rate for Eurodollar based loans was increased and is payable at a rate based upon, at the Company's election, either Bank of America's prime rate or LIBOR plus 125 basis points. In addition, the Company pledged to the lender sixty-five percent (65%) of the stock of Anika Therapeutics S.r.l. The Company also incurred $74,000 of fees charged by Bank of America, which were capitalized in accordance with ASC Subtopic 470-50, *Debt – Modifications and Extinguishments*, as the Consent and First Amendment represented a debt modification.

On November 29, 2013, the Company terminated the Credit Agreement entered into on January 31, 2008 with Bank of America, N.A. In connection with the termination, the Company pre-paid, in full, its entire outstanding debt under the Agreement of $8,400,000, plus accrued interests. All capitalized costs associated with the debt facility were recorded as interest expense upon termination and the Company did not incur any pre-payment penalties. As of December 31, 2014 and 2013, the Company had no outstanding debt.

18. Restructuring

On December 28, 2012 the Company announced the closure of its tissue engineering facility in Abano Terme, Italy due to the inability to meet strict regulatory standards established by the EMA, which became effective January 1, 2013. As a result of the plan, the Company recorded restructuring and associated impairment charges in the fourth quarter 2012 of approximately $2.5 million. Of the total restructuring and associated impairment charges, approximately $1.6 million related to the abandonment and noncash impairment of assets. The remaining $0.9 million related to cash payments anticipated to occur primarily in 2013 and to employee termination costs.

The Company completed the restructuring plan in 2013. Settlements for employee dismissals were lower than anticipated and certain previously impaired and written-off assets were sold, resulting in a restructuring credit of $286,843 for the twelve months ended December 31, 2013. The carrying value of the restructuring accrual approximated fair value at December 31, 2014 and 2013.

The following table summarizes restructuring accrual activity for the twelve months ended December 31, 2014 and 2013:

	Restructuring Accrual Activity		
	Employee Severance and Related Benefits	Termination and Facility Closure Costs	Total
December 31, 2012	$ 801,453	$ 132,279	$ 933,732
Cash Disbursements	(724,064)	(46,776)	(770,840)
Write Offs and Abandonments	(56,549)	(82,691)	(139,240)
Foreign Exchange Impact	869	117	986
December 31, 2013	$ 21,709	$ 2,929	$ 24,638
Cash Disbursements	(13,240)	(1,425)	(14,665)
Foreign Exchange Impact	(1,407)	(182)	(1,589)
December 31, 2014	$ 7,062	$ 1,322	$ 8,384

19. Related Party

In connection with the acquisition of Anika S.r.l. by Anika on December 30, 2009, Fidia Farmaceutici S.p.A ("Fidia") acquired ownership of 1,981,192 shares of the Company's common stock. Fidia sold 100% of its ownership interest in Anika Therapeutics, Inc. common stock during the third and fourth quarters of 2013. As such, Fidia owned 0%, of the outstanding shares of the Company as of December 31, 2014 and 2013, and 14.3% as of December 31, 2012.

20. Quarterly Financial Data (Unaudited)

Year 2014	Quarter ended December 31,	Quarter ended September 30,	Quarter ended June 30,	Quarter ended March 31,
Product revenue	$ 17,880,125	$ 21,975,312	$ 21,267,156	$ 14,351,405
Total revenue	23,254,469	22,055,423	26,274,660	34,010,287
Cost of product revenue	5,511,586	5,724,800	5,332,913	4,361,019
Gross profit on product revenue	12,368,539	16,250,512	15,934,243	9,990,386
Net income	$ 7,816,076	$ 6,170,800	$ 9,302,350	$ 15,030,253
Per common share information:				
Basic net income per share	$ 0.53	$ 0.42	$ 0.63	$ 1.04
Basic common shares outstanding	14,800,813	14,758,781	14,687,747	14,461,367
Diluted net income per share	$ 0.51	$ 0.40	$ 0.60	$ 0.97
Diluted common shares outstanding	15,277,583	15,434,875	15,492,732	15,499,447

Year 2013	Quarter ended December 31,	Quarter ended September 30,	Quarter ended June 30,	Quarter ended March 31,
Product revenue	$ 20,188,488	$ 17,023,346	$ 20,067,407	$ 14,494,489
Total revenue	21,251,328	17,754,438	20,828,377	15,247,011
Cost of product revenue	6,235,334	5,377,568	6,311,332	4,841,170
Gross profit on product revenue	13,953,154	11,645,778	13,756,075	9,653,319
Net income	$ 6,654,369	$ 4,957,258	$ 5,894,892	$ 3,068,002
Per common share information:				
Basic net income per share	$ 0.47	$ 0.36	$ 0.44	$ 0.23
Basic common shares outstanding	14,272,606	13,682,449	13,510,573	13,406,952
Diluted net income per share	$ 0.44	$ 0.33	$ 0.40	$ 0.21
Diluted common shares outstanding	15,084,738	14,958,965	14,578,927	14,357,110

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 ("Exchange Act"), we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective as of December 31, 2014 to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. On an on-going basis, we review and document our disclosure controls and procedures, and our internal control over financial reporting, and we may from time to time make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business.

(b) Changes in internal controls over financial reporting.

There were no changes in our internal control over financial reporting during the fourth quarter of fiscal year 2014 that have materially affected, or that are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed 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.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance, and it may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* as issued in 2013.

Based on our assessment and those criteria, our management believes that our company maintained effective internal control over financial reporting as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere in this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required under this item is incorporated herein by reference to our definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2014.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated herein by reference to our definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2014.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this item and Item 5 of this Annual Report on Form 10-K under the heading “Equity Compensation Plan Information” is incorporated herein by reference to our definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2014.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required under this item is incorporated herein by reference to our definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2014.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required under this item is incorporated herein by reference to our definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2014.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of Form 10-K.

(1) Financial Statements

(2) Schedules

Schedules have been omitted as all required information has been disclosed in the financial statements and related footnotes.

(3) Exhibits

The list of Exhibits filed as a part of this Annual Report on Form 10-K is set forth in the Exhibit Index (b) below.

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
	Restated Articles of Organization, as amended, of Anika Therapeutics, Inc. (with date of filing with Secretary of State of the Commonwealth of Massachusetts):				
3.1a	(a) Restated Articles of Organization (April 29, 1993)	X			
3.1b	(b) Certificate of Correction (November 10, 1993)	X			
3.1c	(c) Certificate of Vote of Directors Establishing a Series of a Class of Stock (May 18, 1995)	X			
3.1d	(d) Articles of Amendment (January 9, 1997)		10-QSB	January 14, 1997	3.1
3.1e	(e) Certificate of Vote of Directors Establishing a Series of a Class of Stock (April 7, 1998)	X			
3.1f	(f) Articles of Amendment (June 3, 1998)		10-QSB	August 13, 1998	3.1
3.1g	(g) Articles of Amendment (April 4, 2008)		10-K	March 9, 2009	3.7
3.2	Amended and Restated Bylaws of Anika Therapeutics, Inc.		10-Q	August 14, 2002	3.6
4.1	Shareholder Rights Agreement, dated as of April 7, 2008, between Anika Therapeutics, Inc. and American Stock Transfer & Trust Company		8-A12B	April 7, 2008	4.1
10.1	Lease, dated January 3, 2007, between Anika Therapeutics, Inc. and Farley White Wiggins, LLC, relating to 32 Wiggins Avenue, Bedford, Massachusetts		8-K	January 10, 2007	10.1
10.2	Lease Agreement, dated December 30, 2009, between Fidia Farmaceutici S.p.A. and Fidia Advanced Biopolymers S.r.l., relating to Via Ponte della Fabbrica 3/A and 3/B Abano Terme, Padua, Italy		8-K	January 6, 2010	10.2
	Credit Agreement with Bank of America, N.A.:				
10.3a	(a) Credit Agreement, dated as of January 31, 2008, among Anika Therapeutics, Inc., Anika Securities, Inc. and Bank of America, N.A., as administrative agent		8-K	February 6, 2008	10.1
10.3b	(b) Consent and First Amendment, dated as of December 30, 2009, by and among Anika Therapeutics, Inc., Anika Securities, Inc. and Bank of America, N.A., as administrative agent		8-K	January 6, 2010	10.4
10.3c	(c) Pledge Agreement on a Quota of Fidia Advanced Biopolymers S.r.l., dated March 12, 2010, by Anika Therapeutics, Inc. in favor of Bank of America, N.A., as agent bank		10-Q	May 10, 2010	10.1
10.4	Sale and Purchase Agreement, dated December 30, 2009, by and between Fidia Farmaceutici S.p.A. and Anika Therapeutics, Inc.		8-K	January 6, 2010	2.1
10.5	Tolling Agreement, dated December 30, 2009, between Fidia Farmaceutici S.p.A. and Fidia Advanced Biopolymers S.r.l		8-K	January 6, 2010	10.3
10.6	Registration Rights Agreement, dated December 30, 2009, between Anika Therapeutics, Inc. and Fidia Farmaceutici S.p.A.		8-K	January 6, 2010	10.1

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
*10.7	License Agreement, dated as of December 21, 2011, by and between Anika Therapeutics, Inc. and DePuy Mitek, Inc.		8-K	December 22, 2011	10.1
	2003 Stock Option and Incentive Plan:				
†10.8a	(a) Second Amended and Restated 2003 Stock Option and Incentive Plan (adopted April 5, 2011)		8-K	June 10, 2011	10.1
†10.8b	(b) Amendment to Second Amended and Restated 2003 Stock Option and Incentive Plan (adopted April 11, 2013)		8-K	June 21, 2013	10.1
†10.8c	(c) Form of Incentive Stock Option Agreement		8-K	October 5, 2004	10.3
†10.8d	(d) Form of Non-Qualified Stock Option Agreement for Non-Employee Directors		8-K	October 5, 2004	10.4
†10.8e	(e) Form of Performance Share Award Agreement		8-K	February 6, 2008	10.3
†10.8f	(f) Form of Restricted Deferred Stock Unit Award Agreement for Non-Employee Directors		10-K	March 9, 2009	10.25
†10.8g	(g) Form of Restricted Stock Award Agreement for Employees		10-K	March 12, 2008	10.27
†10.8h	(h) Form of Stock Appreciation Right Agreement for Employees		10-Q	May 9, 2006	10.1
†10.8i	(i) Form of Stock Appreciation Right Agreement for Non-Employee Directors		10-Q	May 9, 2006	10.2
†10.9	Anika Therapeutics, Inc. Senior Executive Incentive Compensation Plan		8-K	February 6, 2008	10.2
†10.10	Anika Therapeutics, Inc. Non-Employee Director Compensation Policy		10-K	March 12, 2008	10.28
†10.11a	Employment Agreement, dated March 22, 2010, between Anika Therapeutics, Inc. and Sylvia Cheung		10-K	May 5, 2014	10.42
†10.11b	Amendment No. 1 to the Employment Agreement, dated December 8, 2010, by and between Anika Therapeutics, Inc. and Sylvia Cheung		10-K	May 5, 2014	10.43
†10.12a	Employment Agreement, dated September 10, 2009, between Anika Therapeutics, Inc. and Frank J. Luppino		8-K	September 14, 2009	10.1
†10.12b	Amendment No. 1 to Employment Agreement, dated December 1, 2010, by and between Anika Therapeutics, Inc. and Frank J. Luppino		10-K	March 16, 2011	10.35
†10.13a	Employment Agreement, dated September 10, 2009, between Anika Therapeutics, Inc. and William J. Mrachek		8-K	September 14, 2009	10.2
†10.13b	Amendment No. 1 to Employment Agreement, dated December 1, 2010, by and between Anika Therapeutics, Inc. and William J. Mrachek		10-K	March 16, 2011	10.36
†10.14	Employment Agreement, dated October 17, 2008, between Anika Therapeutics, Inc. and Kevin Quinlan		8-K	October 22, 2008	10.2
†10.15a	Employment Agreement, dated October 17, 2008, between Anika Therapeutics, Inc. and Charles H. Sherwood, Ph.D.		8-K	October 22, 2008	10.1
†10.15b	Amendment No. 1 to Employment Agreement, dated December 8, 2010, by and between Anika Therapeutics, Inc. and Charles H. Sherwood, Ph.D.		10-K	March 16, 2011	10.33

Exhibit Number	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
†10.16	Separation Agreement, effective November 26, 2014, by and between Anika Therapeutics, Inc. and Carol Barnett	X			
†10.17	Separation Agreement, effective November 7, 2014, by and between Anika Therapeutics, Inc. and John W. Sheets	X			
21.1	List of Subsidiaries of Anika Therapeutics, Inc.	X			
23.1	Consent of PricewaterhouseCoopers LLP	X			
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
**32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
***101	The following materials from the Annual Report on Form 10-K of Anika Therapeutics, Inc. for the fiscal year ended December 31, 2014, formatted in xBRL: (i) Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013; (ii) Consolidated Statements of Operations for the Years Ended December 31, 2014, December 31, 2013, and December 31, 2012; (iii) Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2014, December 31, 2013, and December 31, 2012; (iv) Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, December 31, 2013, and December 31, 2012; and (v) Notes to Consolidated Financial Statements	X			

† Management contract or compensatory plan or arrangement.

* Certain portions of this document have been omitted pursuant to a confidential treatment request filed with the Securities and Commission. The omitted portions have been filed separately with the Commission.

** The certification attached as Exhibit 32.1 that accompanies this Form 10-K is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Anika Therapeutics, Inc. under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

*** Pursuant to Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information is deemed not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934 and otherwise is not subject to liability under these sections.

SIGNATURES

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

ANIKA THERAPEUTICS, INC.

Date: March 13, 2015

By: /s/ CHARLES H. SHERWOOD

Charles H. Sherwood, Ph.D.
President and Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHARLES H. SHERWOOD Charles H. Sherwood, Ph.D.	President and Chief Executive Officer Director *(Principal Executive Officer)*	March 13, 2015
/s/ SYLVIA CHEUNG Sylvia Cheung	Chief Financial Officer *(Principal Accounting Officer)*	March 13, 2015
/s/ JOSEPH L. BOWER Joseph L. Bower	Director	March 13, 2015
/s/ RAYMOND J. LAND Raymond J. Land	Director	March 13, 2015
/s/ GLENN R. LARSEN Glenn R. Larsen	Director	March 13, 2015
/s/ JOHN C. MORAN John C. Moran	Director	March 13, 2015
/s/ JEFFERY S. THOMPSON Jeffery S. Thompson	Director	March 13, 2015
/s/ STEVEN E. WHEELER Steven E. Wheeler	Director	March 13, 2015

The Commonwealth of Massachusetts

MICHAEL JOSEPH CONNOLLY
Secretary of State
ONE ASHBURTON PLACE, BOSTON, MASS. 02108

RESTATED ARTICLES OF ORGANIZATION

General Laws, Chapter 156B, Section 74

This certificate must be submitted to the Secretary of the Commonwealth within sixty days after the date of the vote of stockholders adopting the restated articles of organization. The fee for filing this certificate is prescribed by General Laws, Chapter 156B, Section 114. Make check payable to the Commonwealth of Massachusetts.

We, David A. Swann, President/xxxxxxxxxx, and Sean F. Moran, Clerk/xxxxxxxxxxx of

Anika Research, Inc.
(Name of Corporation)

located at 160 New Boston Street, Woburn, MA 01801

do hereby certify that the following restatement of the articles of organization of the corporation was duly adopted by written action dated April 26, 1993, by vote of

1,000	shares of	Common Stock (Class of Stock)	out of	1,000	shares outstanding,
	shares of	(Class of Stock)	out of		shares outstanding, and
	shares of	(Class of Stock)	out of		shares outstanding,

being at least two-thirds of each class of stock outstanding and entitled to vote and of each class or series of stock adversely affected thereby:

1. The name by which the corporation shall be known is
Anika Research, Inc.

2. The purposes for which the corporation is formed are as follows:
(a) To engage in the business of developing, manufacturing, purchasing and selling products for medical applications; and

(b) To carry on any business or other activity which may lawfully be carried on by a corporation organized under the Business Corporation Law of the commonwealth of Massachusetts, whether or not related to those referred to in the preceding paragraph (a).

3. The total number of shares and the par value, if any, of each class of stock which the corporation is authorized to issue is as follows:

	WITHOUT PAR VALUE	WITH PAR VALUE	
CLASS OF STOCK	**NUMBER OF SHARES**	**NUMBER SHARES**	**PAR VALUE**
Preferred	None	2,000,000	$.01
Common	None	15,000,000	$.01

*4. If more than one class is authorized, a description of each of the different classes of stock with, if any the preferences, voting powers, qualification, special or relative rights or privileges as to each class thereof and any series now established:

See Attachment 4

*5. The restrictions, if any, imposed by the articles of organization upon the transfer of shares of stock of any class are as follows:

None

*6. Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders.

See Attachment 6

*If there are no such provisions, state “None”.

ATTACHMENT 4

The total number of shares of all classes of stock which the corporation shall have authority to issue is 17,000,000 shares, consisting of (i) 15,000,000 shares of Common Stock, $.01 par value per share ("Common Stock"), and (ii) 2,000,000 shares of Preferred Stock, $.01 par value per share ("Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the corporation.

A. COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. Voting. The holders of the Common Stock are entitled to one vote for each share held at all meetings of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution or liquidation of the corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

B. PREFERRED STOCK.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the corporation may be reissued except as otherwise provided by law. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issue of the shares thereof, to determine and fix such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by Chapter 156B of the Massachusetts General Laws. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law. No vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of the Articles of Organization, the right to have such vote being expressly waived by all present and future holders of the capital stock of the corporation.

ATTACHMENT 6

6. Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

6A. LIMITATION OF DIRECTOR LIABILITY

Except to the extent that Chapter 156B of the Massachusetts General Laws prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

6B. INDEMNIFICATION

1. Actions, Suits and Proceedings. The corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director or officer of, or in a similar capacity with, another organization or in any capacity with respect to any employee benefit plan of the corporation (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments and fines incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, unless the Indemnitee shall be finally adjudicated in such action, suit or proceeding not to have acted in good faith in the reasonable belief that his action was in the best interests of the corporation or, to the extent such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan. Notwithstanding anything to the contrary in this Article, except as set forth in Section 5 below, the corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the corporation.

2. Settlements. The right to indemnification conferred in this Article shall include the right to be paid by the corporation for amounts paid in settlement of any such action, suit or proceeding and any appeal therefrom, and all expenses (including attorneys' fees) incurred in connection with such settlement, pursuant to a consent decree or otherwise, unless and to the extent it is determined pursuant to Section 5 below that the Indemnitee did not act in good faith in the reasonable belief that his action was in the best interests of the corporation or, to the extent such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan.

3. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the corporation is so notified, the corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the corporation to the Indemnitee of its election so to assume such defense, the corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 3. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the corporation and the Indemnitee in the conduct of the defense of such action or (iii) the corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the corporation, except as otherwise expressly provided by this Article. The corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

4. Advance of Expenses. Subject to the provisions of Section 5 below, in the event that the corporation does not assume the defense pursuant to Section 3 of this Article of any action, suit, proceeding or investigation of which the corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the corporation in advance of the final disposition of such matter, provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of the Indemnitee to make such repayment.

5. Procedure for Indemnification. In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2 or 4 of this Article, the Indemnitee shall submit to the corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the corporation of the written request of the Indemnitee, unless the corporation determines, by clear and convincing evidence, within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 1 or 2, as the case may be. Such determination shall be made in each instance by (a) a majority vote of a quorum of the directors of the corporation, (b) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (c) independent legal counsel (who may be regular legal counsel to the corporation), or (d) a court of competent jurisdiction.

6. Remedies. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 5. Unless otherwise provided by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the corporation. Neither the failure of the corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the corporation pursuant to Section 5 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the corporation.

7. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of Chapter 156B of the Massachusetts General Laws or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

8. Other Rights. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to ocher employees or agents of the corporation or other persons serving the corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

9. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

10. Insurance. The corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another organization or employee benefit plan against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under Chapter 156B of the Massachusetts General Laws.

11. Merger or Consolidation. If the corporation is merged into or consolidated with another corporation and the corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

12. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

13. Subsequent Legislation. If the Massachusetts General Laws are amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the corporation shall indemnify such persons to the fullest extent permitted by the Massachusetts General Laws, as so amended.

6C. MANAGEMENT

This Article 6C is inserted for the management of business and for the conduct of the affairs of the Corporation, and it is expressly provided that it is intended to be in furtherance and not in limitation or exclusion of the powers conferred by the statues of the Commonwealth of Massachusetts.

1. Number of Directors. The number of directors which shall be set forth in the Corporation's By-laws, provided, however, that in no event shall such number of directors be less than three or more than nine. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. The directors shall be elected at the annual meeting of stockholders by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.

2. Classes of Directors. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the authorized number of directors by three, then, if such fraction is one-third, the extra directors shall be a member of Class I and, if such fraction is two-thirds, one of the extra directors shall be a member of Class I and the other extra director shall be a member of Class II, unless otherwise provided for from time to time by resolution adopted by a majority of the Board of Directors.

3. Election of Directors. Elections of directors need not be by written ballot except as and to the extent provided in the By-laws of the Corporation.

4. Terms of Office. Each director shall serve for a term ending on the date of the third annual meeting following the annual meetings at which such director was elected; provided, however, that each initial director in Class I shall serve for a time ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1994; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1995; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1996.

5. Allocation of Directors Among Classes in the Event of Increases or Decreases in the Number of Directors. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term or his prior death, retirement or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure than no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, although less than a quorum.

6. Tenure. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his successor is elected and qualified, or until his earlier death, resignation or removal.

7. Vacancies. Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board, may be filled by a vote of a majority of directors then in office. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, if applicable, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen and until his successor is elected or qualified, or until his earlier death, resignation or removal.

8. Quorum. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the number so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

9. Action of Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by laws or the Corporation's Articles of Organization or By-Laws.

10. Removal. Any one or more or all of the directors may be removed, for cause, by the holders of at least seventy-five percent (75%) of the then issued and outstanding shares of capital stock then entitled to vote at an election of directors.

11. Stockholder Nominations and Introduction of Business, Etc. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided in the By-Laws of the Corporation.

12. Amendments to Article 6C. Notwithstanding any other provisions of law, these Articles of Organization or the Corporation's By-Laws, as amended, and notwithstanding the fact than a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article 6C.

6D. OTHER PROVISIONS

(a) The directors may make, amend, or repeal the by-laws in whole or in part, except with respect to any provision of such by-laws which by law or these Article or the by-laws requires action by the stockholders.

(b) Meetings of the stockholders of the corporation may be held anywhere in the United States.

(c) The Corporation shall have the power to be a partner in any business enterprise which this corporation would have the power to conduct by itself.

(d) The Corporation, by vote of a majority of the stock outstanding and entitled to vote thereon (or if there are two or more classes of stock entitled to vote as separate classes, then by vote of a majority of each such class of stock outstanding), may (1) authorize any amendment to its Article of Organization pursuant to Section 71 of Chapter 156B of the Massachusetts General Laws, as amended from time to time, (ii) authorize the sale, lease or exchange of all or substantially all of its property and assets, including its goodwill, pursuant to Section 75 Chapter 156B of the Massachusetts General Laws, as amended from time to time, and (iii) approve an agreement of merger or consolidation pursuant to Section 78 of Chapter 156B of the Massachusetts General Laws, as amended from, time to time.

(e) Chapter 110D of the Massachusetts General Laws, as it may be amended from time to time, shall not apply to the corporation.

(f) Chapter 110F of the Massachusetts General Laws, as it may be amended from time to time, shall apply to the corporation.

6E. Until the Corporation becomes subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Triggering Event"), any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on such action were present and voted. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Effective upon the date of the Triggering Event, stockholders of the Corporation may not take any action by written consent in lieu of a meeting. Notwithstanding any other provision of law, these Articles of Organization or the Corporation's By-laws, as amended, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article 6E.

6F. Special meetings of stockholders may be called at any time by the President or by the Chairman of the Board of Directors. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of the meeting. Notwithstanding any other provision of law, these Amended Articles of Organization or the Corporation's By-laws, as amended, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders or at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal this Article 6F or to adopt any provision inconsistent with this Article 6F.

**We further certify that the foregoing Restated Articles of Organization affect no amendments to the Articles of Organization of the corporation as heretofore amended, except amendments to the following articles IV and VI .

(*If there are no such amendments, state “None”.)

Briefly describe amendments in spaces below:

Article IV - Amended to increase the number of authorized shares of Common Stock and create blank check preferred stock.

Article VI - Amended existing indemnification provisions and included the following new provisions:

(a) Classified Board of Directors

(b) Elimination of written action by stockholders upon the occurrence of certain events

(c) Limited the ability of stockholders to call special meetings of stockholders

(d) Opted out of Chapter 110D

(e) Opted into Chapter 110F

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this 28th day of April in the year 1993

/s/ David A. Swann President/xxxxxxxx

/s/ Sean Moran Clerk/xxxxxxxxxx

THE COMMONWEALTH OF MASSACHUSETTS

RESTATED ARTICLES OF ORGANIZATION
(General Laws, Chapter 156B, Section 74)

I hereby approve the within restated articles of organization and, the filing fee in the amount of $17,200 having been paid, said articles are deemed to have been filed with me this 29th day of April, 1993.

/s/ Michael Joseph Connolly

MICHAEL JOSEPH CONNOLLY
Secretary of State

TO BE FILLED IN BY CORPORATION

PHOTO COPY OF RESTATED ARTICLES OF ORGANIZATION TO BE SENT

To: Stuart M. Falber, Esq.
Hale and Dorr
60 State Street
Boston, MA 02109
(617) 526-6000

Telephone:

The Commonwealth of Massachusetts
Office of the Secretary of State
Michael J. Connolly, Secretary
One Ashburton Place, Boston, Massachusetts 02108

CERTIFICATE OF CORRECTION
(GENERAL LAWS, CHAPTER 156B, SECTION-6A)

CORPORATE NAME: ANIKA RESEARCH, INC.

DOCUMENT TO BE CORRECTED: Restated Articles of Organization

IT IS HEREBY CERTIFIED THAT THE ABOVE MENTIONED DOCUMENT WAS FILED WITH THE OFFICE OF THE SECRETARY OF STATE ON 04 / 29 / 93 /

PLEASE STATE THE INACCURACY OR DEFECT TO BE CORRECTED IN SAID DOCUMENT:

See Attached Exhibit A

PLEASE STATE CORRECTED VERSION OF THE DOCUMENT:

See Attached Exhibit A

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, WE SIGN OUR NAMES THIS 5TH **DAY OF** November **IN THE YEAR** 1993.

/s/ David A. Swann — PRESIDENT/xxxxxx
David A. Swann

/s/ Sean Moran — CLERK/xxxxxxxx
Sean F. Moran

EXHIBIT A

The Restated Articles of Organization, Attachment 6, Section 6C - Management, shall be amended from:

4. Terms of Office. Each director shall serve for a term ending on the date of the third annual meeting following the annual meetings at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1994; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1995; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1996.

To:

4. Terms of Office. Each director shall serve for a term ending on the date of the third annual meeting following the annual meetings at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1993; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1994; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending August 31, 1995.

The Commonwealth of Massachusetts

William Francis Galvin
Secretary of the Commonwealth
ONE ASHBURTON PLACE, BOSTON, MASS. 02108

CERTIFICATE OF VOTE OF DIRECTORS ESTABLISHING A SERIES OF A CLASS OF STOCK

General Laws, Chapter 156B, Section 26

We, David A. Swann, President/xxxxxxxxxx, and Sean F. Moran, Clerk/xxxxxxxxxxx of

Anika Research, Inc.
(Name of Corporation)

located at 160 New Boston Street, Woburn, MA 01801

do hereby certify that at a meeting of the directors of the corporation held on May 16th, 1995, the following vote establishing and designating a series of a class of stock and determining the relative rights and preferences thereof was duly adopted:

Voted: That, pursuant to the authority vested in the Board of Directors in accordance with the provisions of its Restated Articles of Organization, as amended, the Board of Directors does hereby create, and classify, authorize and provide for the issuance of the Series A Preferred stock (the "Series A Preferred Stock") having the designation and relative rights, preferences and limitations that are set forth on Exhibit A attached hereto.

(See Attachment A)

EXHIBIT A

VOTE OF DIRECTORS

ESTABLISHING A SERIES OF

CONVERTIBLE PREFERRED STOCK

OF

ANIKA RESEARCH, INC.

Pursuant to Section 26 of Chapter 156B of the General Laws of the Commonwealth of Massachusetts:

VOTED, that pursuant to authority conferred upon the Board of Directors by the Articles of Organization, as amended as of the date hereof of ANIKA RESEARCH, INC. (the "Corporation"), the Board of Directors hereby establishes and designates a series of Preferred Stock of the Corporation, and hereby fixes and determines the relative rights and preferences of the shares of such series, in addition to those set forth in the Articles of Organization, as follows:

A. PREFERRED STOCK

The rights, preferences, privileges and restrictions granted to and imposed upon the Preferred Stock are as follows:

Section 1

Designation

The initial series of Preferred Stock shall be designated and known as "Series A Preferred Stock." The number of authorized shares constituting such series shall be Seven Hundred Fifty Thousand (750,000).

Section 2

Liquidation Rights

(a) Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, each holder of shares of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of the Common Stock and any other series of preferred stock which is junior to the Series A Preferred Stock, by reason of his, her or its ownership thereof, an amount per share of the Series A Preferred Stock equal to $20.00 (plus any dividends which, pursuant to Section 6 hereof, have accrued but remain unpaid at such time). After the payment to such holders of such preferential amount, subject to any rights of holders of other classes or series of Preferred Stock ranking senior to Common Stock upon liquidation, dissolution or winding up, any remaining assets shall be distributed to the holders of Common Stock and the holders of Series A Preferred Stock and the holders of any other series of Preferred Stock so entitled, in accordance with Section 2(d) hereof.

(b) Pro Rata Distribution. If the assets or surplus funds to be distributed to (i) the holders of the Series A Preferred Stock under Section 2(a) and (ii) the holders of any other series of Preferred Stock ranking on a parity with the Series A Preferred Stock are insufficient to permit the payment to such holders of their full preferential amount, the assets and surplus funds legally available for distribution shall be distributed ratably among (i) the holders of the Series A Preferred Stock (to the extent provided in Section 2(a) hereof) and (ii) the holders of such other series of Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive.

(c) Series A Preferred Stock Priority. All of the preferential amounts to be paid to (i) the holders of the Series A Preferred Stock under this Section 2 and (ii) the holders of any other series of Preferred Stock ranking on a parity with the Series A Preferred Stock shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Corporation to, the holders of the Common Stock and any other series of Preferred Stock which is junior to the Series A Preferred Stock in connection with such liquidation, dissolution or winding up.

(d) Subject to the prior and superior right of the holders of Series A Preferred Stock under Sections 2(a), (b) and (c) above, and any rights of the holders of other classes or series of Preferred Stock ranking senior to the Common Stock upon liquidation, dissolution or winding up, any remaining assets shall be distributed ratably among the holders of Common Stock and the holders of Series A Preferred Stock on the basis of the number of shares of Common Stock held by each of them and on the number of shares of Common Stock into which each share of Series A Preferred Stock is then convertible.

(e) Consolidation, Merger, Sale of Assets. A consolidation or merger of the Corporation with or into another corporation, or a conveyance of all or substantially all of the assets of the Corporation, shall be regarded as a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of Section 2(a) unless, upon consummation of such consolidation or merger or sale of assets, the holders of voting securities of the Corporation immediately prior to consummation of such transaction own directly or indirectly more than fifty percent (50%) of the voting power to elect directors of the consolidated or surviving or acquiring corporation, provided, however, that each holder of Series A Preferred Stock shall have the right to elect the benefits of the provisions of Section 3(d)(vii) hereof in lieu of receiving payment in such liquidation, dissolution or winding up of the Corporation pursuant to this Section 2. Any securities to be delivered to the holders of the Series A Preferred Stock upon the closing of any such consolidation, merger, sale or transfer shall be valued as follows:

2A. For securities not subject to restrictions on transfer under an investment letter or other similar restrictions on free marketability:

(i) If traded on a securities exchange, the value shall be deemed to be the average of the closing prices of such securities on such exchange over the 30-day period ending three (3) days prior to such closing;

(ii) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever are applicable) over the 30-day period ending three (3) days prior to such closing; and

(iii) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors of the Corporation; provided, that if the holders of a majority of the Series A Preferred Stock object, within ten (10) business days of notice of such determination, as to the determination of the Board of Directors, the fair market value shall be determined by an independent appraiser mutually agreeable to the Board of Directors and the holders of a majority of the Series A Preferred Stock, with any such determination binding on all holders of Series A Preferred Stock.

2B. The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in subsection 2A to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors of the Corporation; provided, that if the holders of a majority of the Series A Preferred Stock object, within ten (10) business days of notice of such determination, as to the determination of the Board of Directors, the fair market value shall be determined by an independent appraiser mutually agreeable to the Board of Directors and the holders of a majority of the Series A Preferred Stock with any such determination binding on all holders of Series A Preferred Stock.

Section 3

Conversion

The holders of the Series A Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Series A Preferred Stock shall be convertible, without the payment of any additional consideration by the holder thereof, at the option of the holder thereof, at the office of the Corporation or any transfer agent for the Series A Preferred Stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing $20.00 by the Conversion Price, determined as hereinafter provided, in effect at the time of conversion. If more than one share of the Series A Preferred Stock shall be surrendered for conversion at the same time by the same holder of record, the number of full shares that shall be issuable upon the conversion thereof shall be computed on the basis of the total number of shares of the Series A Preferred Stock so surrendered. Each share of Series A Preferred Stock shall be so convertible at any time after the date of issuance of such share. The price at which shares of Common Stock shall be deliverable upon conversion of Series A Preferred Stock without the payment of any additional consideration by the holder thereof (the "Conversion Price") shall initially be $2.00 per share of Common Stock. Such initial Conversion Price shall be subject to adjustment, in order to adjust the number of shares of Common Stock into which the Series A Preferred Stock is convertible, as hereinafter provided. The Conversion Price, as adjusted from time to time, shall be the same for all shares of Series A Preferred Stock, whether issued on the Original Issue Date or thereafter.

(b) Automatic Conversion at the Option of the Corporation. Each share of Series A Preferred Stock shall, at the Corporation's option, be converted into shares of Common Stock at the then effective Conversion Price upon the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Corporation to the public in which the aggregate gross proceeds to the Corporation as seller are not less than $20,000,000, before deducting underwriting commissions, provided that the offering price per share of Common Stock is not less than $6.00 per share (the "Automatic Conversion Price") and the Common Stock is listed for trading on the Nasdaq National Market. The Corporation may exercise its option pursuant to this Section 3(b) only with respect to all, and not less than all outstanding shares of Series A Preferred Stock. In the event the Corporation elects to cause the conversion of Series A Preferred Stock pursuant to this Section 3(b), (i) it shall give to each holder of Series A Preferred Stock notice of such conversion at least ten (10) days prior to the scheduled closing of such a public offering, and (ii) the party or parties entitled to receive the Common Stock issuable upon such conversion of the Series A Preferred Stock shall not be deemed to have converted their Series A Preferred Stock until immediately prior to the closing of such offering.

(c) Mechanics of Conversion. Each party who holds of record Series A Preferred Stock at the time of any conversion shall be entitled to any dividends which, pursuant to Section 6 hereof have accrued but remain unpaid at such time. Such dividends shall be paid to all such holders within thirty (30) days of the conversion. No fractional shares of Common Stock shall be issued upon conversion of the Series A Preferred Stock. In lieu of any fractional share to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Conversion Price. Except in the case of a conversion at the option of the Corporation pursuant to Section 3(b), before any holder of Series A Preferred Stock shall be entitled to convert the same into full shares of Common Stock, he, she or it shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice to the Corporation at such office that he, she or it elects to convert the same. Upon the date of a deemed conversion pursuant to Section 3(b), any party entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date, whether or not such holder has surrendered the certificate or certificates for such holder's shares of Series A Preferred Stock. A holder surrendering his, her or its certificate or certificates shall notify the Corporation of his, her or its name or the name or names of his, her or its nominees in which he, she or it wishes the certificate or certificates for shares of Common Stock to be issued. If the person or persons in whose name any certificate for shares of Common Stock issuable upon such conversion shall be other than the registered holder or holders of the Series A Preferred Stock being converted, the Corporation's obligation under this Section 3(c) shall be subject to the payment and satisfaction by such registered holder or

holders of any and all transfer taxes in connection with the conversion and issuance of such Common Stock. The Corporation shall, as soon as practicable thereafter (and, in any event, within ten (10) days of such surrender), issue and deliver at such office to such holder of Series A Preferred Stock, or to his, her or its nominee or nominees, a certificate or certificates for the number of shares of Common Stock to which he, she or it shall be entitled as aforesaid, together with cash in lieu of any fraction of a share as provided herein. Except in the case of a conversion pursuant to Section 3(b), such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred Stock to be converted, and the party or parties entitled to receive the shares of Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(d) Adjustments to Conversion Price for Diluting Issues:

(i) Special Definitions. For purposes of this Section 3, the following definitions shall apply:

(1) "Option" shall mean options, warrants or other rights to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities.

(2) "Original Issue Date" shall mean the first date on which a share of Series A Preferred Stock shall have been issued.

(3) "Convertible Securities" shall mean any evidences of indebtedness, shares (other than Common Stock and Series A Preferred Stock) of capital stock or other securities in each case directly or indirectly convertible into or exchangeable for Common Stock.

(4) "Additional Shares of Common Stock" shall mean any or all shares of Common Stock issued (or, pursuant to Section 3(d)(iii), deemed to be issued) by the Corporation after the Original Issue Date, other than shares of Common Stock issued or issuable:

(A) upon conversion of shares of Series A Preferred Stock or exercise of warrants to purchase up to 100,000 shares of Series A Preferred Stock; or

(B) to employees, officers or directors of, or consultants to, the Corporation pursuant to one or more employee stock option plans or options, grants or issuances in existence as of the Original Issue Date providing for the issuance of (i) up to 1,173,125 shares of Common Stock (the "Existing Options"), providing for the issuance of options to purchase (ii) up to 300,000 shares of Common Stock issuable by the Company (250,000 shall be issuable in order to secure the employment of a new Chief Operating Officer and/or a regulatory specialist and 50,000 shall be issuable to new or existing non-management employees) (the "Extra Options") or, (iii) subject to Section 3(d)(viii) below, providing for the issuance of 566,875 additional shares of Common Stock (the "Additional Options"), or (iv) any other grants or issuances approved after May 17, 1995 by the holders of fifty-one percent (51%) or more of the total outstanding Series A Preferred Stock (collectively, the "Reserved Employee Shares"); provided that if less than twenty five thousand (25,000) shares of the Series A Preferred Stock remain outstanding, a vote of a majority of the outstanding shares of Common Stock and Series A Preferred Stock, voting as a single class in accordance with Section 5(a) hereof, shall be all that is required to increase the number of Reserved Employee Shares; all of such plans, options and grants collectively referred to as the "Plans". All options granted and issued hereunder shall be granted and issued at an exercise price which is not less than the last reported closing bid price on the Nasdaq (as defined in Section 6) or the Nasdaq Small Capitalization Market, as applicable.

(ii) No Adjustment of Conversion Price. Subject to the provisions of Section 3(d)(iii)(2) and Section 3(d)(vi) below, no adjustment in the number of shares of Common Stock into which any series of the Series A Preferred Stock is convertible shall be made, by adjustment in the Conversion Price of the Series A Preferred Stock in respect of the issuance of Additional Shares of Common Stock or otherwise, unless the consideration per share for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than the Conversion Price in effect on the date of, and immediately prior to, the issue of such Additional Share of Common Stock.

(iii) Issue of Securities Deemed Issue of Additional Shares of Common Stock.

(1) Options and Convertible Securities. In the event the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that such Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Section 3(d)(v) hereof) of such Additional Shares of Common Stock would be less than the Conversion Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) no further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(B) if such Options or Convertible Securities by their terms provide, with the passage of time, pursuant to any provisions designed to protect against dilution, or otherwise, for any increase or decrease in the consideration payable to the Corporation, or increase or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if such Options or Convertible Securities, as the case may be, were never issued;

(D) no readjustment pursuant to clause (B) or (C) above shall have the effect of increasing the Conversion Price to an amount which exceeds the lower of (i) the original Conversion Price on the original date on which an adjustment was made pursuant to this Section 3(d)(iii)(1), or (ii) the Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between such original adjustment date and the date on which a readjustment is made pursuant to clause (B) or (C) above;

(E) in the case of any Options which expire by their terms not more than 30 days after the date of issue thereof, no adjustment of the Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the same manner provided in clause (C) above; and

(F) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be cancelled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this Section 3(d)(iii) as of the actual date of their issuance, if any.

(2) Stock Dividends, Stock Distributions and Subdivisions. In the event the Corporation at any time or from time to time after the Original Issue Date for the Series A Preferred Stock shall declare or pay any dividend or make any other distribution on the Common Stock payable in Common Stock, or effect a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock), then and in any such event, Additional Shares of Common Stock shall be deemed to have been issued:

(A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend or distribution, or

(B) in the case of any such subdivision, at the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

If such record date shall have been fixed and such dividend shall not have been fully paid on the date fixed for the payment thereof, the adjustment previously made in the Conversion Price which became effective on such record date shall be cancelled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this Section 3(d)(iii) as of the time of actual payment of such dividend, if any.

(iv) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event that the Corporation shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 3(d)(iii)(1), but excluding Additional Shares of Common Stock deemed to be issued pursuant to Section 3(d)(iii)(2), which event is dealt with in Section 3(d)(vi) hereof) without consideration or for a consideration per share less than the Conversion Price in effect on the date of and immediately prior to such issue, then such Conversion Price in effect immediately prior to each such issuance or adjustment shall be adjusted, concurrently with such issue, to a price equal to the quotient obtained by dividing:

(A) an amount equal to the sum of

(x) the total number of shares of Common Stock outstanding (including any shares of Common Stock deemed to have been issued pursuant to Section 3(d)(iii)(2), immediately prior to such issuance multiplied by the Conversion Price in effect immediately prior to such issuance), plus

(y) the consideration received or to be received if presently exercisable by the Company upon such issuance.

by

(B) the total number of shares of Common Stock outstanding (including any shares of Common Stock deemed to have been issued pursuant to Section 3(d)(iii)(2) immediately after the issuance of such Common Stock.

(v) Determination of Consideration. For purposes of this Section 3(d), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(1) Cash and Property: Such consideration shall:

(A) insofar as it consists of cash, be the aggregate amount of cash received by the Corporation;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(C) in the event Additional Shares of Common Stock are issued together with other shares of securities or other assets of the Corporation for a single undivided consideration, be the proportion of such consideration so received allocable to such Additional Shares of Common Stock, computed as provided in clauses (A) and (B) above, as determined in good faith by the Board of Directors.

(2) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 3(d)(iii)(1) shall be determined by dividing

(x) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(y) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(vi) Adjustment for Stock Dividends, Stock Distributions, Subdivisions, Combinations or Consolidations of Common Stock.

(1) Stock Dividends, Stock Distributions or Subdivisions. In the event the Corporation shall issue Additional Shares of Common Stock pursuant to Section 3(d)(iii)(2) in a stock dividend, other stock distribution or subdivision, the Conversion Price in effect immediately prior to such stock dividend, stock distribution or subdivision shall, concurrently with the effectiveness of such stock dividend, stock distribution or subdivision, be proportionately decreased to adjust equitably for such dividend, distribution or subdivision.

(2) Combinations or Consolidations. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Conversion Price in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased to adjust equitably for such combination or consolidation.

(vii) Adjustment for Merger or Reorganization, etc. In case of any consolidation or merger of the Corporation with or into another corporation or the conveyance of all or substantially all of the assets of the Corporation to another corporation, or any proposed reorganization or reclassification of the Corporation (except a transaction for which provision for adjustment is otherwise made in this Section 3), each share of Series A Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such Series A Preferred Stock would have been entitled upon such consolidation, merger, conveyance, reorganization or reclassification; and, in any such case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interest thereafter of the holders of the Series A Preferred Stock, to the end that the provisions set forth herein (including provisions with respect to changes in and other adjustments of the Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter, deliverable upon the conversion of the Series A Preferred Stock. The Company shall not effect any such consolidation, merger or sale unless prior to or simultaneously with the consummation thereof the successor corporation or purchaser, as the case may be, shall assume by written instrument the obligation to deliver to the holder of the Series A Preferred Stock such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder is entitled to receive.

Upon the occurrence of a consolidation or merger of the Corporation with or into another corporation, or the conveyance of all or substantially all of the assets of the Corporation to another corporation (unless upon consummation thereof the holders of voting securities of the Corporation immediately prior thereto own directly or indirectly more than fifty percent (50%) of the voting power to elect directors of the consolidated or surviving or acquiring corporation), each holder of Series A Preferred Stock shall have the option of electing treatment of its shares of Series A Preferred Stock under this Section 3(d)(vii) in lieu of Section 2(e) hereof, notice of which election shall be submitted in writing to the Corporation at its principal offices no later than five (5) business days before the effective date of such event.

(viii) Adjustment Upon Issuance of Additional Options. Notwithstanding any other provision hereof, in the event that the Corporation shall at any time and from time to time issue or grant any of the Additional Options (as defined in Section 3(d)(i)(B)), the Conversion Price in effect immediately prior to such issuance shall, concurrently with the issuance or grant of each such Option, be reduced to a price equal to the quotient obtained by dividing:

(A) 10,707,323

by

(B) an amount equal to the sum of

(x) 3,219,623, plus

(y) the number of shares of Common Stock issuable upon the exercise of all such Additional Options granted or issued.

No adjustment shall be made pursuant to this clause (viii) unless the effect thereof would be to reduce the Conversion Price in effect immediately prior to such issuance.

(e) No Impairment. The Corporation will not, by amendment of its Articles of Organization or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation but will at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred Stock against impairment.

(f) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 3, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time (but in no event more than once annually) of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) all such adjustments and readjustments theretofore made, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at such time would be received upon the conversion of Series A Preferred Stock.

(g) Common Stock Reserved. The Corporation shall reserve and at all times keep available out of its authorized but unissued Common Stock, free from pre-emptive or other preferential rights, restrictions, reservations, dedications, allocations, options, other warrants and other rights under any stock option, conversion option or similar agreement, such number of shares of Common Stock as shall from time to time be sufficient to effect conversion of the Series A Preferred Stock outstanding from time to time.

(h) No Re-issuance of Series A Preferred Stock. Shares of Series A Preferred Stock which are converted into shares of Common Stock as provided herein shall not be reissued.

(i) Issue Tax. The issuance of certificates for shares of Common Stock upon conversion of Series A Preferred Stock shall be made without charge to the holders thereof for any issuance tax in respect thereof, provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Series A Preferred Stock which is being converted.

(j) Closing of Books. The Corporation will at no time close its transfer books against the transfer of any Series A Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any shares of Series A Preferred Stock in any manner which interferes with the timely conversion of such Series A Preferred Stock, except as may otherwise be required to comply with applicable securities laws.

(k) Definition of Common Stock. As used in this Section 3, the term "Common Stock" shall mean and include the Corporation's authorized Common Stock, par value $.01 per share, as constituted on the date of filing of this Certificate of Vote of Directors Establishing a Series of Convertible Preferred Stock ("Certificate of Establishment"), and shall also include any capital stock of any class of the Corporation thereafter authorized which shall neither be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends nor entitled to a preference in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided that the shares of Common Stock receivable upon conversion of shares of Series A Preferred Stock shall include only shares designated as Common Stock of the Corporation on the date of filing of this Certificate of Establishment.

Section 4

Redemption

(a) Mandatory Redemption.

(i) If, on the fifth anniversary of the Original Issue Date (such fifth anniversary being referred to herein as the "First Anniversary Redemption Date"), there remain outstanding shares of Series A Preferred Stock, the holders of a majority of the then outstanding shares of Series A Preferred Stock may elect to have the Corporation redeem all (but not less than all) of the outstanding shares of Series A Preferred Stock at the Redemption Price per share defined in paragraph (e) below, payable in cash in accordance with the schedule set forth in paragraph (ii) below. The election to redeem shares of Series A Preferred Stock under this paragraph (a) shall be made at least thirty (30) but no more than sixty (60) days prior to the First Anniversary Redemption Date.

(ii) Redemptions pursuant to this paragraph (a) shall be made in three (3) equal installments beginning on the First Anniversary Redemption Date, and on each of the two successive anniversaries of such date (each a "Subsequent Anniversary Redemption Date" and together with the First Anniversary Redemption Date, the "Anniversary Redemption Dates"). The number of shares of Series A Preferred Stock required to be redeemed on any Anniversary Redemption Date (the "Redemption Stock") shall be equal to the amount determined by dividing (x) the aggregate number of shares of Series A Preferred Stock outstanding immediately prior to the Anniversary Redemption Date by (y) the number of remaining Anniversary Redemption Dates (including the Anniversary Redemption Date to which such calculation applies). Any redemption effected pursuant to this Section 4(a) shall be made on a pro rata basis among the holders of the Series A Preferred Stock based on the number of shares of Series A Preferred Stock then held by them.

(iii) All rights of a holder of Redemption Stock with regards to the Redemption Stock to be redeemed on a particular Anniversary Redemption Date shall immediately terminate upon payment by the Corporation of the Redemption Price for such shares of Redemption Stock regardless of whether the certificates representing such shares are tendered to the Corporation.

(b) Optional Redemption. The Corporation shall have the right, on or after May 17, 2000, if (i) the Quarterly Market Price for the Common Stock shall be in excess of ten dollars ($10) per share and (ii) the average weekly trading volume during a ninety (90) consecutive day period immediately preceding the notice of Optional Redemption is in excess of One Million Five Hundred Thousand (1,500,000) shares, to compel the holder to redeem (an "Optional Redemption") all, but not less than all, of the shares of Series A Preferred Stock held by all such holders, provided that upon notice to such holders of the Optional Redemption, such holders shall have the right to convert such shares into Common Stock as provided herein at any time prior to the Optional Redemption Date.

The Corporation shall give written notice to the holder at lease forty-five (45) days prior to the requested date of redemption (the "Optional Redemption Date", and together with the Anniversary Redemption Dates, the "Redemption Dates"). A notice of redemption shall state the number of shares of Series A Preferred Stock to be redeemed.

(c) Miscellaneous. Redemption shall only be permitted to the extent that it is permitted under the Business Corporation Law of Massachusetts. The Corporation shall, to the fullest extent permitted by law, do all things necessary to redeem the Series A Preferred Stock and make the payments therefor required by this Section 4.

(d) Available Funds. If in any given year in which redemption is requested sufficient funds are not legally available for such redemption on the Redemption Date to redeem all of the shares of Series A Preferred Stock then due to be redeemed, any and all such unredeemed shares shall be carried forward and redeemed together with other shares of Series A Preferred Stock which are due to be redeemed, at such time and to the extent that funds of the Corporation are legally available therefor. The shares of Series A Preferred Stock which are subject to redemption but which have not been redeemed and as to which the Redemption Price is not paid or set aside due to insufficient legally available funds shall continue to be entitled to the dividend, conversion and other rights, preferences and privileges of the Series A Preferred Stock until such shares have been redeemed and the Redemption Price has been paid or otherwise set aside with respect thereto. The number of shares to be redeemed by any holder which has requested redemption on a Redemption Date or as to which the Corporation has given a notice of redemption shall be determined by multiplying such amount requested to be redeemed by a fraction, the numerator of which is the aggregate number of shares to be redeemed on such Redemption Date by all holders and the denominator of which is the aggregate number of shares requested to be redeemed on such Redemption Date by all holders or the Corporation, as the case may be.

(e) Redemption Price. The price at which such shares shall be redeemed (the "Redemption Price") shall be a price equal to $20.00 per share (plus any dividends which, pursuant to Section 6 hereof, have accrued but remain unpaid at such time).

(f) Notice. Notice of any redemption shall be given by the holder of Series A Preferred Stock, by certified or registered mail (return receipt requested), postage prepaid, by personal delivery or overnight courier, and the Corporation shall, in like manner, give notice of its receipt of such notice to any other holders. Any notice given by the Corporation shall be addressed to each holder at the address as it appears on the stock transfer books of the Corporation and shall specify the Redemption Date and the number of shares to be redeemed. On or after the Redemption Date as specified in any notice, the holder shall surrender such holder's certificate for the number of shares to be redeemed as stated in the notice to or from the Corporation. If less than all of the shares represented by such certificates are redeemed, a new certificate shall forthwith be issued for the unredeemed shares.

(g) Conversion After Redemption. From and after the Redemption Date, no shares of the Series A Preferred Stock to be redeemed on the Redemption Date shall be entitled to the conversion provisions set forth in Section 3 hereof.

Section 5

Voting Rights

(a) Number of Votes. Except as otherwise required by law and the provisions of this Section 5, the holders of Series A Preferred Stock and the holders of the Common Stock shall be entitled to notice of any stockholders' meeting and to vote together with the Common Stock as a single class of capital stock upon any matter submitted to a stockholder for a vote, on the following basis:

(i) Each Share of Common Stock shall have one vote per share; and

(ii) Each Share of Series A Preferred Stock shall have that number of votes per share as is equal to the number of shares of Common Stock into which each such share of Series A Preferred Stock is convertible at the time of such vote.

(b) Election of Directors.

(i) The Board of Directors shall consist of up to nine (9) members (the "Total Number of Directors"), which number shall not be increased without the approval or written consent of the holders of a majority of the outstanding shares of Series A Preferred Stock.

(ii) The holders of Series A Preferred Stock shall be entitled to vote upon the election of directors on the following basis: the holders of Series A Preferred Stock then issued and outstanding, voting separately as a class, shall, subject to the provisions of the Shareholders' Agreement, be entitled to elect up to the number of directors determined as follows:

Number of Shares of Series A Preferred Stock Outstanding	Number of Directors to be Elected by Holders of Series A Preferred Stock
62,500 or more	2
25,000 to 62,500, inclusive	1
Less than 25,000	0

(c) Quorums. Except as otherwise required by law, the following shall constitute quorums at meetings of shareholders:

(i) The presence in person, by teleconference or by proxy of the holders of shares constituting a majority of the votes entitled to vote thereat, calculated in accordance with Section 5(a) hereof, shall constitute a quorum for the purpose of transaction of business at all meetings of shareholders, except with respect to election of directors under Section 5(b) hereof.

(ii) For the purpose of electing directors under Section 5(b) hereof, (A) the presence in person, by teleconference or by proxy of the holders of a majority of the shares of Series A Preferred Stock entitled to vote thereat shall constitute a quorum for the purpose of electing that number of directors of the Board of Directors which such shareholders are entitled to elect pursuant to Section 5(b) hereof; and (B) the presence in person or by proxy of the holders of a majority of the shares of Common Stock entitled to vote thereat shall constitute a quorum for the purpose of electing that number of directors of the Board of Directors which such shareholders are entitled to elect pursuant to Section 5(b) hereof.

(d) Calling Meetings. Any party owning twenty percent (20%) or more of the Series A Preferred Stock can call a special meeting of the stockholders of the Corporation.

Section 6

Dividend Rights

Each holder of shares of Series A Preferred Stock, and each person to whom Accrued Dividend Shares (as hereinafter defined) are accrued and payable but remain unpaid, shall be entitled to receive, for each share of Series A Preferred Stock registered in his, her or its name on the stock transfer books of the Corporation, and for each Accrued Dividend Share, annual dividends at a rate equal to one dollar and eighty cents ($1.80) per annum for each share of Series A Preferred Stock outstanding and for each Accrued Dividend Share (the "Dividend Rate"). The dividends payable on each share of the Series A Preferred Stock shall be paid in that number of fully-paid and non-assessable shares of Series A Preferred Stock determined by dividing (x) Dividend Rate by (y) the Closing Price (as hereinafter defined) on the date such dividend is payable ("Dividend Number") and multiplying the Dividend Number by (i) the Conversion Price then in effect, divided by (ii) Twenty (20) (shares of Series A Preferred Stock issuable as dividends that are, whether or not declared, payable (as provided below) but remain unpaid are called "Accrued Dividend Shares"). The Corporation warrants that all Series A Preferred Stock issued in such manner will be duly authorized and issued and fully paid and non-assessable upon issue by the Corporation and free from original issue taxes. Dividends on Series A Preferred Stock and on the Accrued Dividend Shares shall accrue on each share beginning on the date of issuance or on the date such dividends become payable (in the case of the Accrued Dividend Shares), shall be payable each May 1 beginning May 1, 1996 for the twelve (12) months then ended or, in the case of the year in which such share is issued or accrued, the portion of the twelve (12) months then ended, and shall be cumulative; provided, however, that if, during any year, the Quarterly Market Price (as defined below) of the Common Stock exceeds $6.00 (as adjusted for stock dividends, stock distributions or subdivisions, stock combinations or consolidations, reclassifications or otherwise) then no dividend on the Series A Preferred Stock will accrue or be payable with respect to such period, and the Dividend Rate for such year shall be reduced proportionately. Any payment made by the Corporation on the unpaid cumulative dividends, if less than the total amount of such dividends, shall be applied first to those dividends which have been accrued and unpaid for the longest time. In the event that the Corporation has $5,000,000 or more of retained earnings or (i) has $5,000,000 or more of cash and cash equivalents and (ii) has total assets minus total liabilities minus stated capital (which does not include additional paid-in-capital greater than $12,000,000, as of the end of the first year ended immediately prior to any date on which a dividend is payable, the Corporation may pay such dividend in cash, provided such payment is made within thirty (30) days of such payment date.

Upon the failure by the Corporation to make any payment required by Sections 4 or 6 of this Certificate of Establishment, unless such failure, if curable, is cured within a period of sixty (60) days, the Dividend Rate shall be increased to three dollars thirty cents ($3.30) per annum for each share of Series A Preferred Stock outstanding and for each Accrued Dividend Share accrued and payable, whether or not declared.

For the purpose of any computation pursuant to this Section 6, the "Quarterly Market Price" of one share of Common Stock shall be deemed to be the lowest of the daily closing prices for all trading days in a ninety (90) consecutive day period (as adjusted for any stock dividend, split, combination or reclassification subsequent to May 17, 1995 and that took effect during such ninety (90) day period). The closing price for each day (the "Closing Price") shall be the last reported sales price regular way or, in case no such reported sales took place on such day, the average of the last reported bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is listed or admitted to trading (of if the Common Stock is not at the time listed or admitted for trading on any such exchange, then such price as shall be equal to the average of the last reported bid and asked prices, as reported by the Nasdaq Small Capitalization market (the "Small Cap Market") or the Nasdaq National Market ("Nasdaq") on such day, or if, on any day in question, the security shall not be quoted on the Small Cap Market or the Nasdaq, then such price shall be equal to the average of the last reported by The National Quotation Bureau Incorporated or any similar reputable quotation and reporting service, if such quotation is not reported by The National Quotation Bureau Incorporated); provided, however, that if the Common Stock is not traded in such manner that the quotations referred to in this Section 6 are available for the period required hereunder, the Quarterly Market Price shall be determined in good faith by the Board of Directors of the Company or, if such determination cannot be made, by a recognized independent investment banking firm selected by the Board of Directors of the Company (or if such selection cannot be made, by a recognized independent investing banking firm selected by the American Arbitration Association in accordance with its rules).

If any cash dividends or other distributions are declared by the Board of Directors to be paid on the Common Stock as a class, then, in addition to the dividend payable pursuant to this Section 6, a dividend shall be paid at the same time to the holders of the outstanding shares of Series A Preferred Stock at a rate per share equal to the product of (x) such dividend or other distribution on each share of Common Stock and (y) the number of shares of Common Stock into which each share of Series A Preferred Stock is then convertible.

No dividend or other distribution shall be paid on or declared or set apart for payment on any shares of the Common Stock of the Corporation or any shares of any other class or series or issue of Preferred Stock as long as any dividends payable on the Series A Preferred Stock are in arrears.

The term "distribution" as used in this Section 6 and in Section 7 hereof shall mean the transfer of cash or property without consideration, whether by way of dividend or otherwise (except a dividend in shares of Common Stock or other equity security), for cash or property, including such transfer, purchase or redemption by a subsidiary of the Corporation. The time of any distribution by way of dividends shall be the date of the record date therefore, and the time of any distribution by purchase or redemption of shares shall be the date on which cash or property is transferred by the Corporation, whether or not pursuant to a contract of an earlier date; provided that where a debt security is issued in exchange for shares, the time of the distribution is the date when the Corporation acquires the shares for such exchange.

Section 7

Covenants

Without limiting the rights of the holders of the Series A Preferred Stock to vote as a class, as required by law, so long Twenty Five Thousand (25,000) or more shares of Series A Preferred Stock shall be outstanding, the Corporation shall not, without first obtaining the affirmative vote or written consent of not less than a majority of such outstanding shares of Series A Preferred Stock:

(a) amend or repeal any provision of, or add any provision to, the Corporation's Articles of Organization (including this Vote of Directors) or Bylaws in any manner which adversely affects the rights of the Series A Preferred Stock, including without limitation, Sections 2.11, 2.12, 2.14, 2.15, 2.19, and 2.21 of the Bylaws or file any resolution of the Board with the Secretary of the Commonwealth of Massachusetts containing any provisions which would effect any of the foregoing.

(b) reclassify any Common Stock into shares having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Series A Preferred Stock, or otherwise effect a capital reorganization of either the Corporation or any Significant Subsidiary (as defined in Rule 1-01(w) of Regulation S-X under the Exchange Act (a "Significant Subsidiary")) of the Corporation;

(c) apply any of its assets to the redemption, retirement, purchase or other acquisition directly or indirectly, through subsidiaries or otherwise, of any shares of Common Stock, except from employees of the Corporation upon termination of employment or pursuant to the Corporation's rights of first refusal;

(d) consolidate or merge the Corporation or any Significant Subsidiary of the Corporation into or with unless, upon consummation of such consolidation or merger, the holders of voting securities of the Corporation immediately prior to consummation of such transaction own directly or indirectly more than fifty percent (50%) of the voting power to elect directors of the consolidated or surviving or acquiring corporation, or acquire or cause any Significant Subsidiary of the Corporation to acquire the stock or all or substantially all the assets of, any other corporation, partnership or other entity such that such entity would constitute a Significant Subsidiary, or if assets acquired were to be placed in a separate subsidiary, such subsidiary would constitute a Significant Subsidiary;

(e) sell, lease, convey, encumber or otherwise dispose of all or substantially all of the property or business of the Corporation or any Significant Subsidiary of the Corporation other than liens granted to a lender in connection with the borrowing of money.

(f) create, authorize or issue, directly or indirectly, any Additional Shares of Common Stock, having any preference or priority as to dividends or assets senior to the Common Stock; or

(g) pay, set aside for payment or declare any dividend or other distribution (as defined in Section 6 hereof) on any share of Common Stock or any shares of any other class or series or issue of Preferred Stock unless all dividends accrued and payable on the Series A Preferred Stock shall have been either paid in full or funds set aside for the payment thereof and, after giving effect thereto, the Corporation has $5,000,000 or more of retained earnings or (i) has $5,000,000 or more of cash and cash equivalents and (ii) has total assets minus total liabilities minus stated capital (which does not include additional paid-in capital) greater than $12,000,000.

Section 8

Stock Dividends, Stock Distributions,
Subdivisions, Combinations and Consolidations

In the event the Corporation shall issue additional shares of Series A Preferred Stock in a stock dividend, other stock distribution or subdivision, or in the event the outstanding shares of Series A Preferred Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Series A Preferred Stock, (i) the amounts set forth in Section 2(a) hereof, (u) the Automatic Conversion price set forth in Section 3(b) hereof, the Conversion Price as calculated pursuant to Section 3(d)(viii), (iv) the Redemption Price set forth in Section 4(e) hereof, and (v) the Dividend Rate set forth in Section 6 hereof, in each case in effect immediately prior to such event shall, concurrently therewith, be proportionately decreased (in the case of a stock dividend, other stock distribution or subdivision) or increased (in the case of a combination or consolidation) in each such case to adjust equitably therefor.

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this Eighteenth day of May in the year 1995.

/s/ David A. Swann	David A. Swann,	President/xxxxxxxx
/s/ Sean Moran	Sean F. Moran,	Clerk/xxxxxxxxxxx

THE COMMONWEALTH OF MASSACHUSETTS

Certificate of Vote of Directors Establishing A Series of a Class of Stock
(General Laws, Chapter 156B, Section 26)

I hereby approve the within certificate and, the filing fee in the amount of $100 having been paid, said certificate is hereby filed this 18TH day of May, 1995.

/s/ William Francis Galvin

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION

PHOTO COPY OF CERTIFICATE TO BE SENT

To:	Lisa M. Savage, Esq.
	Goodwin, Proctor & Hoar
	53 State Street
	Boston, Massachusetts 02109
Telephone	(617) 570-1539

The Commonwealth of Massachusetts

William Francis Galvin
Secretary of the Commonwealth
ONE ASHBURTON PLACE, BOSTON, MASS. 02108

CERTIFICATE OF VOTE OF DIRECTORS ESTABLISHING A SERIES OF A CLASS OF STOCK

General Laws, Chapter 156B, Section 26

We, J. Melville Engle, President/xxxxxxxxxx, and Sean F. Moran, Clerk/xxxxxxxxxxx of

Anika Research, Inc.
(Name of Corporation)

located at 236 West Cummings Park, Woburn, MA 01801

do hereby certify that at a meeting of the directors of the corporation held on April 6, 1998, the following vote establishing and designating a series of a class of stock and determining the relative rights and preferences thereof was duly adopted:

(See Exhibit A)

Exhibit A

VOTE OF DIRECTORS ESTABLISHING
SERIES B JUNIOR PARTICIPATING CUMULATIVE
PREFERRED STOCK

of

ANIKA THERAPEUTICS, INC.

Pursuant to Section 26 of Chapter 156B of the General Laws of The Commonwealth of Massachusetts:

VOTED, that pursuant to authority conferred upon and vested in the Board of Directors by the Restated Articles of Organization, as amended (the "Articles"), of Anika Therapeutics, Inc. (the "Corporation"), the Board of Directors hereby establishes and designates a series of Preferred Stock of the Corporation, and hereby fixes and determines the relative rights and preferences of the shares of such series, in addition to those set forth in the Articles, as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series B Junior Participating Cumulative Preferred Stock" (the "Series B Preferred Stock"), and the number of shares constituting such series shall be 150,000.

Section 2. Dividends and Distributions.

(A) (i) Subject to the rights of the holders of any shares of any series of preferred stock (or any similar stock) ranking prior and superior to the Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock, in preference to the holders of shares of common stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provisions for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of common stock or a subdivision of the outstanding shares of common stock (by reclassification or otherwise), declared on the common stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. The multiple of cash and non-cash dividends declared on the common stock to which holders of the Series B Preferred Stock are entitled, which shall be 1000 initially but which shall be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Dividend Multiple." In the event the Corporation shall at any time after April 6, 1998 (the "Rights Declaration Date") (i) declare or pay any dividend on common stock payable in shares of common stockor (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the Dividend Multiple thereafter applicable to the determination of the amount of dividends which holders of shares of Series B Preferred Stock shall be entitled to receive shall be the Dividend Multiple applicable immediately prior to such event multiplied by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

(ii) Notwithstanding anything else contained in this paragraph (A), the Corporation shall, out of funds legally available for that purpose, declare a dividend or distribution on the Series B Preferred Stock as provided in this paragraph (A) immediately after it declares a dividend or distribution on the common stock (other than a dividend payable in shares of common stock); provided that, in the event no dividend or distribution shall have been declared on the common stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(B) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series B Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix in accordance with applicable law a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than such number of days prior to the date fixed for the payment thereof as may be allowed by applicable law.

Section 3. Voting Rights. In addition to any other voting rights required by law, the holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. The number of votes which a holder of a share of Series B Preferred Stock is entitled to cast, which shall initially be 1000 but which may be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Vote Multiple." In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the Vote Multiple thereafter applicable to the determination of the number of votes per share to which holders of shares of Series B Preferred Stock shall be entitled shall be the Vote Multiple immediately prior to such event multiplied by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series B Preferred Stock and the holders of shares of common stock and the holders of shares of any other capital stock of this Corporation having general voting rights, shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as otherwise required by applicable law or as set forth herein, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of common stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever dividends or distributions payable on the Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any share of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a party (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) except as permitted in subsection 4(A)(iv) below, redeem, purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of any stock ranking on a party (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under subsection (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made (x) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (1) $1000.00 per share or (2) an aggregate amount per share, subject to provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount to be distributed per share to holders of common stock, or (y) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the aggregate amount per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause (x) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

Neither the consolidation of nor merging of the Corporation with or into any other corporation or corporations, nor the sale or other transfer of all or substantially all of the assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of common stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series B Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of common stock is changed or exchanged, plus accrued and unpaid dividends, if any, payable with respect to the Series B Preferred Stock, In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

Section 8. Redemption. The shares of Series B Preferred Stock shall not be redeemable.

Section 9. Ranking. Unless otherwise expressly provided in the Articles or a Certificate of Vote of Directors Establishing a Class of Stock relating to any other series of preferred stock of the Corporation, the Series B Preferred Stock shall rank junior to every other series of the Corporation's preferred stock previously or hereafter authorized, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up and shall rank senior to the common stock.

Section 10. Amendment. The Articles and this Certificate of Vote of Directors Establishing a Class of Stock shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely (within the meaning of Section 77 of Chapter 156B of the Massachusetts General Laws) without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series B Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series B Preferred Stock may be issued in whole shares or in any fraction of a share that is one one-thousandth (1/1000th) of a share or any integral multiple of such fraction, which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series B Preferred Stock. In lieu of fractional shares, the Corporation may elect to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandth (1/1000th) of a share or any integral multiple thereof.

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this 6th day of April in the year 1998.

/s/ J. Melville Engle	J. Melville Engle,	President/xxxxxxxx
/s/ Sean Moran	Sean F. Moran,	Clerk/xxxxxxxxxxx

THE COMMONWEALTH OF MASSACHUSETTS

Certificate of Vote of Directors Establishing A Series of a Class of Stock

(General Laws, Chapter 156B, Section 26)

I hereby approve the within certificate and, the filing fee in the amount of $100 having been paid, said certificate is hereby filed this 7th day of April, 1998.

/s/ William Francis Galvin

William Francis Galvin
Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION

PHOTO COPY OF CERTIFICATE TO BE SENT

To:

Jennifer Epstein Keravuori, Esq.
Goodwin, Procter & Hoar LLP
53 State Street
Boston, Massachusetts 02109
Telephone (617) 570-1965

EXHIBIT 10.16

November 18, 2014

BY EMAIL (BJP@KSKPA.COM)

Ms. Carol Barnett
c/o Bruce J. Parker, Esq.
Kaplan, Strangis and Kaplan, P.A.
5500 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Re: **Continued Employment and Separation Agreement**

Dear Carol:

This letter confirms your current employment status and terms and proposes an agreement between you and Anika Therapeutics, Inc. ("Anika" or the "Company") regarding the terms for the continuation of your employment and your separation from employment.

Current Employment Status and Terms

This confirms recent changes in your employment status and terms. Effective on October 29, 2014, your service as the Company's Chief Commercial Officer ceased and the Terms of your employment were no longer governed by the July 25, 2012 offer letter agreement between you and the Company (the "Offer Letter"). You nevertheless remained employed on a full-time basis with the same salary and employee benefits to and including November 7, 2014. Without a break in your employment, effective on the following business day, November 10, 2014, you transitioned to a part-time position, in which you are employed for ten hours per week at the hourly rate of $10 per hour. Your position title is Marketing Consultant. In your capacity as Marketing Consultant, you are not eligible for a bonus, you are not eligible to accrue vacation time and you are not eligible to participate in any Anika employee benefit programs (except for continuation of group medical and dental plan coverage at your own premium cost under COBRA).

The change in your employment terms did not affect the continuous nature of your employment for purposes of the Incentive Stock Option Agreements dated August 20, 2012, January 29, 2013, and January 27, 2014; the Non-Qualified Option Agreements dated August 20, 2013, January 29, 2013, and January 27, 2014; and the Restricted Stock Agreement dated January 27, 2014 (collectively the "Equity Grants"). You continue to retain all rights under the Equity Grants, except to the extent that you have exercised stock options under certain of the Equity Grants. For the avoidance of doubt, continued vesting in the Equity Grants is subject to your continued employment.

You also remain subject to continuing obligations under your July 25, 2012 Anika Therapeutics, Inc. Employee Confidentiality and Non-Competition Agreement (the "Confidentiality and Non-Competition Agreement"), including your obligations to maintain the confidentiality of Company confidential information, return Company documents and other property and, for twelve months after employment ends, refrain from certain competition and solicitation activities. Notwithstanding the foregoing, due to your part-time status, you are no longer subject to the obligation to devote full-time efforts to the Company. Accordingly, Section 6 of the Confidentiality and Non-Competition Agreement is amended by striking the following: "I will devote my full-time efforts to the Company and." The remainder of the Confidentiality and Non-Competition Agreement remains in effect.

Agreement

The remainder of this letter proposes an agreement (the "Agreement") between you and the Company. This Agreement replaces the Company's proposed letter agreements dated October 29, 2014 (the "October 29 Proposal") and November 11, 2014. The purpose of this Agreement is to establish an amicable arrangement to continue your employment for a limited period and then end your employment relationship, including releasing the Company and related persons or entities from any claims and permitting you to receive separation pay and related benefits.

You acknowledge that you are entering into this Agreement knowingly and voluntarily. It is customary in employment separation agreements for the departing employee to release the employer from any possible claims, even if the employer believes, as is the case here, that no such claims exist. By proposing and entering into this Agreement, the Company is not admitting in any way that it violated any legal obligation that it owed to you.

With those understandings, you and the Company agree as follows:

1. Employment as a Marketing Consultant

(a) Compensation and Responsibilities

As set forth above, in your new role as a Marketing Consultant, you will continue to be paid at the rate of $10 per hour, you shall not be eligible for a bonus, you shall not accrue vacation time, and you shall not participate in any Anika employee benefit programs (except for the Anika Therapeutics Inc. 401(k) Plan (the "Section 401(k) Plan") and continuation of group medical and dental plan coverage at your own premium cost under COBRA). You shall retain your rights as an employee under the Equity Grants for so long as your employment continues, including vesting of the Equity Grants. Except as otherwise agreed by you and the Company in writing (which may include, without limitation, an exchange of emails with the Company's President

and CEO), you shall work for no more than ten (10) hours per week as the Company reasonably requests. You shall use your best efforts to perform your employment responsibilities as a Marketing Consultant. Except as otherwise agreed by you and the Company in writing, you shall perform all services as a Marketing Consultant from your home or other location outside of the Company's offices. The Vice President of Commercial Operations or a designee he appoints may assign responsibilities to you, including marketing assistance. We recognize that you do not have access to the Company's computer system and this will impose limitations on your access to information and communications. If at any time you have completed all assignments and no further responsibilities are assigned to you, you will be expected to make diligent efforts to contact the Vice President of Commercial Operations or any designee to obtain assignments within the scope of your duties as a Marketing Consultant. In your role as a Marketing Consultant, except as may otherwise be agreed in writing by you and the Company, you shall have no authority to make any commitments for the Company or incur business expenses for reimbursement by the Company.

(b) Termination of Employment

Your employment as a Marketing Consultant shall continue until January 29, 2015, when your employment with Anika shall end. Notwithstanding the foregoing, Anika reserves the right to terminate your employment before January 29, 2015 for Cause. For purposes of this Agreement, "Cause" means any of the following:

(i) your failure to use your best efforts to perform your employment responsibilities;

(ii) your breach of any of the terms of this Agreement; or

(iii) your breach of any of the terms of the Confidentiality and Non-Competition Agreement, as amended by this Agreement.

The last day of your employment is referred to below as the "Termination Date." In accordance with the terms of your Equity Grants, you will have three months after the Termination Date to exercise any vested options unless your termination of employment is due to "Cause" as defined in the Equity Grants in which case exercisability ends on your termination of employment. For the avoidance of doubt, options may vest on the Termination Date if the vesting date is the same as the Termination Date. In the case of death or disability, exercisability ends twelve months from the termination due to death or disabilty. You understand and acknowledge that your right to sell shares of the Company's common stock during your employment with the Company may be affected by the Company's Procedures and Guidelines Governing Securities Trades by Insiders. The Company further agrees that it shall not take any action to delay the "Performance Measurement Date" as defined in your Performance Incentive Stock Option dated January 27, 2014 for the purpose of avoiding vesting of any portion of such stock option.

(c) Compensation for Full-Time Employment

You acknowledge that you have received all salary and vacation pay due to you in connection with your full-time employment. You also acknowledge that you are not eligible for a bonus in connection with your full-time employment or your employment as a Marketing Consultant.

(d) No Other Roles

You acknowledge that you have resigned as a director of Anika Therapeutics S.r.l. You further acknowledge that you no longer serve as an officer of Anika nor as a director or officer of any subsidiary or other affiliate of Anika.

2. Return of Property

No later than the Termination Date (and earlier if so required), you shall return to the Company all Company property, including, without limitation, computer equipment, software, keys and access cards, credit cards, files and any other documents (including computerized data and any copies made of any computerized data or software) containing information concerning the Company, its business or its business relationships (in the latter two cases, actual or prospective). In the event that you subsequently discover that you continue to retain any such property after the Termination Date, you agree that you will return such property to the Company immediately.

3. Confidentiality and Non-Competition Agreement

You acknowledge that you are bound by the terms and conditions of the Confidentiality and Non-Competition Agreement and that nothing in this Agreement shall be construed to supersede its terms and conditions, except to the extent that Section 6 of the Confidentiality and Non-Competition Agreement is amended as set forth above.

4. Release of Claims

In consideration for, among other terms, the Company's agreement to enable you to continue employment in accordance with the terms of Section 1, you voluntarily release and forever discharge the Company, its affiliated and related entities, its and their respective predecessors, successors and assigns, its and their respective employee benefit plans and fiduciaries of such plans, and the current and former officers, directors, shareholders, employees, attorneys, accountants and agents of each of the foregoing in their official and personal capacities (collectively referred to as the "Releasees") generally from all claims, demands, debts, damages and liabilities of every name and nature, known or unknown ("Claims") that, as of the date when you sign this Agreement, you have, ever had, now claim to have or ever claimed to have had against any or all of the Releasees. This release includes, without limitation, all Claims:

- relating to your employment by and the agreement that your employment with the Company shall terminate in accordance with this Agreement;
- of wrongful discharge;
- of breach of contract (including, but not limited to the Offer Letter);
- of retaliation or discrimination under federal, state or local law (including, without limitation, Claims of age discrimination or retaliation under the Age Discrimination in Employment Act, Claims of disability discrimination or retaliation under the Americans with Disabilities Act, and Claims of discrimination or retaliation under Title VII of the Civil Rights Act of 1964);
- under any other federal or state statute (including, without limitation, Claims under the Family and Medical Leave Act);
- of defamation or other torts;
- of violation of public policy;
- for wages, bonuses, incentive compensation, stock options, vacation pay or any other compensation or benefits, either under the Massachusetts Wage Act, M.G.L. c. 149, §§148-150C, or otherwise; and
- for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees;

provided, however, that this release shall not affect your rights, if any, under the Company's Section 401(k) Plan, the Equity Grants and this Agreement or any rights to indemnification that you have for service in your capacity as an officer and employee of the Company and its affiliates under the Company's articles and by-laws and applicable law.

For the avoidance of doubt, you acknowledge that if the future termination of your employment occurs in accordance with this Agreement, such termination shall not give rise to any Claims.

You agree that you shall not seek or accept damages of any nature, other equitable or legal remedies for your own benefit, attorney's fees, or costs from any of the Releasees with respect to any Claim. As a material inducement to the Company to enter into this Agreement, you represent that you have not assigned to any third party and you have not filed with any agency or court any Claim released by this Agreement.

5. Confidentiality

You agree to keep the existence and terms of this Agreement ("Agreement-Related Information") in the strictest confidence and not reveal, unless legally compelled to do so, any Agreement-Related Information to any persons except members of your immediate family, your attorney and your financial advisors, and to them only provided that they first agree for the benefit of the Company to keep Agreement-Related Information confidential. Any violation of this provision will be deemed a material breach of this Agreement. Nothing in this Section shall be construed to prevent you from disclosing Agreement-Related Information to the extent required by a lawfully issued subpoena or duly issued court order; *provided* that you provide the Company with advance written notice and a reasonable opportunity to contest such subpoena or court order. Notwithstanding the foregoing, you shall not be required to maintain the confidentiality of any Agreement-Related Information that the Company publicly discloses. The foregoing does not prevent you from informing interested parties that you are no longer the Chief Commercial Officer of the Company but you will remain employed by the Company through the end of January to transition your duties or similar statements.

6. Nondisparagement

You agree not to make any disparaging statements concerning the Company or any of its affiliates or current or former officers, directors, shareholders, employees or agents. You further agree not to take any actions or conduct yourself in any way that would reasonably be expected to affect adversely the reputation or goodwill of the Company or any of its affiliates or any of its current or former officers, directors, shareholders, employees or agents. These nondisparagement obligations shall not in any way affect your obligation to testify truthfully in any legal proceeding. The Company shall direct its officers and directors not to make any disparaging statements concerning you.

7. References

You agree to direct any potential employers seeking reference information about you to contact Steven Cyr, the Company's Vice President for Human Resources, or his designee. Consistent with the Company's Reference Policy, if contacted, Mr. Cyr will respond to a reference inquiry solely by confirming title and dates of employment.

8. Future Cooperation

You agree that during the remainder of your employment and for thirty-six (36) months after the Termination Date, you shall cooperate reasonably with the Company and any affiliates (including its and their outside counsel) in connection with (i) the contemplation, prosecution and defense of all phases of existing, past and future litigation about which the Company believes you may have knowledge or information; and (ii) responding to requests for information from regulatory agencies or other governmental authorities (together "Cooperation Services"). You further agree to make yourself reasonably available to provide Cooperation Services at mutually convenient times during and outside of regular business hours as reasonably deemed necessary by the Company's counsel; *provided* that you shall not be required to provide Cooperation Services at any time that would unreasonably interfere with your search for new employment, your new employment or your trustee duties for Carleton College. The Company shall not utilize this section to require you to make yourself available to an extent that would unreasonably interfere with full-time employment responsibilities that you may have. Cooperation Services include, without limitation, appearing without the necessity of a subpoena to testify truthfully in any legal proceedings in which the Company or an affiliate calls you as a witness. The Company shall reimburse you for any reasonable travel expenses that you incur due to your performance of Cooperation Services, after receipt of appropriate documentation consistent with the Company's business expense reimbursement policy and compensate you for your Cooperation Services (including travel time) at the rate of $165 per hour, except that no compensation shall be provided for time spent testifying as a witness or for any related waiting time but you will be compensated for any time spent preparing for such testimony and any time you are required to travel to appear as a witness or prepare for such testimony, and the Company shall not be obligated to compensate you at the above rate for any services performed during your employment as part of your employment responsibilities pursuant to Section 1(a). This Section 8 shall not be construed to limit the Company's rights under Section 20 ("Litigation and Regulatory Cooperation") of the Confidentiality and Non-Competition Agreement.

9. Legal Representation

This Agreement is a legally binding document and your signature will commit you to its terms. You acknowledge that you have been advised to discuss all aspects of this Agreement with an attorney, that you have carefully read and fully understand all of the provisions of this Agreement and that you are voluntarily entering into this Agreement.

10. Absence of Reliance

In signing this Agreement, you are not relying upon any promises or representations made by anyone at or on behalf of the Company.

11. Enforcement

(a) Jurisdiction. You and the Company hereby agree that the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts shall have the exclusive jurisdiction to consider any matters related to your employment with the Company or this Agreement, including without limitation any claim for violation of this Agreement. With respect to any such court action, you (i) submit to the jurisdiction of such courts, (ii) consent to service of process, and (iii) waive any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction or venue.

(b) Relief. You agree that it would be difficult to measure any harm caused to the Company that might result from any breach by you of your promises set forth in Sections 1-8 of this Agreement and that in any event money damages would be an inadequate remedy for any such breach. Accordingly, you agree that if you breach, or propose to breach, any portion of your obligations under Sections 1-8 of this Agreement, the Company shall be entitled, in addition to all other remedies it may have, to an injunction or other appropriate equitable relief to restrain any such breach, without showing or proving any actual damage to the Company and without the necessity of posting a bond.

12. Governing Law; Interpretation

This Agreement shall be interpreted and enforced under the laws of the Commonwealth of Massachusetts, without regard to conflict of law principles. In the event of any dispute, this Agreement is intended by the parties to be construed as a whole, to be interpreted in accordance with its fair meaning, and not to be construed strictly for or against either you or the Company or the "drafter" of all or any portion of this Agreement.

13. Entire Agreement

This Agreement constitutes the entire agreement between you and the Company with respect to your termination from employment. This Agreement supersedes any previous agreements or understandings between you and the Company including without limitation the Offer Letter; *provided* that this Agreement does not supersede the Confidentiality and Non-Competition Agreement (as amended herein) or the Change in Control Agreement between you and the Company dated August 20, 2012.

14. Time for Consideration; Effective Date

You were given the opportunity to consider the October 29 Proposal for twenty-one (21) days before signing it, *i.e.*, until November 19, 2014. You proposed material modifications to the October 29 Proposal. The Company proposed this Agreement in response. You acknowledge that such modifications do not restart the twenty-one (21) day consideration period, and therefore you agree that the deadline for acceptance of this Agreement is November 19, 2014. To accept this Agreement, you must return a signed original or PDF copy of this Agreement so that it is received by Robert Hale (rhale@goodwinprocter.com), the Company's attorney in this matter, on or before November 19, 2014. If you sign this Agreement before November 19, 2014, you acknowledge by signing this Agreement that such decision was entirely voluntary and that you had the opportunity to consider this Agreement to and including November 19, 2014. For the period of seven (7) days from the date when this Agreement becomes fully executed, you have the right to revoke this Agreement by written notice to Mr. Hale. For such a revocation to be effective, it must be delivered so that it is received by Mr. Hale at or before the expiration of the seven (7) day revocation period. This Agreement shall not become effective or enforceable during the revocation period. This Agreement shall become effective on the first business day following the expiration of the revocation period (the "Effective Date").

Please indicate your agreement to the terms of this Agreement by signing and returning to Mr. Hale the original or PDF copy of this letter within the time period set forth above.

Very truly yours,

ANIKA THERAPEUTICS, INC.

By: /s/ Steven Cyr for Charles H. Sherwood — November 18, 2014
Charles H. Sherwood, Ph.D. — Date
Chief Executive Officer

I agree to the terms of this Agreement and to abide by its terms in exchange for the continuation of my employment on the terms set forth above:

/s/ Carol Barnett — November 18, 2014
Carol Barnett — Date

Exhibit 10.17

October 28, 2014

John W. Sheets Jr., Ph.D.
136 Hartwell Rd.
Carlisle, MA 01741

Re: **Separation Agreement**

Dear John:

This letter confirms the decision we have made to terminate your employment with Anika Therapeutics, Inc. ("Anika" or the "Company") effective November 7, 2014. This letter also proposes an agreement between you and Anika.

Entitlements and Obligations

Regardless of whether you enter into an agreement with the Company, the Company shall:

- pay you salary that accrues to you through the date of termination of your employment;
- pay you for all accrued but unused vacation time due to you through the date of termination of your employment;
- provide you with the right to continue group medical and dental care coverage after the termination of your employment under the law known as "COBRA," which will be described in a separate written notice; and
- reimburse you for any outstanding, reasonable business expenses that you have incurred on the Company's behalf through the termination of your employment, after the Company's timely receipt of appropriate documentation pursuant to the Company's business expense reimbursement policy.

You shall also have the right to exercise any and all vested options that you hold to purchase common stock of the Company and to retain vested restricted stock pursuant to and subject to the terms as set forth in the Incentive Stock Option Agreements dated October 2, 2013 and January 27, 2014; the Non-Qualified Option Agreements dated October 2, 2013 and January 27, 2014; and the Restricted Stock Agreement dated October 2, 2013 (collectively the "Equity Grants"). Consistent with the terms of the Equity Grants, you will not vest further in any Equity Grants beyond the last day of your employment.

For your part, you are subject to continuing obligations under your Anika Therapeutics, Inc. Non-Disclosure and Non-Competition Agreement (the "Non-Disclosure and Non-Competition Agreement"), including your obligations to maintain the confidentiality of Company confidential information, return Company documents and other property and, for twelve months after employment ends, refrain from certain competitive activities.

Agreement

The remainder of this letter proposes an agreement (the "Agreement") between you and the Company. The purpose of this Agreement is to establish an amicable arrangement for ending your employment relationship, including releasing the Company and related persons or entities from any claims and permitting you to receive separation pay and related benefits.

You acknowledge that you are entering into this Agreement knowingly and voluntarily. It is customary in employment separation agreements for the departing employee to release the employer from any possible claims, even if the employer believes, as is the case here, that no such claims exist. By proposing and entering into this Agreement, the Company is not admitting in any way that it violated any legal obligation that it owed to you.

With those understandings, you and the Company agree as follows:

1. Transition Assistance Period

From now (October 28) through November 7, 2014, you will continue to be employed by the Company on a full-time basis. Effective November 7, 2014, you and the Company agree that your employment will terminate (the "Termination Date"). The period from now through the Termination Date will be the "Transition Assistance Period."

2. Transition Pay

During the Transition Assistance Period, the Company will continue to pay you your base salary at a rate of $13,076.93 per bi-weekly pay period, less applicable withholdings and deductions, and will continue your employee benefits as a full-time employee. On November 7, 2014, the Company will pay to you the balance of any accrued but unused vacation as of that date. You acknowledge that the Company has paid you for all salary then due to you for the payroll dates preceding the date of this letter and that as of the date of this letter, you have an accrued and unused balance of 80.20 hours of vacation time. For your part, you will continue during the Transition Assistance Period to perform your duties in a professional and competent manner and you will continue to comply with all applicable Company policies and practices and to comply with all directives that you receive. You agree that during the Transition Assistance Period you will provide transitional assistance as required of you by the Company's Chief Executive Officer and your replacement. You agree that you will perform services for the Company either from the Company's offices or from your personal residence, as determined by the Company.

3. Severance Pay

(a) Severance Pay Period. The Company shall pay you severance pay ("Severance Pay") consisting of salary continuation at your final base salary rate for the twelve (12) month period immediately following the Termination Date (the "Severance Pay Period").

(b) Timing and Form of Severance Pay. The Company shall pay you Severance Pay on its regular payroll dates; *provided* that the Company shall not be obligated to include you on the payroll before this Agreement becomes effective. If the Company does not make one or more payments of Severance Pay on a regular payroll date because this Agreement has not yet become effective, the Company shall make all such delayed payments by the first payroll date when it is practicable to do so after the Agreement becomes effective. Payments of Severance Pay shall be subject to tax-related deductions and withdrawals.

(c) Obligations During Severance Pay Period. As a condition to your receipt of Severance Pay, you shall provide up to total of forty (40) hours of transitional assistance to the Company during the Severance Pay Period when reasonably requested by the Company; *provided* that you shall not be required to provide such assistance at any times that would unreasonably interfere with your search for new employment. You shall not be required to travel to the Company's offices or other locations to provide such transitional assistance.

(d) No Other Payments. You will not be entitled to any bonus payments or other compensation, except for compensation pursuant to this Agreement.

4. Employee Benefits

As set forth above, you shall have the right to continue medical and dental plan coverage under and subject to COBRA. For the avoidance of doubt, you shall be responsible for payment of the entire premium and any other amounts necessary to maintain COBRA coverage. You understand that your participation in all other employee benefit plans will end due to the termination of your employment in accordance with the terms of those plans.

5. Return of Property

You confirm that you have returned to the Company all Company property, including, without limitation, computer equipment, software, keys and access cards, credit cards, files and any other documents (including computerized data and any copies made of any computerized data or software) containing information concerning the Company, its business or its business relationships (in the latter two cases, actual or prospective), or, if you signed this Agreement before the Termination Date, you confirm that you shall return all such property no later than the Termination Date. In the event that you subsequently discover that you continue to retain any such property, you agree that you will return such property to the Company immediately.

6. Non-Disclosure and Non-Competition Agreement

You acknowledge that you are bound by the terms and conditions of the Non-Disclosure and Non-Competition Agreement and that nothing in this Agreement shall be construed to supersede its terms and conditions.

7. Release of Claims

In consideration for, among other terms, the continued employment and payments and benefits described in Sections 1, 2 and 3, you voluntarily release and forever discharge the Company, its affiliated and related entities, its and their respective predecessors, successors and assigns, its and their respective employee benefit plans and fiduciaries of such plans, and the current and former officers, directors, shareholders, employees, attorneys, accountants and agents of each of the foregoing in their official and personal capacities (collectively referred to as the "Releasees") generally from all claims, demands, debts, damages and liabilities of every name and nature, known or unknown ("Claims") that, as of the date when you sign this Agreement, you have, ever had, now claim to have or ever claimed to have had against any or all of the Releasees. This release includes, without limitation, all Claims:

- relating to your employment by and termination of employment with the Company;
- of wrongful discharge;
- of breach of contract (including, but not limited to the Offer Letter);
- of retaliation or discrimination under federal, state or local law (including, without limitation, Claims of age discrimination or retaliation under the Age Discrimination in Employment Act, Claims of disability discrimination or retaliation under the Americans with Disabilities Act, and Claims of discrimination or retaliation under Title VII of the Civil Rights Act of 1964);
- under any other federal or state statute (including, without limitation, Claims under the Family and Medical Leave Act);
- of defamation or other torts;
- of violation of public policy;
- for wages, bonuses, incentive compensation, stock options, vacation pay or any other compensation or benefits, either under the Massachusetts Wage Act, M.G.L. c. 149, §§148-150C, or otherwise; and
- for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees;

provided, however, that this release shall not affect your rights, if any, under the Company's Section 401(k) Plan, the Equity Grants or this Agreement.

You agree that you shall not seek or accept damages of any nature, other equitable or legal remedies for your own benefit, attorney's fees, or costs from any of the Releasees with respect to any Claim. As a material inducement to the Company to enter into this Agreement, you represent that you have not assigned to any third party and you have not filed with any agency or court any Claim released by this Agreement.

8. Confidentiality

You agree to keep the existence and terms of this Agreement ("Agreement-Related Information") in the strictest confidence and not reveal, unless legally compelled to do so, any Agreement-Related Information to any persons except your spouse, your attorney and your financial advisors, and to them only provided that they first agree for the benefit of the Company to keep Agreement-Related Information confidential. Any violation of this provision will be deemed a material breach of this Agreement. Nothing in this Section shall be construed to prevent you from disclosing Agreement-Related Information to the extent required by a lawfully issued subpoena or duly issued court order; *provided* that you provide the Company with advance written notice and a reasonable opportunity to contest such subpoena or court order.

9. Nondisparagement

You agree not to make any disparaging statements concerning the Company or any of its affiliates or current or former officers, directors, shareholders, employees or agents. You further agree not to take any actions or conduct yourself in any way that would reasonably be expected to affect adversely the reputation or goodwill of the Company or any of its affiliates or any of its current or former officers, directors, shareholders, employees or agents. These nondisparagement obligations shall not in any way affect your obligation to testify truthfully in any legal proceeding.

10. References

You agree to direct any potential employers seeking reference information about you to contact Steven Cyr, the Company's Vice President for Human Resources, or his designee. Consistent with the Company's Reference Policy, if contacted, Mr. Cyr will respond to a reference inquiry solely by confirming title and dates of employment.

11. Future Cooperation

You agree that during and after the Severance Pay Period, you shall cooperate reasonably with the Company and any affiliates (including its and their outside counsel) in connection with (i) the contemplation, prosecution and defense of all phases of existing, past and future litigation about which the Company believes you may have knowledge or information; and (ii) responding to requests for information from regulatory agencies or other governmental authorities (together "Cooperation Services"). You further agree to make yourself available to provide Cooperation Services at mutually convenient times during and outside of regular business hours as reasonably deemed necessary by the Company's counsel. The Company shall not utilize this section to require you to make yourself available to an extent that would unreasonably interfere with full-time employment responsibilities that you may have. Cooperation Services include, without limitation, appearing without the necessity of a subpoena to testify truthfully in any legal proceedings in which the Company or an affiliate calls you as a witness. The Company shall reimburse you for any reasonable travel expenses that you incur due to your performance of Cooperation Services, after receipt of appropriate documentation consistent with the Company's business expense reimbursement policy.

12. Termination or Suspension of Payments

In the event that you fail to comply with any of your obligations under this Agreement or the Non-Disclosure and Non-Competition Agreement, in addition to any other legal or equitable remedies it may have for such breach the Company shall have the right to terminate your employment and your employment compensation, and either delay or not pay the Severance Pay. The termination of your employment and the delay or nonpayment of the Severance Pay, in the event of such breach by you will not affect your continuing obligations under this Agreement. Notwithstanding the foregoing, this provision shall not apply to the extent that your breach of this Agreement consists of initiating a legal action in which you contend that the release set forth in Section 7 is invalid, in whole or in part, due to the provisions of 29 U.S.C. § 626(f).

13. Legal Representation

This Agreement is a legally binding document and your signature will commit you to its terms. You acknowledge that you have been advised to discuss all aspects of this Agreement with an attorney, that you have carefully read and fully understand all of the provisions of this Agreement and that you are voluntarily entering into this Agreement.

14. Absence of Reliance

In signing this Agreement, you are not relying upon any promises or representations made by anyone at or on behalf of the Company.

15. Enforcement

(a) Jurisdiction. You and the Company hereby agree that the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts shall have the exclusive jurisdiction to consider any matters related to your employment with the Company or this Agreement, including without limitation any claim for violation of this Agreement. With respect to any such court action, you (i) submit to the jurisdiction of such courts, (ii) consent to service of process, and (iii) waive any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction or venue.

(b) Relief. You agree that it would be difficult to measure any harm caused to the Company that might result from any breach by you of your promises set forth in Sections 5-11 of this Agreement and that in any event money damages would be an inadequate remedy for any such breach. Accordingly, you agree that if you breach, or propose to breach, any portion of your obligations under Sections 5-10 of this Agreement the Company shall be entitled, in addition to all other remedies it may have, to an injunction or other appropriate equitable relief to restrain any such breach, without showing or proving any actual damage to the Company and without the necessity of posting a bond. In the event that the Company prevails in any action to enforce Sections 5-10 of this Agreement you also shall be liable to the Company for attorney's fees and costs incurred by the Company in enforcing such provision(s).

16. Governing Law; Interpretation

This Agreement shall be interpreted and enforced under the laws of the Commonwealth of Massachusetts, without regard to conflict of law principles. In the event of any dispute, this Agreement is intended by the parties to be construed as a whole, to be interpreted in accordance with its fair meaning, and not to be construed strictly for or against either you or the Company or the "drafter" of all or any portion of this Agreement.

17. Entire Agreement

This Agreement constitutes the entire agreement between you and the Company with respect to your termination from employment. This Agreement supersedes any previous agreements or understandings between you and the Company including without limitation the Offer Letter *provided* that this Agreement does not supersede the Non-Disclosure and Non-Competition Agreement attached as Exhibit A to this Agreement.

18. Time for Consideration; Effective Date

You have the opportunity to consider this Agreement for twenty-one (21) days before signing it. To accept this Agreement, you must return a signed original or PDF copy of this Agreement so that it is received by Steven Cyr, the Company's Vice President for Human Resources, at or before the expiration of this twenty-one (21) day period. If you sign this Agreement within fewer than twenty-one (21) days of the date of its delivery to you, you acknowledge by signing this Agreement that such decision was entirely voluntary and that you had the opportunity to consider this Agreement for the entire twenty-one (21) day period. For the period of seven (7) days from the date when this Agreement becomes fully executed, you have the right to revoke this Agreement by written notice to Mr. Cyr. For such a revocation to be effective, it must be delivered so that it is received by Steven Cyr, at or before the expiration of the seven (7) day revocation period. This Agreement shall not become effective or enforceable during the revocation period. This Agreement shall become effective on the first business day following the expiration of the revocation period (the "Effective Date").

Please indicate your agreement to the terms of this Agreement by signing and returning to Steven Cyr, the Company's Vice President for Human Resources, the original or PDF copy of this letter within the time period set forth above.

Very truly yours,

ANIKA THERAPEUTICS, INC.

By: /s/ Charles H. Sherwood — 30 October 2014
Charles H. Sherwood, Ph.D. — Date
Chief Executive Officer

Attachment (Exhibit A-Non-Disclosure and Non-Competition Agreement)

I agree to the terms of this Agreement and to abide by its terms in exchange for the benefits set forth above:

By: /s/ John W. Sheets Jr. — 30 October 2014
John W. Sheets Jr., Ph.D. — Date

ANIKA THERAPEUTICS, INC.
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
EMPLOYEE

I, John W. Sheets, Jr., (the "Employee"), in consideration of my employment, the continuation of my employment, and the salary and wages to be paid to me, do hereby agree with Anika Therapeutics, Inc., a Massachusetts corporation (the "Company"), as follows:

1. All documents including, but not limited to, correspondence, memoranda, plans, proposals, customer lists, marketing and sales plans, reports and drawings, formulations, designs, samples, prototypes, tools and equipment, and all other tangible and intangible materials whatsoever, that concern the Company's business and that come into my possession are the property of the Company and shall be used by me only in the performance of my duties for the Company. I will not remove from the Company's premises any such tangible items or copies thereof except as the Company permits and, upon the earlier of the termination of my employment or a request by the Company, any and all such items in my custody or possession and all copies thereof will be returned to the Company.

2. For the purposes of this agreement:

   a. "Inventions" shall include, but not be limited to, any procedures, systems, machines, methods, processes, uses, apparatuses, compositions of matter, designs, drawings, configurations, software and works of authorship of any kind, and any improvements to them which are discovered, conceived, reduced to practice, developed, made or produced, and shall not be limited by the meaning of "invention" under the laws of any country concerning patents.

   b. "Proprietary Information" means all information and know-how, whether or not in writing, of a private, secret, or confidential nature concerning the Company's business or financial affairs, including, without limitation, inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, plans, research data, clinical data, financial data, personnel data, computer programs, and customer and supplier lists.

   c. "Competing Products" means any products or processes of any person or organization other than the Company in existence or under development, which are substantially the same, may be substituted for, or applied to substantially the same end use as the products or processes with which I work during the time of my employment with the Company or about which I acquire confidential information through my work with the Company.

d. “Competing Organization” means any person or organization engaged in, or about to become engaged in, research or development, production, distribution, marketing, or selling of a Competing Product.

3. I agree that all Proprietary Information is and shall be the exclusive property of the Company. I will regard and preserve as confidential all Proprietary Information which may be obtained by me. I will not, at any time, without express written authority from the Company, use for any unauthorized purposes, or disclose to others, either during my employment or thereafter, except as required by my employment with the Company, any Proprietary Information, unless and until such Proprietary Information has become public knowledge without fault by me.

4. I agree that my obligation not to disclose or to use information, know-how, and records of the types set forth in paragraphs 1 and 3 above, and my obligation to return records and tangible property, set forth in paragraph 1 above, also extends to such types of information, know-how, records, and tangible property of customers of the Company or suppliers to the Company or other third parties who may have disclosed or entrusted the same to the Company or to me in the course of the Company’s business.

5. All Inventions, whether patentable or not, which are related to the present or planned business of the Company conceived or reduced to practice by me, either alone or with others, during the period of my employment with the Company or during a period of ninety (90) days after termination of such employment, whether or not done during my regular working hours, are the exclusive property of the Company.

6. I will disclose promptly, in writing, to the Company all such Inventions, whether patentable or not, and I agree to assign and do hereby assign to the Company or its nominee my entire right, title, and interest in and to such Inventions. Except to the extent that I may be authorized by the Company, I will not disclose any such Inventions to others without the prior written consent of the Company.

7. I will, at any time during or after my employment on request of the Company, execute specific assignments in favor of the Company or its nominee of my interest in any such Inventions, as well as execute all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, render all assistance, and perform all lawful acts the Company considers necessary or advisable for the protection of its rights and interests in any Invention.

8. I have disclosed to the Company on the attached Schedule A any continuing obligations I have with respect to the assignment of Inventions to any previous employers, and I claim no previous unpatented Inventions as my own, except as shown on a schedule attached hereto and signed by me (if none, so state). I further represent that, except as I have disclosed in writing to the Company or Schedule A hereto, I am not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of my employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party. I further represent that my performance of all the terms of this agreement and as an Employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge, or data acquired by me in confidence or in trust prior to my employment with the Company, and I will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

9. I understand that information regarding the Company and its affiliates including, without limitation, Proprietary Information, is considered confidential to the Company and is of substantial commercial value to the Company. Any entrusting of such confidential information to me by the Company is done so in reliance upon the confidential relationship arising from the terms of my employment with the Company. Therefore, in consideration of my employment with the Company, I agree that I will not render services of any nature, directly or indirectly, to any Competing Organization in connection with any Competing Product within such geographic territory as the Company and such Competing Organization are or would be in actual competition, for a period of one year, commencing on the date of termination of my employment. I understand that services rendered to such Competing Organization may have the effect of supporting actual competition in various geographic areas, and may be prohibited by this agreement regardless of the geographic area in which such services are physically rendered. The Company may, in its sole discretion, elect to waive, in whole or in part, the obligation set forth in the previous sentence, such waiver to be effective only if given in writing by the Company.

10. I understand that the misappropriation of Proprietary Information may be theft as defined by law punishable by a fine or imprisonment or both and could make me liable for damages or subject to an injunction in a civil lawsuit.

11. The provisions of this agreement shall be severable and in the event that any provision hereof shall be found by any court to be unenforceable, in whole or in part, the remainder of this agreement shall nevertheless be enforceable and binding on the parties.

12. I understand that this agreement does not constitute a contract of employment and does not imply that my employment will continue for any period of time.

13. This agreement will be binding upon my heirs, executors, and administrators and will inure to the benefit of the Company and its successors and assigns.

14. No delay or omission by the Company in exercising any right under this agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

15. I expressly consent to be bound by the provisions of this agreement for the benefit of the Company or any subsidiary or affiliate thereof to whose employ I may be transferred without the necessity that this agreement be re-signed at the time of such transfer.

16. I understand and agree that this agreement shall be interpreted under and governed by the laws of the Commonwealth of Massachusetts.

17. The foregoing sets forth the entire agreement between the parties and the signatories acknowledge that no representations, written or oral, have been made in addition to, or in derogation of, the terms hereof.

/s/ John W. Sheets, Jr.
John W. Sheets, Jr.

ACCEPTED BY:
Anika Therapeutics, Inc.
At Bedford, Massachusetts
This 09 day of October, 2013

FOR ANIKA THERAPEUTICS, INC.

/s/ Kerry McCormack for William Mrachek
Human Resources

Schedule A

EXHIBIT 21.1

SUBSIDIARIES OF ANIKA THERAPEUTICS, INC.

Name of Subsidiary	Jurisdiction of Formation
Anika Securities Corp.	Massachusetts
Anika Therapeutics S.r.l. (Formerly: Fidia Advanced Biopolymers S.r.l.)	Italy

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-06275, 333-66831, 333-79047, 333-58264, 333-110326, 333-160102, 333-176103 and 333-190597) of Anika Therapeutics, Inc. of our report dated March 13, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
March 13, 2015

EXHIBIT 31.1

CERTIFICATION

I, Charles H. Sherwood, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2014 of Anika Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2015

/s/ CHARLES H. SHERWOOD

Charles H. Sherwood, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Sylvia Cheung, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2014 of Anika Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2015

/s/ SYLVIA CHEUNG

Sylvia Cheung
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Anika Therapeutics, Inc., a Massachusetts corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2014 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2015

/s/ CHARLES H. SHERWOOD

Charles H. Sherwood, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ SYLVIA CHEUNG

Sylvia Cheung
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.