

ALIMERA SCIENCES INC  
 Form 3  
 October 11, 2012

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

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**INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
 Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 PALO ALTO  
 HEALTHCARE MASTER  
 FUND, L.P.

2. Date of Event Requiring Statement  
 (Month/Day/Year)  
 10/01/2012

3. Issuer Name and Ticker or Trading Symbol  
 ALIMERA SCIENCES INC [ALIM]

(Last) (First) (Middle)

4. Relationship of Reporting Person(s) to Issuer

5. If Amendment, Date Original Filed(Month/Day/Year)

470 UNIVERSITY AVENUE

(Check all applicable)

6. Individual or Joint/Group

(Street)

Director  10% Owner  
 Officer  Other  
 (give title below) (specify below)

Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

PALO ALTO, CA 94301

(City) (State) (Zip)

**Table I - Non-Derivative Securities Beneficially Owned**

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	1,216,563 <sup>(1)</sup>	D	^
Common Stock	1,668,230 <sup>(2)</sup>	D	^
Common Stock	1,187,244 <sup>(3)</sup>	I	See footnote <sup>(3)</sup>
Common Stock	1,331,081 <sup>(4)</sup>	I	See footnote <sup>(4)</sup>
Common Stock	3,634,984 <sup>(5)</sup> <sup>(6)</sup> <sup>(7)</sup> <sup>(8)</sup>	I	See footnotes <sup>(5)</sup> <sup>(6)</sup> <sup>(7)</sup> <sup>(8)</sup>

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			
Series A Convertible Preferred Stock	10/01/2012	∞ <sup>(13)</sup>	Common Stock	2,926,582 <sup>(1)</sup>	\$ 3.16 <sup>(9)</sup> <sub>(10)</sub>	D	∞
Warrant (right to buy) <sup>(14)</sup>	10/01/2012	10/02/2017	Series A Convertible Preferred Stock <sup>(11)</sup> <sub>(12)</sub>	69,360 <sup>(1)</sup>	\$ 44 <sup>(11)</sup> <sub>(12)</sub>	D	∞
Series A Convertible Preferred Stock	10/01/2012	∞ <sup>(13)</sup>	Common Stock	4,396,202 <sup>(2)</sup>	\$ 3.16 <sup>(9)</sup> <sub>(10)</sub>	D	∞
Warrant (right to buy) <sup>(14)</sup>	10/01/2012	10/02/2017	Series A Convertible Preferred Stock <sup>(11)</sup> <sub>(12)</sub>	104,190 <sup>(2)</sup>	\$ 44 <sup>(11)</sup> <sub>(12)</sub>	D	∞
Series A Convertible Preferred Stock	10/01/2012	∞ <sup>(13)</sup>	Common Stock	4,397,999 <sup>(3)</sup>	\$ 3.16 <sup>(9)</sup> <sub>(10)</sub>	I	See footnote <sup>(3)</sup>
Warrant (right to buy) <sup>(14)</sup>	10/01/2012	10/02/2017	Series A Convertible Preferred Stock <sup>(11)</sup> <sub>(12)</sub>	60,752 <sup>(3)</sup>	\$ 44 <sup>(11)</sup> <sub>(12)</sub>	I	See footnote <sup>(3)</sup>
Series A Convertible Preferred Stock	10/01/2012	∞ <sup>(13)</sup>	Common Stock	5,891,129 <sup>(4)</sup>	\$ 3.16 <sup>(9)</sup> <sub>(10)</sub>	I	See footnote <sup>(3)</sup>
Warrant (right to buy) <sup>(14)</sup>	10/01/2012	10/02/2017	Series A Convertible Preferred Stock <sup>(11)</sup> <sub>(12)</sub>	83,133 <sup>(4)</sup>	\$ 44 <sup>(11)</sup> <sub>(12)</sub>	I	See footnote <sup>(3)</sup>
Series A Convertible Preferred Stock	10/01/2012	∞ <sup>(13)</sup>	Common Stock	7,594,935 <sup>(5) (6) (7) (8)</sup>	\$ 3.16 <sup>(9)</sup> <sub>(10)</sub>	I	See footnotes <sup>(5)</sup> <sub>(6) (7) (8)</sub>
Warrant (right to buy) <sup>(14)</sup>	10/01/2012	10/02/2017	Series A Convertible Preferred Stock <sup>(11)</sup> <sub>(12)</sub>	180,000 <sup>(5)</sup> <sub>(6) (7) (8)</sub>	\$ 44 <sup>(11)</sup> <sub>(12)</sub>	I	See footnotes <sup>(5)</sup> <sub>(6) (7) (8)</sub>

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PALO ALTO HEALTHCARE MASTER FUND, L.P. 470 UNIVERSITY AVENUE PALO ALTO, CA 94301	^	^ X	^	^
PALO ALTO HEALTHCARE FUND, L.P. 470 UNIVERSITY AVENUE PALO ALTO, CA 94301	^	^ X	^	^
PALO ALTO HEALTHCARE FUND II L P 470 UNIVERSITY AVENUE PALO ALTO, CA 94301	^	^ X	^	^
PALO ALTO INVESTORS 470 UNIVERSITY AVENUE PALO ALTO, CA 94301	^	^ X	^	^
Palo Alto Investors, LLC 470 UNIVERSITY AVENUE PALO ALTO, CA 94301	^	^ X	^	^

## Signatures

/s/ Anthony Joonkyoo Yun	10/11/2012
__Signature of Reporting Person	Date
/s/ William Leland Edwards	10/11/2012
__Signature of Reporting Person	Date
/s/ Scott R. Smith, Chief Compliance Officer, Palo Alto Healthcare Master Fund, L.P., By: Palo Alto Investors, LLC, General Partner, By: Palo Alto Investors, Inc. Manager	10/11/2012
__Signature of Reporting Person	Date
/s/ Scott R. Smith, Chief Compliance Officer, Palo Alto Healthcare Master Fund II, L.P., By: Palo Alto Investors, LLC, General Partner, By: Palo Alto Investors, Inc. Manager	10/11/2012
__Signature of Reporting Person	Date
/s/ Scott R. Smith, Chief Compliance Officer, Palo Alto Healthcare Fund, L.P., By: Palo Alto Investors, LLC, General Partner, By: Palo Alto Investors, Inc. Manager	10/11/2012
__Signature of Reporting Person	Date
/s/ Scott R. Smith, Chief Compliance Officer, Palo Alto Healthcare Fund II, L.P., By: Palo Alto Investors, LLC, General Partner, By: Palo Alto Investors, Inc. Manager	10/11/2012
__Signature of Reporting Person	Date
/s/ Scott R. Smith, Chief Compliance Officer, Palo Alto Investor, Inc., By: Palo Alto Investors, LLC, General Partner, By: Palo Alto Investors, Inc. Manager	10/11/2012
__Signature of Reporting Person	Date
/s/ Scott R. Smith, Chief Compliance Officer, Palo Alto Investor, LLC., By: Palo Alto Investors, LLC, General Partner, By: Palo Alto Investors, Inc. Manager	10/11/2012

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Held directly by Palo Alto Healthcare Master Fund, L.P. ("Healthcare Master"). The Series A Convertible Preferred Stock is currently convertible into Common Stock and the Warrant is exercisable for shares of Series A Convertible Preferred Stock, which could be immediately converted into 877,975 shares of Common Stock. The conversion and exercise terms and assumptions are further described below. The Expiration Date is only applicable to the shares subject to the Warrant. Healthcare Master disclaims beneficial ownership of the reported securities except to the extent of their respective pecuniary interest therein.
- (2) Held directly by Palo Alto Healthcare Master Fund II, L.P. ("Healthcare Master II"). The Series A Convertible Preferred Stock is currently convertible into Common Stock and the Warrant is exercisable for shares of Series A Convertible Preferred Stock, which could be immediately converted into 1,318,861 shares of Common Stock. The conversion and exercise terms and assumptions are further described below. The Expiration Date is only applicable to the shares subject to the Warrant. Healthcare Master II disclaims beneficial ownership of the reported securities except to the extent of their respective pecuniary interest therein.
- (3) Held indirectly by Palo Alto Healthcare Fund L.P. ("Healthcare LP"), which owns 87.59% of the limited partnership interests in Healthcare Master. Healthcare LP disclaims beneficial ownership of the reported securities.
- (4) Held indirectly by Palo Alto Healthcare Fund II L.P. ("Healthcare II LP"), which owns 79.79% of the limited partnership interests in Healthcare Master II. Healthcare LP II disclaims beneficial ownership of the reported securities.
- (5) Palo Alto Investors, LLC ("PAI LLC") is the General Partner of Micro Cap Partners, L.P. ("Micro Cap"), Healthcare Master, Healthcare Master II, Healthcare LP and Healthcare II LP. Palo Alto Investors, Inc. ("PAI Corp") is the manager of PAI LLC.
- (6) Anthony Joonkyoo Yun, M.D. is the President of PAI LLC and PAI Corp. William Leland Edwards is the controlling shareholder of PAI Corp.
- (7) Each of PAI LLC, PAI Corp, Dr. Yun and Mr. Edwards may be deemed to beneficially own the Common Stock, Series A Convertible Preferred Stock and Warrants owned directly by Healthcare Master and Healthcare Master II, and beneficially owned indirectly by Healthcare LP and Healthcare II LP. Reported holdings include the following held directly by Micro Cap, Healthcare Master and Healthcare Master II: Microcap -- 750,191 shares of Common Stock, 272,152 shares of Common Stock acquirable immediately upon conversion of Series A Convertible Preferred Stock, and an exercisable Warrant for 6,450 shares of Series A Convertible Preferred Stock, which could be immediately converted into 81,645 shares of Common Stock; [To be continued in Footnote (8)]
- (8) Healthcare Master -- 1,216,563 shares of Common Stock, 2,926,582 shares of Common Stock acquirable immediately upon conversion of the Series A Convertible Preferred Stock, and an exercisable Warrant for 69,360 shares of Series A Convertible Preferred Stock, which could be immediately converted into 877,975 shares of Common Stock; and Healthcare Master II -- 1,668,230 shares of Common Stock, 4,396,202 shares of Common Stock acquirable immediately upon conversion of the Series A Convertible Preferred Stock, and an exercisable Warrant for 104,190 shares of Series A Convertible Preferred Stock, which could be immediately converted into 1,318,861 shares of Common Stock. Each of PAI LLC, PAI Corp, Dr. Yun and Mr. Edwards disclaims beneficial ownership of the reported securities except to the extent of their respective pecuniary interest therein.
- (9) The initial conversion price of Series A Convertible Preferred Stock into common stock is \$2.91. If shares of Series A Convertible Preferred Stock are voluntarily converted by Micro Cap, Healthcare Master or Healthcare Master II prior to or on June 30, 2013, however, the conversion price from Series A Preferred into common stock is \$3.16. Accordingly, the amounts shown assume a conversion price of \$3.16. The conversion price of the Series A Convertible Preferred Stock is subject to adjustment upon the occurrence of certain events. The conversion price shall be \$3.16 if the National Institute for Health and Clinical Excellence in the United Kingdom ("NICE") issues final guidance (following the review of a Patient Access Scheme (as commonly used by NICE) if required) recommending ILUVIEN (a "Positive Guidance") provided that such Positive Guidance is issued on or before June 30, 2013. [To be continued in Footnote (10)]
- (10) The conversion price shall be \$2.66 if (i) NICE does not issue Positive Guidance by June 30, 2013; (ii) NICE issues final unappealable guidance (following the review of a Patient Access Scheme) failing to recommend ILUVIEN ("Negative Guidance"); or (iii) if Alimera Sciences, Inc. ceases to seek NICE approval of ILUVIEN. The conversion price shall remain \$2.91 if, prior to the issuance by NICE of Positive Guidance and the issuance by NICE of Negative Guidance by July 1, 2013,, the shares of Series A Convertible Preferred Stock are automatically converted or there is a liquidation transaction as provided in the Certificate of Designation of Alimera Sciences, Inc., filed on October 1, 2012.
- (11) The amount or number of shares reported herein reflects the amount or number of shares of Series A Convertible Preferred Stock that may be acquired at an exercise price of \$44 per share. Additionally, at the election of the holder, the Warrants provide for the option to purchase shares of Common Stock at an exercise price of \$44 divided by the number of shares of Common Stock then issued or issuable upon conversion of one share of Series A Convertible Preferred Stock. [To be continued in Footnote (12)]

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If the holder elects to exercise the Warrant to purchase common stock, it would be entitled to purchase up to the number of shares of Common Stock as would be issuable upon conversion of the shares of Series A Convertible Preferred Stock subject to the Warrant.

- (12) Accordingly, whether the holder elects to exercise its option to purchase Series A Convertible Preferred Stock or Common Stock pursuant to the Warrant, neither the number of shares of Common Stock ultimately acquirable nor the percentage ownership in Alimera Sciences, Inc. would be impacted.
- (13) Series A Convertible Preferred Stock does not have an expiration date.
- (14) Warrant to Purchase Series A Convertible Preferred Stock or Common Stock (right to buy).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.